

**A YEAR LATER: LESSONS LEARNED, PROGRESS  
MADE, AND CHALLENGES THAT REMAIN FROM  
HURRICANE IKE**

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**HEARING**

BEFORE THE

**COMMITTEE ON SMALL BUSINESS AND  
ENTREPRENEURSHIP  
UNITED STATES SENATE**

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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SEPTEMBER 25, 2009

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Printed for the Committee on Small Business and Entrepreneurship



Available via the World Wide Web: <http://www.fdsys.gov>

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U.S. GOVERNMENT PRINTING OFFICE

66-459 PDF

WASHINGTON : 2013

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ONE HUNDRED ELEVENTH CONGRESS

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**A YEAR LATER: LESSONS LEARNED,  
PROGRESS MADE, AND CHALLENGES THAT  
REMAIN FROM HURRICANE IKE**

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**FRIDAY, SEPTEMBER 25, 2009**

UNITED STATES SENATE,  
COMMITTEE ON SMALL BUSINESS  
AND ENTREPRENEURSHIP, AND  
THE COMMITTEE ON HOMELAND  
SECURITY AND GOVERNMENTAL  
AFFAIRS AD HOC SUBCOMMITTEE  
ON DISASTER AND RECOVERY  
*Galveston, TX.*

The Committee met, pursuant to notice, at 1:21 p.m., Galveston Island Convention Center, 5600 Sewall Boulevard, Hon. Mary L. Landrieu (chair of the committee) presiding.

Present: Senator Landrieu.

**OPENING STATEMENT OF THE HONORABLE MARY L.  
LANDRIEU, CHAIR, AND A UNITED STATES SENATOR FROM  
LOUISIANA**

Chair LANDRIEU. Thank you, ladies and gentlemen, and I apologize for the delay. We were waiting for some of our special guests to join us.

I am Senator Mary Landrieu, and I would like to call this field hearing to order. I thank all of you for spending some time this afternoon focused on a very important issue, which is the recovery of this part of the country from the terrible destruction of the Hurricane Ike and to also focus on the procedures, at the federal, state, and local levels that can be improved, particularly with the focus on the federal level today.

We have two distinguished panels with us. Let me begin by welcoming our first panel. We have asked them to keep their testimony relatively brief, but, as the Mayor and I toured Galveston this morning, she said to me, "Senator, I think I am going to need a little bit more than five minutes."

Mayor, you are going to have a little bit more than five minutes today, and let me start by thanking the Mayor and acknowledging her tremendous effort. Since the storm, Mayor Thomas is one of the many local leaders who have really had to stand up and speak forcefully about what needs to be done and continue to lead a very complicated effort.

We are also joined by the——  
[Applause.]

Thank you, Mayor.

The mayor has traveled to Washington several times on your behalf. At one of the meetings I said to her, "Mayor, I will absolutely be in Galveston sometime soon," so I am here today.

I want to also acknowledge our speaker pro tem who is here with us, and I will be asking him to comment in just a moment.

Let me introduce the first panel. These will be very familiar individuals to all of you. Mr. David Callender, President of the University of Texas Medical Branch; Mr. Curtis Gillins, Owner of Y'a Bon Village Coffee House; and Mr. Frank Dryden, Owner of Island Flowers and Boutique.

We have business owners, a leader of a great medical school, a Mayor, and a speaker pro tem that will start our panel in just a moment, but let me give just a brief opening statement as we begin.

Senator Hutchinson and Senator Cornyn could not be with us this afternoon. Senator Hutchinson was with me touring the area this morning. Senator Cornyn is at work in Washington, marking up the health care initiative in the Finance Committee as a member of the Finance Committee, so he apologized for not being here; however, both of their staffs are present.

Also, Congressman Ron Paul has his staff here in the audience and was unable, because of scheduling conflicts, to be with us. I want to acknowledge other elected officials that are in the audience, as well.

Let me begin by saying that I have long wanted to come to Galveston as a resident of New Orleans and as a senator now from the State of Louisiana into my third term, and particularly as I helped to lead our efforts to recovery after Hurricane Katrina, when Ike came ashore, hurting not just Texas, but the Louisiana Coast, as well. I could feel the pain that this community was going through, having basically just gone through it ourselves with Hurricane Katrina. Given that our ports have such similarities, our oil and gas interests, our historic housing, our medical complexes, the loss of the trees and the greenery that we are so proud of along the Gulf Coast, the threat to our beaches, to our tourism industry right here in the wonderful convention center, Mayor, and looking at these grand hotels up and down the coastline, we all need to do a much better job of understanding that we are in the middle of Hurricane Alley. We need to do a better job of hardening our defenses and preparing for storms, but also and equally important, attempting to recover more vigorously as soon as possible because the livelihoods and futures and dreams of our citizens most certainly depend upon it.

As I helped to lead our efforts in the aftermath of Hurricane Katrina, I actually asked to form this Subcommittee of the Homeland Security Committee to form a special committee that could look specifically at the ways our Federal government could better help all communities in America, but with a special emphasis, of course, on the Gulf Coast that sits really in the middle of a hurricane path that can be devastating and it seems, as with these weather patterns, changing.

We can only look forward, unfortunately, to more frequent and more ferocious storms. Making sure that FEMA is working at its

optimal level, that there is coordination at the federal level that really honors and respects the hard work going on at the street level or the local level is important to me, and having our communities work together, sharing before, during, and after each storm on lessons learned, best practices. This hearing is going to focus in large measure on some of those issues today.

I do not have to remind you all that Hurricane Ike's 110-mile-an-hour winds blew off hundreds of rooftops, and water reached levels as high as 20 feet flooding up to 75 percent of Galveston Island and ate through more than 17,000 homes and businesses. Not just the City of Galveston, but other cities in this entire region were impacted. About 20 percent of the residents of this city, representing about 4,000 families, are yet to return to the community because of all sorts of challenges associated either with housing, employment, health, or others.

One of the things that I am hoping to do is to make sure that the Federal government realizes that local communities cannot do this alone and that federal help must be abundant, must be quick, must be reliable, and must be transparent and understandable through all different agencies to help communities like this.

I also want to make sure that there is better coordination between federal agencies, whether it is FEMA, SBA, HUD, Agriculture, or Transportation. We have made some changes in the law and some changes in policy, but we have more to go.

As this is a joint hearing between Homeland Security and Small Business, I also want to focus on the changes that SBA has made and implemented since Hurricane Katrina and to explore a little bit today. Have you all seen improvement here on the ground? We want to hear from our local small businesses.

Another issue: Is the aide coming from Washington to the state and then distributed down to the locals? Is it being distributed on an equitable and objective basis, trying to get those Community Development Block Grant monies actually to the communities and to the neighborhoods that suffered the most damage?

These are just some of the things that we want to explore today, and I am going to submit the rest of my testimony to the record so we can get right onto our panel.

This record of the committee will be open for two weeks. Anyone that wants to submit records for this hearing in writing can be submitted anytime in the next two weeks.

So, Mayor, why do not we begin with you? I understand that the speaker pro tem may have to leave, so, I will go to you next. But, Mayor, why do not we begin with you, and please take as much time as you need. Thank you very much.

[The prepared statement of Chair Landrieu follows:]

**Statement for the Record for Chair Mary L. Landrieu  
for the Small Business Committee/Disaster Recovery Subcommittee Hearing**

**September 25, 2009**

**“A Year Later: Lessons Learned,  
Progress Made, and Challenges That Remain After Hurricane Ike”**

**Introduction**

Before we begin, I would like to thank Galveston Mayor Lyda Ann Thomas for participating in today's hearing. Mayor Thomas and her staff have also been extremely helpful in helping our committee organize the tour of Galveston this morning. Texas House of Representatives Speaker pro Tempore Craig Eiland is also joining us on the first panel. I would like to thank the Speaker pro Tempore for his service to this area as he represents Texas House District 23 which includes Galveston. Lastly, I understand that Galveston County Commissioner Stephen Holmes is in the audience and recognize that he is representing Galveston County at today's hearing.

Unfortunately, U.S. Senator Kay Bailey Hutchison, U.S. Senator John Cornyn, and Congressman Ron Paul could not attend the hearing today. Our committee has worked closely with them in organizing this hearing over the past few months and I understand their staff is in the audience today. I would like to thank them for their assistance and note that each of them has submitted statements for the hearing record. We have also received statements from several local organizations. I will include these materials in the record along with any statements that we receive following the hearing. The record will remain open for two weeks.

**Building Stronger and Better**

Hurricane Ike came ashore on September 13<sup>th</sup>, 2008 as a Category 2 storm with winds up to 110mph. The storm pushed ahead of it a massive wall of water 20 feet high that damaged more than 45,000 homes. The storm's \$24 billion toll makes it the third costliest in U.S. history behind Katrina and Andrew. Ike claimed 103 American lives, and 26 people are still missing. The impact on Galveston was severe. 75 percent of the island was inundated, and more than 17,000 homes and businesses suffered damage.

As I mentioned, I spent the morning touring the island with Mayor Thomas and Senator Hutchison. It is apparent that a great deal of cleanup and restoration work remains to be done. 20 percent of Galveston's residents still have not returned. While the Galveston County Chamber of Commerce estimates that 75 percent of the area's businesses have reopened, most are only operating at 70 percent of their pre-storm level and 180 have closed permanently.

According to the research of my committee staff, this hearing is the first Congressional hearing held in Galveston since Hurricane Ike struck the Texas Gulf Coast last year. There have of course been numerous hearings in Washington, DC which focused on this disaster, but today's field hearing is the first actually held in Galveston itself. With this in mind, we are here today to review the progress and challenges that have emerged in the year that has passed since Ike made landfall. We also want to determine what steps must be taken at all levels of government to bring back displaced residents, repair homes and businesses, and full restore the vitality to this historic Texas community and region.

### **Federal Response**

Following major and catastrophic disasters like Katrina, Rita, or Ike, local communities cannot go it alone. Recovery requires a coordinated Federal effort: the Federal Emergency Management Agency (FEMA), U.S. Department of Housing & Urban Development (HUD), the Small Business Administration (SBA), and other agencies like the Economic Development Administration of the U.S. Department of Commerce must be on the same page. Communities also need good coordination between their Federal and State partners. However, as residents in my state told me after Katrina, aid is hard to get and slow to come. A senseless bureaucratic maze of paperwork can get in the way, as victims are directed from one agency to another only to find none of the agencies will help.

Kathy Simmons is a business owner that navigated this Federal bureaucracy and has yet to find assistance. Kathy runs the Galveston Alternative Education Center, a school of 42 students who are either not allowed or choose not to attend public school. Many of Kathy's students go from probation to community college with her help. Ike demolished Kathy's school and washed away the supplies. FEMA turned her away, directing Kathy to the SBA. SBA said that they do not loan money to schools. Kathy's school finally found a temporary home in St. Vincent's House, but she's struggling to keep it open. Kathy represents the essence of what it means to never give up. As she told my staff: 'How could she give up? This is the last chance for these kids. Everyone else has written them off.' I am here today to see why people like Kathy and her students have fallen through the cracks – and why countless others are still waiting for help to pull through.

After Katrina and Rita, the Federal response was slow; planning was insufficient, and staff and funding came up short. For example, following the 2005 storms, it took SBA 90 days to process a home loan and 70 days to process a business loan. After this woeful performance, I pushed for a change in SBA leadership and changes in the way they respond to disasters. In 2006, a new SBA Administrator, Steve Preston, took over and, at my request, he implemented a new SBA Disaster Response Plan in time for the 2007 hurricane season. I submit for the record a copy of this new response plan. This plan is a major improvement over the unwieldy, bureaucratic procedures that guided SBA post-Katrina/Rita. I also understand that SBA will be submitting to Congress in the next few weeks 2009 revisions to the Disaster Response Plan. I look forward to reviewing these changes in the event that additional improvements are needed.

Last year, as part of the 2008 Farm Bill, Congress also passed legislative reforms to SBA's disaster programs. These reforms, along with other key improvements: 1) increased SBA loan limits from \$1.5 million to \$2 million; 2) created new tools such as bridge loans or private disaster loans following catastrophic disasters; 3) required coordination between FEMA, SBA, and the IRS; and 4) allowed nonprofits, for the first time, to be eligible for SBA economic injury disaster loans. Earlier this year, our committee heard testimony from local officials in southwest Louisiana that SBA was better prepared and more responsive following Gustav and Ike. As evidence of this, I note that it took 5 days to process a home loan following Ike, compared to the 90 days after Katrina and Rita. Business loans averaged a little over a week to process, compared to the 70 days in 2005.

However, while agencies have seen improvements since the 2005 storms, I know that my committee still has work to do. While SBA is processing loans faster, there are still complaints from disaster victims on paperwork and bureaucracy. For example, as of August 31, SBA had received about 2,400 business applications for disaster assistance in Galveston County. 536 of those applications were approved for \$84 million but, to date, only \$24 million has been disbursed for 280 of these loans. SBA has yet to implement a few of the remaining 2008 disaster reforms so I would like to know if these reforms could improve loan approvals and disbursements.

### **Recovery Challenges**

In regards to FEMA, to date the agency has provided \$2.5 billion in assistance across Texas in response to Hurricane Ike, including \$677 million to the Galveston area. 13,000 area residents are receiving temporary housing assistance from the agency, and \$150 million in Public Assistance funding has been obligated to restore the campus of the city's largest employer – the University of Texas Medical Branch. But significant staffing, policy, and coordination challenges remain.

First, FEMA closed its Joint Field Office in Texas City on September 4<sup>th</sup>, and while some staff remains in the area, many have returned to the Region VI office in Denton, Texas. I would note that this office is about 7 hours away. UTMB estimates that it has an additional 900 Project Worksheets that must be written in coordination with FEMA, and other public entities in the area have hundreds more. With so much work still to be done in the Houston-Galveston area, it is critical that FEMA maintain a robust presence in the field to facilitate communication and avoid delays.

Next, FEMA is not doing as much as it could to provide sufficient temporary housing in the Galveston area. Congress gave the agency authority to repair existing rental units back in 2006, but FEMA only restored one 32-unit building here after Hurricane Ike. FEMA has also opted not to employ waiver authority that would allow mobile homes to be placed in high velocity flood zone ("V-Zones") around the island on a temporary basis. DHAP-Ike has provided many residents with vouchers that can be used to obtain rental housing, but without sufficient repair efforts to boost supply, that program cannot meet the demand for affordable

rental units on its own. As a result of these factors, many hospitality industry workers have migrated to Houston, and the consequent workforce shortage is hurting local businesses.

Furthermore, funding disputes between Federal agencies have also delayed work on several critical projects. One example is the Pelican Bridge, which connects Pelican and Galveston Islands to one another. Both FEMA and the Federal Highway Administration have post-disaster repair authority, but the lack of coordination between the two seems to be a significant factor behind the slow progress on restoring this critical roadway and its onramps.

I also believe that State officials must fairly distribute recovery funds and provide adequate technical assistance and advocacy support to local users of Federal programs. Continued engagement by the State's mitigation officer and deployment of sufficient, trained, and knowledgeable state staff to the Galveston area are important to the region's recovery. There are also concerns which exist over the formula used by the Texas Department of Rural Affairs (TDRA) to allocate over \$3 billion in Community Development Block Grant (CDBG) funds appropriated by Congress to support recovery from damaged caused by Ike and Dolly. The committee will review the impact of this formula on recovery in Texas communities. In particular, the State has proposed a change in the way it intends to allocate the second round of funding from this \$3 billion tranche. With this in mind, I intend to ask Judge Eckels about the reason behind that formula modification and its resulting impact on the Galveston area and other parts of the state that were heavily damaged by last year's storms. On this issue, I am submitting for the record a September 24, 2009 letter from the Houston-Galveston Area Council to the Executive Director of TDRA, expressing concerns over this change in the formula.

#### **Recent Legislation to Advance Recovery**

In conclusion, I want to briefly mention two pieces of Federal legislation that will provide some additional support and flexibility to state and local officials who are working to rebuild. The first is a provision that was included in the 2009 Emergency Supplemental Appropriations bill enacted this summer. This provision waives the State and local cost-share requirement for debris removal and emergency protective measures through March of 2010, and authorizes full Federal funding for projects in both categories.

The second is an amendment that I successfully added, with help from Senators Cornyn and Hutchison and the two Senators from Iowa, to the FY2010 Transportation HUD Appropriations bill. This provision was adopted in the Senate last week. The amendment allows Texas and 10 other states to use CDBG funding that they received for 2008 disasters to satisfy matching requirements under other Federal programs, in order to support home elevations, beach restoration, school reconstruction, and other recovery projects. The House of Representatives must agree before this provision becomes law, but if enacted, it will provide Texas communities greater discretion and flexibility in how they use their \$3 billion allotment for housing, neighborhood revitalization, infrastructure, and economic development. I want to note that these two legislative solutions are just the type of change we in Washington should be bringing to devastated areas like Galveston – common sense, community-focused solutions.

As Chairman of both the Senate Small Business Committee and the Senate Disaster Recovery Subcommittee, I am committed to make the Federal aid process simpler and quicker. I am also focused on improving coordination among Federal, State and local agencies. While there have been improvements since Hurricanes Katrina and Rita, getting help to Galveston's homeowners and businesses should not take as long as it has, nor should it be as difficult as it has been.

I look forward to hearing the testimony today from Federal, State, and local officials on how their agencies are working together to rebuild Galveston and the Texas Gulf Coast. I also am interested hearing from the two local business owners who will provide testimony on the challenges and opportunities they have faced in the aftermath of Hurricane Ike.

**STATEMENT OF THE HONORABLE LYDA ANN THOMAS, MAYOR  
OF GALVESTON, TEXAS**

Mayor THOMAS. Thank you very much, Senator, and thank you for the opportunity that you are giving all of us to meet with you today, and we did enjoy meeting with Senator Hutchison this morning, and Senator Cornyn spoke to me earlier this morning. I am sorry that they are not able to be here, but I do want to express my thanks on behalf of the city to each of them and to our Texas Delegation, as well.

The topic that you have chosen, I think, is timely. The topic is: A Year Later, Lessons Learned and Progress Made and Challenges That Remain from Hurricane Ike.

In Galveston, we do not say if a storm comes, but when. Galveston was as prepared as we could be for Ike's wind and rain. It was his surge that swamped our city, damaging 75 percent of our homes and businesses. Surging flood waters ripped into our aging infrastructure. Our sewage, wastewater treatment, and water plants, the city's and the economy's underpinnings were either damaged or destroyed.

John Sealy Hospital and the entire University of Texas Medical Branch could not function without proper water and sewage delivery. Had necessary city infrastructure been repaired proactively as a part of planned mitigation by the city and UTMB with FEMA before the storm or expeditiously after the storm, it is possible that the hospital and UTMB would not have been threatened with drastic downsizing and subject to the turmoil it went through to recover. Nor would the city's business interests have suffered the shock of economic disaster threatened by UTMB's downsizing. Ike taught us that time is at essence and that time is money.

Minimal public health and safety requirements absolutely delayed the return of our citizens, including business owners and operators, for a vital 10 days, during which time mold took hold, rust set in, and ground-floor furnishings, equipment, wallboard, electrical outlets, and shop inventories were destroyed.

Because FEMA requires that the city conduct a Residential Substantial Damage Estimate Program which takes several months to complete and costs approximately \$1 million, the city recommends to you that FEMA include this as a precontracted, reimbursable item, as treated in the Stafford Act. It is called for and it is allowed in the Stafford Act.

Galveston is proud to say that we have a number of preconditioned contracts, and, in the future, we would like this one to be added to our list and paid for by FEMA. The City has tried to convince FEMA that, aside from quick fixes, it is more cost effective as soon as possible to redo a whole system at one time rather than piecemeal, as has happened at our Main Wastewater Treatment Plant and our airport pump station.

To harden our infrastructure, the city must comply with the Texas Commission on Environmental Quality standards. We could do that if FEMA followed the provision in its rules that it will pay to reconstruct to new codes and standards.

There are many faces of FEMA: The friendly, helpful Johnny on the spot rescue and response FEMA, the ever-changing faces of the FEMA occupying army of bureaucrats, the arbitrary rule-making,

changing, deadline-setting and resetting again and again, and always at the last minute FEMA, and the nay-saying, penny-pinching FEMA that stands in the way of all the help FEMA is supposedly there to provide.

The good intentions of FEMA's hundreds of representatives over the last 12 months cannot be questioned. They were here, and they did what they could. Especially Brad Harris and Jerry Stoller and Jim Feinman. They did not fail the system; it failed them, and us, in the process.

What is required is consistency and coordination of command with decision-making authority on the ground, and dispersal of necessary funds upfront to get the job done before the costs mount. You are fulfilling a vital part of the Stafford Act, which calls for a standard of review, and I quote, "The President shall conduct annual reviews of the activities of federal agencies and state and local governments in major disaster and emergency preparedness and in providing major disaster and emergency assistance in order to assure maximum coordination and effectiveness of such programs and consistency in policies for reimbursement of States under this Act."

There has been an abysmal lack of coordination and effectiveness of programs. UTMB and the city operated with two different FEMA teams in two different universes. FEMA failed to clarify for itself or the city exactly where its jurisdiction began and ended.

Examples are the confusion over repair and reconstruction of the Pelican Island Bridge and responsibility for our traffic signals, including school zone signals. FEMA thought they were responsible. Months later, it was discovered that the Federal Highway Administration has jurisdiction over the Pelican Island Bridge and our traffic signals.

Now, with HUD CDBG disaster funding finally beginning to flow into city coffers, FEMA is indicating that it might pull back some of its funding to honor its role as "the funding source of last resort." FEMA should be our first funding source, with the CDBG a vital backup for housing, infrastructure, and economic development.

Now, in light of Katrina and Rita, the city looks to the standard of "consistency in policies for reimbursement of states," and Galveston has earned your trust. We are aware that there is a discrepancy in the programs and especially the 100 percent reimbursement for all categories of FEMA public assistance granted to Katrina victims.

The surge destroyed our urban forest, which we consider part of our infrastructure. An estimated 40,000 trees, providing protection from coastal erosion, energy efficiency, reduced carbon emissions, as well as beauty, and you were able to see those trees this morning.

It would be cost effective for FEMA to remove the thousands of dead trees. Why piecemeal this project? Not only to remove the trees, but to also pay for the stump-grinding, which they have left in place, and planting of their replacements, and we ask FEMA to consider this request for Galveston.

Finally, the challenge for the growth in the future and for development of our Gulf Coast Region could be met by three major undertakings by the Federal government.

One is the release of 600 acres of seawall-protected land that could be on the city's tax rolls that the Corps of Engineers has used for dredge spoils over the last century.

Two is the support of Galveston-Houston efforts to construct shoreline protection for the Texas Gulf Coast. And, three, to provide funding for high-speed commuter rail between Galveston and Houston.

As we recover and move into the future, we must consider the challenges that we face for the future, and those are three of them, and we will appreciate federal help and support.

The written testimony that is attached will amplify my statement here and provide further recommendations. And, again, Senator, thank you for this opportunity to speak to you today.

[The prepared statement of the Mayor Thomas follows:]

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WRITTEN TESTIMONY

of

Lyda Ann Thomas, Mayor, City of Galveston, Texas  
Before the U.S. Senate Committee on Small Business and  
Entrepreneurship

On Friday, September 25, 2009, at 1:00 pm, at the  
Galveston Island Convention Center, 5600 Seawall  
Boulevard  
Galveston, Texas

Senator Landrieu and Distinguished members of the  
Committee:

Welcome to Galveston, Texas the birthplace of our  
Senator Kay Bailey Hutchison and the proud survivor of two of  
America's most devastating hurricanes, the 1900 Storm which  
took 8,000 lives and Hurricane Ike which ranks behind Katrina  
and Andrew as the third most costly storm to sweep our  
shores.

The topic you have chosen is timely:

“A Year Later: Lessons Learned and Progress Made, and Challenges that Remain from Hurricane Ike.”

While we have much to be proud of in our recovery and even more to be grateful for, especially to you and to the committees you have chaired and to our Senators Hutchison and Cornyn and our entire Texas Delegation, many still struggle putting their lives and their businesses back in satisfactory working order. To put it another way, FEMA, the SBA, HUD and the FHWA as well as the State are still much needed in our community. Indeed, the extent to which the City, its citizens and its businesses can access the programs and dollars these federal and state agencies command will to a large part determine whether Galveston, Texas will rebound to heights yet unseen and a future secure for generations to come.

In Galveston, we don't say if a storm comes, but when. Galveston was as prepared as we could be for Ike's wind and rain. It was his surge that swamped our city, damaging 75 % of our homes and businesses. Surging flood waters ripped into our aging infrastructure. Our sewage, wastewater treatment and water plants, the city's and the economy's underpinnings, were either damaged or destroyed.

John Sealy Hospital and the entire University of Texas Medical Branch could not function without proper water and sewage delivery. Had necessary City infrastructure been

repaired pro-actively as a part of planned mitigation by the City and UTMB with FEMA before the storm or expeditiously after the storm, it is possible that the hospital and UTMB would not have been threatened with drastic downsizing and subject to the turmoil it went through to recover. Nor would the city's business interests have suffered the shock of economic disaster threatened by UTMB's down-sizing.

Ike taught us that time is at essence and that time is money.

Minimal public health and safety requirements absolutely delayed the return of our citizens, including business owners and operators, for a vital ten days, during which time, mold took hold, rust set in and ground- floor furnishings, equipment, wallboard, electrical outlets and shop inventories were destroyed.

Because FEMA requires that the City conduct a Residential Substantial Damage Estimate Program which takes several months to complete and costs approximately one million dollars, the City recommends that FEMA include this as a pre-contracted reimbursable item as treated in the Stafford Act, Subtitle F - Sec, 691. Advance Contracting (6U.S.C. 791).

The City has tried to convince FEMA that aside from quick fixes, it is more cost effective as soon as possible to redo a whole system at once rather than piecemeal, as has happened

at our Main Wastewater Treatment Plant and our airport pump station. To harden our infrastructure, the City must comply with the Texas Commission on Environmental Quality standards. We could do that if FEMA followed the provision in its rules that it will pay to reconstruct to new Codes and Standards.

There are many faces of FEMA: 1) the friendly, helpful “Johnny on the Spot” rescue and response FEMA; 2) the ever-changing faces of the FEMA occupying army of bureaucrats; and 3) the arbitrary rule-making and changing, deadline setting and resetting, again and again – and always at the last minute FEMA and 4) the nay-saying, penny-pinching FEMA that stands in the way of all the help FEMA is supposedly there to provide.

The good intentions of FEMA’s hundreds of representatives over the last 12 months could not be questioned. They did not fail the system; it failed them, and us, in the process. What is required is consistency and coordination of command with decision-making authority on the ground, and dispersal of necessary funds upfront to get the job done before costs mount.

For all of the destruction, the complicated red tape the City and the citizens were obligated to deal with in order to take the simplest first steps toward recovery -- for all the delay and frustration sapping our energies and efforts –

Galvestonians to this day have hung tough and together, exercised patience mixed with persistence, and continued to keep faith with FEMA and in themselves in the belief that this federal government of ours has not lost sight of the needs of the City or its citizens. Your presence here today is proof of that. You are fulfilling a vital part of the Stafford Act which calls for a Standard of Review (Sec. 313) (42U.S.C. 5156) which states that

“The President shall conduct annual reviews of the activities of Federal agencies and State and local governments in major disaster and emergency preparedness and in providing major disaster and emergency assistance in order to assure maximum coordination and effectiveness of such programs and consistency in policies for reimbursement of States under this Act.” (underlining is mine.)

There has been an abysmal lack of coordination and effectiveness of programs. UTMB and the City operated with two different FEMA teams in two different universes. FEMA failed to clarify for itself or the City exactly where its jurisdiction began and ended. Examples are the confusion over repair and reconstruction of Pelican Island Bridge and responsibility for our traffic signals, including school zone signals. FEMA thought these were their responsibility. Months later, it was discovered that the FHWA has jurisdiction. Now with HUD CDBG disaster

funding beginning to flow into City coffers, FEMA is indicating that it might pull back some of its funding to honor its role as “the funding source of last resort.” FEMA should be our first funding source, with the CDBG a vital backup for housing, infrastructure and economic development.

In light of Hurricanes Katrina and Rita, the City looks to the standard of “consistency in policies for reimbursement of States.” Galveston has earned your trust. We are aware that there is a discrepancy in the programs and especially the 100% reimbursement for all categories of FEMA public assistance granted to Katrina victims.

The Surge destroyed our urban forest which we consider our infrastructure, an estimated 40,000 trees, providing energy efficiency, reduced carbon emissions, as well as beauty. It would be cost effective for FEMA not only to remove the thousands of dead trees but to also pay for the planting of their replacements.

Finally, the challenge for the future growth and development of our Gulf Coast Region could be met by three major undertakings by the federal government. One, is the release of 600 acres of seawall- protected land that the City loaned the Corps of Engineers for dredge spoils in the last century. Two, is the support of Galveston – Houston efforts to construct shoreline protection for the Texas Gulf Coast, and

three, to provide funding for high-speed commuter rail between Galveston and Houston.

The written testimony that is attached will amplify my statement here and provide further recommendations.

Thank you for this opportunity to meet with you.

Chair LANDRIEU. Thank you, Mayor, for that clear presentation.  
[Applause.]

Thank you, Mayor, for that clear presentation and excellent suggestions.

Let me now turn to State Senator Craig Eiland, speaker pro tem. Thank you very much.

**STATEMENT OF THE HONORABLE CRAIG EILAND, A TEXAS  
STATE REPRESENTATIVE FROM DISTRICT 23**

Representative EILAND. Thank you, Senator, and thanks to your brother, the Lieutenant Governor of Louisiana, for all of his help in our time of need, as well.

I am going to be very brief today. To me, it is always important that FEMA remembers that the “E” in their name stands for emergency, not eventually.

[Laughter.]

And that often times seems to be an issue. It is not the people, because, like she said, we have great people down there working for us, but it is the system and the process that slow things down.

One issue that came to light early on is that jurisdictions do not matter after disaster. The prime example was in debris cleanup. The City of Galveston has a preposition to contract, the State, for some inexcusable reason, did not, and, so, when the debris was all over our streets, city streets could be picked up by the city contractor and the streets cleaned of debris, but those same contractors could not pick up debris on state roads within the City of Galveston. And, so, Broadway was trashed, the side streets were clean. So, if the people on Broadway pushed their debris out the side door, it got picked up. If it was pushed out the front door, it sat there rotting for actually over 45 days.

That was inexcusable in the State of Texas not to have a debris contractor prepositioned, but it is also ridiculous to have such jurisdictional issues so that people have to wonder is this a state highway, is this a county road, or is this a city street to know who can pick the debris and get reimbursed.

Second, insurance. Under FEMA is the Federal Flood Program. We have to have coordination among our states and the Federal government on insurance. State cat pools or catastrophe plans—it is called Texas Windstorm Insurance Association of Texas. When somebody thinks they have “full coverage,” they go to their insurance agent and say how much does it cost so I am insured for everything? They pay that, they have to have one policy for windstorm, one policy for homeowner’s, one policy for flood, and they think they are covered.

Well, here comes the storm with wind and flood, and then they realize they are not covered for everything because the flood program says it is wind, the wind insurance says it is the flood, and then there is mismatched coverage because if it is wind, you can get alternative living expenses when you are out of the house, if it is flood, you do not. If you are a business, you can buy business interruption insurance for wind, but you cannot buy it for flood, so, you do end up caring which one it is because it impacts what coverages you have. That needs to be coordinated because, at the end of the day, the constituent, the policyholder just wants to get fixed

and back in place, and let the state and Federal government fight over whether it was wind or flood as opposed to the homeowner fighting over whether it was wind or flood because they were not there. They evacuated.

Same issue is, the Federal government, we need to have a backstop to our state plans. Louisiana has a state plan; Texas has a state plan, Mississippi, Florida. It would be very good if we could have some type of federal coordination to back up so that we are not all trying to prepare for the worst case scenario because that gets rather expensive for all of us. We could all go to some type of standard, and then have the Federal government back that up with the federal backup or backstop like we do with terrorism insurance, that would be beneficial to everybody.

And then, finally, these are two real kind of practical suggestions. We have had Rita and Ike hit especially the Beaumont and Chambers County area. It might be good if we had the Blue Tarp Program to change colors every storm season so that we would know that hey, there is still damage in this community from Rita three years ago that has not been repaired as a reminder to us instead of it all looking blue tarps, and we are not knowing if they are still damaged.

Chair LANDRIEU. Excellent idea.

Representative EILAND. And when there are hoards of FEMA people here, and I did not realize the multiple jurisdictions, the multiple responsibilities that all those people have because they all just wear a windbreaker or a cap that says FEMA, and then you want to go talk to them about debris, well, I do not do debris. Or I only do debris in the water. I do not do debris on the land. You are like well, then put that on your shirt or your windbreaker.

[Laughter.]

Chair LANDRIEU. Identify yourself.

Representative EILAND. Identify yourselves. We know you are FEMA. What part of FEMA? What can you help with, so that we will know who to run around to and ask. Either that or do not wear the windbreaker.

Chair LANDRIEU. Excellent suggestion, and I will take that directly back to Craig Fugate, the new FEMA Administrator, who is very experienced on the ground, from Florida, knowledgeable, and is trying to put some of these practical suggestions in place.

Thank you very, very much, and I know if you have to slip out, please.

Mr. David Callender.

Dr. CALLENDER. Thank you, Senator. My mom would want you to know that I am also a medical doctor.

Chair LANDRIEU. Doctor. Sorry. Doctor.

**STATEMENT OF DAVID L. CALLENDER, MD, MBA, FACS, PRESIDENT, THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON**

Dr. CALLENDER. My first calling actually is as a physician and surgeon, and, from that perspective, I know what it looks like when people cannot get access to the care that they need. And that is what happened here after Ike's passage.

The storm had a profound impact on our institution. I think you got to see an element of some of the damage that remains today. If you include the business interruption losses, the value of the damage is over \$900 million.

Our campus consists of about 7 million square feet of buildings, and over 1 million square feet of first floor space was damaged by flooding. Thanks to heroic efforts on the part of our people, our recovery has progressed more quickly than anyone expected, and I can certainly assure you that our outlook today is much more positive than it was a year ago.

I do want to express my deep appreciation for the tremendous effort put forward by all agencies of the Federal government to help UTMB recover and rebuild. And, as Speaker Pro tem Eiland and Mayor Thomas mentioned, the individuals themselves have done, I think, as much as they can or could within the confines of the FEMA process. It is the process that we think needs attention.

I mentioned to you earlier. I described an anecdote about our recovery. A couple of weeks after the senior FEMA claims writer had been on our campus, he looked around and estimated the amount of damage that was present. Now, we are months later, and almost 4,000 project worksheets into the process, and the amount that damage that we have is pretty darn close to what that estimator first said it would be.

So, what is the holdup? What could be done to improve the process to allow funds to flow more quickly and to allow places like UTMB that offer critical services, oftentimes to people that cannot get them elsewhere, get back on their feet as quickly as possible?

I also want to echo the mayor's concern about the basic infrastructure that supports our city. It needs to be sufficiently restored not only to help the citizens of the City of Galveston, but UTMB. And, of course, I am talking about services that we often take for granted: water flow, waste water treatment, natural gas, and electricity flows.

Certainly thanks to FEMA in a large part and the State of Texas and some great supporters we know, we have been able to develop and resource a plan to harden our facilities at UTMB against floods and windstorms. But that is not going to do anybody much good if the City of Galveston's infrastructure is not also similarly hardened.

So, we suggest going forward that there be much closer coordination and communication between the FEMA teams assigned to UTMB and the City of Galveston. The major focus would be the process and plans for the rebuilding of that critical utilities' infrastructure that supports both entities. A more holistic view of the infrastructure restoration would be most beneficial, and may even reveal ways to create greater efficiency in funding the recovery process.

Finally, one of Hurricane Ike's silver linings has been the renewed awareness of UTMB's importance to our region's health care system and economy. We are very thankful to the investment that you all in Washington are making in our recovery, which will allow us to continue our 118-year tradition of serving the health needs of Texas and the Gulf Coast in general. We certainly want you to consider ways that you can ensure that an aging municipal infra-

structure's recovery can proceed unfettered and that our own recovery is not hindered in any way.

Again, thank you for the opportunity to speak to you today, and thank you for all of your efforts to help all of us who live along the Gulf Coast.

[The prepared statement of Dr. Callender follows:]

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Testimony of

**President David L. Callender, MD, MBA, FACS  
The University of Texas Medical Branch at Galveston**

before a hearing of the

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

on

**“A Year Later: Lessons Learned and Progress Made after Hurricane Ike”**

September 25, 2009

Senator Landrieu and members of the Senate Committee on Small Business and Entrepreneurship, I appreciate the opportunity to share the perspective of The University of Texas Medical Branch on Hurricane Ike as we enter our second year of recovery from the storm.

Before assuming the presidency of Texas' first medical school and academic health center, I served as CEO of the UCLA Health System and, prior to that, as Executive Vice President and Chief Operating Officer at the UT MD Anderson Cancer Center. In these positions, I played a key role in helping both institutions formulate responses to and plan for the threat of natural disasters. I can honestly say that I have never been prouder to be part of an institution than I am of my association with UTMB.

Clearly, Hurricane Ike had a profound effect on UTMB. More than 1 million square feet of first-floor space sustained damage from salt water flooding. This included critical components of our health system—a major source of revenue for an academic medical center that is Galveston County's largest employer.

Our recovery has proceeded more quickly than anyone expected and I can assure you our outlook today is infinitely more positive than it was a year ago. The written testimony we have submitted for the record goes into greater detail about UTMB's progress and what we have learned from this experience. I want to take this opportunity to express the university's deep appreciation for the tremendous effort put forth by the federal government to make resources available to help UTMB recover and rebuild after Hurricane Ike.

The people who staff agencies such as FEMA have been spectacular in their efforts to help us get back on our feet and move beyond the storm. And we have been gratified to find agencies not normally thought of as having a disaster relief mission offering to help us. One example is the willingness on the part of the National Institutes of Health to extend grant deadlines so that our researchers would not be disadvantaged by Hurricane Ike.

That said, we do feel that the process and length of time necessary to access critical funds needed for rebuilding can be improved. While we certainly understand the need for FEMA and other agencies to exercise due diligence when responding to a major disaster, we also feel it is worth exploring whether we as a nation can strike a better balance between fiscal prudence and timely recovery.

But perhaps our biggest concern is that the critical infrastructure that supports our city—water distribution system, wastewater treatment facilities, natural gas supply and the electrical grid—will not be sufficiently restored to better withstand future major storms. Thanks to our work with FEMA, the University of Texas System and others, UTMB has a comprehensive plan to “harden” our facilities, especially our hospital and

its critical emergency room and trauma center, against floods and windstorm. UTMB will not be able to resume vital operations in a timely manner after future storms if the city's infrastructure is not significantly improved and similarly "hardened." We are concerned that the current FEMA process and funding mechanisms will not allow our city access to sufficient resources to accomplish this.

For UTMB, one of the "silver linings" in Hurricane Ike has been renewed awareness of the university's importance to our region's health infrastructure and economy. We are most thankful for the investment FEMA is making in our recovery, because it will allow us to continue our 118-year tradition of serving the health needs of Texas. We encourage you to consider ways to ensure that an aging municipal infrastructure not hinder our recovery in any future storm.

Thank you again for the opportunity to speak to you today. And thank you for your efforts to protect the Texas gulf coast and other regions in our nation from the economic effects of natural disasters.

**Initial and continued critical collaborations**

- Federal government – e.g., FEMA, DMAT, USN Nassau
- State of Texas – e.g., Governor’s Office, Legislature, DSHS, HHSC, National Guard
- City/County government and community leaders
- The University of Texas System, many UT institutions, other Texas academic institutions, many health care providers across the state
- Professional organizations – e.g., AAMC, ACGME, Society for Microbiology
- Alumni, local communities, friends

**APPENDIX**

The following comments describe our general approach to protecting and preserving UTMB’s campus assets before, during and after Hurricane Ike.

**Preparing for weather-related events**

- Campus-wide preparation and training for hurricanes is routinely conducted at UTMB, consistent with our institutional disaster preparedness policy
- A hurricane simulation disaster drill was conducted two weeks prior to the storm
- Extensive communication channels with the Texas State Emergency Operations Center and local/regional emergency response teams were in place well before the storm’s arrival
- A comprehensive Incident Command Structure was in place and ready for activation prior to the event
- A maximum of \$100 million in disaster insurance coverage was secured by The University of Texas System Board of Regents for the Houston-Galveston region’s campuses
- Contracts for disaster response services were in place through UT System’s Office of Risk Management
- Stocks of fuel, water, food and medical supplies, as well as alternative power sources, were available on the UTMB campus or staged at nearby locations in advance of the storm
- Employees essential to the provision of security, facility operations, emergency health care and emergency management functions were designated ahead of the event and positioned for response

**A staged approach to Hurricane Ike**

- Phased cessation of research activities, cancellation of clinic visits and elective surgeries, discharge of hospital patients able to safely return home, and the relocation of academic and vital support functions (e.g., finance), commenced 48 hours before the storm
- Campus facilities were secured according to pre-storm standards
- Closure of the Galveston National Laboratory and all other UTMB biosafety-level labs was completed “by the book” and without incident
- Essential personnel were notified to make plans to be in assigned locations at assigned times in advance of the storm’s arrival
- Regular communications with local, state and federal officials were maintained, primarily through the State Emergency Operations Center under the direction of Chief Jack Colley and the Office of the Governor
- Effective evacuation of non-essential personnel, students and hospitalized patients (including prisoners) was conducted according to protocols, with no significant adverse event, thanks to an incredible effort on the part of UTMB personnel and with invaluable support from Captain Colley, the staff of the EOC, and on-site representatives Charles “Boo” Walker and David Popoff, who worked to secure essential transportation assets and transfer locations

#### **During and immediately after Hurricane Ike**

- 1 million square feet of UTMB’s first floor space was flooded as a result of salt water storm surge from the Galveston Bay; flood levels ranged from a few inches in UTMB’s Moody Medical Library and the School of Nursing and Health Professions Building, to three feet in John Sealy Hospital, to eight feet in “Old Red,” the state’s first medical school building
- UTMB’s incident command team and on-site staff focused on providing emergency medical services and on protecting and preserving campus assets while securing essential emergency services for the campus—food, power, water, natural gas, communications
- UTMB provided emergency medical services for community members and first responders who were on the island during and immediately after the storm
- Due to the intense demands on personnel fulfilling essential duties during and after the hurricane, a rotating “buddy system” was implemented to ensure personal safety and continued fitness for duty
- Cleaning and restoration of campus facilities began immediately, supplemented with contracted disaster management workers who arrived within a day of the storm
- UTMB’s highly trained security officers provided a safe environment for staff and kept the campus free of intruders

- UTMB's top priorities were to attend to the medical needs of a steady stream of patients seeking emergency care or shelter, to provide a safe environment for on-site UTMB and contract personnel, and to preserve and protect campus facilities and equipment

#### **Immediate post-Ike priorities**

- Addressing the needs of patients, students and employees
  - Relocated 597 Galveston-based medical residents to alternative clinical training sites
  - Established off-campus student and employee support services
  - Placed 3<sup>rd</sup>- and 4<sup>th</sup>-year medical students in clinical rotations off campus
  - Provided for continuity of patient care by quickly restoring access to the university's Call Center, patient ACCESS line, Internet services and Electronic Medical Record systems
  - Implemented plans immediately after initial damage assessments to relocate critical patient services to mainland locations
  - Established collaborations with local hospitals to provide for UTMB physician privileges and practice opportunities
  - Provided support services for employees and students during the transition; support included housing assistance, assistance with FEMA registration, student financial aid, counseling services, and uninterrupted payroll operations
- Protecting and preserving UTMB's research capabilities
  - Preserved critical frozen research specimens and major equipment
  - Restored research labs to functionality as quickly as possible
  - Located alternative areas to conduct vital research projects that needed to proceed without interruption
- Restoring campus functions
  - Initiated a complete assessment of damages, in concert with UT System Risk Management
  - Began clean-up and dehumidification of damaged buildings within 36 hours of the arrival of tropical storm force winds
  - Developed a prioritized schedule based on the damage assessment to return buildings to their designated use as quickly as possible
  - Note: Basic services such as water, sewer, natural gas and electricity were dependent upon the City of Galveston's aged utility infrastructure and took more than a week to restore; this significantly limited UTMB's restoration efforts in the immediate aftermath of the hurricane

#### Initial and continued critical collaborations

- Federal government – e.g., FEMA, DMAT, USN Nassau
- State of Texas – e.g., Governor’s Office, Legislature, DSHS, HHSC, National Guard
- City/County government and community leaders
- The University of Texas System, many UT institutions, other Texas academic institutions, many health care providers across the state
- Professional organizations – e.g., AAMC, ACGME, Society for Microbiology
- Alumni, local communities, friends

#### Restoring services

- Over the past 20 weeks, UTMB has been able to restore most of its research services:
  - 95% of research space above the first floor can be occupied
  - The Galveston National Lab was essentially unharmed; the facility was formally dedicated less than two months after the storm and a number of its containment labs are already operational
  - The Robert E. Shope biosafety level 4 lab was unharmed and is operational
  - The Truman Blocker Medical Research Building sustained very little damage and is operational
- UTMB’s School of Medicine returned to operations with no significant interruption in the students’ academic experience:
  - Academic services are operational; on-campus classes for 1<sup>st</sup>- and 2<sup>nd</sup>-year medical students resumed October 20
  - Clinical programs for 3<sup>rd</sup>- and 4<sup>th</sup>-year students have continued through collaborative agreements with other health care facilities in Texas; these students began a phased return in January and all will be back under the direct supervision of UTMB faculty by June
- UTMB’s schools of Nursing, Health Professions and Graduate Biomedical Sciences are operational
- All four schools are accepting applications for next year and their 2009 commencements will take place on schedule
- Clinical services have been restored and/or are now available at:
  - UTMB’s network of Regional Maternal and Child Health Clinics (these clinics began seeing patients two days after the storm); approximately 80 clinics on and off the island currently offer a full range of primary and specialty services
  - John Sealy Hospital
    - Beds for women/newborns available one month after Ike

- Reopened Jan. 5 with an initial configuration of 200 full-service beds (including beds for TDCJ patients)
- Services include women's, infants' and children's care, medical/surgical and critical care, acute care for the elderly (ACE Unit), transplant services, burns care, among others
- Emergency room (operating on a treat-and-transfer basis) in the John Sealy Hospital
- Inpatient units at collaborating hospitals
  - Christus St John (Nassau Bay)
  - Clear Lake Regional Medical Center (HCA – Clear Lake)
  - Mainland Medical Center (HCA – Texas City)
  - St. Joseph Medical Center (Houston)

#### **Why the number of beds in John Sealy Smith Hospital is lower than pre-Ike level**

- Restoring essential support services requires relocating them above the first floor (taking space once devoted to patient beds):
  - Inpatient pharmacy
  - Sterile processing for the operating rooms
  - Blood bank services
  - Food services
  - Radiation oncology services
- Renovated inpatient units will require more space per bed to comply with code and accommodate necessary equipment
- Reduced population (demand) anticipated on Galveston Island

#### **Why UTMB cannot yet reopen its Level One Trauma Center**

- Damage to critical support areas such as pharmacy, blood bank, sterile processing, food service
- Loss of essential, expensive medical equipment
- Difficulty in meeting staffing requirements (physician availability)
- Working with Texas Department of State Health Services to determine appropriate trauma center designation based on current capacity

#### **Challenges to UTMB's recovery**

- 59% of UTMB's annual budgeted revenue was derived from patient care operations; that revenue stream has been significantly reduced due to

hurricane-related damage the John Sealy Hospital and campus outpatient clinics sustained

- UTMB outpatient clinical services are operational in primary care and specialty services on the mainland but productivity is limited by space availability
- UTMB's operating expenses related to campus clean-up efforts and ongoing payroll has resulted in rapid depletion of cash reserves; these reserves are being rebuilt gradually through reimbursements and expense reductions such as the reduction in force announced in November 2008
- Lack of long-term source of working capital limits UTMB's ability to restore facilities and equipment necessary to return to full functionality in all mission areas, particularly the clinical enterprise

#### **Actions UTMB has taken to address financial challenges**

##### Short term:

- Reduction in force affecting approximately 2,300 positions is enabling UTMB to bring its payroll in line with current staffing needs and has helped in reducing projected business losses from \$276.4 million to \$169 million
  - Employees affected by the RIF received a minimum of 60 days' notice with full pay, as well as continuing access to numerous programs to assist with their job search, including "internal candidate" consideration for openings at other UT System institutions
- Ongoing work with FEMA to determine extent of damage, potential level of reimbursement and mitigation needs (UTMB has received \$72.6 million in FEMA advances and reimbursements as of Jan. 31)
- Ongoing work with state, federal and local governments and with UT System to determine most appropriate financing options

##### Long Term:

- Work with state leadership to determine UTMB's health care mission for the state, as well as the best means for fulfilling that mission
- Kurt Salmon Associates study requested by the Governor's Office and funded by UT System to help determine options for structuring UTMB's health care system in future, including analyses of costs and potential revenues
- Work with local communities on health care financing options, including formation of hospital district(s)/health service district(s)

#### **Possible mitigation strategies**

- Improving City of Galveston utilities infrastructure (water, sewer, power, natural gas, communications) to ensure rapid return to operations for UTMB
- Raising essential services to the second floor or higher in all buildings
- “Hardening” existing buildings where feasible (e.g., installing floodgate systems similar to those used in the Texas Medical Center to protect the core area of the UTMB campus)
- Developing a “hardened” facility to better support animal research by eliminating the need to transport animals during weather-related emergencies
- Developing a “hardened” facility with reliable power and fuel sources to maintain the research enterprise’s frozen specimens (“Freezer Farm”)
- Relocating vulnerable services to the mainland on property already being developed by UTMB as an ambulatory surgical, imaging and specialty care center

The University of Texas Medical Branch is working to protect and preserve vital capabilities and precious resources as we plan for the future. All avenues of potential funding and support are being pursued. We are working closely with state leadership and with the Texas Health and Human Services Commission to analyze the impact of our suspended clinical services on the citizens of Texas and the budget implications for the State of Texas.

#### **UTMB Hurricane Ike recovery needs (as of January 2009)**

- UTMB has identified the following needs, and is continuing to work with the state on timing of expenditures and methods of finance (insurance proceeds, FEMA, other federal funding, bonding, state funds, etc):
  - \$169M – to restore business losses
  - \$167M – State’s share of FEMA-estimated capital repair and mitigation costs
  - Access to a source of funds over the next five years to be repaid with expected \$500M in FEMA reimbursements for capital costs

#### **Factors that could adjust needs estimates**

- Ongoing FEMA negotiations regarding damage assessments and allocation of approximately \$100 million in insurance between capital needs and business losses
- External factors outside of UTMB’s control (e.g., Shriners of North America’s recent decision to close Shriners Hospital for Children-Galveston, located on Galveston Island and staffed by UTMB faculty)
- State Auditor review of UTMB

**Potential sources being explored to finance UTMB's recovery and extend its success**

- An advance against expected FEMA reimbursement from the Federal government
- Access to lines of credit or revolving fund to be repaid by FEMA reimbursements
- Social Services Block Grant funding
- Community Development Block Grant funding
- Other federal funding (e.g., stimulus bill, changes in state-match requirement for FEMA reimbursement, etc.)
- Tuition Revenue Bonds
- State General Revenue support
- Funding for UTMB exceptional items for programs of academic excellence

**Potential recovery support from the Galveston community**

- Sealy & Smith Foundation and other philanthropic sources
- Formation of a County Hospital District/Health Services District
- Continued collaboration with mainland-area hospitals for clinical care, student and resident education, and research

UTMB has an outstanding track record of fulfilling its vital missions of producing a diverse and highly skilled health professions workforce and applying our research to improve the diagnosis, treatment and prevention of killer diseases like Alzheimer's, Parkinson's and diabetes. Our educational and research programs came through Hurricane Ike a bit battered and bruised, requiring us to make permanent repairs, as well as mitigate against future damage. That said, both enterprises are functioning well, are highly productive and are proceeding with their very important work.

Unfortunately, our health system facilities were more heavily damaged. The clinical enterprise is critical to UTMB for two reasons. First, it is the principle training site for our education programs and there are no facilities nearby that can easily substitute as training locations. Second, the health system provides almost 60 percent of the annual budgeted revenues that support UTMB's primary missions of education and research. Additionally, UTMB provides critical health services to the entire Houston-Galveston region.

We need to restore our health system and its premier programs – such as our nationally acclaimed trauma center – so that the region and state we serve can continue to benefit

from the knowledgeable health professionals we train, the research advances we make possible, and the patient care we so ably provide. While UTMB faculty and staff have worked tirelessly to restore the health system, the extent of the damage has limited recovery efforts. Without the assistance and guidance of the Texas Legislature, it will likely be impossible for us to restore critical facilities and reconfigure UTMB for the future. Both are necessary to ensure financial viability and preserve UTMB's continued ability to contribute to the health of Texas.

Thank you.

Chair LANDRIEU. Thank you, Doctor. I appreciate it, and we will come back to this, but I will mention that on the anecdote that you shared about the initial estimate down, that we have subsequently passed at least one law that will help, and if we can expand it, it would cover that instance where we have required FEMA now to basically reimburse as a whole police stations, fire stations, and public schools.

We pressed them to do the reimbursement for all public projects. They have resisted so far, but we are going to continue to press so that each project does not have to receive several thousand project work order sheets and some initial assessment can be made that would save the taxpayers money, save everyone time, and be a much more effective way.

So, while we have made some progress, thank you for continuing to press that. It is extremely important that we eventually get that law changed to authorize them to do that. Thank you.

Mr. Gillins.

**STATEMENT OF CURTIS GILLINS, CO-OWNER, YA BON  
VILLAGE COFFEEHOUSE**

Mr. GILLINS. Yes. Madam Chair, it is indeed an honor and a privilege to provide testimony to this distinguished committee regarding our experience as business owners here in Galveston during and after Hurricane Ike. It is not often that a business of our size gets this opportunity, and we are grateful for this moment.

My name is Curtis Gillins. My wife and I owned a small, family business located in an inner city neighborhood on the north side of the island at one of its lowest elevations. We opened our business in December 2005. It took great financial and personal sacrifice to get to that point.

Within three months of opening our doors, Y'a Bon Village Coffeehouse survived two arson attempts from suspected drug dealers who did not want us there. Between 2005 and 2008, we suffered from two hurricanes. Hurricane Rita damaged the building in 2005, just before our planned opening. In 2008, Hurricane Ike struck and left four feet of water outside, five feet of water inside. It damaged the building and destroying everything inside, including supplies, furniture, fixtures, appliances, and refrigerated boxes. Although the building was insured for wind and flood, the business contents were only covered by wind. We received insurance funds to restore the building, but no money to restore business content.

Hurricane Ike also destroyed the neighborhood. The public housing community across the street known as Cedar Terrace got nine feet of water. After the storm, Cedar Terrace was torn down, and suddenly hundreds of families no longer lived within footsteps of our business.

The whole area was so damaged that traffic dried up going east to west on Church Street and north to south on 29th Street. The area around our business became a ghost town. The storm had not only damaged our business, it took away our customers. Now, we are faced with restoring our business in a local economy that had drastically changed. We do not have the money to replace our business content, and, even if we did, our customer base has dried up due the damage from the storm.

Our application for SBA loan assistance was denied, but we are hoping to qualify for grants which could only be awarded if the SBA loans were denied. We have not received any offer of grants from SBA or any other source.

The future of our business remains unknown. We have made progress in restoring the building, but we simply do not have the money to start over in the existing economic climate. We have not lost hope, but we have an overwhelming need for help that will enable us to reopen a business that will survive.

The city has also suffered, but we are encouraged by signs of development that are underway in the neighborhood. The public housing community that was across the street from our business will be rebuilt for low- to moderate-income families. Plans for the new community offer residents a safe, attractive, and green environment.

Plans are also underway to expand the historic downtown Stand District. The plan extends to downtown historic area to 26th Street between Harborside and Winnie. The plan will bring improvement to that area such as better lighting, drainage, and green areas, as well as improvements in the overall economic climate for small businesses. The problem is plans for the development and improvement of the area do not include the three blocks between 26th Street and 29th Street. Leaving out the area between 26th Street and 29th Street means the plan for development does not include our business, nor the area immediately to the east of the new housing community or immediately west of the historic district.

If this three-block area is left out of the plans for development, residents of the new housing community will have no shops, stores, or grocery stores to support their new community. Small businesses will not be able to come to the area because of the economic and personal risk required to locate there.

That three-block area will also threaten the Strand Historic District to the east. If left unchanged, the area would, again, be dominated by crime, drugs, and prostitution that would surely spill over into the area serving tourists and cruise passengers.

In short, we want to include in the overall plan for development of the areas so that our business will survive and our community will survive. We desperately need business incentives and grants that will enable small businesses to locate and thrive in this challenged area. We want to serve our local residents, and we also want to be included in plans to serve the tourists and cruise passengers that are so vital to the city's economy.

We appeal to you to ensure that our city and our neighborhood get their fair share of available funds, such as Community Development Block Grants, to enable us to be whole again. I have included more details in my written testimony, and I hope that the committee will have an opportunity to review my complete testimony and see some of the images that help to tell our story.

In conclusion, my wife and I would like to thank Senator Landrieu and this committee for the opportunity to provide input on our personal recovery and the recovery of our neighborhood and our city. Thank you for your time and for your caring.

[The prepared statement of Mr. Gillins follows:]

## CURTIS GILLINS and SHARON BATISTE GILLINS

## BIOGRAPHY

Curtis and Sharon Gillins are owners of *Ya Bon Village Coffeeshouse*. Both are third generation Galvestonians who grew up in the area in which their business was located. After graduating from Ball High School in Galveston's first completely integrated high school Class of 1969, Sharon and Curtis left home to attend college and start careers. Curtis moved to Los Angeles, California where he worked in LA's Todd Shipyards and subsequently the airline industry for many years. Curt is a master percussionist who performs throughout the country with "Magic of the Drum"; he teaches hand drumming and also facilitates drum circles for corporate retreats and team-building events. Sharon attended Howard University and lived in Washington, DC for 30 years before relocating in 1992 to Riverside, California. Over the last 30+ years, she has served in a variety of capacities in post-secondary career technical education and is currently an Associate Professor of Film & Television at Riverside Community College. Sharon and Curtis married in 2001.

In 2005, the couple began making plans to return to the Island to start a business. Both were ready to come home and wanted to make a difference in the community in which they grew up. In December, 2005, *Ya Bon Village Coffeeshouse* opened at the corner of 29<sup>th</sup> Street and Church (Avenue F). Most people thought them crazy to invest in this blighted area that was sadly referred to as "The Jungle." But as native Galvestonians, they remembered this area as the heart of Galveston's African American business district, bustling with restaurants, doctors' offices, nightclubs, the ILA Hall and the city's only movie theatre open to Blacks. They remembered the area as a village, not a jungle and saw an opportunity to open a business that was in a historic Galveston neighborhood, located within blocks of the Downtown Strand Historical District and equally close to Galveston's growing cruise ship industry.

*Village Coffeeshouse* was situated on the north-east corner of 29<sup>th</sup> Street. On the south-west corner was a densely-populated public housing complex; on the south-east corner was a vacant lot that had been turned into an open-air drug market and hangout for like-minded people. When the flowers went in and the sign went up out front, the dealers were not happy that such a place had moved into their "turf". The couple's vision for the area was in direct contrast to the prevailing vision and problems resulted. Less than three months after opening the doors, several attempts were made to burn the business down. The blatant actions of a few mobilized the Galveston community into action. City officials, the police and fire departments, Galveston Chamber of Commerce business members, and just plain old concerned citizens rallied to improve conditions in the neighborhood. As a result, a single family home was built on the same lot where drug sales once flourished and at least 4 other homes for moderate-income families have been constructed on the block. The couple's vision and commitment to the area and to their business, led by Curt's brave determination not to be defeated, proved to be a catalyst for change in this inner-city community.

U.S. Committee on Small Business and entrepreneurship  
Field Hearing

*Lesson Learned, Progress Made, and Challenges that Remain from Hurricane Ike*

Friday, September 25, 2009  
Galveston, Texas

TESTIMONY

Sharon Batiste Gillins and Curtis L. Gillins  
Owners, Y'a Bon Village Coffeehouse

Madam Chair, it is indeed an honor and a privilege to provide testimony to this distinguished Committee regarding our experience as business owners here in Galveston during and after the ravages of Hurricane Ike. It is not often that a business of our size and economic profile gets this opportunity and we are indeed grateful for this moment.

Our profile as a small business in Galveston is one of a newly established family business located in an inner city neighborhood facing the challenges of urban blight. Despite its current condition, the neighborhood holds historic significance as the center of economic development for African Americans in Galveston during the '50s, much like Harlem held for New York City. We are located on the North side of the Island at one of its lowest elevations with an outdated drainage system and outdated infrastructure. Despite the presence of a densely populated public housing community, few businesses such as stores and restaurants existed in the area to serve residents. Although the neighborhood is in close proximity to Galveston's historic downtown Strand District as well as its growing cruise ship industry, the area has not benefited from the improved infrastructure and comprehensive planning that has propelled the Strand into a strong economic position on the Island.

Challenges

Within 3 years of opening our doors, *Y'a Bon Village Coffeehouse* survived two arson attempts and even more damaging, two hurricanes. Hurricane Rita damaged the building and delayed our opening in 2005. In 2008, Hurricane Ike dealt our business a crushing blow. The business was inundated with 5 feet of water, destroying everything inside including supplies, furniture, fixtures, appliances and refrigerated boxes. The historic structure in which the building is located also sustained significant damage.

Hurricane Ike also devastated the neighborhood in which our business is located. Our business was about 3 feet above grade, but the public housing community across the street, Cedar Terrace, was on grade; instead of the 4 -5 feet of water that

our business suffered, Cedar Terrace got 8 - 9 feet, completely inundating the first floor and leaving the units uninhabitable. Shortly after the storm and after much discussion, Cedar Terrace was torn down and suddenly hundreds of families no longer lived within steps of our business. The whole area was so significantly damaged that traffic patterns completely changed. Although it was once a major north-south corridor to the downtown and Strand areas, traffic along 29<sup>th</sup> Street died. Similarly, the east-west traffic to and from downtown that once passed our business on Church Street instantly dried up. The area around our business became a ghost town. The storm had not only damaged our business' physical plant, it eliminated our business' customer base.

We were faced with restoring our business in a local economic climate that had drastically changed.

- Our local customer base from the neighboring housing complex was gone.
- Our customer base from major employers such as UTMB was gone.
- Traffic along the north-south and east-west corridors in front of our business was gone.
- We were in a Catch 22 situation with insurance and federal assistance organizations such as FEMA and SBA.

Although our building was insured for flood and wind, the contents of the building, including our business equipment and supplies, were insured under wind only. The damage we sustained was from "rising waters" and therefore we found ourselves without coverage for business interruption or business contents because our damage was not primarily from wind. We were able to use the insurance proceeds to restore the building, but we had no money to replace the thousands of dollars of business equipment and supplies.

We were not able to obtain assistance from FEMA because our business had insurance. We were reluctant to apply for the SBA loan because we did not want to assume any additional debt in an economic climate that had so radically deteriorated. We were told that in order to qualify for any available grants that we had to apply for the loans first. And so, we applied for an SBA loan and we were denied, most likely because we were a new business and could not show an ability to repay the loan with our other existing debts. We did not receive any offers of grants to help us recover.

The future of our business remains unknown. We have made significant progress in restoring the physical plant, but we simply don't have the resources or the plan to start a new business in the existing economic climate. As perpetual optimists, we have not lost hope that we will again operate a business at this location. But we have an overwhelming need for interim assistance that will enable us to hold on to the property and reopen a business that will survive in the area's economic climate in the face of our depleted resources.

### Opportunities

The City of Galveston has been dealt a serious blow, but with great adversity comes great opportunity. As a result of the storm, the City will realize improvements that may otherwise have been impossible.

- An impressive plan for the development and expansion of the downtown Strand Historic District has been advanced by the Downtown Partnership. The plan would extend the downtown historic area to 26<sup>th</sup> Street between Harborside and Winnie (Avenue G). Implementation of the plan will surely bring improvements to that area's infrastructure such as lighting, drainage and green areas, as well as improvements in the overall economic climate for small businesses.
- The public housing complex formerly located on the west side of 29<sup>th</sup> Street between Church and Avenue I will be redesigned and rebuilt to serve as homes for low-to-moderate income residents. The City and Housing Authority are making every effort to build a community that offers residents a safe, attractive and "green" environment conducive to healthy inner-city living.
- The City's Department of Recreation warehouse located on the northwest corner of 29<sup>th</sup> and Church is under construction, soon to be a modernized facility.
- The single-family homes built in the last 2 years on Church Street between 28<sup>th</sup> and 29<sup>th</sup> Streets are now occupied by families.
- Cruise ship parking businesses have popped up along 29<sup>th</sup> Street between Market (Avenue D) and Postoffice (Avenue E), bringing tourist traffic into the area.
- Wynn Funeral Home located at 31<sup>st</sup> and Church is nearing completion of an impressive renovation.
- Central Middle School, formerly Central High School, is under renovation and has received historic designation for its structure and its recognition as the first high school for African Americans in the state.

In short, development and improvements on Galveston's north side are ongoing or planned in the areas moving west of 29<sup>th</sup> Street and in the downtown areas from 19<sup>th</sup> Street west to 26<sup>th</sup> Street. However, there are no plans to include the 3 block area between 26<sup>th</sup> and 29<sup>th</sup> Streets between Harborside and Winnie, an omission that leaves a void in an otherwise exciting redevelopment plan.

If this 3 block area were included in redevelopment plans, it would give the City a tremendous opportunity to create a continuous development zone that starts at 34<sup>th</sup>

St (where the Housing Authority has already built a very successful moderate income housing community) to the eastern edge of the Historic Strand District at about 19<sup>th</sup> Street. Located in this continuous redevelopment zone is the old Falstaff Brewery which has sat vacant for many years as the City searched in vain for a developer to realize the vision of a diverse, mixed-use residential and commercial complex. Surely a developer might be more inclined to invest in such a project if the property was part of a comprehensive plan for the area.

Inclusion of the 3-block area between 26<sup>th</sup> Street and 29<sup>th</sup> Street also represents an opportunity to extend recognition to another historically-significant part of town. Like New York City's Harlem, this area was home to the many Black-owned businesses that thrived during the years of segregation in Galveston. There are still many architectural treasures located along Market Street and on surrounding streets where Black doctors and dentists had offices and where we enjoyed a 25 cent movie on Sunday afternoon. Among the historic buildings is the 100+ year old storefront in which our business is located, the firehouse at the corner of 29<sup>th</sup> and Market and a Victorian mansion on 28<sup>th</sup> and Ball L (Ave. H), just to name a few. Inclusion and recognition of the historic significance of this area is an opportunity for the City to celebrate the rich diversity of its history and is consistent with the City's overall plan for the development of the historic downtown area.

Inclusion of this area would give small business people an incentive to invest in an area of Galveston once considered to be too dangerous and economically unprofitable. This 3-block area that will border the new housing community planned to replace Cedar Terrace is the perfect home for grocery stores, hair salons, barber shops, walking trails, gardens and parks. This 3-block area so close to the Strand and to the cruise ship industry is the perfect place to build an ethnically diverse community of shops that would appeal to international travelers.

Over the years, this once thriving area has fallen on hard times. When containerized shipping became the standard on the docks, laborers who could earn good, family-supporting wages as longshoremen were put out of work. The businesses supported by "screwman" wages suffered and failed. In the absence of economic alternatives, another type of businessman filled the void. Predators seized upon the opportunity to proffer a different kind of product and line of services; crime, drugs and prostitution proliferated. Now the City has an opportunity to rebuild.

My husband and I have invested much in this area in an effort to build our business, and also to build a community. Our vision is great and we hope that others will see it as well. But there are many challenges to the City and to this area that must be overcome if the vision is to become a reality. They are challenges that we as business owners and citizens of Galveston cannot accomplish alone. We need your help.

#### Challenges

In order for us to rebuild a viable business and to realize a viable business community in this area, we must be included...included in plans to rebuild, included in plans for infrastructure improvement, included in plans for economic development, included as an integral part of the City's recovery plan. That is the first and perhaps the greatest challenge, exemplified by the areas's omission from the plans for the development of the historic Downtown area.

We appeal to City, State and Federal officials to recognize that failure to include this 3-block area in the redevelopment efforts will leave a void in the downtown area which threatens our ability to continue to operate a business in the area. In addition, this omission threatens the success of the housing community planned to replace Cedar Terrace and similarly, represents a significant threat to plans for the downtown historic district. It would be like leaving a cavity in an otherwise healthy mouth...eventually the cavity will spread decay to the adjoining healthy teeth.

In order for the Housing Authority to realize a new vision for a housing community that meets the needs of low and moderate income families, the surrounding area must provide opportunities for residents to shop, attend church, get medical help and other services that can be safely reached in walking distance of their homes. That means small businesses must be able to operate profitably. Tourists in the downtown area must be able to shop and explore the area safely, an opportunity for more small businesses. The 3-block area between 26<sup>th</sup> Street and 29<sup>th</sup> Street must be home to these businesses.

Predators such as drug dealers and criminals have enjoyed a foothold in this area for years. Only in the last few years has their "business" been disrupted to any degree, due in large part to the personal sacrifice and risk we took to keep *Y'a Bon Village Coffeeshouse* on that key corner. Now development is planned to the east and to the west of this 3-block area...leaving a void, an area that will be recognized by predators as *their* opportunity to reestablish a foothold of depravity. Although they are predators, they too are businessmen, and they too will seize an opportunity to build their business if one is presented to them.

Our business will not survive if we are not included in plans for the economic development of the region...if we are not able to build a customer base that includes neighborhood locals, tourists, cruise passengers and downtown visitors. Our business will not survive if an economic climate does not exist that attracts other small businesses to the area and forms a business community that serves the residents and tourists alike.

We did not qualify for loans nor can we afford them after the personal and financial sacrifices we have already made to establish our business in this challenging area. We cannot garner the kind of incentives offered to large developers to build new economic zones in Galveston. Yet business development is desperately needed in this blighted area...an area that shows so much potential. Small businesses in this

area need incentives to establish here; we need access to grants that will enable us to overcome the challenges of a neglected community.

Other challenges abound, a few of which are listed below. None can be overcome without a cooperative working partnership between federal, state and local officials, business owners and citizens. Galveston alone cannot address the problems that residents and business owners face in this area and in many cases, the rest of the city.

- Rising costs of insurances that still leave coverage gaps which threaten any recovery efforts and pose an enormous financial burden on small businesses;
- Need for small business training to help increase chances for business success; topics include business planning and management, tax and insurance issues, record keeping, and marketing;
- Aging drainage systems on the north side that leave businesses vulnerable to flooding even in a moderate rain.
- Insufficient lighting, street trash cans, green spaces, and recreational areas that create a hostile business and residential environment;
- Vacant and dilapidated buildings that attract vagrants and squatters;
- An overall perception that the north side of Broadway (with the exception of the Strand and downtown) is not a good place to live, work or grow a business.

#### Conclusion

In conclusion, we would like to thank Senator Landrieu and this Committee for the opportunity to address you and to provide input on the critical matters related to our personal recovery from Hurricane Ike as well as the regional recovery challenges that face us. It is our sincere hope that our testimony will be of value to you as you craft plans to aid in the economic recovery of Galveston's small business community. We know that it is the pioneering spirit of the small business owner that builds communities and strengthens our country, and we know it is that spirit that will prevail as we rebuild Galveston. Thank you for your time and for your caring.

Chair LANDRIEU. Thank you, Mr. Gillins, and I guess it is extremely appropriate, given the subject of this hearing and the nature of the work before us, that you would be sitting next to Dr. David Callender, one of the largest if not the largest employer in the community, and you being one of the smallest, that our work really has to reach both of you.

Mr. GILLINS. Thank you.

Chair LANDRIEU. And to reach it to you in a way that really helps you and honors your vision and your spirit of entrepreneurship and dedication to this community. That is our hope and intention, and I am very pleased that we have a representative from HUD on the second panel, and I will ask him specifically what their plans are to help the small businesses. That is important, if not even more important, not that one is more important than the other, but the numbers of businesses that are small in the communities like Galveston and the surrounding area are quite substantial. So, thank you.

Mr. Dryden.

**STATEMENT OF FRANK DRYDEN, OWNER, ISLAND FLOWERS  
AND NEFERTITI BOUTIQUE**

Mr. DRYDEN. Thank you, Senator Landrieu, for the opportunity to testify as part of this panel.

My wife, Constance, and I evacuated Houston 12 hours before landfall of Ike, and were not allowed to return to Galveston for a look and leave until a week later. It was almost two weeks before we returned to begin cleanup. We were too late to stop demolition of Nefertiti, the Boutique, long enough to salvage any items, but we were able to save many of our containers and wedding props at Island Flowers with great effort and difficulty.

The daily confrontation with the demolition crew to give us needed time to salvage goods and the cash expense to hire workers for needed assistance took its toll mentally, physically, and monetarily. After depleting all available cash, my wife, Constance, and I cleaned items every day for six weeks out front from dawn until dusk, as there was no electric power. We stored salvaged items in a 24-foot rent truck and out in the open until we were able to move them inside the building.

Our landlord was able to get us back into Island Flowers in December, but we did not reopen Nefertiti until Labor Day, five days short of one year, because of many complications.

We were supplied with daily food, water, and ice by the Red Cross, Salvation Army, and other charities. The way the volunteers came in from across the U.S., in some cases the world, was a Godsend.

Then began the task of trying to claim on insurance policies and find agencies for financial help.

Our business interruption coverage was tied to windstorm, TWIA, T-W-I-A, so, we received nothing. The adjuster left much to be desired. When we asked for a reevaluation, we were again rejected. When I told him the building policy authorized roof replacement, window replacement, and many other items, he commented he would not have approved them. Another insurance company said we had no claim because we were not in a major disaster area.

Our personal flood contents' coverage paid on Nefertiti and the HOA, home owner association, master policies on the structure, both flood and windstorm, are in the process of covering with a different adjuster, but not our business interruption. We are in the process of taking legal recourse against TWIA.

Since we did not receive business interruption compensation, we turned to FEMA-SBA for assistance. The waiting lines took most of the day. One FEMA-SBA volunteer, after noticing my frustration with not making it to the representative after being in line for most of the day, said if I went to the office in Texas City, which was connected with the College of the Mainland, I would receive personal assistance in completing all forms. This would be a great help, as all my business records have been submerged under eight feet of black muck and saltwater.

After several hours of consultation with the representative in Texas City, I had help with form completion. An onsite SBA representative checked the forms and submitted them overnight to the Fort Worth Office for approval. An SBA representative visited me the next week and confirmed the damage and loss.

Within three weeks, we received a telephone call saying we were approved for \$86,900 with the terms of the note and payments. I asked what was the next step, and I was told all paperwork would be forwarded to us. We waited for several weeks, and I called the Fort Worth Office and was informed we had been rejected because our new credit report contained a 60-day delinquency on our mortgage. Then they made the comment that we only had one more chance at the loan so our credit better be clear when we reapply.

I called my mortgage company, as they had given us a forbearance on the loan because of Ike. The mortgage company said the credit report was an error and they would correct this, as well as write me a letter to that effect.

I called SBA in Fort Worth and explained the situation to them, offering to get the mortgage company to fax this letter to the SBA directly, but was told we must reapply from the beginning. We were going to do this, but my wife's credit record to one of the credit companies never was cleared from this error, and, to add insult to injury, the mortgage company did it to us again the next month.

Added to these struggles, bank card companies raised interest rates and cut credit limits based on the excuse of debt ratio on multiple credit cards, not because of delinquency or over limits. One cut my credit limit, and then informed me I was now over limit with a charge.

Another lowered my credit limit because I had not used the card, and then included a \$4.50 paper statement fee to encourage online payment and a \$35 credit-builder fee per purchase after they cut my credit limit for nonuse of the card. And some of these companies the public bailed out.

And then there was the continuing battles with the power companies attempting to bill us based on estimated usage with no actual meter readings, even during the period the entire city had no power and threatened to disconnect us when we had no meter. We were not connected.

Chair LANDRIEU. You have to laugh because if you do not, you will cry.

Mr. DRYDEN. We were exhausted both physically and mentally. Then a miracle happened. Jeff Sodjstrom from Galveston Economic Development Council walked in the door and offered us the opportunity to participate in a loan which was in conjunction with the Houston Galveston Area Council. We accepted, and the \$30,000 made available bought us a replacement flower cooler and other much needed items. It was like \$1 million when you have no resources.

It has been an unbelievable struggle to bring our businesses back after Hurricane Ike. We are opening both businesses with no outside employees except for part-time help at Island Flowers on busy wedding weekends. The weddings are there, but, in most cases, the brides are cutting back due to the economy. We attempt to keep limited regular hours at Nefertiti, but, for now, must work around the flower studio schedules.

The support of friends and neighbors who went through Ike have been a wonderful blessing. We owe Mayor Thomas and her staff, City Government Services, and all first responders a debt we can never repay.

Situations improve with time, but we could still use a cash influx to see us through this difficult period. Disillusionment has been hard to combat since, often, there is some new situation to overcome. But my wife and I love our island home, and we have made the choice to continue to live here and make a living in Galveston.

Thank you for your time and kind attention to letting me speak before this committee.

[The prepared statement of Mr. Dryden follows:]

## FRANK DRYDEN

## BIOGRAPHY

Frank Dryden, along with his wife Constance, is co-owner of two Galveston businesses, Island Flowers and Nefertiti. Island Flowers, a design studio which specializes in weddings and events, has been in business since 1999. Nefertiti, an upscale ladies boutique, has been in business since 2007.

Both were totally destroyed by Hurricane Ike and had to be rebuilt. Island Flowers continued operations from a temporary location in Houston and was back in business on the Island by December. Nefertiti was not able to reopen until Labor Day.

Prior career experience for Frank Dryden has been in petroleum, and for Constance in graphic design.

Testimony of Frank Dryden  
Owner, Island Flowers and Nefertiti Boutique  
Galveston, Texas

U.S. Senate Committee on Small Business and Entrepreneurship

A Year Later:  
Lessons Learned, Progress Made and Challenges that Remain from Hurricane Ike

Friday, September 25, 2009  
Galveston Island Convention Center, Galveston, Texas

Good afternoon, Senator Landrieu, Senator Hutchinson, Senator Cornyn, Mayor Thomas and honored guests. Thank you Senator Landrieu for the opportunity to testify as part of this panel.

We evacuated to Houston twelve hours before Ike landfall, and were not allowed to return to Galveston for a "look and leave" until a week later. It was almost 2 weeks before we returned to begin clean-up. We were too late to stop demolition of Nefertiti long enough to salvage any items, but we were able to save many of our containers and wedding props at Island Flowers with great effort and difficulty. The daily confrontation with the demolition crew to give us the needed time to salvage goods and the cash expense to hire workers for needed assistance took its toll, mentally, physically and monetarily. After depleting all available cash, my wife Constance and I cleaned items every day for six weeks from dawn until dusk, as there was no electric power.

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Since we did not receive business interruption compensation, we turned to FEMA/SBA for assistance. The waiting lines took most of the day. One FEMA/SBA volunteer, after noticing my frustration from not making it to representative after being in line for most of the day, said if I went to the office in Texas City which was connected with College of the Mainland I would receive personal assistance in completing all forms. This would be of great help as all of my business records had been submerged under eight feet of black muck and saltwater.

After several hours of consultation with the representative at the Texas City office and help with form completion, an on-site SBA representative checked the forms and submitted them overnight to the Ft. Worth office for approval. An SBA representative visited me the next week and confirmed the damage and loss. Within three weeks, we received a telephone call saying we were approved for \$86,900.00 with the terms of the note. I asked what was the next step and was told all paperwork would be forwarded to us.

We waited for several weeks, and I called the Ft. Worth office and was informed we had been rejected because our new credit report contained a 60 day delinquency on our mortgage. Then they made the comment we had only one more chance at the loan, so our credit better be clear when we reapply. I called my mortgage company, as they had given us a forbearance on our loan because of Ike. The mortgage company said the credit report was in error and they would correct as well as write me a letter to that effect. I called SBA in Ft. Worth and explained the situation to them, offering to get the mortgage company to fax this letter to SBA directly, but was told we must re-apply from the beginning. We were going to do this, but my wife's credit report to one of the companies never was cleared of this error. And to add insult to injury, the mortgage company did it to us again the next month.

Added to these struggles, bankcard companies raised interest rates and cut credit limits based on the excuse of debt ratio on multiple credit cards, not because of delinquency or over limits. One cut my credit limit and then informed me I was now over limit. Another lowered my credit limit because I had not used the card, and then included a \$4.50 paper statement fee to encourage on-line payment, and a \$35.00 "credit builder" fee per purchase after they cut my credit limit for non-use of the card. And some of these are companies the public bailed out?

And then there were continuing battles with power companies attempting to bill us based on estimated usage with no actual meter readings even during the period the entire city had no power and threatening to disconnect us when we had no meter.

At this point, we were exhausted both physically and mentally. Then a miracle happened. Jeff Sodjstrom from Galveston Economic Development Council walked in the door and offered the opportunity to participate in a loan program which was in conjunction with Houston-Galveston Area Council. We accepted, and the \$30,000.00 made available bought us a replacement flower cooler and other much needed items. It was like a million dollars when you have no resources.

It has been an unbelievable struggle to bring our businesses back after Hurricane Ike. We are operating both businesses with no outside employees, except for part time help at Island Flowers on busy wedding weekends. The weddings are there, but in most cases the brides are cutting back due to the economy. We attempt to keep limited regular hours at Nefertiti, but for now must work around our flower studio schedules.

The support of friends and neighbors who went through Ike has been a wonderful blessing. We owe Mayor Thomas, her staff, city government services and all first responders a debt we can never repay.

Situations improve with time, but we could still use a cash influx to see us through this difficult period. Disillusionment has been hard to combat, since often there is some new situation to overcome. But my wife and I love our island home, and we have made the choice to continue to live and make a living in Galveston.

Thank you for time and kind attention to my testimony.

Sincerely,



Frank Dryden

Chair LANDRIEU. Thank you, Mr. Dryden. Let us give him a round of applause.

[Applause.]

Mr. Dryden, both you and Mr. Gillins' comments were very heartfelt, and we appreciate the spirit in which they were delivered, and the way in which you have communicated something that has to be extremely painful and very frustrating and very aggravating, and we have heard these stories, unfortunately, hundreds, if not thousands of times since Katrina until today, and we are determined to fix these systems the best that we can.

I will have a question about the credit card issue, but I do want to acknowledge that a representative from the SBA will be here on the second panel, and we will ask him specifically what he can do to assist you if you intend to go forward.

I can tell you that after Katrina, this was the SBA document that was presented to the Small Business Committee. It required all sorts of things to apply for help, like having four years of your last tax returns in triplicate, and, in some cases, if you had it in blue ink, it was rejected because it needed to be in black ink. This is what we found when Katrina hit. So, we forced the SBA to come up with a new, more comprehensive, readable plan, and now our job is to make sure that this plan is enforced, and hopefully that will help some of what you have outlined, but there is obviously a great deal more that we need to do, and we are very sorry to hear situations like this, but that is what this hearing is for, to get on correcting them.

So, let me go on to some questions based on the testimony we have heard.

Let me start with you, Mayor. You testified that the FEMA Rental Repair Pilot Program when you were in Washington, as you recall, in March, you talked about the FEMA Rental Repair Pilot Program, you said that you were hoping that it would work well here for the rental housing that had been destroyed.

What is your assessment now about how well this program worked? What are some areas this program could be improved as you and your housing team work to not only bring back single family homes, but multifamily and rental units, particularly for moderate- and low-income, as well as workers necessary to rebuild the city?

Mayor THOMAS. Well, first of all, I think we still have roughly 4,000 people on the voucher program spread out. We do not know where they are exactly, but I think many of them are here and some on the mainland, and the problem with the program in the beginning had to do with—FEMA does very well as a first responder, but when they transition into dealing with human beings, there is a whole different policy or philosophy in dealing with citizens, and, so, just to start with, the fact that our people lost everything, had nowhere to go, and came to FEMA for a voucher of some kind so they could get a roof over their heads, the citizen would be allowed to go into a hotel, for instance, or rent an apartment. Of course, in Galveston, for quite some time, there was not an apartment that anyone could rent, but there was some of the hotels open, and then two weeks and maybe three weeks later, FEMA would say well, you got to get out; these are just two-week vouch-

ers. Yet, two more weeks, three more weeks, and the frustration, but also the sadness of it all, is these are human beings. They did not have anywhere to go to begin with. Surely, FEMA can take one look at a disaster area and see that the citizens have to have a place to live for more than two weeks.

And, so, when I was in Washington before and I say now that FEMA has got to change that program. A person should have a voucher for two months, three months before they are told to get out of a hotel room. And then on the day they are to get out, they have packed their bags, their baggage, which is generally in a paper sack. Remember, these folks had no shoes, they had nothing. They get down in the lobby and FEMA says okay, you can stay another two weeks.

And FEMA has stopped that now. They have the vouchers now, I believe, are for longer periods of time. We still have people waiting for assistance from FEMA, and I do not have any statistics for you, but there are still people waiting for FEMA to say we have assessed your house, you can rebuild it. We have people waiting for FEMA to say here is some money for you to restore your business.

It just does not work, Senator. None of the policies that apply to the human element after a storm, they are not consistent. There is no coordination.

I think it is getting a little bit better, but all cities, I am sure, have a long way to go before FEMA says here is what you need, and it does remind me of the story that Dr. Callender told at lunch, where the FEMA representative came in a few days after the storm, took one look, and said this thing is going to cost \$600 million to fix. A year later and thousands of work project things having been submitted, FEMA says to restore UTMB is going to be, what did he say, \$6 million.

So, my subject is, again, give us what we need in the front end, and that includes people who have apartments that they can fix for people. FEMA should be upfront with its contributions to helping citizens. Worry about what we have to pay back later.

Chair LANDRIEU. And let me ask you this about paying back. What loans were available to the City of Galveston and any other communities that you care to comment about that you may know of after the storm in terms of just general loans to the city? What were the limits? What were the conditions? What were the payback requirements that you were afforded? Anything at all from either the state or the Federal government or from your local banking community?

Mayor THOMAS. None from the Federal government. Because of our experience watching you and others go through Katrina, the City of Galveston was fortunate enough to have a local banking community who sat down with me immediately, within a day of the storm, and they all came together and they all agreed to loan money to our local businesses, whoever needed it, and I think that has amounted to somewhere over 60 or \$75 million—

Chair LANDRIEU. But to businesses—

Mayor THOMAS [continuing]. From our local banks—

Chair LANDRIEU [continuing]. Not to the city?

Mayor THOMAS. Ma'am?

Chair LANDRIEU. To the city itself. Loans to the—

Mayor THOMAS. Oh, to the city?

Chair LANDRIEU [continuing]. City government itself?

Mayor THOMAS. Nothing that I know of.

Chair LANDRIEU. So, what is your annual budget roughly for the city?

Mayor THOMAS. It is about \$90 million.

Chair LANDRIEU. \$90 million.

Mayor THOMAS. It is not a big budget.

Chair LANDRIEU. So, your city was virtually destroyed in large part, and there was no immediate place for you, as the mayor of the city, to turn to to borrow money from any fund that the Federal government might have on terms and conditions that would be reasonable for you to continue to try to maintain some semblance of city order and city work while your thousands of businesses, your major medical school came by—if anyone from the staff wants to join to add.

Mayor THOMAS. I am going to let Steve LeBlanc answer that question, because we did have an answer, and we had a process, but we did it ourselves.

Chair LANDRIEU. Okay. Steve, do you want to—

Mayor THOMAS. And I am going to let Steve answer it. He is in charge of the money around here.

Mr. LEBLANC. We were able to apply for and receive the maximum of \$5 million community disaster loan for operations.

Mayor THOMAS. And I want you to repeat that for the record. Go ahead and tell this group what is the maximum amount of money under the current federal law that you could borrow.

Mr. LEBLANC. Five million dollars was the maximum we could receive. We did receive the maximum. Our budget, as the mayor said, is actually \$96 million.

Chair LANDRIEU. Let me just stop you right there and say I know that you all clapped for the Mayor, but let us clap for her again. [Applause.]

Could you imagine running an operation of \$90 million, and you turn to the Federal government and all they can offer you—the City of New Orleans budget, just FYI, is \$265 million, and the Federal government offered us \$5 million? I said you could keep it because it is not going to help, and we had to try to convince the Federal government that there must be for disasters a pool of funding available to cities and counties to quickly borrow and pay back over a long period of time. Obviously, the City of Galveston is a worthy creditor, and that issue reflects in large businesses within the city, unable sometimes to receive support at a time when they need it, as well as the small businesses, and I just wanted to make sure that was part of the record, but go ahead and continue.

Mr. LEBLANC. Part of the process that we went through was we tried to get more and we asked for the formula to be changed, and I think there was some effort to make that happen, but the process and the formula was insurmountable, and, so, we were left with—and we certainly appreciated the \$5 million and we took that, but, as the mayor mentioned, we helped our self with the \$20 million through the local banks, and the rest was just through cutting.

Just for the record, we cut about 15 percent of our staff. We all took a pay decrease across the board, and we just scaled back as much as we could to make things happen.

Chair LANDRIEU. So, you could almost argue at a time when cities like Galveston and larger and smaller communities need more staff because the work before it is 10 times or 20 times worse than what it is on a normal day in Galveston, a normal day picking up garbage, a normal day trimming trees, a normal day running the operations of the city, at a time when those efforts go up 10- or 20-fold, the staff after a disaster in these cities must be cut because there is currently nothing in the federal law that allows cities or counties to borrow any amount of money more than \$5 million after a disaster hits. That would be one of the first places we need to start.

This senator has tried to change that law for four straight years in a row. So, I hope the HUD officials will step up and give some voice now to this need.

Dr. CALLENDER, let me ask you this: Where did you all get your initial operating funds? Did you touch into your reserves? Did you go to friendly bankers? Did you go to some wealthy people in the community? How did you continue, if you do not mind sharing some of that.

Dr. CALLENDER. We ate deeply into our reserves, and it was a critical issue for us following the storm.

As I mentioned in testimony, we count on the revenues coming in from our health system to sustain our operations. Our budget before the storm was about \$1.5 billion per year, and over half of that comes from the operation of our health system.

Our health system was not able to return to operation as quickly as possible for many of the reasons I mentioned, we had people who had lost everything in the storm, and we did not have jobs for them. We were eating into our reserve. We ended up taking a very, very hurtful step of a significant layoff of over 2,300 people, many of whom had lost almost everything, or significant elements of their life to this storm, and that was something that was terrible, but it was really our only recourse because we did not have access to critical funds other than our reserves.

Chair LANDRIEU. And, Mr. Gillins, did you have any offer from any of—obviously, you said the SBA was not forthcoming. Any local bank effort, any city effort, any HUD effort? Was there any place for you to turn for some additional capital to keep you all going or to tide you over?

Mr. GILLINS. No, actually, we were told by FEMA representatives to apply for the SBA, and even if we are denied, they would get back with us, and that some kind of supposedly grant for the ones that were denied, but we never heard from anybody.

Chair LANDRIEU. And, Mr. Dryden, any of your local banks step up or local community?

Mr. DRYDEN. No, only the Galveston Economic Development Council.

One thing I wanted to say, when you mentioned FEMA, I remember a quip on the news awhile back where the newscaster said Galveston, you shot yourself in the foot, and she went on to say you

did too much too fast with your own resources, and FEMA does not think you need hardly anything. So, I—

Chair LANDRIEU. Was that somebody from FEMA said that or a newscaster?

Mr. DRYDEN. She was quoting.

Chair LANDRIEU. Oh.

Mr. DRYDEN. She was quoting a statement by someone at FEMA. This was a choice we had to make.

Chair LANDRIEU. Well, you had to. You had no—

Mr. DRYDEN. My wife and I sat there—

Chair LANDRIEU. Lots of business people did that.

Mr. DRYDEN. And we said, do we stay or do we go? And when we decided to stay, what resources can we pull together to try and do this?

Chair LANDRIEU. And when did you start your business? What year? How long have you all been in that business?

Mr. DRYDEN. The flower shop was started in 1999. The dress shop was started in June of 2007.

Chair LANDRIEU. Okay, so, 10 years, and then a shorter period.

All right. Thank you, all, very much. We are going to move to the second panel. We very much appreciate your testimony. Thank you, all.

[Applause.]

**STATEMENT OF MR. ACHILLE ALONZI, ASSISTANT DIVISION ADMINISTRATOR, TEXAS FEDERAL HIGHWAY ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION**

Mr. ALONZI.—Between the FHWA Texas Office and TxDOT. Before Hurricane Ike made landfall, our division office advised the state concerning emergency relief program eligibility and engineering and contracting issues and shared lessons learned from prior emergency situations. USDOT also dispatched a member of the Evacuation Liaison Team managed by FEMA to provide technical advice in the event of an evacuation.

As soon as it was safe and practical after the storm, FHWA deployed personnel to the effective areas to work alongside state and local highway officials to assess the damage and to facilitate response and recovery efforts.

In the months after the hurricane, the Texas Division Office conducted three workshops on our Emergency Relief Program and claims process for joint FHWA and State Damage Assessment Teams and local government agencies, increasing the efficiency with which emergency relief program qualification decisions were made.

To date, FHWA has made down payments to the State of Texas for emergency relief, including \$2 million of quick-release emergency repair funds with the dredging of the vehicle ferry between Galveston Island and the boulevard peninsula. In addition to the immediate infusion of funds for emergency repairs, FHWA is continuing to process reimbursement claims for permanent repairs.

FHWA has allocated \$70 million in emergency relief funds to the Texas Department of Transportation. As of last week, TxDOT has submitted \$73.4 million in emergency relief claims covering 38

counties. FHWA has approved \$63.9 million as eligible for reimbursement and is reviewing the remaining \$9.4 million in claims.

FHWA is also involved in interagency coordination to ensure rapid recovery assistance.

For example, we have coordinated with FEMA, TxDOT, and the Galveston County Navigation District One on repairs to the Pelican Island Causeway Lift Bridge.

In March, these agencies met to discuss the repair needs for the bridge, and, to date, FHWA has reimbursed the navigation district for \$1.55 million for initial and permanent repairs and contracts for the remaining permanent repairs are being finalized.

As our state and local partners submit additional claims for Emergency Relief Program funding, FHWA will work to determine eligibility for projects and allocate the funding.

The American Recovery and Reinvestment Act is also providing resources to repair damage caused by Hurricane Ike. Construction has begun on the project on State Highway 87 here in Galveston County, using approximately \$6.17 million in Recovery Act funds for new pavement and to raise the roadway elevation for better flood protection.

FHWA is continually striving to improve its coordination and the assistance it provides to state, local, and tribal governments. Together with our partners, we are making progress in repairing the transportation systems destroyed by Hurricane Ike, but work remains. We will continue to be actively engaged with our local, state, and federal partners to ensure that highway recovery efforts are completed quickly and in a fiscally responsible manner, and we look forward to continuing our efforts to assist the citizens of Texas.

Madam Chairman, thank you again for the opportunity to testify, and I am pleased to answer any questions you may have.

[The prepared statement of Mr. Alonzi follows:]

**Biography of Achille (Al) Alonzi**

Achille (Al) Alonzi is the Assistant Division Administrator for the Federal Highway Administration Texas Division Office in Austin. Al oversees the day-to-day operations of the Texas Division Office, which provides front line Federal-aid program delivery assistance to the State of Texas and works to ensure that program delivery and stewardship activities are consistent with Federal-aid requirements.

Al joined the FHWA in 1990. Prior to becoming Assistant Division Administrator, Al was the Affiliate Programs Team Leader in the FHWA Office of Professional and Corporate Development in Washington, DC. He also held a number of field positions at the Kentucky and Connecticut Division Offices, as well the former Regional Office in Albany, NY.

Al received a Bachelor of Sciences in Civil Engineering from Worcester Polytechnic Institute in Worcester, Massachusetts, and is a graduate of the AASHTO National Transportation Leadership Institute. He is married and has a 5 year old son and a 3 year old daughter.

**STATEMENT OF  
ACHILLE ALONZI  
ASSISTANT DIVISION ADMINISTRATOR  
TEXAS DIVISION OFFICE  
FEDERAL HIGHWAY ADMINISTRATION**

**BEFORE THE  
COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP  
AND THE  
AD HOC SUBCOMMITTEE ON DISASTER RECOVERY  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE**

**A YEAR LATER: LESSONS LEARNED, PROGRESS MADE, AND  
CHALLENGES THAT REMAIN FROM HURRICANE IKE**

**SEPTEMBER 25, 2009**

Chairman Landrieu and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Federal Highway Administration's (FHWA) assistance to the State of Texas to rebuild and recover from the damaging effects of Hurricane Ike. FHWA has been working very closely with the Texas Department of Transportation (TxDOT) to provide emergency relief support for damage from Hurricane Ike to Federal-aid eligible highways.

Over a year ago, Hurricane Ike caused extensive damage as it made landfall along the north end of Galveston Island, and traveled through Galveston Bay east of Houston, and then northward across eastern Texas. Even before the storm struck, FHWA began working closely with TxDOT and our Federal emergency relief partners. We continued to provide emergency relief during and immediately after Hurricane Ike struck. The United States Department of Transportation (DOT) and FHWA remain firmly committed to continue helping the ravaged areas recover as quickly as possible. Today, I would like to share with you some of the details related to our response.

**FHWA PRE-HURRICANE ACTIVITIES**

FHWA is well positioned to respond proactively and rapidly to hurricane warnings in order to help minimize the damaging effects. We have a Division Office in each State that works closely with State and local highway officials on a routine basis. The long-standing history of collaboration between FHWA's Texas Division Office and TxDOT that predated Hurricane Ike provided an excellent foundation for a coordinated and timely FHWA response to the hurricane disaster. Before Hurricane Ike made landfall in Texas, our Division Office provided advice to State and local jurisdictions concerning Emergency Relief program eligibility and engineering and contracting issues, and shared lessons learned from prior emergency situations. In addition, DOT dispatched a member

of the Evacuation Liaison Team, managed by the Federal Emergency Management Agency (FEMA), to Austin in advance of Hurricane Ike's arrival to provide technical advice in the event that Texas needed help with an evacuation.

FHWA utilizes several emergency preparedness activities to help diminish the impacts of natural disasters on highway infrastructure. For example, each Division Office trains emergency coordinators, who collect information during emergency situations. This information provides situational awareness and information regarding the status of the roadway networks. FHWA's emergency coordinators report this information to FHWA headquarters staff, who then share the information with the DOT Crisis Management Center.

Further, the Emergency Transportation Operations team, within FHWA's Office of Operations, provides tools, guidance, capacity building, and good practices that aid local and State DOTs and their partners in their efforts to improve transportation network efficiency and safety when a non-recurring event either interrupts or overwhelms transportation operations. As part of its mission, our Emergency Transportation Operations team routinely works with State, local, and tribal governments to improve their disaster-specific transportation planning and operations, including evacuation management. The team has also conducted four regional workshops on Evacuation Planning since 2007. The first workshop included the Gulf States, with participants focusing on a hypothetical scenario involving a hurricane event that causes evacuations.

Since 2006, FHWA has produced numerous publications to address evacuation planning and operations during events with notice and events with no notice, including evacuating populations with special mobility needs. FHWA's Office of Policy coordinated the Department-wide production of the report required by section 10204 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, "*Catastrophic Evacuation Plan Evaluation: A Report to Congress.*" FHWA's Office of Operations played a significant role in the development of the report by serving as FHWA's technical expert and collaborating with experts from DOT's Office of the Secretary, the Federal Transit Administration, the Federal Railroad Administration, the Federal Motor Carrier Safety Administration, and the Maritime Administration. Furthermore, FHWA coordinated the content of the report with the Department of Homeland Security, which was undertaking a parallel effort, the *National Plan Review*, to address similar assessments of emergency plans nationwide. FHWA's Office of Operations published and distributed the final report, supplied the report to all of the Division Offices, and asked them to share it with their State partners.

#### **FHWA RESPONSE AFTER HURRICANE IKE**

As soon as it was safe and practicable to do so, FHWA deployed personnel to the affected areas to work alongside State and local highway officials to assess the damage and to facilitate response and recovery efforts.

In the months after the hurricane, the Texas Division Office conducted three workshops on FHWA's Emergency Relief Program and claims process for joint FHWA and State damage assessment teams. These training sessions, which were held on October 29 in Beaumont, November 5 in Houston, and November 6 in Tyler, increased the efficiency with which Emergency Relief program qualification decisions were made.

The Emergency Relief Program, authorized under section 125 of title 23, United States Code, reimburses States for expenses related to highway infrastructure damage associated with natural disasters and other emergency situations, such as Hurricane Ike. This program supplements the commitment of resources by States, their political subdivisions, or other Federal agencies to help pay for unusually heavy expenses resulting from extraordinary conditions. Examples of the type of work eligible for Emergency Relief program reimbursement include repairing pavements, shoulders, slopes, embankments, guard rails, signs, traffic control devices, and bridges, and removing debris from the highway rights-of-way. Reimbursement under the Emergency Relief Program is for the repair and restoration of highway facilities to pre-disaster conditions. However, most activities related to new construction to increase capacity, correct non-disaster related deficiencies, or otherwise improve highway facilities are not eligible for Emergency Relief Program funding. Generally, FHWA cannot pay for betterments unless they can be economically justified. Furthermore, while FHWA can fund repairs to a damaged bridge built to current design standards, we cannot pay for repair of a deficient bridge that was damaged by a disaster.

Eligible repairs under the Emergency Relief Program are classified into two major categories: emergency repairs and permanent repairs. Emergency repairs are those repairs needed to restore essential traffic, minimize the extent of damage, or protect the remaining facilities. Emergency repairs can begin immediately following a disaster and do not require prior FHWA approval. Properly documented costs are later reimbursed after FHWA finds that the disaster is eligible for emergency relief funding. Permanent repairs are those repairs that permanently restore the highway to its pre-disaster condition. Permanent repairs require prior FHWA approval and authorization.

FHWA has made down payments to the State of Texas for emergency relief. We provided Texas with \$2 million of "quick release" emergency repair funds for dredging of the vehicle ferry channel between Galveston Island and the Bolivar Peninsula.

In addition to the immediate infusion of funds for emergency repairs, FHWA is continuing to process reimbursement claims for permanent repairs. On September 16, 2008, TxDOT informed the FHWA Texas Division Office that TxDOT intended to claim \$70 million in emergency relief damages pursuant to the Emergency Relief program. FHWA subsequently allocated \$70 million in emergency relief funds for TxDOT. As of September 17, 2009, TxDOT has submitted \$73.4 million in emergency relief claims covering 38 counties. FHWA determined approximately \$21,000 to be ineligible but has approved \$63.9 million as eligible for reimbursement, and is reviewing the remaining \$9.4 million in emergency relief claims. We expect this review to be completed in the

next few weeks. Additionally, fifteen local government agencies have submitted claims—fourteen within the Houston District and one within the Beaumont District.

The American Recovery and Reinvestment Act of 2009, which President Obama signed into law on February, 17, 2009, is also providing resources to this area to repair damage caused by Hurricane Ike. Construction has begun on a project on State Highway 87 in Galveston County using approximately \$6.17 million in Recovery Act funds for new pavement and raise the roadway elevation for better flood protection.

To ensure quality assistance and rapid recovery, FHWA is also involved in inter-agency coordination. For example, FHWA coordinated with FEMA, TxDOT, and the Galveston County Navigational District #1 (GCND) to repair the Pelican Island Causeway Lift Bridge. On March 25, 2009, FHWA participated in a meeting with FEMA, TxDOT, and GCND to discuss the repair needs for the bridge and whether the work was eligible for reimbursement under the Emergency Relief Program. On June 15, 2009, GCND submitted an initial claim of \$4.2 million, and on June 22, FHWA approved the claim. To date, FEMA has reimbursed GCND for approximately \$356,000 for the initial repairs. FHWA has reimbursed GCND for \$1.55 million for initial and permanent repairs. Contracts for remaining permanent repairs, including a fender system update, are being finalized. The estimate for this remaining work is approximately \$2.5 million, and FHWA has already approved the work as eligible for reimbursement under the Emergency Relief Program.

TxDOT has informed FHWA that it intends to submit additional claims, and the FHWA Texas Division Office is prepared to ask FHWA headquarters to allocate additional emergency recovery funds, once the additional claims have been received and deemed eligible.

#### **FUTURE PREVENTATIVE ACTIONS**

FHWA is continually striving to improve its coordination and the assistance that it provides to State, local, and tribal governments. Based upon our experience from Hurricane Ike, FHWA has begun coordinating additional studies that will lead to more effective debris clearance in the field since State DOTs and Public Works Departments work very closely at the local levels on debris clearance following natural or man-made incidents. The Office of Operations also worked with the Transportation Research Board's National Cooperative Highway Research Program to commission a study of debris clearance following a disaster and the role of transportation in disaster relief efforts. This study will commence in 2010.

In addition, FHWA is finalizing a two-volume report on the use of evacuation models. This report will provide information to State and local governments on how to select appropriate model platforms for their needs. The Office of Operations will soon produce online training on evacuation planning and operations that will be available to all stakeholders. FHWA will also incorporate a unit on evacuation planning and operations

in its Traffic Incident Management workshops that will be held in the top 40 metropolitan areas over the next three years.

**CONCLUSION**

FHWA continues to seek opportunities to educate practitioners regarding conducting effective evacuations, debris clearance, alternate routing, or other transportation planning and operations practices. We are making progress in repairing the transportation systems destroyed by Hurricane Ike, but work remains. We will continue to work with our State and Federal partners to ensure that highway recovery efforts are completed quickly and in a fiscally responsible manner, and we look forward to continuing our efforts to assist the citizens of Texas.

Madame Chairman, thank you again for this opportunity to testify. I will be pleased to answer any questions you may have.

Chair LANDRIEU. Thank you, Mr. Alonzi, and I will have two specific questions that you can be thinking about, and we will come back to them. One is: Is the contract in place for the debris removal on state highways, and, if so, could you describe it? And then what is the rough estimate of all of the damage of highways, bridges, anything under the Texas Department of Transportation, the rough, gross estimate of what the damage was, and what is the gap in funding that exists? In other words, this is the damage, we can see this amount of money coming from these sources, and then what is the gap, so we can have that for the record.

Mr. Tombar.

**STATEMENT OF FREDERICK TOMBAR, SENIOR ADVISOR, OFFICE OF THE SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

Mr. TOMBAR. Thank you, Chairman Landrieu. I appreciate being able to—

Chair LANDRIEU. And you might want to pull the mike a little bit closer.

Mr. TOMBAR. Yes, ma'am.

Chair LANDRIEU. You have to speak right into it for volume.

Mr. TOMBAR. I appreciate the opportunity to testify before you, and, in the interest of time, as you requested, I will shorten my comments, but ask that my full testimony be included in the record.

My name is Fred Tombar, and I am a Senior Advisor to Secretary Donovan at HUD. And, as you are aware, Secretary Donovan has an extreme commitment to the recovery of Texas and the entire Gulf Coast. It is a commitment that he expressed in his very first days as an appointee to the Obama Administration. His first official visit as secretary was to the Gulf Coast, initially to New Orleans, and followed a day later here in Texas, where he had an opportunity to meet with Mayor Thomas and other local leaders.

He followed that commitment up by subsequent visits, and most recently to New Orleans to mark the anniversary of Hurricane Katrina with his entire senior team. Unprecedented in the history of HUD, showing his full commitment to the recovery of the Gulf Coast.

On the 23rd of July last year, Hurricane Dolly struck South Texas and Northern Mexico, and it was followed in September by Hurricane Ike.

HUD entered into an interagency agreement, IAA we call it, with FEMA to provide Disaster Housing Assistance Program, assistance to families impacted by Hurricane Ike, and, later, amended that agreement to include families that were impacted by Hurricane Gustav.

To date, there have been some 51,000 families that have been referred into the program, and, currently, we serve just over 12,000 families in that program, 72 percent of which are actually here in Texas.

As part of the case management and continued eligibility process for families, they provide information to us on their current income, and based upon this information, the department estimates that nearly 10,000 families have incomes below 50 percent of the area

median income in their community and may be eligible for long-term, subsidized housing after DHAP-Ike. Under DHAP-Katrina, as you are aware, Congress appropriated \$85 million in special-purpose Housing Choice Vouchers for eligible DHAP-Katrina families in need of long-term subsidized housing.

While there are currently no funds appropriated to address long-term subsidized housing needs among DHAP-Ike families, the Administration is working with its federal, state, and local partners to develop a plan.

DHAP-Ike terminates on March 13 of next year, and that is the last month that families will receive assistance payment under this program.

In addition to the above measures to address devastation left in the wakes of Hurricanes Ike, Gustav, and Dolly, as well as a range of other natural disasters that occurred in 2008, Congress appropriated \$6.5 billion in HUD Community Development Block Grant disaster recovery funding on September 30, 2008.

After the appropriation, HUD's goal was to get the money to the state grantees as quickly as possible so that the funds could properly and promptly be used in their disaster recovery.

On February 13, HUD published an initial notice in the Federal Register that contained the allocation of funds and program requirements, including waivers requested by the states. Of the \$6.5 billion in the appropriation, \$2.145 billion was allocated to 14 states, with the largest allocation, \$1.314 billion, going here to Texas.

In Texas' case, HUD received the state's allocation action plan for the use of those funds on March 6, 2009, and approved it immediately. By March 31, the grant agreement was signed between HUD and the state, and shortly thereafter, the \$1.314 billion in CDBG disaster recovery funds was released by HUD to the State of Texas.

On August 14 of this year, a subsequent notice was published which allocated the remaining funds and granted additional waiver requests to Texas and several other states. The second allocation to the State of Texas was approximately \$1.7 billion, bringing their total of 2008 CDBG disaster funding to over \$3 billion. The state's amended action plan is due to us by September 30.

Based upon the state's initial action plan, Texas is distributing the majority of its money, its initial allocation, to 11 regional Councils of Organized Government or COGs. These COGs have identified uses of funds in housing, restoration, and repair of infrastructure and economic development.

CDBG has played a significant role in assisting states and communities with disaster recovery, especially long-term recovery. Over the last four years, we have identified many of the challenges that face our federal-state partnership in quickly administering grant assistance at the individual and neighborhood level.

We are dedicated to working through these challenges, while ensuring a continued focus on both performance and accountability. Long-term recovery and rebuilding after a disaster is complex and requires tough decisions at all levels, as well as the ability to acquire additional capacity to carry them out. But I am confident

that, together, we can and will move Texas from recovery to revitalization.

Thank you for the opportunity to appear before the committee. This completes my testimony, and I look forward to your questions.

[The prepared statement of Mr. Tombar follows:]

**TESTIMONY OF FREDERICK TOMBAR  
SENIOR ADVISOR  
OFFICE OF THE SECRETARY  
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**Senate Homeland Security Committee  
Subcommittee on Disaster Recovery  
September 25, 2009  
Galveston, TX**

Thank you, Madam Chairman and members of both the Small Business Committee and the Subcommittee on Disaster Recovery, for hearing my testimony today. My name is Fred Tombar, and I am a Senior Advisor to Secretary Shaun Donovan at HUD. It is an honor to join you today to discuss the implementation of HUD disaster recovery measures in the State of Texas.

I first want to express HUD's commitment to the recovery and revitalization of Texas and the Gulf Coast – to ensuring that the resources we've provided are used in the most effective way to help people move back into their homes and revitalize the region. That's a message we sent within weeks of President Obama's inauguration, when HUD brought together partners from across the country to help provide Disaster Housing Assistance Program transitional rental assistance to more than 30,000 families. It's a message that we've continued to send over the past eight months, particularly when we when the Secretary, along with all of HUD's Assistant Secretaries, visited the Gulf Coast on the 4<sup>th</sup> anniversary of Hurricane Katrina, to view the situation first hand and to brain storm new solutions to help the area move from recovery to revitalization

On July 23, 2008, Hurricane Dolly struck South Texas and northern Mexico. Less than two months later, on September 13, Hurricane Ike made landfall in Texas. These hurricanes were deadly and costly to communities throughout the Gulf Coast and particularly destructive to Texas. In Texas alone, unreimbursed damage was estimated at nearly \$30 billion, with almost \$3.5 billion needed for housing assistance. Homes, infrastructure, and businesses were damaged and destroyed. Furthermore, industries benefiting the entire nation were deeply impacted – agriculture, forestry, and fishery all suffered devastating losses.

On September 23, 2008, HUD and FEMA executed an inter-agency agreement (IAA) establishing the Disaster Housing Assistance Program (DHAP-Ike) for families impacted by Hurricane Ike. Later this IAA was modified to include families impacted by Hurricane Gustav. The DHAP-Ike program was modeled after the DHAP-Katrina program, with a number of program improvements added based on lessons learned from Hurricane Katrina (for example, continued eligibility assessments and landlord vacancy payments). Under DHAP-Ike, housing assistance payments are paid directly to a landlord on behalf of each family and housing case management is provided that connects each family to services which enable them to transition off of DHAP assistance.

FEMA started referring families for DHAP-Ike assistance on October 15, 2008, and HUD officially began operating the program through its network of participating Public Housing Agencies (PHA) on November 1, 2008. As of September 7, 2009, FEMA has referred 51,624 families for assistance, primarily in Houston, Galveston, and Port Arthur, Texas and Southwestern and Central Louisiana. To date 24,649 (48%) families referred by FEMA have agreed to participate in DHAP-Ike across 104 participating PHAs. The remaining 26,658 (52%) did not agree to participate. Among those that did not agree to participate, 12,627 (47%) were homeowners before Hurricanes Ike and Gustav.

For families that agreed to participate, PHAs worked diligently to quickly process and assist families after their referral from FEMA. There are currently 12,571 (51%) families receiving a housing assistance payment from a PHA, 72% of which are in Texas. There are also 1,334 (5%) families that have agreed to participate but have not executed documents with the PHA to receive a housing assistance payment. PHAs are working with these families to address their housing needs, however most of these families have been in this status for 90 or more days, are most likely no longer interested in the program, and therefore will end their participation. Finally, 10,744 (44%) families ended their participation with the program after initially agreeing to participate, many because their income did not qualify them for continued assistance or they changed their mind and subsequently refused DHAP-Ike assistance.

As part of the case management and continued eligibility processes, families provide information to document their current income. Based on this information, the Department estimates that 9,837 families have incomes below 50% of the Area Median Income in their community, and may be eligible for long-term subsidized housing after DHAP-Ike. Under DHAP-Katrina, Congress appropriated \$85 million in special purpose Housing Choice Vouchers (HCV) for eligible DHAP-Katrina families in need of long-term subsidized housing. While there are currently no funds appropriated to address long-term subsidized housing needs among DHAP-Ike families, the Administration is working with its Federal and state partners to develop a plan. DHAP-Ike terminates on March 13, 2010, and the last month that families will receive a housing assistance payment under the program is March 2010.

In addition to the above measures, to address the devastation left in the wake of Hurricanes Ike, Gustav, and Dolly, as well as a range of other natural disasters that occurred in 2008, Congress appropriated \$6.5 billion in HUD Community Development Block Grant (CDBG) disaster recovery funding on September 30, 2008. While this appropriation is similar to previous laws enacted for CDBG disaster recovery, it contains several differences. Significantly, it forbids the funds be used by a state or locality as a matching requirement, share, or contribution for any other Federal program. Unlike the CDBG statute or regulations, HUD cannot waive this provision as it was explicitly inserted by Congress in the public law. In addition, Congress expressly stated that the Secretary's waiver authority for these funds does not extend to requirements related to fair housing, nondiscrimination, labor standards, and the environment. HUD does not advocate these waivers and believes that the prerogative to change or modify these provisions belongs to Congress.

After the appropriation, HUD's goal was to get the money to the state grantees as quickly as possible so that the funds could promptly be used in their disaster recovery efforts. This objective was balanced with HUD's role to ensure that the funds were allocated as necessary to the individual grantees. Because the public law provided funds for all presidentially-declared disasters occurring in 2008, HUD began to gather and analyze data from other federal agencies regarding all of the applicable states and disasters following Congress' appropriation. Furthermore, HUD could not determine the full range of possible grantees until the end of the calendar year.

On February 13, 2009, HUD published an initial notice in the Federal Register that contained the allocations of funds and program requirements, including waivers requested by the states and alternative requirements. Of the \$6.5 billion appropriation, \$2.145 billion was allocated to 14 states, with the largest allocation of \$1.314 billion going to the State of Texas.

Even before an initial Federal Register notice is published, states can begin developing their applications – called Action Plans for Disaster Recovery– plans for the use of funds, and then fine-tune those plans after the notice is published and after they have carried out their responsibility to solicit and address comments from the public on the proposed Action Plan. In Texas' case, HUD received the State's Action Plan on March 6, 2009 and approved it the same day. By March 31, 2009, the grant agreement was signed between HUD and the State. Shortly thereafter, the \$1.314 billion in CDBG disaster recovery funds was released by HUD and available to Texas. On August 14, 2009, a subsequent notice was published which allocated the remaining funds and granted additional waiver requests to Texas and several other states. The second allocation to the State of Texas for approximately \$1.7 billion brings their total allocation of 2008 CDBG Disaster Recovery funds to more than \$3.0 billion. The State's Amended Action Plan for the additional funds is due to HUD by September 30, 2009.

Based on the State's initial Action Plan, Texas is distributing the majority of its initial allocation to 11 regional Councils of Government (COGs). Funds not distributed will be used by the State for administration, planning, and the Affordable Rental Housing Stock Restoration Program. Each COG has facilitated its method of distribution so that it can equitably allocate funds to the affected communities. Local communities are, or soon will be, conducting recovery activities under three main categories: (1) restoration and repair of infrastructure and facilities, (2) economic development and revitalization activities, and (3) housing. Economic development includes direct grants or deferred forgivable loans to businesses that were affected by the hurricanes. Housing includes a wide range of activities, including, but not limited to, rehabilitation programs, relocation programs, homelessness prevention programs, affordable rental programs, and interim housing programs.

As part of the Department's commitment to continuously improve the efficiency and effectiveness of our programs, we will soon be undertaking a study to assess the impact of the various approaches used by states in meeting post-disaster housing needs with CDBG disaster recovery funds. The study will take a focused look at the impact of homeowner and rental housing programs by examining the degree to which neighborhoods have been rebuilt and reoccupied at the block level. The results of the study should demonstrate the impact and

effectiveness that both compensation-based and rehabilitation-based programs have on returning residents to safer, stronger neighborhoods after a disaster.

In conclusion, CDBG has played a significant role in assisting states and communities with disaster recovery, especially long-term recovery. Over the last four years, we have identified many of the challenges that face our federal-state partnership in quickly administering grant assistance at the individual and neighborhood level. We are dedicated to working through these challenges while ensuring a continued focus on both performance and accountability. Long-term recovery and rebuilding after a disaster is a complex process that requires tough decisions at all levels, as well as the ability to acquire additional capacity to carry them out. But I'm confident that together we can and we will move Texas from recovery to revitalization.

Thank you for the opportunity to appear before the committee. This completes my testimony and I look forward to answering your questions.

Chair LANDRIEU. Thank you, Mr. Tombar. We are going to talk at question and answer about the distribution of that Community Development Block Grant funding and if it is based on damage or other factors, and how it is being allocated to the different parts of Texas.

Mr. Gonzalez.

**STATEMENT MR. MANUEL GONZALEZ, DIRECTOR, HOUSTON DISTRICT OFFICE, U.S. SMALL BUSINESS ADMINISTRATION**

Mr. GONZALEZ. Good afternoon, Madam Chairman and members of the Texas Congressional Delegation. Thank you for inviting me to discuss how SBA applied the lessons learned from Hurricanes Katrina, Rita, and Wilma to better assist the survivors of Hurricane Ike. The process improvements that had been made, that have been put into place allowed SBA to assist the survivors in an effective manner.

My name is Manuel Gonzalez, and I am the District Director of the Houston District Office. I am proud to lead the local team of dedicated staff in Houston.

Through our Office of Disaster Assistance, ODA, the SBA is responsible for providing affordable, timely, and accessible financial assistance following a disaster to businesses of all sizes, private, nonprofit organizations, homeowners, and renters. Many disaster survivors have insurance, which covers part or all of their losses after a declared disaster, but, for uncompensated losses, an SBA loan is a primary form of long-term, federal financial assistance.

This financial assistance is available in the form of low-interest loans, and since the SBA's inception in 1953, it has provided 1.9 million loans for more than \$47 billion.

The damage to the Gulf Coast from Hurricane Ike elicited a strong and proactive response from the U.S. Small Business Administration. The agency was prepared to undertake a multifaceted, aggressive approach in response to the storm, and provide millions of dollars of relief to the victims.

The SBA approved more than \$638 million in disaster loans to help more than 10,000 Texas homeowners, renters, businesses, and nonprofit organizations recover and rebuild from the damage caused by Hurricane Ike.

The SBA approved over \$432 million in disaster loans for 8,473 Texas residents to repair or replace their disaster-damaged or destroyed homes and personal possessions.

SBA approved over \$206 million for 1,574 Texas businesses and private, nonprofit organizations to repair or replace their real estate, machinery, equipment, inventory, and other business assets and provide working capital to help meet disaster-related needs.

The SBA disaster loan program also provided funds to help residents and businesses with the cost of making improvements to prevent or minimize the same type of disaster damage from occurring in the future.

Additionally, SBA responded to the needs of Texas residents and business owners by deploying 503 SBA disaster assistance workers to Texas to provide one-on-one service to disaster victims. SBA representatives staffed 72 Disaster Recovery Centers, 29 Mobile Dis-

aster Recovery Centers, 9 SBA Disaster Loan Outreach Centers and 8 SBA Business Assistance Centers.

At these centers, SBA representatives personally met with more than 88,400 disaster victims to answer questions, explain SBA's disaster loan program, help complete disaster loan applications, and close disaster loans.

Chair LANDRIEU. Mr. Gonzalez, just try to summarize, if you could. Just summarize a little bit.

Mr. GONZALEZ. Okay.

Chair LANDRIEU. So we can keep time for questions.

Mr. GONZALEZ. Okay. Following the 2005 Gulf Coast hurricanes, SBA experienced significant challenges in response to natural disasters of such a large scale. The cumulative result of the Gulf Coast disasters caused damage that was so extensive that the number of resulting disaster loan applications overwhelmed SBA's capacity to process them. SBA recognized the severe challenges that hindered its efforts to aid recovery in a timely manner, and has made dramatic improvements to its process operations.

Today, by incorporating lessons learned and process improvements, SBA's Disaster Assistance Program and our sister federal agencies have overhauled the processes and response protocol. We learned important lessons from the 2005 hurricanes, and have significantly executed our role to support the postdisaster economic recovery following hurricanes like Ike.

SBA is better prepared than ever to process loans faster, provide better-quality service, and be more helpful to our customers, disaster survivors.

Some of the improvements have been—SBA has made significant improvements in our application processes since 2005. The average processing time during Hurricane Katrina was 66 days for disaster business loans, 74 days for disaster homes loans.

Today, the average processing time is 14 days for disaster business loans and 6 days for disaster home loans. Additionally, on August 4, 2008, SBA introduced an electronic loan application which is currently in use and has capability of 5,600 applications per hour.

Furthermore, we have revamped the postapproval process, improving process and tools for loan closing and fund disbursement by creating case management teams with staff from each key area, such as loan processing and legal. The emphasis is on customer service and accountability, with each approved loan assigned to a team and an individual case manager.

On top of this, we have increased the Disaster Credit Management System capacity from 1,500 to 12,000 concurrent users, expanding our workforce to include over 2,000 reservists, along with enhanced training and quality assurance to ensure consistent adherence to policies and procedures, expanded infrastructure, including 210,000 square feet of surge space and equipment and better coordination between nondisaster field staff and improved harmonization across disaster center operations.

In closing, we appreciate the opportunity to share with the committee the role SBA plays in small business disaster recovery efforts, and we believe that the reforms we have instituted and the new tools Congress has provided will allow us to more effectively

and efficiently respond to the needs of our nation's citizens. I look forward to further describing these efforts and answering your questions.

Thank you.

[The prepared statement of Mr. Gonzalez follows:]

**SENATE SMALL BUSINESS AND ENTREPRENEURSHIP COMMITTEE  
HEARING REGARDING  
A YEAR LATER: LESSONS LEARNED AND PROGRESS MADE AFTER  
HURRICANE IKE**

**SEPTEMBER 25, 2009**

Testimony of  
Manuel Gonzalez  
District Director  
Houston District Office

Good afternoon Senator Landrieu, Senator Hutchinson, Senator Cornyn, and members of the Texas Congressional Delegation. Thank you for inviting me to discuss how SBA applied the lessons learned from Hurricanes Katrina, Rita and Wilma to better assist the survivors of Hurricane Ike. The process improvements that had been put into place allowed SBA to assist these survivors in an effective manner.

My name is Manuel Gonzalez and I am the District Director of the Houston District Office. I am proud to lead the local team of dedicated staff in Houston.

Through our Office of Disaster Assistance (ODA), the SBA is responsible for providing affordable, timely and accessible financial assistance following a disaster to businesses of all sizes, private non profit organizations, homeowners, and renters. Many disaster survivors have insurance, which covers part or all of their losses after a declared disaster, but for uncompensated losses, an SBA loan is the primary form of long-term Federal financial assistance. This financial assistance is available in the form of low-interest loans, and since the SBA's inception in 1953, it has provided 1.9 million loans for more than \$47 billion dollars.

The damage to the Gulf Coast from Hurricane Ike elicited a strong and proactive response from the U.S. Small Business Administration. The agency was prepared to undertake a multi-faceted, aggressive approach in response to the storm, and provided millions of dollars of relief to the victims.

The SBA approved more than \$638 million in disaster loans to help more than 10,000 Texas homeowners, renters, businesses and non profit organizations recover and rebuild from the damage caused by Hurricane Ike.

The SBA approved over \$432 million in disaster loans for 8,473 Texas residents to repair or replace their disaster-damaged or destroyed homes and personal possessions. SBA approved over \$206 million for 1,574 Texas businesses and private, non-profit organizations to repair or replace their real estate, machinery, equipment, inventory, and other business assets and provide working capital to help meet disaster related needs. The SBA disaster loan program also provided funds to help residents and businesses with the

cost of making improvements to prevent or minimize the same type of disaster damage from occurring in the future.

Additionally, SBA responded to the needs of Texas residents and business owners by deploying 503 SBA disaster assistance workers to Texas to provide one-on-one service to disaster victims. SBA representatives staffed 72 Disaster Recovery Centers, 29 Mobile Disaster Recovery Centers, 9 SBA Disaster Loan Outreach Centers and 8 SBA Business Assistance Centers. At these centers, SBA representatives personally met with more than 88,400 disaster victims to answer questions, explain SBA's disaster loan program, help complete disaster loan applications and close disaster loans.

SBA's Role in Responding to a Disaster:

The Small Business Administration is not a first responder agency, but rather SBA is focused on the long-term economic recovery efforts in coordination with its government partners at the Federal, state, and local levels. In addition to its disaster loan program, SBA helps small businesses recover through its guaranteed lending, technical assistance, and government contracting and business development programs.

Disaster loans are a critical source of economic stimulation in the affected areas following a disaster. As part of an overall effort to assist survivors to get back on their feet, SBA's disaster home loans of up to \$200,000 help those employed in the local community return and rebuild their homes. Moreover, businesses of all sizes and non profit organizations are eligible for loans of up to \$2 million to assist with any uninsured and otherwise uncompensated physical damage losses sustained during a disaster to repair or replace damaged physical property.

Additionally, SBA offers Economic Injury Disaster Loans (EIDL) to small businesses, small agricultural cooperatives, and most private non-profit organizations who have suffered economic injury caused by a disaster. If a small business or organization is unable to meet obligations and to pay its ordinary and necessary operating expenses, an EIDL loan can help. These loans provide working capital to a business or organization until normal operations can resume following a disaster.

An EIDL can help meet necessary financial obligations that a business or private, non-profit organization would have met, had the disaster not occurred. It provides relief from economic injury caused directly by the disaster and permits a reasonable level of working capital during the period affected by the disaster. The maximum loan amount is \$2 million combined for both physical and economic injury.

SBA's Key Improvements to Disaster Assistance since Hurricane Katrina:

Following the 2005 Gulf Coast Hurricanes, SBA experienced significant challenges in responding to a natural disaster of such a large scale. The cumulative result of the Gulf Coast disasters caused damage that was so extensive that the number of resulting disaster loan applications overwhelmed SBA's capacity to process them.

SBA recognized the severe challenges that hindered its efforts to aid recovery in a timely way, and has made dramatic improvements to its process operations. Today by incorporating lessons learned and process improvements, SBA's Disaster Assistance Program and our sister Federal agencies have overhauled the processes and response protocols. We learned important lessons from the '05 hurricanes and have effectively executed our role to support the post-disaster economic recovery following Hurricane Ike. SBA is better prepared than ever to process loans faster, provide better quality service and be more helpful to our customers, disaster survivors.

SBA's Office of Disaster Assistance has re-engineered the process by which the Agency responds to disasters and disaster survivors. All of these enhancements have been incorporated into the Agency's Disaster Response Plan. The DRP was created to become a comprehensive "playbook" to ensure a broad scope of coordination, awareness, and support throughout the Agency.

Under SBA's Disaster Response Plan, during all levels of disaster response and long term economic recovery, SBA leverages existing resource partners (Small Business Development Centers, Women Business Centers and SCORE) primarily to help with local outreach as well as collaborate to distribute disaster recovery training materials and information to small businesses and non-profit organizations in the impacted areas. Additionally, SBA's resource partners are available for management and technical assistance to those businesses who are recovering from a disaster, and we strongly urge them to access these services by contacting their local chapter.

SBA has made significant improvements in our application processing since 2005. The average processing time during Hurricane Katrina was 66 days for disaster business loans and 74 days for disaster homes loans. Today, the average processing time is 14 days for disaster business loans and 6 days for disaster home loans. Additionally, on August 4, 2008, SBA introduced an electronic loan application which is currently in use and has a capacity of 5,600 applications per hour.

Furthermore, we have revamped the post-approval process, improving processes and tools for loan closing and fund disbursement by creating case management teams with staff from each key area, such as loan processing and legal. The emphasis is on customer service and accountability, with each approved loan assigned to a team and an individual case manager.

On top of this, we have increased the Disaster Credit Management System's capacity from 1,500 to 12,000 concurrent users; expanded our workforce to include over 2,000 reservists along with enhanced training and quality assurance to ensure consistent adherence to policies and procedures; expanded infrastructure including 210,000 square

feet of surge space and equipment; and better coordination between non-disaster field staff and improved harmonization across disaster center operations.

In closing, we appreciate the opportunity to share with the Committee the role SBA plays in small business disaster recovery efforts, and we believe that the reforms we have instituted and the new tools Congress has provided will allow us to more effectively and efficiently respond to the needs of our nation's citizens. I look forward to further describing these efforts and answering your questions. Thank you.

Chair LANDRIEU. Thank you very much, Mr. Gonzalez, but, obviously, I am going to ask you about Mr. Dryden's specific case when I come back and why a business like this going through the process that he did would have been rejected by you all. Also, you have had 536 business loans approved, only 280 dispersed in Galveston, so, I am going to ask you about that discrepancy, and generally how many businesses were destroyed and how many loans you all have made in the general area of Ike.

Go ahead, Judge Eckels.

**STATEMENT OF THE HONORABLE ROBERT ECKELS, JUDGE,  
AND CHAIRMAN, GOVERNOR'S COMMISSION FOR DISASTER  
RECOVERY AND RENEWAL, STATE OF TEXAS**

Judge ECKELS. Madam Chairman, I am pleased to be here again to visit with you about the storm, while I wish it was not about storms every time we have a chance to do this.

Chair LANDRIEU. And pull this a little closer.

Judge ECKELS. Certainly.

Chair LANDRIEU. Because I can hear you, but I am not sure the audience can.

Judge ECKELS. It is important that I thank you, too, for your efforts and those of Senator Cornyn and Senator Hutchison for the use of CDBGs Relief Funds for federal match. That is an important one for us, while it is not really a topic here today, I thank you for your interest in that—

Chair LANDRIEU. Thank you. We just passed that amendment this week off the Senate floor, and we hope it stays in the bill because it will give the State of Texas a great deal more flexibility in how those Community Development Block Grant monies can be used and can leverage them well. Taxpayers, I think, will get a better outcome and better result.

Judge ECKELS. It is particularly important in small jurisdictions, where \$750,000 may seem like a lot of money, but they do not have the quarter million to match, and it is an important component, so, we do appreciate that.

I was appointed by Governor Perry in October to chair the Governor's Commission on Disaster Recovery and Renewal. Jeff Sodjstrom, he was with us earlier, was a member of that commission, and we appreciate his work and for all of those members.

In the interest of time, I will submit my written comments earlier for the record and try to briefly cover some of those points and be able to answer questions, as well.

Like you found today, we found public testimony invaluable in gathering the firsthand knowledge of those issues, and Mayor Thomas did a great job today in outlining a lot of those kinds of things.

We did issue our preliminary report in March with several recommendations that needed quick action by the legislature. Again, we were not set up as a state-centric kind of organization here. It was more local-centric in response, but they did include more than \$600 million in disaster-related appropriations to state agencies, departments, higher-education institutions, school districts, health care facilities, and probably, most importantly, a disaster contingency fund that can match federal dollars for local jurisdictions

that have specific financial hardships in the declared disaster areas.

Any state or local government can request money from the Disaster Contingency Fund to pay for disaster preparation and recovery, and we can use these funds to preposition equipment, personnel, and other vital resources in future disasters so that we do not have the issues that came up earlier about some of the highway and debris-removal projects.

Chair LANDRIEU. They still cannot hear you, Judge.

Judge ECKELS. I am sorry.

Chair LANDRIEU. Yes.

Judge ECKELS. As you know, in November of 2008, Congress appropriated more than \$6 billion in Community Development Block Grants for the disasters of 2008. HUD announced its first allocation of \$2.1 billion dollars in disaster recovery assistance to 13 States and Puerto Rico. Of that amount, HUD allocated \$1.3 billion dollars to the State of Texas.

We did have to wait more than six months, and had a lot of persistence on behalf of the governor and others, including members of this committee, where they made their final allocation of CDBG funds in 2009. Of the second allocation, Texas received \$1.7 billion in assistance.

The Texas Department of Rural Affairs is the lead agency in that partnership to administer these funds, and although HUD announced that second round of funding in June, the federal guidelines were not published until mid-August, and the TDRA has worked to quickly draft an amended action plan for round two funds, and is in the process of gathering public comment.

After hearing the concerns about the initial round two draft plan, the governor directed TDRA to develop a new formula for proposed allocation, and that is currently pending. I have appreciated today in the public comments from others here today that there are concerns still out there about this, and we will convey those concerns back to the TDRA.

They also received extensive feedback requesting more local control over the direction of the funds, and local officials and staff have felt they were best equipped to identify their communities' priorities for recovery. I believe they were right, and the new proposal provides that recommended housing and the nonhousing allocations by regions, but that those regions would be able to move the funds between housing and nonhousing interchangeably, based on need. That takes off a lot of other state controls. The deadline for submission for this action plan is September 30th.

In business recovery, since the Federal Emergency Management Agency, FEMA, and CDBG primarily addressed housing and infrastructure needs, there are limited options for business owners needing disaster assistance. The SBA has approved over \$200 million in business loans, but many businesses are still struggling or have closed their doors. Population decreases and temporary relocation of people while their homes and communities are repaired have reduced the number of patrons and people that are able to keep these businesses going. That has a chain reaction that affects the tax base in the small communities that are already struggling

to pay their share of the FEMA projects and cover other needed repairs that are not eligible for FEMA assistance.

You mentioned earlier, too, the—well, I have touched on some of the questions that you asked earlier, do you want to follow-up on some of those, the impact it has had and found around the state?

Texas is rebuilding, and we are pleased with the progress in many areas that are being made. Although Galveston lost 180 business members of their Chamber of Commerce, they gained 130 members. So, there is some rebound you have seen coming in, and you have heard Mayor Thomas and the folks earlier talking about how that happened.

The General Land Office in Texas, Commissioner Patterson has just announced over \$135 million in custom protection projects.

As we move forward, I would encourage you to keep up your effort and for Congress to revise the Stafford Act to accommodate recovery from catastrophic events. One year after the storm, while there is a lot left to be done, a lot has happened, and there is a lot of progress, and that is a credit to the local officials who are caught up in much of this process.

None of us here doubt the intentions or the desires of FEMA or of Congress to help our communities recover, but, as you heard from Mayor Thomas and others today, the process often frustrates the promise of help.

I would recommend personally, and it is not a commission recommendation, but personally that Congress revise the Stafford Act to allow the director or the secretary to empower states to directly handle public assistance and individual assistance. There is really no reason to have to send a project worksheet to Washington for approval when time is of the essence. I would provide that contemporaneous audits of this process and send the money through the state directly to the mayors and the county judges who do the jobs. Again, with transparency and a strong audit trail.

Texas faced three hurricanes, two tropical storms, and three major rain events in fifty-eight days last year. On top of that, we just come off our most devastating wildfire season in history. And with the efforts of the mayors and the judges and the regional councils of government, we are moving forward with recovery.

You should create a process in Congress that lets those local leaders in the communities respond quickly to the needs of the government, the people, and the businesses who live and work there.

I thank you again for your opportunity that you presented for us to be here, and we will be happy to answer questions that you may come up with or respond to some of those earlier questions, too.

[The prepared statement of Judge Eckels follows:]

**Testimony of Robert Eckels  
Chair, Governor's Commission for Disaster Recovery and Renewal  
Senate Small Business & Entrepreneurship Committee  
Field Hearing, September 25, 2009  
Galveston, Texas**

Good afternoon Chairman Landrieu and members of the committee. Thank you for the opportunity to testify this afternoon on Texas' ongoing recovery efforts. Specifically, I appreciate the focus on small business recovery because it is often overlooked in the federal assistance process.

My name is Robert Eckels, and I was appointed by Governor Rick Perry in October 2008 to Chair the Governor's Commission for Disaster Recovery and Renewal. I was previously Harris County Judge during Hurricanes Katrina and Rita, so I am intimately familiar with disaster recovery both in the short-term and long-term. I appreciate the opportunity to share with you today.

**Commission**

The Governor's Commission is comprised of state and local elected officials, members of the business community, and other private citizens who were personally affected by the 2008 hurricanes. The Commission was charged with assisting our local communities in recovering from the 2008 storms, renewing our communities, and reducing the impact of future storms.

The Governor gave the Commission some guiding principles to aid in executing these charges. Local governments are best equipped to assess their own damage and develop recovery plans tailored to their communities. But these communities need additional resources from an integration of private, public, and non-profit assistance to recover and to prepare for future disasters.

To carry out its charge, the Commission held four public hearings, in Galveston, Harlingen, Beaumont, and League City, as well as work group sessions in Port Arthur and Houston. The Commission heard testimony from federal, state, and local officials, as well as private industry, private non-profit organizations, and citizens. Everyone who testified has been affected by the hurricanes of 2008, and

in some cases, by previous disasters. Some people sustained damages to their personal property or businesses. Others spoke on behalf of their constituents or their employees. The Commission also heard from groups who offered business solutions for future disasters or recommendations from previous disaster experience.

Public testimony was invaluable in gathering firsthand knowledge of the issues that individuals, businesses, and local jurisdictions have been facing. Some of the issues need a local solution, while others would benefit from a coordinated partnership with the state. Other problems are a result of federal regulations or a lack of federal financial assistance.

The Governor's Commission presented its preliminary report to the Governor and the Texas Legislature on March 26<sup>th</sup>, 2009, with several recommendations and findings for swift action. Many of the Commission's recommendations are incorporated in legislative changes passed by the 81st Texas Legislature and signed into law by Governor Perry. Included in the legislation was more than \$600 million in disaster-related appropriations to state agencies and departments, higher education institutions, local independent school districts, healthcare facilities, and a disaster contingency fund.

The State disaster contingency fund may be used as match dollars on federal projects for local jurisdictions suffering financial hardship as a result of a declared disaster. Any state or local governmental entity may request money from the disaster contingency fund to pay for disaster preparation and recovery. The State can use the funds to pre-position equipment, personnel, and other vital resources for future disasters.

#### **Community Development Block Grants**

As you know, in November 2008, Congress appropriated more than \$6 billion in Community Development Block Grants (CDBG) for 2008 natural disasters. The U.S. Department of Housing and Urban Development (HUD) announced a first round allocation of \$2.1 billion dollars in disaster recovery assistance to 13 States and Puerto Rico. Of that amount, HUD allocated \$1.3 billion dollars to the State of Texas. After waiting more than six months, and at the persistence of Governor Perry and others, including members of this committee, HUD made their second

(and final) allocation of CDBG funds in June 2009. Of the second allocation, Texas received \$1.7 billion in disaster assistance.

Governor Perry has designated the Texas Department of Rural Affairs (TDRA) as the lead agency in partnership with the Texas Department of Housing & Community Affairs (TDHCA) for administration of the CDBG funds. Round 1 awards for the \$1.3 billion have already started going out the door, and millions of dollars in grants have reached applicants.

Although HUD announced the second round of funding in June, the federal guidelines were not published until mid-August. TDRA has worked quickly to draft an amended Action Plan for Round 2 funds and is in the process of gathering public comment on the proposal.

After hearing public concerns about TDRA's initial Round 2 draft plan, Governor Perry directed TDRA to develop a new formula for proposed allocation. The new plan allocates more than 90% of the funds to the regional Councils of Government (COGs) based on a model of surge, wind, and rainfall damage in disaster declared counties and considers the low to moderate income (LMI) population. As you know, HUD dollars are targeted at LMI, and this population tends to have lower property values and less capacity to absorb rising utility rate and tax increases to cover damage repairs.

TDRA also received extensive feedback requesting more local control for the direction of the funds. Local officials and staff felt they were best equipped to identify their communities' priorities for recovery and many of the original state-directed funds in the plan were removed. The new proposal provides recommended housing and non-housing allocations by region, but regions will be allowed to move funds between housing and non-housing interchangeably based on need.

The deadline for submission to HUD of the amended Action Plan is September 30<sup>th</sup>.

### **Business Recovery**

Since the Federal Emergency Management Agency (FEMA) and CDBG primarily address housing and infrastructure needs, there are limited options for business owners needing disaster assistance. The Small Business Administration has approved over \$200 million in business loans, but many businesses are still struggling or have closed their doors. Due to population decreases or the temporary relocation of people while their homes and communities are repaired, there are a reduced number of business patrons. This severely affects the tax base in small communities that are already struggling to pay cost share on FEMA projects and cover other needed repairs ineligible for FEMA assistance.

A year after Hurricane Ike, according to FEMA, only about 70 percent of the project worksheets have been paid, and many applicants are still undergoing revisions to their project worksheets because of underestimation by FEMA the first time around. The administrative nightmare of applying to FEMA, HUD and private insurance to hopefully recoup a majority of damages takes a toll on individuals and local jurisdictions. Without housing and city infrastructure, people can't return to their jobs. And unfortunately, Hurricane Ike hit the Texas coast during one of worst economic downturns in modern history, causing an overwhelming burden for many families and business owners.

But there has been rebuilding, and Texans will recover. In August, the University of Texas Medical Branch emergency room reopened on Galveston Island. After many months, miles of debris have been cleared. Although the Galveston Chamber of Commerce lost 180 member businesses, they have gained more than 130 new ones. The Texas General Land Office just announced over \$135 million in coastal protection projects.

#### **Federal Action**

As we move forward, I would encourage members of this committee to continue their efforts to revise the Stafford Act to accommodate recovery from catastrophic events. With the statutes as they exist now, the time between a disaster and when assistance reaches individuals is entirely too long primarily because of statutory requirements and administrative guidelines.

In closing, I appreciate the opportunity to testify today, and look forward to answering questions.

Chair LANDRIEU. Thank you, Judge, so much. Thank you, all, for your testimony, and we will go through these questions as quickly as we can because I know we are somewhat limited in time, although, I will extend this hearing probably until 3:15 to make sure we get all of these questions in.

Let me begin with this issue of Community Development Block Grant, which is really the bulk of the flexible funding that the Federal government has been using for this particular program, beginning actually with the attacks in New York on 9/11, then followed-up with the hits of Hurricanes Katrina and Rita, and then with Hurricanes Ike and Gustav, et cetera, to help fill in the gaps that the general disaster programs miss. This Community Development Block Grant money from the Federal government is in large measure one of the largest streams of revenue that comes down from the Federal government. There is some transportation funding, there is some direct FEMA funding through private assistance, but this is the largest and most flexible, so, in some ways, it is the most important.

Let us talk about this first allocation. I was actually pleased that this was actually my amendment, supported by several of the members of the Senate to require that one-third of the funds be dispersed within 60 days, Mr. Tombar, because what had happened in Katrina is the money was there, but it was never dispersed to the locals. We insisted, and you all responded and acted, that one-third of the money be distributed. That was done.

We also insisted in this language that the money be distributed based on damage and unmet needs because we had seen in the past that some of the money in previous storms had been distributed on basis other than damage, and, obviously, if you are trying to recover from a storm, our view, my view in particular but it is shared with many members of the Congress, is that when this money comes down, it should come to the communities that were hurt the worst where the needs are the greatest.

I would like you, Judge Eckels, to comment about how the state is coordinating these efforts and how you are tracking this directive, and then for HUD to comment if you generally agree with that directive and will you all be following it?

So, Judge Eckels, could we start with you?

Judge ECKELS. We appreciate your efforts to ensure that those funds were made quickly. On round one, the \$1.3 billion have already starting going out the door, and millions of dollars in grants have started reaching applicants, and I think it is largely because of your efforts to push that process along.

I do not have the specific numbers in front of me. I have been working with the policy side, but I will be happy to get that for you.

Chair LANDRIEU. Texas, the \$6 billion that is for all the states in disasters in 2008, because of the requirement that we insisted—and your senators fought hard for this, but so did I, having been on the wrong side of this formula with Hurricane Katrina—we insisted that the money be distributed as between states based on damage, which is why out of the \$6 billion, Texas will receive \$3 billion.

It went to all states in the union with disasters in 2008, but because the damage here in the State of Texas was the greatest, you all will receive the greatest amount based on damage, and that objective data was used to generally distribute that funding.

Now the question is to both the judge and to Mr. Tombar, as that money now comes to the State of Texas, \$3 billion in two, big tranches, how is the formula being designed to make sure that that money then gets to the counties and the cities and the communities that were the hardest hit—

Judge ECKELS. Sure, the—

Chair LANDRIEU. And, Mr. Eckels, go ahead.

Judge ECKELS [continuing]. The plan that we currently have allocates more than 90 percent of the funds to the Regional Councils of Government, is distributed, and they decide how those funds are split up within those local regions. And, again, it is an example probably as you go around the country and look at the nation.

There was an earlier question about the loan funds and the budgets of New Orleans and Galveston, and New Orleans does different things, and because of the state law in Galveston, it is combined city, county, schools, and other things.

We find the same issues here. Different cities have different needs, different regions have different needs, and we found the Councils of Government to be an effective mechanism with distributing these funds among the cities and through the regions.

Chair LANDRIEU. But are the Councils of Governments around the whole state or are they just in the areas of the disaster?

Judge ECKELS. No, they include the whole state. In this area, the damage within a region, HEAC, for example, in the first round, they would look at the damage estimates and distribute the funds into this region, and then HEAC would distribute that for projects among the communities.

It works very well. There are some issues that come up. Large, regional projects.

We are looking now at a storm surge study, for example, that it would be working with Louisiana, as well, on this because we are trying to take it all away from the southern Brazoria County, Galveston County, and on up the coast towards Jefferson and Orange Counties, and the Sabine River, you may have heard them talk about it here in Galveston of the Ike Dike. The governor is very strong on doing a surge study, but it transcends regional councils, it transcends the state agencies, and, so, we are looking to create a partnership among the local governments in this region that can administer and do that study because there is really no one in our structure that is designed to do it as you might have in Louisiana. So, it is the flexibility for us to be able to deal with those issues as our laws and process works is very helpful.

Chair LANDRIEU. Okay. Mr. Tombar, could you comment about the Secretary's and Administration's view on principles about how that money should be distributed once it hits the state?

Mr. TOMBAR. Certainly. Again, as you mentioned, the Community Development Block Grant Program is extremely flexible in its design. And it does not give a lot of latitude to the Federal government in determining how that money is used. But Congress directed us to take into account the extent of damage when making

distributions to the state, and we did that using data from some of our federal partners from FEMA and SBA and others to make determinations about loss and housing and business and infrastructure damage, and use that to make a determination.

Some states, your home state of Louisiana, for example, request the data that we use to make our determinations about distributions across the states because we also have that at the local level and use that to make the determinations. That is not a federal requirement. The CDBG Program does not work that way, however, some do that, and we make those data available when requested.

In the case of Texas, I am not aware that that request has been made to us, nor is the distribution being made necessarily in that way following the way that we made the distributions from a federal level. It is not a requirement. Part of the reason that local and state officials like the Community Development Block Grant Program is because it does provide that level of flexibility though.

Chair LANDRIEU. Yes, and I am going to follow this up with you all because I do have other questions to the other panel, but I want to be very clear about one principle, that we are now using Community Development Block Grant at the federal level to try to respond to communities that are struck by disasters because the current programs are just not sufficient. After a catastrophic disaster in particular, there are so many unmet needs in the communities affected by the disaster. It is not necessarily meant to be a Community Development Block Grant bonanza for the entire state.

I am sensitive to the fact that in these storms, there are many counties and parishes that are damaged. Some more than others, but it is the great hope of this Chair and I think many members of Congress on both sides of the aisle that that money will track to the communities that are the hardest hit, and I am going to ask HUD to look carefully, and we will work with our Texas leaders and the other leaders that are in other states.

Missouri had some terrible flooding. I think Idaho had some terrible flooding. So, there were about 12 or 13 states in 2008, as I recall, that had some serious damage, and we saw just last week the terrible flooding in Atlanta, Georgia, from rains. If we send the Community Development Block Grant to Georgia, the idea is to get it to the area in Atlanta that is flooding, not other areas of Georgia that might have very worthy and significant projects.

So, I hope that you receive this in the spirit because that is our only tool right now at the federal level. Until we are able to fine tune and provide other tools for the SBA, there are so many gaps, and we are trying to fill them with this imperfect program that was not even designed, as you know—

Mr. TOMBAR. Yes.

Chair LANDRIEU [continuing]. To be a disaster recovery program. It was designed to be a revenue sharing program for local communities and their ongoing, everyday, ordinary development of roads and schools and bridges, et cetera, et cetera. We are using it as a disaster relief program now almost routinely, and HUD has a great position in this because you have to approve the spending plans.

Mr. TOMBAR. If I may, you are right that, as I have mentioned, the State of Texas, we are expecting a plan for them on the second allocation by sometime next week, September 30. However, the pro-

gram itself, the Community Development Block Grant Program, and you have heard me testify to you about this before, that it is sort of a square peg in a round hole. It is a program that is, one, meant to be incremental. It is a program that was never designed for a disaster context, but it is used in that context because of the flexibility, because of the way that money can quickly reach communities.

What it does not provide is any type of stick or hammer, anything for the Federal government to be really directive about how those monies are used, beyond cajoling, beyond encouraging, we really—if the plan, that an actual plan that a state submits meets the really broad national objectives that the Community Development Block Grant has established based upon by Congress, we then have to approve that plan. There is no way to disapprove it.

Chair LANDRIEU. I am going to be watching this very carefully, and we will work with our friends in Texas because this is our best effort to get money from the Federal Government to the communities that found themselves hardest hit, and there are requirements that 50 percent of these funds in the standard law need to go to moderate- and low-income individuals.

Mr. TOMBAR. Yes, ma'am.

Chair LANDRIEU. And a special requirement—that is a standard.

Mr. TOMBAR. Yes.

Chair LANDRIEU. That is not the Landrieu Amendment. That was the standard of the law. We also required specifically that 10 percent of this funding go for, I think, rental, affordable housing. That has to be in the plan because it is required in the law. I am happy that we got the 10 percent waiver lifted so that money now can become very flexible, and I was happy to leave that.

Let me ask Mr. Gonzalez a question, and then I want to get to you, Mr. Harris.

Please respond to the heartfelt testimony of Mr. Gillins and Mr. Dryden. Two small businesses right here in Galveston. They said that they were never approached by the SBA. Mr. Dryden's testimony is he finally got the application process through and was rejected.

Could you please give us some sense that the SBA is actually aggressively reaching out after disasters to small businesses, and, if so, how did you miss these two? Please give us some numbers that help us to really understand what the SBA is doing.

We have been able to figure out that original loans approved—this is for Galveston County only. Okay, I do not have the data with me. We have it, but I do not have it with me for others. Of five hundred thirty-six business loans, only two hundred eighty loans were dispersed. We do not know what the average amount of those loans were, but we know the total amount, \$64 million.

Do we even know how many businesses are in Galveston County? Does anybody know? Does anybody know from the city what the universe of businesses are? And, if you do not, that is fine. I am just asking for rough numbers. I do not know if we have 2,000 small businesses.

Mr. GONZALEZ. We can get that.

Chair LANDRIEU. Or 1,000 small businesses, but we only went through the SBA 280 businesses received loans. Those loans could

have been for \$10,000 or \$30,000 or \$50,000. We have those records. Please give us some idea, because this is a real problem we are finding in many places after storms that the smallest businesses that are really responsible in many communities for over 60 to 70 percent of the employment. Small businesses can represent in some communities 90 percent or more of the employment, are having a very hard time getting the loans necessary to get back into business so that they can keep themselves employed, hire other people, and get the communities back rebuilding. It is virtually impossible to rebuild a community without the small business base.

Mr. GONZALEZ. Madam Chairman, I am in total agreement with you of that statement. Looking at the graph, first of all, I would say that one of the main components that probably impact the difference between approved loans and dispersed loans is that some of the homeowners and business owners have received insurance proceeds that cover the losses incurred. The other components, I do not have the data, but I would be glad to get it to you, to your staffers. As far as the number of businesses in Galveston, I do not have that either, but we can get the data to your staffers.

Chair LANDRIEU. Okay, because I am going to ask you in the assessment of Ike, which is now a year into Ike, in the areas that were impacted most severely, how many small businesses were there and how many of those businesses actually received help through the SBA?

Mr. GONZALEZ. Again, I do not have a—

Chair LANDRIEU. I think it is a relatively small number.

Now, we do not expect all help to come from the SBA. We could have more partnerships with some of the local banks, but what we are going to do is gather information in these disaster areas, how many loans, how much help came from the SBA, how much help came from the local banks, how much help came from national or international banks, and then where the gaps are.

Mr. GONZALEZ. Okay.

Chair LANDRIEU. So that after disasters, particularly on the Gulf Coast, where these small business people are putting everything on the line, everything on the line, they need to have confidence that if another storm comes, there is someone that can help them with a combination of loans and grants, and it does not have to be a complete reeducation every two or three years.

Just like if there is an emergency in your house, you pick up the phone and call 911, and, for the most part, it works. Not in every case, but we are getting better. After a storm, they pick up the phone and call 311 or 611, and the Small Business Administration answers and says yes, Mr. So-and-So, we know you have been in business 10 years. We are going to help you get back in business; pick up your money Friday. I mean, that is where we want to be.

We are so far from where we need to be, because our cities and counties are going to have a very hard time attracting people to come to start businesses here when they know the risks are so great. Their insurance will not cover their losses, and they cannot find the SBA when they need them.

I want to say this before I ask Mr. Harris. I want to acknowledge publicly the two banks that were here that helped. What is the small business?

Would the bankers that are here please be acknowledged? Could you acknowledge the two bankers that stepped up to the plate to help the business we went to today?

UNIDENTIFIED SPEAKER. [Off microphone.] Was HomeTown Bank of Galveston. And, just as background, we have estimated there are about 3,500 businesses on the island. I do not have an estimate for you for the county, but we provided that to your staff. And, so, there were four local banks that actually came together to lend \$40 million to \$50 million in private loans to the businesses immediately after the storm.

Chair LANDRIEU. A model like that, we would like to acknowledge in this public hearing. We are going to look into it more and potentially use it so it is a partnership between the local banks that actually know that the businesses were here before, they know the ones that were profitable, the ones that were successful, and can help maybe in partnership with the SBA. I mean, 3,500 businesses on Galveston Island. I hope we reach more than a few hundred, and we need to really step it up.

Mr. Harris, I want to speak to you, and we are going to finish in just a minute, but can you comment about FEMA's work with HUD and how you all have decided to now work together, as the law now requires under the new disaster plan that FEMA is responsible for housing up to what, 60 days or 90 days, and then when and how does HUD step in? I would like both of you to comment because we have 4,000 families in this area still having not been able to return. We toured a lot of neighborhoods today that still need to be renovated and homes, single-family, multi-family, et cetera. I think it would worth commenting how, under the new requirements, you all are working with HUD for the record?

Mr. HARRIS. Disaster housing is always a critical issue in a major event, and we addressed it with multiple options.

Sometimes and a lot of times, the victims, the survivors can find housing with relatives, friends, second homes, whatever. That is a percentage. Others need help in finding hotel and/or apartment units.

We have the Temporary Shelter Assistance Program that we manage, and, from there, it goes into other units, such as the Disaster Housing Assistance Program, which is a HUD Program, and then the final things that we use is our temporary housing, mobile homes.

So, it is a combination of programs that can address each individual's needs, see where they stand in the system, and provide them the exact service that they need.

Now, HUD, I mean, everyone would think that Housing and Urban Development would be the lead in this, but, really, they have only been part of disaster housing as a formal disaster response industry as in the last few years. And I think we need to improve this coordination bottom line because they have their way of doing things, and we have ours. We have people talking at the headquarters level and they are just not linking up to our benefit or the peoples' benefit in the field because it is communication, it

is different usages of words and verbiage and they are tracking one number, and we are using another number, and we find out we are not even using the same language.

I would suggest that a potential solution for this is that instead of—and we realize that they do not have budget for this. I mean, this is a new thing that they are stepping into, providing emergency disaster housing.

We handle a lot of other federal agencies under a mission assignment process. Why do not we do that with HUD? And why do not we do that with the Highway Administration?

Chair LANDRIEU. Well, that is a very good suggestion, but I just want to be clear that FEMA has been in the business of short-term emergency housing, but I put the emphasis on “short.” Prior to Katrina, these disasters were sort of garden variety disasters. I mean, Hurricane Andrew was quite large, 18,000 homes were destroyed, and the community was really topsy-turvy for 10 years, but, for regular storms, which come in and go out where a few hundred homes are destroyed, FEMA would put a few trailers, give out a few vouchers, in a year or so, and everybody was back. But what we have to recognize is, unfortunately, those days of garden district storms are over with. Garden variety storms are over. These storms are big, they are fierce, the damage is substantial, and the reason that we have asked HUD to try to step up is because we are rebuilding cities now. We are not just providing temporary housing to people, and that is what FEMA does not do, is rebuild cities, that is what HUD and the Department of Transportation and others—in the rural areas, it is Department of Agriculture—have jurisdiction over to try to rebuild these small towns and large cities, which is why we are attempting at the federal level to try to get these two agencies to come together.

It has been required by amendment after amendment after law by law, and I am saying that our patience is running thin about getting it right. You are going to take the first 90 days, and then you all take 90 days plus, or there is a trigger. If the disaster is X large, you have your role, you have your role because there are people who are homeless who have never been homeless in their life, who are homeowners that have no place to live. They have never been on government assistance. Then you have got the whole other group who has been on government assistance is depending on the government to help them to get in a more self-sufficient manner.

Mr. Tombar, can you give us any hope that this is being done in the new Administration?

Mr. TOMBAR. Certainly. As you are aware, that visit that I mentioned earlier that Secretary Donovan took to the Gulf Coast in March just weeks after his confirmation, he was joined by Secretary Napolitano, and it signaled it is certainly a coordination between the two departments that has continued.

I, on behalf of Secretary Donovan, in regular communications with people at the Department of Homeland Security and FEMA are working on a national coordination. In fact, we already have in advance of any possible hurricane or other disaster this year an agreement that has been all but worked out to provide DHAP assistance should it be necessary. There are a few final things that

we are working through, but that agreement essentially could be signed by Days Inn so that we have something in place.

As Mr. Harris testified, there is not a permanent funding source at HUD for any type of disaster program. In fact, the DHAP Program is funded by FEMA under the rules of the Stafford Act, and, in fact, as I testified, the DHAP-Ike Program terminates in March. Unless there is some other provision that is made available, there is not assistance right now to help those families that we recognize under our program rules would qualify for permanent assistance.

We have been able to transition some 12,000 families under DHAP-Katrina with the assistance of FEMA to our permanent housing program, using the \$85 million that Congress made available. After the Northridge Earthquakes, Congress also provided for permanent housing for those families that needed it, but there is no such provision.

Part of the problem is that there simply has not been a permanent program created. The Obama Administration, as you asked, has been working to identify in the event of a major disaster or catastrophic disaster, beyond, as you said, the garden variety disaster, what are some of the basic authorities and programs and funding that we need? And we are prepared in working with some folks from your staff and others on Senator Lieberman's staff to soon come before the Congress and actually make a presentation of what is——

Chair LANDRIEU. Well, we are looking forward to it. This has been very frustrating, and I know it is extremely frustrating to the communities on the ground, the families who need to be given some direction.

I want to ask you, Judge, and this is going to have to be the final question, and we could, of course, stay here for days on this subject, but under the plan that the State of Texas is putting together for the distribution of Community Development Block Grant, do you know what percentage of that plan is dedicated to housing?

Judge ECKELS. I do not know the housing. You asked earlier about the CDBG funds and COGs around the state. I want you to understand that——

Chair LANDRIEU. Yes.

Judge ECKELS. The CDBG funds will be distributed only to those disaster-eligible counties. So, only those COGs that are in disaster-eligible counties.

The split between housing, I do not have that number. I know that we are providing some flexibility on that for the local levels because, in many cases, in our initial allocation, we had to hit to the hard allocation between housing and the other funds available for CDBG, and we found that they could not expend the housing funds, that it was not enough providing a little more flexibility in our new formula to allow the local councils and regional councils to be able to adapt for those areas.

Chair LANDRIEU. Okay. Well, if you could get that to us.

Judge ECKELS. Sure.

Chair LANDRIEU. We would be very interested, but I am glad you clarified the CDBG money is not being distributed statewide.

Judge ECKELS. It is only to those counties that are——

Chair LANDRIEU. It is being distributed——

Judge ECKELS [continuing]. Disaster-eligible counties that are declared.

Chair LANDRIEU [continuing]. To the counties where they were declared disasters. And then each of those regional, what do you call them, COGs?

Judge ECKELS. Councils of Government, yes.

Chair LANDRIEU. COGs are coming up with formulas as to how to spend that money.

Judge ECKELS. Within their regions, they distribute those to the cities, and, again, there are some areas that transcend regions, and the governor will have a little bit out for those.

Another issue, and it is kind of a left field here at the very end, and I hate to throw it in, but it was mentioned earlier, and these are the ones from Ike. These are the Ike funds.

Now, we understand we are under four—the entire coast from the Rio Grande to the Sabine River is under disaster declaration today because of the hurricanes. We had three hurricanes, two tropical storms, four, big rain events.

Chair LANDRIEU. So, this would extend down to the—

Judge ECKELS. This is Ike. But, yes, it extends all the way to the valley, and when you pick up the other storms—

Chair LANDRIEU. The valley and went all the way to the point?

Judge ECKELS. To the border with Mexico.

Chair LANDRIEU. To the border.

Judge ECKELS. One issue that you mentioned specifically here and a little bit, is the people trying to take care of themselves. They bought insurance. And if you think in terms of the flood insurance and the windstorm insurance, you heard a little testimony before of confusion.

The flood insurance we spent a lot of time working on that issue with the rising water, and it does a good job for that, but when you have a combined surge and wind event and the building is gone and there is a debate between the flood folks and the windstorm people, if there was a mechanism to do a combined windstorm and flood, and they are different programs, the state is operating the windstorm program and the federal is doing the flood program, if we could find a way to do a combined windstorm and flood in those areas where you have a hurricane with 150-mile-an-hour winds and a 20-foot storm surge, right now, both sides are denying the claims and saying oh, it is a flood, no, it is wind.

Chair LANDRIEU. We have to get this straight for the economic vitality—

Judge ECKELS. But throw that out—

Chair LANDRIEU [continuing]. Of the Gulf Coast from Texas all the way really up through the East Coast, as well, because—

Judge ECKELS. And Mid Atlantic, as well.

Chair LANDRIEU. Certainly through our states.

All right, one more comment, Mr. Gonzalez.

Judge ECKELS. Thank you again for having us.

Chair LANDRIEU. Thank you.

Mr. GONZALEZ. Madam Chairman, I would like to suggest something to the two gentlemen business owners that had their disaster requests declined, and that is to reach out to our resource partner, the University of Houston Small Business Development Center.

One of their satellites is here, College of the Mainland here in Galveston. To get some assistance by recrunching the numbers, see if we missed something, and they could pick up something.

And, also, if they wish to apply under the Guaranty 7(a) Program that I lead out of Houston, especially now that we have the Economic Recovery Assistant Act of 2009, where we will guarantee 90 percent of the loan and pay the guaranteed fees, that might entice some of the local lenders, especially those four that the gentleman mentioned, to help these two small businesses.

Chair LANDRIEU. Thank you very much. I appreciate that. Thank you all. You have been very patient. Again, we could go on all afternoon, but thank you very much, and the meeting is adjourned. [Whereupon, at 3:26 p.m., the hearing was adjourned.]



## **APPENDIX MATERIAL SUBMITTED**

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U.S. Senator David Vitter  
U.S. Senate Committee on Small Business and Entrepreneurship

Statement for the Record  
September 25, 2009

“A Year Later: Lessons Learned, Progress Made, and Challenges that Remain  
from Hurricane Ike”

I am glad that the U.S. Senate continues to work and examine ways to improve the federal government’s disaster response. As we learned all too well in the aftermath of the devastating 2005 Gulf Coast hurricanes, which destroyed thousands of homes, businesses and lives in my state, it is absolutely imperative that the government programs on the front lines are fully prepared when called upon to aid disaster victims. When Hurricanes Katrina and Rita hit, the Agency made too many costly mistakes, which left disaster victims waiting for months for loans to be processed or their money to be disbursed.

After Hurricanes Katrina and Rita exposed that the SBA had major problems providing disaster loans and services, I worked with Congress and my colleagues on this Committee to address those failures and ensure that future disaster victims, including the people of Galveston, receive timely and effective assistance from the SBA. Our legislation was included in the 2008 Farm Bill, which was signed into law on May 22, 2008.

While improvements have been made, I am concerned about the SBA’s implementation of the requirements in the 2008 Farm Bill, as reported by the Government Accountability Office (GAO) in July of this year. According to the GAO, the SBA has only met 13 of the 26 requirements of the Act. This report is disappointing and raises serious concerns about the lack of urgency shown by the SBA to victims of catastrophic disasters. I am eager to hear plans established by the SBA since the July GAO report to implement the remaining provisions.

Clearly, the Gulf Coast continues to remain vulnerable to hurricanes, as Ike and Gustav have shown. I am hopeful that the findings from this field hearing identify specific areas for further reforming the disaster response by the federal government, and I am hopeful that this Committee and the Congress will continue its work to improve the Federal government’s disaster response, including the programs administered by the SBA.

**Statement for the Record  
Senator John Cornyn**

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

**“A Year Later: Lessons Learned, Progress Made and Challenges that Remain from  
Hurricane Ike”**

**Friday, September 25, 2009**

Madam Chairman, I join the leaders of Galveston in offering you a warm welcome. Thank you for calling this hearing of the Senate Committee on Small Business and Entrepreneurship – as well as the Senate Committee on Homeland Security and Governmental Affairs Ad Hoc Subcommittee on Disaster and Recovery. We appreciate your leadership on disaster preparedness, response and recovery.

One year ago, the Houston/Galveston region was ravaged by Hurricane Ike. The storm pummeled coastal communities with 110-mile per hour winds and a 15-foot storm surge. Hurricane-force winds and torrential rains caused damage across Southeast and East Texas. When the skies cleared, Texans mourned for their loved ones – and saw the billions of dollars in damage to homes, businesses and public infrastructure.

Today, we can still see the devastation wrought by Hurricane Ike – as well as the determination of this community to rebuild. Galveston is coming back strong because of local leadership. I'd like to recognize Mayor Thomas, Judge Yarbrough, Judge Eckels, and all the public servants they lead. Private sector leaders have made a difference as well – including non-profits, churches and other faith-based organizations.

Together, these public and private sector leaders have helped Galveston get back on its feet. Approximately 75 percent of the businesses have reopened and 80 percent of those living here before the hurricane have now returned to the island.

Of course, the federal government has a role to play, too. We're going to hear from representatives of several key agencies today, including FEMA and the Small Business Administration. The good news is that federal resources are coming to Galveston – and making a difference here. As of last week, FEMA had allocated nearly \$190 million to Galveston County residents through the Individual Assistance Program. And the Small Business Administration has approved more than \$240 million in loans and other assistance.

The challenge now is to get the dollars promised in Washington to be delivered here in Galveston. I hope today's hearing will give us a clearer picture of what the federal government is doing right – and where the agencies need to improve performance and be more responsive.

I look forward to hearing the testimony of all our panelists and witnesses today. Your voices will not only help this community recover more quickly, but also help our agencies improve their operations and response performance for future disasters.

I pledge to continue working with members of this community to ensure that all levels of government are providing the resources you need to rebuild and recover from Hurricane Ike. Madam Chairman, thank you again for holding this hearing today.

“A Year Later: Lessons Learned and Progress Made After Hurricane Ike”  
Galveston, Texas

September 25, 2009

Statement of  
Senator Kay Bailey Hutchison

In 1900, the island of Galveston was devastated by a hurricane that claimed over 6,000 lives. To this day, it is the deadliest natural disaster in U.S. history. Growing up on the Gulf Coast, I heard tales and accounts of that deadly storm and how the community recovered and became better than ever. Today, we are seeing the same strength and resolve as, once again, the people of Galveston are rebuilding their homes, businesses and lives after the sweeping force of Hurricane Ike.

On September 10, 2008, as Ike approached the Gulf Coast, President George W. Bush issued an emergency declaration for Texas and urged residents to evacuate ahead of the storm. Though millions of residents left their homes to seek shelter from the storm, many chose to stay and ride out the storm. Shortly before Ike made landfall, the force of the hurricane winds cut off power for those residents who stayed in their homes. The rising storm surge began to spill over the 17 foot Galveston Seawall. When Hurricane Ike finally swept onto shore, entire communities were wiped out by winds, storm surge, and walls of debris, and a path of destruction was left in its wake.

Galveston alone suffered \$3.2 billion in damage, and the area’s largest employer, the University of Texas Medical Branch, was shut down as a result of the storm.

The impact of the storm was overwhelming. In Congress, we worked together to respond swiftly to Galveston’s mounting needs. I led “Team Texas” to coordinate our state’s delegation’s efforts to secure federal funding to start the long recovery process.

We quickly passed a disaster supplemental providing billions in Community Development Block Grants, transportation infrastructure funding, low income tax credits, and tax exempt bonding authority. Last June, as part of the FY 2009 Supplemental, I secured a provision to provide for 100 percent federal reimbursement for debris removal and increased the federal cost share for Public Assistance funding from FEMA to 90 percent. Chairman Landrieu and I recently took the first step toward ensuring flexibility for our local communities’ use of CDBG funding; and I look forward to continuing to work with Senator Landrieu as the measure is reconciled with the House of Representatives.

Team Texas is continuing to work closely with the Federal Emergency Management Agency (FEMA), the U.S. Small Business Administration (SBA) and the U.S. Department of Housing and Urban Development (HUD) to coordinate recovery efforts. With Congressional support, Texas has received over \$5.5 billion in federal

assistance from these agencies. We have come a long way in rebuilding the Gulf Coast communities, but much work remains to be done. Rebuilding the Gulf Coast communities is one of my top priorities, and I will continue to work with local officials and state and federal agencies to ensure our residents and neighborhoods receive proper assistance.

Structures can be rebuilt, businesses can be reopened, but lost lives can never be replaced. We will never forget how the hurricane upturned the lives of so many Texans one year ago. But we must also look forward, and I hope we can learn from Ike ways to mitigate future disasters.

In the year that has passed since Hurricane Ike hit Galveston, we have all learned important lessons, but there is much more to investigate. I hope this hearing will examine how we can work together to prepare for and reduce the impact of future storms through better coordination of federal agencies. I want to ensure that we all work together to assist those impacted by the storm as they continue the process of rebuilding their lives and their communities. I want to thank Chairman Landrieu and Ranking Member Snowe for their efforts in looking for ways to improve disaster response.

Thank you.



Statement of Congressman Ron Paul

For the Hearing: "A year later: Lessons Learned and Progress Made after Hurricane Ike

For the Senate Committee on Small Business and Entrepreneurship and the

Senate Committee on Homeland Security and Governmental Affairs

Chairwoman Landrieu and Chairman Lieberman, thank you and the other members of the United States Senate Committee on Small Business and Entrepreneurship and the United States Senate Committee on Homeland Security and Governmental Affairs for coming to Galveston for this hearing on the progress of Hurricane Ike recovery. Today, the members of the committees will have the opportunity to hear first-hand accounts of the successful efforts of the people of Galveston to rebuild after Hurricane Ike.

Today's hearing also gives the committees the opportunity to hear of the frustrations Hurricane Ike victims experienced when trying to obtain aid from the federal government. Needless paperwork and bureaucratic requirements have added to the burdens faced by people trying to rebuild after Hurricane Ike. In far too many cases, Hurricane Ike survivors were denied assistance solely because they failed to satisfy some arbitrary rules. In addition, changes in funding formulas adopted while Texas was already in the process of rebuilding have made it difficult for the communities hit hardest by Hurricane Ike to obtain federal aid. Anyone who spends substantial time dealing with this system could be forgiven for thinking that the rules were established to give federal agencies reasons to deny people aid!

The Senate Committee on Small Business and Entrepreneurship may find particularly interested in the fact that my office has seen very few cases where a small business damaged by Hurricane Ike obtained assistance from the Small Business Administration (SBA). This is no doubt at least partially because the SBA approval process is, as a member of my staff described it, a "bureaucratic nightmare." Since getting small businesses back on their feet is obviously a key component of disaster relief, the role of the SBA in federal disaster responses should be a central focus of our attention.

These problems in no way reflect on the federal employees dispatched to Texas in the days and months following Hurricane Ike. With very few exceptions, these employees were hard-working professionals who did all they could to help the people of Texas recover from Hurricane Ike. Responsibility for the problems lies with those in Washington who developed the rules and procedures under which these agencies must operate.

I know that the Federal Emergency Management Agency (FEMA), the SBA, the Department of Housing and Urban Development (HUD), and other federal agencies involved in disaster response and relief are working to improve their performance. It is my hope that today's hearing

highlight some areas where improvements are most needed and leads to more effective disaster relief in the future. My office is committed to continue working with federal agencies to make sure that my constituents receive all the assistance to which they are entitled and that the assistance is delivered in the most effective manner possible.

Written Statement of

Brad Harris

Federal Coordinating Officer  
FEMA-1791 – Hurricane Ike  
Federal Emergency Management Agency  
Department of Homeland Security



**FEMA**

**"Hurricane Ike Recovery Efforts in Texas"**

Before the

Ad Hoc Subcommittee on Disaster Recovery  
Committee on Homeland Security, Governmental Affairs  
United States Senate  
Washington, DC

September 25, 2009

**Introduction**

Good morning Chairwoman Landrieu, Ranking Member Graham, and other distinguished Members of the Committee. It is my privilege to appear before you today on behalf of the Department of Homeland Security and the Federal Emergency Management Agency (FEMA). As always, we appreciate your interest in and continued support of our emergency management mission.

My name is Brad Harris, and I served as the Federal Coordinating Officer for the Hurricane Ike Recovery Effort in Texas from Feb 4, 2009, until the operation was transitioned to our Region VI office in Denton, Texas on Sept, 4, 2009. I am pleased to be here today to update you on our Hurricane Ike recovery efforts, and to discuss regional readiness to ensure that we can successfully respond to another event of similar magnitude.

On Sept. 13, 2008, Hurricane Ike made landfall in Texas as a strong Category 2 hurricane, inundating portions of Texas with a storm surge and causing damage and displacement of families across the southeastern portion of Texas and the southwestern Louisiana coast. FEMA initiated response operations in partnership with the State of Texas, our federal agency partners, and volunteer organizations to set the stage for our simultaneous implementation of response and recovery programs.

Within seven weeks of landfall, FEMA's recovery programs and efforts had registered over 700,000 survivors for disaster assistance, completed almost 360,000 inspections of homes damaged, implemented a temporary housing program, and disbursed more than \$326 million in disaster assistance funds to survivors for housing or other disaster-related needs. Over 16.6 million cubic yards of debris had already been

cleared, and over \$15 million in low-interest loans had been disbursed by our Small Business Administration partners. On December 12, 2008, FEMA launched the Hurricane Ike web site that provided the latest recovery information, updated daily, on Individual and Public Assistance programs.

While we are proud of our accomplishments in the recovery mission thus far, we recognize that there is still much work that needs to be done to meet the needs of the survivors and communities that were devastated by Hurricane Ike. I am confident that we will complete our mission by continuing to work closely with our state, local, and federal partners, and by continuing to build on what we have collectively achieved over the past year.

**One Year Later: Accomplishments of the Federal, State, and Local Partnership**

Having provided the committee with a summary overview of FEMA Hurricane Ike recovery efforts undertaken to date, I will now review our actions to date in greater depth. Immediately after landfall, FEMA, in concert with our federal, state, county, local, and volunteer partners, implemented emergency sheltering operations and programs for individuals and families who evacuated from the affected areas. The Transitional Sheltering Assistance program assisted nearly 35,000 Texans. This allowed FEMA to pay for eligible expenses incurred for hotels/motels, or incidentals, in the immediate aftermath of the storm.

Simultaneously, FEMA implemented its Temporary Housing program, using a combination of manufactured homes and rental apartments. FEMA's primary form of housing assistance is to provide funds to disaster survivors to rent alternate accommodations. FEMA works with the state to locate available residential properties

that individuals can use temporarily if they are displaced from their damaged dwelling. After FEMA provided initial rental assistance to eligible households, FEMA worked in partnership with the U.S. Department of Housing and Urban Development (HUD) to implement the Disaster Housing Assistance Program (DHAP) on a pilot basis to carry forward the housing assistance. Overall, more than 21,000 families were housed under DHAP, and there are currently over 12,000 families still participating in DHAP.

For areas in which rental resources are not available, FEMA utilizes manufactured housing units. The first manufactured home was on the ground ready for occupancy within 18 days of Ike's landfall. Ultimately, over 3,720 temporary housing units were put in place and occupied. FEMA's highest priority remains the health and safety of the disaster survivors. In 2008, FEMA developed new, strict performance specifications for travel trailers, park models, mobile homes, and alternative housing units, with input provided to the Joint Housing Solutions Group (JHSG) from industry experts, the Recreational Vehicle Industry Association, the U.S. Department of Housing and Urban Development and the Department of Homeland Security's Office of Health Affairs. Included in these new specifications are requirements to eliminate the use of formaldehyde emitting materials; maintain continuous air exchange; venting and air-conditioning (HVAC) systems that meet HUD standards and; test air quality in units to ensure levels are below .016 parts per million. This effort represents the agency's continuing commitment to identify a variety of safe housing solutions to supplement the array of solutions available to best meet the complex, disaster-related housing needs of states.

FEMA also issued a grant to the State of Texas to provide disaster case management in order to further assist disaster survivors with their recovery efforts. As an indicator of individual recovery, in less than one year since landfall, 1,595 (43 percent) of those temporary housing units have been vacated and returned to the federal inventory as survivors have returned to their re-built homes or to other more permanent residences. FEMA along with the State and HUD will continue to assist the 1,964 households that remain in the temporary housing units find permanent housing solutions.

With an eye to the future, FEMA also utilized a pilot program to place several alternative temporary housing units at one of our community sites to assess the viability of the units. We are encouraged by our initial evaluation of the use of these units.

FEMA also explored an alternative approach to providing disaster housing through the Rental Repair Pilot Program, which Congress authorized as part of the Post Katrina Emergency Management Reform Act (PKEMRA). This authority, which expired at the end of 2008, allowed FEMA to test and evaluate the efficacy and cost-effectiveness of coordinating and funding the timely repair of damaged multifamily dwellings, such as apartment complexes. A pilot was conducted in Galveston, Texas, as an alternative form of providing housing assistance, and the results of the pilot will assist in determining if such a capability should be permanently added to our recovery tools.

In the area of Public Assistance (PA), FEMA also took steps to streamline community recovery programs during our response to Hurricane Ike. Shortly after landfall, FEMA established a toll-free telephone number for local and county officials who needed additional, detailed information regarding our Public Assistance program. This toll-free number was staffed by senior Public Assistance Program Specialists, and

we fielded more than 200 calls and queries regarding PA eligibility and contracting requirements. We believe this capability afforded local officials the ability to make timely and informed decisions about their recovery operations, and based on our experience, it will be a resource we can implement in future disaster operations.

In coordination with local governments and the State of Texas Government Land Office, FEMA assisted in the reimbursement of costs related to removing debris from oyster and shrimp beds in Galveston and Trinity bays. Several small, individually owned fishery businesses benefitted from this process, which in turn helped maintain and preserve a \$60 million per year industry. As a result of our streamlined initiatives to assist and reimburse local governments for debris removal, local governments instituted local debris removal programs that helped to speed-up the recovery process. In fact, Hurricane Ike represented the first major disaster operation in which 100 percent of the debris removal contracts were managed by the local governments; debris was cleared quickly and effectively, encouraging the return of residents and business.

So far, under the auspices of FEMA's PA program, thousands of Project Worksheets (PW) have been completed to help reimburse state, county, and local governments as well as private non-profit organizations to recover and rebuild. As of Sept. 4, 2009, our Public Assistance team has written 13,939 PWs. The regional office anticipates that the remainder will be written before the end of this calendar year. The reimbursements of our public partners served to assist recovery substantially at the local level. During the 12-week period from June 4 through the end of August 2009, FEMA completed an average of 284 PWs and obligated over \$32 million per week to the State of

Texas. This funding could in turn become available to county and local governments for repairs to infrastructure, thus defraying the costs of recovery.

Under FEMA's Hazard Mitigation Program, our team remains committed to working closely with our State partners to assist with the review, implementation, and consideration of several mitigation programs that will enhance recovery efforts. Projects currently under consideration include buy-outs of certain residential properties which may be in floodways or velocity zones and construction initiatives to further harden and storm-proof structures critical to the local infrastructure. Currently, the buy-out proposal for the Bolivar Peninsula includes over 800 homes, which is the largest buy-out effort in Region VI history. However, proposed projects must meet certain criteria. These criteria are designed to ensure that the most cost-effective and appropriate projects are selected for funding.

#### **Remaining Challenges to Texas Recovery One Year Later**

In the year since Hurricane Ike came ashore, FEMA has worked aggressively with its partners to meet the recovery needs of individuals and families who survived the storm, and to help state and local government entities recover and rebuild. However, as I mentioned before, because of the magnitude of Hurricane Ike's destruction, there are many challenges that still remain. According to the Insurance Information Institute, Hurricane Ike was the third most expensive hurricane on record in U.S. history, causing significant damages to thousands of homes as well as to local infrastructure. While we have made great strides in assisting the recovery process, the job is not yet finished.

##### ***Individual Assistance***

The devastation and destruction that follows disasters and catastrophic events can result in significant disruption to families and their communities. One of the most difficult aspects of the recovery process related to families is disaster housing. Placing significant numbers of eligible applicants in temporary housing units in a timely manner presents a real challenge. The placement of units must comply with applicable State and local codes and ordinances as well as guidelines pertaining to floodplain management and protection of wetlands, and other environmental considerations. Although some applicants were in FEMA mobile homes or park model trailers within three weeks, it took over a few months to get the last applicant in a unit, during which time FEMA assisted rental or transitional sheltering assistance for eligible applicants. These challenges intensify in catastrophic disasters where large populations require temporary housing. FEMA continues to work with the State and local governments to clarify roles and responsibilities in an effort to expedite this process and help eliminate delays in assistance to individuals who need it.

FEMA also learned that the pace of recovery efforts in areas most significantly impacted by Hurricane Ike created a shortage of available and competent licensed construction contractors. We have learned that in some cases, individual home owners have been informed by rebuilding contractors that it may be months before some contractors can begin repair of a home. The concern is that a lack of contractors may inhibit an individual's ability to adequately repair his or her home before the end of the housing program.

We recognize that these factors can delay an individual's recovery, which, in turn, may delay when they can leave a temporary housing unit and return to their homes. This

presents a challenge for FEMA but accentuates the need to further improve intergovernmental, interdepartmental, and interagency cooperation and communication. By working with the State and HUD, and with the local Public Housing Authorities (PHAs), we are maintaining an up-to-date database and snapshot of rental resources that become available in proximity to the areas most significantly damaged. We are continuing to encourage survivors to accept other forms of longer-term housing, such as apartments through DHAP, administered by HUD. Our Individual Assistance team will stay in communication with those individuals and families who remain in temporary housing units to help in the rebuilding process or to assist them in their efforts to locate more permanent housing.

***Public Assistance***

The scale of the damage that resulted from Hurricane Ike continues to present specific and complex challenges. As an example, the damages incurred at the University of Texas Medical Branch (UTMB) in Galveston covered several properties, including 157 buildings and critical facilities, such as emergency rooms and laboratories. As of September 4, FEMA had completed PWs detailing 277 of these repair projects and had reimbursed approximately \$150 million of eligible expenses. The remaining PWs are complicated and many require architectural drawings for the construction and this process will take some time. Architects are currently busy with the planning and design for new buildings as well as design construction for the existing structures that were damaged. Our PA teams have an excellent working relationship with officials at UTMB, and continue to streamline processes to help that critical medical facility move toward full recovery. While efficiency is important and has improved, it is also critical to ensure

that FEMA remains accountable to the taxpayer. FEMA ensures this by making sure that all PW's are reviewed by our Public Assistance Officers as well as other areas of review such as environmental, insurance and State review prior to obligation. The management of UTMB is satisfied with our support and understands that this complex recovery mission will take longer than we all anticipated. UTMB has our commitment that we will work with them until the last eligible PW is written. To help speed the process, FEMA has implemented new initiatives that allow us to complete PWs and make obligations more quickly. Such initiatives include the creation of an interagency debris task force with debris specialists to assist with gathering information to help expedite PW preparation and processing. FEMA also reorganized staff to set up specialized PA teams with specific experience in effort to focus on PWs for applicants such as UTMB, the Electrical Cooperatives and eligible Private Non- Profits Organization. As a result, we will be able to reimburse UTMB more promptly to assist in their recovery, as opposed to awaiting a "final" disposition on that facility in its entirety.

#### ***Hazard Mitigation***

For some homeowners, rebuilding may no longer represent a viable option. In some instances, their home was placed at the waterfront, or in a geographical location identified as a severe flood or water velocity zone. We are aware that several cities or counties are still deciding whether to allow rebuilding in those zones. Among the issues these cities may be considering are a revision of local building codes to require elevation, the impact on community status in the National Flood Insurance Program of rebuilding in those areas, or restrictions required under the Coastal Barrier Resources Act.

Other long-range challenges include implementation or selection of hazard mitigation projects designed to help lessen the potential of damages or losses from the next major hurricane or storm. Almost all of the designated counties have FEMA-approved local mitigation plans in place, making them eligible for mitigation assistance. In the year since Ike hit, the State of Texas has secured approximately 20 mitigation grants from FEMA for new mitigation plans to fill gaps in areas that do not currently have planned mitigation strategies. FEMA is working with the state to seamlessly fold technical assistance for mitigation planning into its expanding partnership with the state.

We acknowledge that a decision to implement particular projects, such as a buy-out of homes or private property, sometimes requires prolonged study, discussion, and consensus at several levels. Our hazard mitigation team is working aggressively with our state and local government partners to identify and select those projects that will serve to enhance recovery and reduce the impact of any future event.

**Region VI: Capable and Ready to Handle Disasters**

Following all major disasters, FEMA transitions its recovery efforts from our Joint Field or Transitional Recovery Offices to our regional offices across the nation to ensure continuity of operations. The extensive recovery effort for Hurricane Ike, led by Region VI, has gone well. Local elected officials have been supportive and appreciative of FEMA's efforts, and local officials and the general public have been constantly informed on issues as they develop. Our Region VI office has an experienced staff and excellent relations with the State of Texas.

I am confident the Region can effectively respond to new disasters while continuing to meet the needs of the communities affected by Hurricane Ike. Past performance bolsters my confidence in the Region's ability to multitask; in just the last two years, from January 2008 through the present, Region VI successfully managed 78 disaster-related events. During this period, all five states in the Region VI area of responsibility were affected. These events included 21 major disaster declarations for floods, storms, tornadoes and hurricanes, 50 Fire Management Assistance declarations and seven emergency declarations.

**Conclusion**

FEMA is pleased with what we have been able to accomplish with the help of our state, local, and federal partners since Hurricane Ike made landfall one year ago. But we recognize that there is still more work to do – and it cannot be done alone. I am confident that we can complete this short-term recovery mission by continuing to remain actively engaged with local officials, the State of Texas and our Federal partners.

Thank you, Madam Chairwoman. We look forward to working with the Committee as we continue to build toward recovery here in Texas. I am prepared to answer any questions you may have.

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

**“A Year Later: Lessons Learned, Progress Made and Challenges that Remain from  
Hurricane Ike”**

**Friday, September 25, 2009**

**Supplemental Responses for the Record  
from Achille Alonzi, Assistant Division Administrator  
Texas Division Office, Federal Highway Administration**

**Question 1:** Please discuss who pays for the debris removal process, how it is conducted, and contract administration.

**Response:** The Emergency Relief (ER) Program, authorized under section 125 of title 23, United States Code, reimburses States for the repair or reconstruction of Federal-aid highways that have suffered serious damage as a result of natural disasters or catastrophic failures from an external cause. First pass debris removal from Federal-aid highways is eligible for Federal Highway Administration (FHWA) ER funding. State and local agencies must consult with the Federal Emergency Management Agency (FEMA) for reimbursement for subsequent debris removal on Federal-aid highways and any debris removal on other roads.

After a natural disaster, State and local agencies make a first pass and remove debris within the right of way of Federal-aid highways. State agencies, such as the Texas Department of Transportation (TxDOT), handle debris removal with their work force and via emergency contracts. Any given TxDOT district or local government agency may or may not have an emergency debris removal contract in place before a disaster event actually occurs.

The costs of stockpiling and disposing of debris at adjacent sites, as well as costs for removing marketable timber from the acceptable clearing limits and transporting to adjacent stockpile sites, are also eligible for ER funding. The clearing limits for debris, including downed timber, normally include the traveled way, cut and fill slopes, and any additional clearing required to assure that pavement, drainage ditches, and structures, including the clear zone for safety, are fully functioning. The clearing of the remainder of the full right-of-way is the responsibility of the agency having jurisdiction.

**Question 2:** What is the current estimate of the highway damage caused by Hurricane Ike? Are additional funds needed to offset the difference in available funds and needed funds?

**Response:** As of September 30, 2009, the total estimated cost of damages to all TxDOT maintained highways, including highways eligible under FHWA’s ER program, caused by Hurricane Ike is \$92.43 million. This includes damage to pavement, bridges, traffic signals, signs, guard rails and slopes, and debris removal. We do not have a damage estimate for locally-maintained, non-Federal-aid eligible highways, as they are ineligible for ER reimbursement.

FHWA has made down payments to the State of Texas for emergency relief. We provided Texas with \$2 million of "quick release" emergency repair funds for dredging of the vehicle ferry channel between Galveston Island and the Bolivar Peninsula to allow regular passenger service to resume and to close a critical gap in State Highway 87.

On September 16, 2008, TxDOT informed the FHWA Texas Division Office that TxDOT intended to claim \$70 million in ER damages pursuant to the ER program. FHWA subsequently allocated \$70 million in ER funds for TxDOT. TxDOT has submitted claims in excess of the \$72 million originally allocated for TxDOT. In response, the FHWA has allocated an additional \$13.5 million in ER funds for Hurricane Ike.

As of October 15, 2009, the estimate is broken down as follows:

- TxDOT has submitted \$83.95 million in ER claims to FHWA.
- FHWA has approved \$82.54 million in ER claims as eligible for reimbursement.
- FHWA deemed \$463,700 in ER claims as ineligible for reimbursement.
- FHWA is currently reviewing the remaining \$954,300.
- FEMA reimbursed TxDOT in the amount of \$1,819,214.38 and plans to reimburse TxDOT for a total amount of approximately \$2.04 million, which includes approximately \$1 million directed to local agencies. Some local agencies could not meet the cost share rule under the ER program and thus sought assistance from FEMA.
- TxDOT estimates that it will spend \$8.59 million of its own funds.
- TxDOT has obligated approximately \$34.5 million in ER projects related to Hurricane Ike.

MARY L. LANDRIEU, LOUISIANA, CHAIR  
OLYMPIA J. SNOWE, MAINE, RANKING MEMBER

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DONALD R. GRAVENS, DEMOCRATIC STAFF DIRECTOR AND CHIEF COUNSEL  
WALLACE K. NGUEN, REPUBLICAN STAFF DIRECTOR

## United States Senate

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

TELEPHONE: (202) 224-5175 Fax: (202) 224-5619

October 13, 2009

The Honorable Karen G. Mills  
Administrator  
U.S. Small Business Administration  
409 Third Street, SW  
Washington, D.C. 20416

Dear Administrator Mills:

I write to you regarding the disaster response of the U.S. Small Business Administration (SBA) to Hurricane Ike of 2008. As you know, the Senate Committee on Small Business and Entrepreneurship held a field hearing in Galveston, Texas on September 25, 2009. This hearing reviewed the Federal and State responses to Hurricane Ike, as well as the current status of business recovery in the area. By all accounts, the SBA was better prepared and deployed staff quickly following Ike – a marked difference than its sluggish and ineffective response following Hurricanes Katrina and Rita of 2005. Also, SBA took an average of five days to process home disaster loans and 12 days to process business disaster loans following Ike. This is in contrast to up to 90 days for home loans and 70 days for business loans following Katrina.

While there have been major improvements to SBA's disaster programs since the 2005 hurricanes, I believe that there are key areas that are still in need of improvement. It is my understanding that as of August 31, 2009 out of over 2,100 applications SBA had only approved 536 business disaster loans for Galveston County – disbursing 280 of those for \$21.8 million. This may be due to many outside factors but business owners at the field hearing still complained of bureaucracy and paperwork related to SBA disaster loans.

I also understand that key provisions from the Small Business Disaster Response and Loan Improvements Act (Public Law 110-246) were not implemented by the previous Administration ahead of Hurricane Ike. With this in mind, I respectfully request your attention to the following items which may help ongoing disaster efforts from Ike as well as SBA's response to future disasters:

- Internal Revenue Service (IRS) Coordination:** Following Hurricane Katrina, one of the biggest frustrations that our Committee consistently heard from business owners was coordination on tax records. In particular, some borrowers signed IRS form 8821 (authorizing SBA to get tax information directly from the IRS) but were later asked to also submit three years of tax returns. I understand that, in some cases, IRS justifications provided to SBA did not adequately cover information needed to review a disaster application. However, this process should be as streamlined as possible for business owners recovering from a disaster. Section 12066(b) required coordination between SBA and IRS to ensure all relevant tax records would be shared in an expeditious manner. I urge SBA and IRS to review ways to better share information on future SBA disaster applications.

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October 13, 2009

- **Regional Outreach and Marketing of SBA Disaster Programs:** Texas businesses and homeowners indicated a lack of awareness of the eligibility and availability of SBA disaster programs. Section 12063(b) required the creation of a marketing and outreach plan, including regional marketing ahead of disasters likely to occur in each area of the country. While SBA disaster loans are universal for every disaster, each disaster impacts regions/businesses differently. Just as disaster victims must prepare differently for each disaster, SBA should tailor its outreach for different disasters that may impact certain parts of the country – including targeted outreach before annual disaster seasons.
- **Federal Emergency Management Agency (FEMA) Coordination:** Texas businesses and homeowners indicated at our hearing that ongoing problems continue between FEMA and SBA on disaster loan applications. For example, frustrated SBA applicants contacted my office after Katrina when FEMA employees described disaster options one way, only to have SBA employees refute these options. To address this and other issues, Section 12062 required regulations by FEMA and SBA on a timely and coordinated disaster applications process. I understand that regulations are being finalized between SBA/FEMA so I look forward to reviewing the regulations once they are issued.
- **Disaster Response Plan:** I commend SBA for implementing, at my request, a comprehensive Disaster Response Plan (DRP) in time for the 2007 hurricane season. By all accounts, this plan has greatly improved SBA's preparedness and response to disasters over the last few years. As required by P.L. 110-246, I understand that SBA will be submitting its recent revisions of the DRP to Congress in the coming weeks. In finalizing this plan, below are my recommendations on key areas of the DRP:
  - *Coordination with Federal, State and Local Government Partners:* The DRP should clearly define SBA's role in relation to other Federal disaster partners. SBA should also provide to Congress any recommendations on how it can improve its coordination with these agencies. Similarly, Congress also required that the DRP outline SBA coordination with State and local governments, including on State-administered bridge loan or grant programs.
  - *Administration Review of SBA Response to 2005 Hurricanes:* To my knowledge, although SBA conducted an internal review on 'lessons learned' from the 2005 hurricanes, this review has not yet been submitted to Congress. Please submit that review at the time of your DRP submission.
  - *Regional-Specific Disaster Information:* As indicated above, I am concerned about regional outreach and marketing of SBA disaster programs. P.L. 110-246 required that SBA identify, as part of the DRP, disasters most likely to occur in each region of the country and how SBA will respond to demands for assistance resulting from these disasters. I expect that analysis to be part of your DRP submission as well.
- **Executive Office of Disaster Strategic Planning and Operations (EODSPO):** I applaud SBA for establishing the EODSPO in August 2008 to meet disaster planning requirements from P.L. 110-246. These changes, both administrative and required by Congress, have gone a long way towards ensuring SBA provides more timely and effective assistance to disaster victims. It would be helpful, as part of the 2009 Annual

Page Three  
October 13, 2009

Report to Congress, if SBA could note in addition to Office of Disaster Assistance (ODA) staffing figures, staffing levels of EODSPO. At the appropriate time, I would also like to receive a briefing on recent SBA disaster operations from EODSPO Chief, Rear Admiral Steven Smith, and the Acting Associate Administrator for ODA.

- **Guaranteed Disaster Loan Pilot Programs:** The President's FY2010 budget request included \$1.7 million to fund two Guaranteed Disaster Loan Pilot Programs (the \$25,000 Immediate Disaster Assistance Program and the \$150,000 Business Expedited Disaster Loan Program). In the FY2010 Financial Services and General Government Appropriations bills, Congress has included necessary funds to test these programs next year with local lenders. I am interested in receiving additional details on SBA's pilot programs as well as the expected timeframe for piloting these programs, reviewing lessons learned, and promulgating final regulations.
- **Reports on Disaster Assistance:** P.L. 110-246 included two additional report requirements which would be of interest to our Committee. First, the bill required for each declared disaster, a report on Federal contract awards made, those awarded to small businesses, and those awarded to women and minority-owned businesses. Second, within six months of enactment, the bill also required a report on improving the SBA disaster loan program. SBA should consider including the required contracting report as part of the annual report to Congress. The second report on improving SBA's disaster loan program would also be helpful to Congress as we continue our work in the coming months to reauthorize SBA's core lending, counseling, and contracting programs.

In closing, I thank you for your consideration of these recommendations to enhance SBA's disaster assistance program. As U.S. Department of Homeland Security Secretary Janet Napolitano and U.S. Department of Housing and Urban Development Secretary Shaun Donovan begin a six-month Administration review of all Federal disaster recovery programs, I believe that SBA has an important role in responding to future disasters. For my part, I remain committed to ensuring that SBA has sufficient resources and tools necessary to provide timely and effective assistance following these disasters.

Sincerely,



Mary L. Landrieu  
Chair

MLL:brv

Cc: Secretary Janet Napolitano, U.S. Department of Homeland Security  
Secretary Shaun Donovan, U.S. Department of Housing and Urban Development



OFFICE OF THE ADMINISTRATOR

U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

December 3, 2009

The Honorable Mary L. Landrieu  
Chairwoman  
Committee on Small Business & Entrepreneurship  
United States Senate  
Washington, DC 20515

Dear Madam Chairwoman:

Thank you for your recent letter regarding disaster assistance. As you know, we have been *working very diligently* on improvements in the area of disaster preparedness and in our responsiveness to disaster victims. We appreciate your recognition of our success in the timely processing of disaster loan applications and our quick deployment of staff following Hurricane Ike.

You asked that I address the following items which will positively impact the U.S. Small Business Administration's (SBA) response to future disasters:

- **Internal Revenue Service (IRS) Coordination:** Our current procedure enables SBA to process the vast majority of disaster loan applications with the information received using IRS Form 8821. However, the electronic summary copy of the IRS tax return was not meant to replace getting actual copies of a tax return when it is available. Use of the Form was intended to provide documentation of filing and substantiation of the tax returns provided by the applicants. The tax return detail is necessary to establish repayment ability in cases where the income of the applicant is insufficient due to non-cash expenses. We will continue to work with the IRS on obtaining more electronic information.
- **Regional Outreach and Marketing of SBA Disaster Programs:** We have begun a very aggressive marketing and outreach plan to reach all potential applicants in an area before a disaster strikes. We plan to concentrate on areas that are subject to recurring similar disasters and to provide expanded outreach efforts of SBA disaster assistance programs before disaster strikes. Additionally, we have provided all SBA employees with access to a Disaster Tool Kit that provides detailed information on the Agency's role in disaster assistance and preparedness outreach, along with resources to help them carry out that role. We have also instituted annual disaster training for SBA's Regional Administrators, District Directors, and Disaster Public Information Officers on disaster assistance responsibilities, as well as marketing and media training for both preparedness outreach and post-disaster assistance and resources. Finally, we are currently involved in an overall assessment of our Disaster Assistance messaging, branding, and outreach. This assessment includes focus groups with individuals who have received SBA disaster assistance in the past, as well as individuals who have not. The outcomes of this assessment will help us strengthen the effectiveness of both our preparedness and post-disaster communications and outreach efforts.

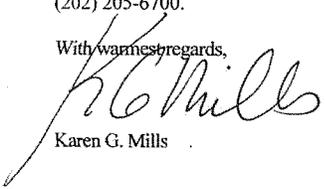
The Honorable Mary L. Landrieu

Page 2

- Federal Emergency Management Agency (FEMA) Coordination: SBA has a very close working relationship with FEMA. We share program information with our Federal and State disaster partners as well as participate in interagency training efforts. We have been working with FEMA on regulations that will address the close coordination between SBA and FEMA.
- Disaster Response Plan: The 2009 revision to the SBA's Disaster Recovery Plan was recently submitted to the Congress. The current plan is detailed, thorough, and fully adequate to guide SBA operations during the 2009 Hurricane season.
- Executive Office of Disaster Strategic Planning and Operations (EODSPO): This office, reporting directly to the Administrator, was established in August 2008 to implement requirements of the Act. With continued improvements in disaster loan assistance, and the implementation of lessons learned since the 2005 Gulf Coast Hurricanes, some of the responsibilities of EODSPO have been mainstreamed into major SBA Program Offices under the direction of SBA's Associate Administrators. The name of EODSPO has been changed to the Office of Disaster Planning, reporting directly to the Administrator, with continued responsibility for disaster strategic planning and other duties consistent with the roles and responsibilities set forth in Section 12073 (b) and (c) of the Small Business Disaster Response and Loan Improvements Act of 2008.
- Guaranteed Disaster Loan Pilot Programs: An implementation plan for the remaining provisions is being developed. The implementation of the commercial lending provisions requires the participation of the banking industry and other interested members of the public, as well as the promulgation of regulations.
- Reports on Disaster Assistance: The annual report to Congress was recently submitted. The SBA submitted Contract Activity Reports on major disasters for the periods July to December 2008 and January to June 2009. Each report provides a summary of contract actions entered into the Federal Procurement Data system for contract actions awarded to small businesses, minority and women owned businesses, and locally owned business as a result of a major disaster.

Thank you for your continued support of SBA's disaster loan program. If you have any questions or comments, please contact the Office of Congressional and Legislative Affairs at (202) 205-6700.

With warmest regards,



Karen G. Mills

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## United States Senate

COMMITTEE ON  
 HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
 WASHINGTON, DC 20510-6250

September 30, 2009

Governor Rick Perry  
 Office of the Governor  
 P.O. Box 12428  
 Austin, TX 78711

Dear Governor Perry:

I am writing to ask that you reconsider proposed changes to the State of Texas's formula for allocating a second round of Community Development Block Grant (CDBG) funds to areas impacted by Hurricanes Ike and Dolly.

Public Law 110-329 appropriated \$6.5 billion to support disaster recovery in areas that were impacted by 2008 disasters, of which Texas received \$3.058 billion in total. The State obligated \$1,314,990,193 in first-round funding and is preparing to disburse the remaining \$1,743,001,247. I understand that the State plans to submit an amendment to its Action Plan to the Department of Housing and Urban Development this week, which will propose a modified formula oriented toward weather rather than storm-related damage.

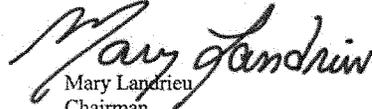
P.L. 110-329 required HUD to allocate funding "based on the best estimates available of relative damage and anticipated assistance from other federal sources". In response to this Congressional instruction, which I authored, HUD used damage data from four sources to determine allocations to states: 1) Housing - FEMA Individual Assistance inspection data; 2) Housing - SBA loan data for home repair; 3) Infrastructure - FEMA Public Assistance damage estimates; and 4) Business Loss - SBA loan data for business loss of structure and contents. Allocations were also adjusted based on the severity and concentration of home damage using a research model developed after Katrina, Rita, and Wilma. Congress neither required, nor did HUD utilize, this type of comprehensive formula in the past to allocate CDBG funding for disaster recovery on the basis of damage, and it represents a significant advance in ensuring the overall fairness of the process.

While the appropriations instructions did not go on to specify how states that receive funds should allocate them among localities, Congress's intent that damage should serve at all levels of government as the basis for distribution of funding is clear. I would therefore respectfully and strongly urge you to reconsider implementation of this formula change, request from HUD the damage data it compiled for the State of Texas, and base CDBG allocation decisions on that information.

Under your leadership, the State of Texas has done a commendable job of advancing recovery in the aftermath of the third costliest disaster in United States history. I appreciate your

consideration of this request, and look forward to working in continued partnership with you and the people of Texas to facilitate a full and equitable recovery from Hurricanes Ike and Dolly.

Sincerely,

A handwritten signature in black ink that reads "Mary Landrieu". The signature is written in a cursive, flowing style.

Mary Landrieu  
Chairman  
Senate Disaster Recovery Subcommittee

MLL/bmb

Cc: Secretary Shaun Donovan, Department of Housing and Urban Development  
Senator Kay Bailey Hutchison  
Senator John Cornyn  
Mayor Lyda Ann Thomas, City of Galveston  
Mayor Bill White, City of Houston  
Jack Steele, Houston-Galveston Area Council



**GOVERNOR RICK PERRY**  
 Dr. Wallace Klusmann, Chair  
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October 27, 2009

The Honorable Mary Landrieu  
 Chairman, Disaster Recovery Subcommittee  
 U.S. Senate Committee on Homeland Security and Governmental Affairs  
 613B Hart Senate Office Building  
 Washington, D.C. 20510

Dear Senator Landrieu:

Governor Perry's office forwarded your letter to me for response because the Texas Department of Rural Affairs was designated as the lead agency for coordinating the allocation of Community Development Block Grant (CDBG) funds to communities impacted by Hurricanes Ike and Dolly.

I think it is important to note that your letter dated September 30, 2009, arrived after the State had submitted its Amended Plan for Disaster Recovery to the U.S. Department of Housing and Urban Development (HUD).

The State's formula for allocating CDBG funds was developed after a series of public hearings in various communities affected by Hurricanes Ike and Dolly. The directive from the Governor's Office was to develop an objective, fair allocation formula and to allow local officials to determine how best to spend their allocated funds, so long as their proposals meet federal guidelines on use of CDBG funds.

For Round I of CDBG funding, we used FEMA preliminary damage estimates in allocating \$1.3 billion, despite testimony at public hearings that the data was far from accurate, in large part because FEMA damage estimates were lacking or incomplete for many communities in the impacted regions. For example, FEMA abandoned efforts to develop preliminary damage estimates from Hurricane Dolly in the Rio Grande Valley once Hurricane Ike threatened the Gulf Coast. Thus, FEMA preliminary damage reports showed far less damage than what the region actually suffered. We heard complaints from numerous other communities about FEMA's failure to complete damage assessments, thereby under reporting actual damage.

FEMA damage reports also failed to capture damage to infrastructure from storm surge, as many of the roads were underwater for days and the extent of damage could not be determined when FEMA was on the ground.

Finally, we heard testimony that FEMA was using nonexistent, flawed, or inconsistent standards to determine preliminary damage assessments. The Cameron County Judge reported huge disparities in the amount of assistance awarded to families with damage to their homes. For example, he cited two homes on the same street

[www.tdra.state.tx.us](http://www.tdra.state.tx.us)  
 Charles S. (Charlie) Stone  
 TDRA Executive Director

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with similar damage: one household received \$19,000 in assistance, while the other received less than 10 percent of that amount. A non-profit entity that assists low-income people with housing issues reported that FEMA refused to provide assistance to many families who lost the roofs to their homes. And many people complained that FEMA refused to award funds to some homeowners because of the deferred maintenance on their home, even though the storm had clearly done additional damage to that home, often making it uninhabitable.

While preliminary damage estimates from FEMA might have been the appropriate formula for the federal government to use in determining initial award amounts to the state, they do not accurately capture how best to allocate funding for recovery within the state, nor do they accurately portray the extent of damage in Texas.

Therefore, the state developed an allocation formula for Round II funding that objectively and consistently factors storm surge, rainfall, wind speed and the percentage of low-to moderate-income residents in the impacted region. This formula was developed after significant input from local residents, officials and legislators in the impacted communities.

As you know, the major purpose of CDBG funding is to address "unmet needs," particularly of low to moderate income populations, and there is a high correlation between low to moderate income and unmet needs in disaster recovery.

We know that there are a handful of groups that prefer that FEMA and SBA data be the sole determination of funding allocation because their community would receive significantly more funding under that method. However, today – more than a year after Hurricanes Ike and Dolly struck Texas – the FEMA Public Assistance process remains far from complete. There are still more than 3,000 Public Assistance project worksheets in the Ike region that have yet to be completed by FEMA. SBA loan data evaluates only verified losses of applicants. Therefore, many individuals and companies who chose not to apply because of the bureaucratic process or knew they would be ineligible are not accounted for in SBA data.

I think you will find the model used by the State of Texas is the most objective way to allocate CDBG funding to all regions impacted by Hurricanes Ike and Dolly.

The State believes its model not only objectively assesses damage in all impacted areas, but also targets residents who have the greatest need. The State has received extensive feedback from residents, local officials and legislators pleased with the model and appreciative of the manner in which the Round II funds were allocated.

Sincerely,



Charles S. (Charlie) Stone  
Executive Director

CS/sks

Cc: Secretary Shaun Donovan, Department of Housing and Urban Development  
Senator Kay Bailey Hutchison  
Senator John Cornyn  
Governor Rick Perry  
Mayor Lyda Ann Thomas, City of Galveston  
Mayor Bill White, City of Houston  
Jack Steele, Houston-Galveston Area Council



Houston-Galveston Area Council

Office of the Executive Director

September 24, 2009

Mr. Charlie Stone  
 Executive Director  
 Texas Department of Rural Affairs  
 P. O. Box 12877  
 Austin, Texas 78711

*Charlie*  
 Dear Mr. Stone:

I am writing with comments on TDRA's revised draft plan amendment for Community Development Block Grant (CDBG) disaster recovery second round funding. Our comments address funding, the weather impacts model, local flexibility, affordable housing and implementation issues.

**Funding.** We appreciate the significant increase in funding included in the revised plan. It goes a long way to meeting our region's needs and is a step toward a more equitable funding allocation.

However, the amount allocated to our region still does not fully represent equitable funding, considering that the region bore Hurricane Ike's direct impact. For both funding rounds the revised plan now allots about 60 percent of total allocated funds. Our September 10, 2009 recommendation using FEMA data estimated that about 71 percent of funds devoted to Ike should be allocated to our region. Other data indicates that our region experienced over 70 percent of the total damage for both Hurricanes Ike and Dolly.

The proposed second round funding to our region, including state set-asides and administration, still comprises less than 50 percent of total funding to the state. While we appreciate the progress made we believe by any reasonable measure the region merits additional funding.

**Weather Impacts Model.** As you heard at the September 17, 2009 public hearing in Houston the model used to allocate funds to region remains a serious concern. While TDRA has made some adjustments, the model does not appear to be able to replicate where actual damage occurred. If used, the model should give substantial additional weight to storm surge, which caused the most severe damage to housing and public infrastructure.

The model has other anomalies that contribute to funding disparities. Adding low and moderate income population is helpful as a proxy for potentially impacted beneficiaries. Nevertheless, there are now counties that show no weather impacts, but which are allocated

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Mr. Charlie Stone  
 September 24, 2009  
 Page 2

funds through the competitive pool due to the low and moderate income factor. Several counties have no storm surge, no wind impact and minimal rainfall impacts but are receiving additional allocations for low and moderate income populations. We suggest that TDRA consider an impacts floor. Counties below the impacts floor would receive no funding allocation. Because these are disaster recovery funds, counties with no or minimal weather impacts should receive no allocation and certainly should not further benefit by addition of the low and moderate income factor.

In addition, the first draft allocation model showed storm surge impact for Matagorda County. The revised plan shows no storm surge but does not make clear why this changed. The revised model also drops the impact zone factor with no explanation why it is no longer included.

We believe that FEMA and other objective data on actual damages to housing and public infrastructure are a better basis for allocating funds to regions.

We also remain concerned that TDRA may want to use this flawed model for allocating future disaster recovery funding. We strongly urge TDRA to convene a stakeholder group to look at funding allocation methods to be used in the future. Any model or formula used should have broad stakeholder input and must be capable of being validated against actual damage.

**Local Flexibility.** We appreciate the changes that increase the ability of regions and local governments to determine fund use. The substantial reduction in state set asides, taken with elimination of most regional set-asides, has significantly increased funding subject to local determination. These changes give the region and local governments greater ability to allocate funds as needed.

**Affordable Housing.** The revised plan allocates affordable housing to the regions, but the funding will be allocated through a state determined competition. We recommend that this funding be subject to the regional method of distribution process.

In addition, because the affordable housing amount is designated by the federal government, we believe that using the weather model may not be the most effective way to allocate these funds. Some regions may be allocated substantial affordable housing funding which they cannot use. We recommend that these funds be allocated according to rental housing damage data or other objective measure. We support the plan provision that calls for reallocation of affordable housing funds that cannot be used by any region.

**Implementation Issues.** The revised plan indicates that TDRA is concerned that the state may not be able to meet the national requirement that at least 50 percent of the funds benefit low and moderate income persons. We believe that the flawed allocation of funds is at the root

Mr. Charlie Stone  
September 24, 2009  
Page 3

of this potential problem. We further recommend that some accountability for meeting the low-mod requirements be required at the regional level. Regions that are unable to meet the requirement should not impose a burden on other regions to make up the shortfall. Regional methods of distribution should indicate how housing and non-housing allocations taken together contribute to meeting the low-mod requirement. We support the comment made at the September 17, 2009 that TDRA should receive non-housing applications regardless of low-mod benefit but not proceed with funding until it can assure that the federal requirement is met.

Finally, we encourage you to turn quickly to the process for awarding second round funding. We recommend that as soon as feasible you issue guidance on regional methods of distribution. We also suggest that you take steps to speed up the contracting process to local communities so that urgently needed recovery projects can move forward.

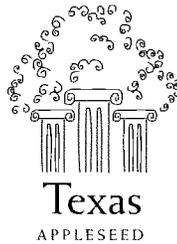
We appreciate the substantial effort TDRA has put into revising its plan to meet our region's concerns and appreciate this opportunity to provide comments on the revised draft plan amendment. Please let me know if you have any questions.

Sincerely,



Jack Steele

cc. H-GAC Board of Directors  
H-GAC Hurricane Ike Recovery Committee



**"A Year Later: Lessons Learned, Progress Made and  
Challenges that Remain from Hurricane Ike."**

**Testimony of Texas Appleseed for the joint field hearing with the U.S. Senate  
Committee on Small Business and Entrepreneurship and the U.S. Senate Homeland  
Security and Governmental Affairs Ad Hoc Subcommittee on Disaster Recovery  
held in Galveston, Texas, Friday September 25, 2009 at 1:00 p.m.**

**Senator Mary Landrieu, D-La., Chair  
Senator Kay Bailey Hutchison, R-Texas  
Senator John Cornyn, R-Texas**

**Texas Appleseed Contacts: Madison Sloan, Staff Attorney  
Deborah Fowler, Legal Director  
1609 Shoal Creek Blvd., Suite 201  
Austin, TX 78701  
(512) 473-2800  
[www.texasappleseed.net](http://www.texasappleseed.net)**

### Introduction

Senator Landrieu and Members of the Subcommittees, thank you for the opportunity to submit testimony, and for traveling to Texas to hold a hearing on “Lessons Learned, Progress Made and Challenges that Remain from Hurricane Ike.” Your focus on Texas is particularly appreciated this week, as the State plans to submit its Action Plan for over \$3 billion in CDBG disaster recovery funds Congress and HUD allocated to Texas. If this Action Plan is approved and implemented, you will be back in Galveston next year for a hearing on what went wrong with Ike recovery.

Texas Appleseed is a non-partisan non-profit public interest law center founded in 1996. One of a national network of Appleseed centers, Texas Appleseed promotes social and economic justice for all Texans by leveraging the skills and resources of volunteer lawyers and other professionals to identify practical systemic solutions to difficult social problems. Our mission is greater educational, economic, and social justice.

Since the 2005 Gulf Coast Hurricanes, Texas Appleseed has worked to address the systemic problems created by disaster and to find ways to meet the continuing needs of its victims. Appleseed has worked with groups across the State and around the Gulf Coast on disaster recovery issues, including problems with the Federal Emergency Management Agency’s (FEMA) application and appeal process and policies around Community Development Block Grant (CDBG) disaster recovery grants. This work now incorporates Hurricanes Dolly and Ike that struck Texas in 2008.

The State of Texas has suffered more than four hurricanes in four years, including the third most destructive hurricane in U.S. history, Hurricane Ike. While preparation for and immediate response to disasters may have improved over time, the aftermath of Hurricane Ike demonstrates that some of the major problems identified following the 2005 Gulf Coast Hurricanes remain both unsolved and critical. FEMA continues to unfairly deny disaster victims interim housing assistance, and these denials exacerbate ongoing problems with long-term recovery programs funded with CDBG disaster recovery grants. A year after Hurricane Ike, housing recovery remains a major challenge and a critical unmet need in Texas.

Following Hurricane Ike, FEMA denied at least 85% of over 578,000 applications for housing assistance.<sup>1</sup> These denials were made under regulations that a Federal District Court has held failed to provide legally sufficient eligibility standards.<sup>2</sup> Although Texas has been allocated \$3 billion in CDBG disaster recovery grants, less than half of the initial allocation of \$1.3 billion is going to housing recovery, and both state and local governments have failed to prioritize the low and moderate income families these funds are intended to help – so much so that the first round allocation of funds would not meet

<sup>1</sup> Email from FEMA External Affairs to the Houston Chronicle, June 26, 2009.

<sup>2</sup> *LUPE v. FEMA* (08-847, S.D. Texas). See Order Granting Preliminary Injunction, May 13, 2009 and Preliminary Injunction, August 06, 2009. (Defendants filed a Notice of Filing of Appeal on September 22, 2009.)

even the modified statutory requirement that at least 50% of CDBG disaster recovery funds benefit low and moderate income families. The State's proposed Amendment distributing a second allocation of \$1.7 billion fails to correct these problems. Instead, Texas has switched to a funding allocation model based on weather intensity instead of unmet needs, or even damage, and has failed to take any steps to ensure that housing is rebuilt and that federal targeting requirements will be met.

### I. FEMA Housing Assistance Following Hurricane Ike

*"Even before Ike, we already had a shortage of suitable housing and now it's even worse. Those folks who've lost their homes can't just commute 100 miles from wherever FEMA finds them a motel. And it's not just a local issue. This affects the economy of the whole state."*<sup>3</sup>

In November 2008, FEMA Administrator R. David Paulison admitted that FEMA's response to housing needs related to Hurricane Ike had been slow, and blamed the delayed response on the unavailability of travel trailers and the substitution of larger mobile homes.<sup>4</sup> Mobile homes are larger than travel trailers and more difficult to connect to existing utilities – fewer homeowners had properties large enough to site a mobile home, and sites for mobile home parks and "clusters" had to be found. One month after the storm, only 62 housing units were in place, but that was triple the number (18) that had been in place the week before.<sup>5</sup> Both federal regulations prohibiting the placement of trailers in a flood plain, and local zoning regulations slowed the process of providing housing. Several dozen jurisdictions ended up providing waivers that allowed trailers to be placed in flood zones, and others waived certain inspection requirements. The infrastructure development required to build new FEMA mobile home parks was also time consuming – FEMA officials estimated at least a month.<sup>6</sup> As there were following Hurricane Rita, there were large discrepancies between the need for assistance reported by local communities and federal estimates. As of November 3, 2008 FEMA planned to send teams door to door in certain communities to try to resolve these discrepancies.<sup>7</sup>

<sup>3</sup> Texas State Senator Tommy Williams (R-The Woodlands) quoted in "Shades of Katrina"

<sup>4</sup> Ryan Myers, "FEMA admits slow response to Ike housing", *Beaumont Enterprise*, November 6, 2008. ("It was difficult getting started not having the travel trailers that we usually have. It took some time to get the mobile home process worked out. . . . It's no longer a matter of getting the product. We have plenty of product. It's a matter of getting the site. Then we have to connect water, sewer, (and) electric." David Paulison) (Congress appropriated \$400 million to FEMA in 2006 to explore alternative housing for disasters. The agency missed plan deadline, July 1, 2007, by almost a year: the plan offered more stringent formaldehyde standards, but no real alternatives to travel trailers. Cite)

<sup>5</sup> Ryan Myers, "FEMA triples mobile homes, but thousands of people still waiting," *Beaumont Enterprise*, October 15, 2008.

<sup>6</sup> Ryan Myers, "FEMA admits slow response"

<sup>7</sup> Margaret Toal and Christine Rappleye, "Knock knock! Who's there? FEMA!" *Beaumont Enterprise*, November 3, 2008.

Like much of the Gulf Coast, Texas had a shortage of affordable and workforce housing before Hurricane Ike. Many of the more rural communities in Southeast Texas had little to no rental housing before the Hurricane, making any plan involving rental housing for displaced residents unworkable. The closest supply of available rental housing for most Ike-damaged communities was the City of Houston, a two hour drive from some of the hardest hit areas in Orange County, for example. Disaster victims had to choose between their jobs and decent housing.<sup>8</sup> Local officials repeatedly expressed concern about the lack of temporary housing forcing residents to move, resulting a loss of population, jobs and tax base. Local officials estimated that they needed over 4,000 temporary housing units in the Beaumont-Orange County area alone.<sup>9</sup> Two months after the hurricane, 2,309 households had been approved for housing assistance in the form of manufactured homes, but only 408 had signed occupancy agreements to move into those homes.<sup>10</sup> Two months after the hurricane thousands of residents were living in tent city shelters, disabled cars, or damaged homes. As of October 29, only 500 of 6,600 families approved by FEMA for long-term housing assistance under DHAP-Ike had been referred to the appropriate local housing authorities: FEMA had failed to send letters of referral to public housing authorities.<sup>11</sup>

Problems were not limited to direct housing assistance or the DHAP program. FEMA denied at least 85% of claims for housing assistance in Texas after Hurricane Ike. Although some applications were denied for reasons as minor as an omitted middle initial,<sup>12</sup> the most common denial code used (in over 100,000 cases<sup>13</sup>) was “insufficient damage,” particularly in low-income households and neighborhoods. Many low-income applicants have been told informally by FEMA that their “insufficient damage” denials were actually based on “deferred maintenance.”<sup>14</sup> Similarly, following Hurricane Dolly in July 2008, FEMA denied half of all applications for housing assistance for the same stated reasons, but FEMA has refused to disclose the rules and standards by which it makes these eligibility decisions. The United States District Court for the Southern District of Texas has twice affirmed that FEMA’s failure to publish its standards and procedures violates the Stafford Act and issued an Order Granting Preliminary Injunction on May 13, 2009 and a Preliminary Injunction on August 6, 2009, ordering FEMA to “(1) publish definitive and ascertainable criteria, standards, and procedures for determining eligibility for relief assistance beyond which is identified by federal law in compliance with the congressional mandate found in 42 U.S.C. §5174(j); and (2) reconsider Plaintiffs’ applications for housing relief assistance published in compliance with paragraph 1.”<sup>15</sup>

The lack of ascertainable FEMA standards for equitable and impartial distribution of housing repair assistance, as required by federal statute, not only disadvantages low-

<sup>8</sup> Juan A. Lozano, “Many Texans calling tents home 2 months after Ike,” AP, November 15, 2008

<sup>9</sup> “Shades of Katrina”, Houston Chronicle, November 2, 2008

<sup>10</sup> Scott Lawrence, “Waivers Aimed at Speeding Up Delivery of Temporary Housing,” November 3, 2008. Available: <http://www.kdfm.com>

<sup>11</sup> “Shades of Katrina,” *Houston Chronicle*, November 2, 2008.

<sup>12</sup> Cite Mike Snyder’s article

<sup>13</sup> Email from FEMA External Affairs – 100,000 for insurance, 2<sup>nd</sup> most common reason – FEMA webpage

<sup>14</sup> Conversation with Maria? Celli quote

<sup>15</sup> *LUPE v. FEMA* (S.D. Texas: 08-487) Preliminary Injunction, August 6, 2009.

income hurricane survivors, it results in arbitrary and subjective decisions about who gets housing repair assistance and how much assistance is provided in each case. Applicants for housing repair assistance are left without enough factual or legal information to determine whether to appeal FEMA's denial of assistance.

FEMA denied many of these applicants unfairly and erroneously. After Hurricane Katrina, the City of Houston sent its own housing inspectors to New Orleans in May 2006 and determined that two-thirds of FEMA's habitability determinations were "suspect or wrong."<sup>16</sup> The City of Houston believes there were similar problems with housing assistance denials after Hurricane Ike, but "[t]he 'solution' that a family deemed ineligible may appeal their determination is not realistic [and that] FEMA needs staff on the ground in Houston [to] correct errors, identify missing and required information, and explain eligibility determinations."<sup>17</sup> Examples of erroneous housing assistance denials following Hurricane Ike include: declaring homes habitable that have been condemned by city officials, declared unsafe by Child Protective Services, and that are inaccessible to individuals with disabilities. A Galveston resident who is blind and confined to a wheelchair was denied housing assistance even though the elevator in his apartment building did not work. Non-profit groups in Houston report entire neighborhoods of damaged home that have been deemed to have "insufficient damage"<sup>18</sup>.

In the aftermath of Katrina and Rita, confusion and lack of information around disaster assistance programs resulted in the wrongful denial of benefits for thousands of households, and eventually led to numerous lawsuits over FEMA's programs and processes, the majority of which were focused on problems with inadequate notice and appeal process. These problems were repeated after the 2008 hurricanes, and affected a larger percentage of disaster victims because of high denial rates.

In contrast to other Federal agencies that make eligibility and benefit determination decisions, FEMA continues to operate as a "black box" – applications go in and decisions come out, but there is no public information about how those decisions are made.<sup>19</sup>

Applicants faced with a letter that says "ineligible – insufficient damage" do not have enough information to file a meaningful appeal. Further, FEMA refuses to make public the criteria and standards on which it makes insufficient damage decisions. Advocates in Disaster Recovery Centers reported that FEMA personnel refused to advise applicants on how to complete applications or how to provide required documentation, despite the fact that FEMA has issued numerous public statements – including 16 press releases between

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<sup>16</sup> *Far From Home: Deficiencies in Federal Disaster Housing Assistance After Hurricanes Katrina and Rita and Recommendations for Improvement, Special Report*, prepared by the Ad Hoc Subcommittee on Disaster Recovery of the Senate Committee on Homeland Security and Governmental Affairs, February 2009, at 204

<sup>17</sup> *Far From Home: Deficiencies in Federal Disaster Housing Assistance After Hurricanes Katrina and Rita and Recommendations for Improvement, Special Report*, prepared by the Ad Hoc Subcommittee on Disaster Recovery of the Senate Committee on Homeland Security and Governmental Affairs, February 2009, at 205.

<sup>18</sup> Cite articles

<sup>19</sup> FEMA case cites

September 2005 and June 2009<sup>20</sup> - to the effect that applicants should regard a denial as the first step of a process, “[a] denial letter doesn’t necessarily mean that an applicant is not eligible for assistance. It might mean that FEMA does not have all it needs to reach a decision, such as insurance information or a complete address.”<sup>21</sup> Not only is FEMA’s appeal process inadequate, any program that relies on applicant appeals in order to reach a correct decision as a matter of course is both broken and unfair – shifting an unrealistic burden to individuals that have just been through a major disaster.

FEMA has argued that it cannot provide individualized notices that inform applicants of how their cases failed to meet program eligibility guidelines, but has also resisted publishing the rules and procedures used to make eligibility and benefit determination decisions, and have implied that these rules and procedures change frequently.<sup>22</sup> It might be one thing for an applicant to appeal an “insufficient damage” denial if there was a specific definition of what constituted insufficient damage and how the agency determined whether or not an applicant met that standard, but there is no such standard - the standardized language in a FEMA denial notice has no actual point of reference in law or policy. FEMA should be able to provide individualized notice and an appeal process that goes beyond an exchange of paper, but at minimum, FEMA must have established, published standards that do not change without timely public notice.

FEMA must complete and implement the administrative and institutional reforms it has been promising for over four years to ensure that policies and procedures are transparent, simple, and fair, and that they take into account the additional disaster recovery needs of special needs and low-income populations.

While FEMA housing assistance programs are not intended to provide long-term recovery assistance, the emergency and interim disaster relief that FEMA provides has a strong impact on the ability of both individuals and communities to achieve long-term recovery from a disaster. Erroneous denials of assistance not only affect the ability of the applicant disaster victim to recover, they result in unreliable data that understates housing recovery needs and affects the permanent recovery of communities, states, and even regions.

## II. State Use of CDBG Disaster Recovery Funds

The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act requires that, “each State shall submit a plan to the Secretary detailing the proposed use of all funds, including criteria for eligibility and how the use of these funds will address long-term recovery and restoration of infrastructure.” (PL 110-329) According to TDRA, the proposed Amendment “adds the second allocation to the initial Action Plan and allows for the “mid course adjustments” as had been anticipated in the initial Action

<sup>20</sup> <http://www.fema.gov/femaNews/releaseSearch.do>

<sup>21</sup> FEMA Federal Coordinating Officer Albie Lewis as quoted by John Shryock, “FEMA claims denials roll out,” *WSFA 12 News Montgomery, AL*, June 30, 2009.

<sup>22</sup> Ridgely motion

Plan.”<sup>23</sup> Unfortunately, the “mid course adjustments” fail to address previous criticisms of the Action Plan, misallocate \$3 billion in CDBG disaster recovery funds using a model inconsistent with both HUD’s allocation model and the purpose of the CDBG program, fail to adequately fund unmet housing recovery needs, and fail to prioritize activities serving low and moderate income disaster victims in violation of federal law and regulations.

The State’s proposed Amendment, like the initial Action Plan, allocates CDBG disaster recovery funds among 11 COGs without specifying an amount that must be spent on housing recovery or providing guidance or enforcement mechanisms to ensure that local government subrecipients prioritize activities that primarily benefit low and moderate income families. TDRA has not adjusted the distribution or administration of CDBG funds, despite its concrete knowledge that “[j]urisdictions have prioritized projects other than those serving LMI residents” to the extent that “the State’s ability to fulfill its obligation to expend 50% of the total funds to meet the LMI national objective” is unmet.<sup>24</sup>

*A. The proposed Amendment fails to address previous comments that the Action Plan does not give sufficient structure and guidelines for communities to follow to ensure that priority is given to rebuilding affordable housing, and assisting low-income and moderate-income persons in the recovery process.*

The purpose of CDBG disaster recovery programs is to target the low and moderate income communities that have the most difficulty recovering from a disaster.

Low-income families and communities are disproportionately affected by natural disasters, and are disadvantaged again when the recovery process does not take their unique needs into account<sup>25</sup> “Socioeconomic status is a significant predictor . . . for physical and psychological impacts of disasters. [Vulnerable populations] are . . . more likely to die, suffer injuries, and have proportionately higher material losses; have more

<sup>23</sup> TDRA, “State of Texas Amended Plan for Disaster Recovery, , U.S. Department of Housing and Urban Development (HUD), Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, , Public Law 110-329, September 30, 2009,” at 2. Available: <http://www.tdra.state.tx.us/index.php/Home/HURRICANE+RECOVERY>

<sup>24</sup> Amended Plan at 6.

<sup>25</sup> After Hurricane Rita, Texas spent only the statutory minimum of 55% of its CDBG disaster funding on unmet housing needs while Louisiana and Mississippi each spent over 70%. Mississippi dedicated \$3.8 billion of its \$5.5 billion total funding allocation, and Louisiana \$8.0 billion of its \$10.4 billion total funding allocation, to housing programs. (GAO-07-574T, Statement of Stanley J. Czerwinski, Director, Strategic Issues, Before the Subcommittee on Disaster Recovery, Committee on Homeland Security and Governmental Affairs, U.S. Senate “Gulf Coast Rebuilding: Preliminary Observations on Progress to Date and Challenges for the Future.” Thursday, April 12, 2007.) The State of Florida required grant recipients to use at least 70% of their funding specifically for the restoration of affordable housing. (Florida Department of Community Affairs, “2005 Disaster Recovery Initiative Action Plan addressing Hurricanes Katrina and Wilma, U.S. Department of Housing and Urban Development [*Docket No. FR-5051-N-01, Federal Register/Volume 71, Number 29*] Department of Defense Appropriations Act, 2006.” p. 6. Available: [www.floridacommunitydevelopment.org/disasterrecovery.cfm](http://www.floridacommunitydevelopment.org/disasterrecovery.cfm))

psychological trauma; and face more obstacles during phases of response, recovery, and reconstruction.”<sup>26</sup> Low income families, seniors, and persons with disabilities often live in vulnerable housing, older homes and mobile homes, for example, and lack the resources to do disaster mitigation, carry sufficient insurance, or comply with evacuation measures.<sup>27</sup> Low income homeowners also are more likely to take on repairs themselves, or hire an (unlicensed) friend or acquaintance to do home repair work in order to reduce costs. These repairs often are not up to building code standards, or are carried out with substandard materials. Low income residents of rental housing are particularly vulnerable: they must rely on private landlords or public housing authorities to ensure that their homes are well-maintained and disaster-resistant, and to rebuild and reopen damaged or destroyed housing after a disaster.<sup>28</sup> When housing is destroyed by a disaster, rents generally increase significantly, which prevents low-income households from returning to their previous community.<sup>29</sup>

Prioritizing rebuilding affordable and rental housing and associated infrastructure across the region will prevent permanent displacement, preserve the jobs, populations, and tax base of many communities, and increase the quality of Texas housing stock.

Texas Appleseed, along with other statewide and local community organizations, provided both written and oral comments, including an Administrative Complaint to HUD, on the proposed Action Plan, expressing our belief that the proposed Action Plan did not meet statutory requirements that it “detail[] the proposed use of all funds, including criteria for eligibility and how the use of these funds will address long term recovery,”<sup>30</sup> and our concerns that both housing recovery and activities benefiting primarily low and moderate income families would be underfunded. The distribution of Round 1 CDBG funds demonstrated that these concerns were well-founded.

#### A. The Action Plan underfunds housing recovery.

The total amount of CDBG funding directed at housing recovery in Round 1 was inadequate. Only 48% of the funding distributed to the COGs was allocated for housing recovery. If the City of Houston (which allocated 80% of its funding to housing) and the City of Galveston (which allocated 60% of its funding to housing) are excluded, only 27% of the money allocated by COGs was set aside for housing. Texas, Louisiana, and Mississippi all allocated at least 70% of their Katrina and Rita related CDBG disaster

<sup>26</sup> Fothergill, Alice and Peek, Lori, “Poverty and Disasters in the United States: A Review of Recent Sociological Findings,” (2004), as quoted in Ballen Debra, “Vulnerable populations,” *The Institute for Business and Home Safety (IBHS)*, fact sheet, March 2009. Available: [http://www.disastersafety.org/resource/resmgr/pdfs/vulnerable\\_populations.pdf](http://www.disastersafety.org/resource/resmgr/pdfs/vulnerable_populations.pdf)

<sup>27</sup> Ballen Debra, “Vulnerable populations,” *The Institute for Business and Home Safety (IBHS)*, fact sheet, March 2009.

<sup>28</sup> *Ibid.*

<sup>29</sup> Tim Morris, “Louisiana asks feds to extend post-disaster housing aid,” *New Orleans Times-Picayune*, January 29, 2009. (“Fair-market rent in the New Orleans area is 69 percent higher than before Katrina, putting housing out of reach for the “average renter” in the region.”) Available: [http://www.nola.com/news/index.ssf/2009/01/la\\_asks\\_feds\\_to\\_extend\\_postdis.html](http://www.nola.com/news/index.ssf/2009/01/la_asks_feds_to_extend_postdis.html)

<sup>30</sup> H.R. 2638, Pub. L. 110-329 (2008).

recovery funding to housing.<sup>31</sup> Even within the COGs, the proposed home rehabilitation programs are underfunded and not correlated with unmet need. For example, Deep East Texas Council of Governments (DETCOG) estimates that its program will serve only 99 households out of 989 with unmet housing needs (10%). Fort Bend County estimates it will serve 38 households out of 5100 damaged owner-occupied homes.<sup>32</sup>

Only three Round 1 subrecipients, the City of Houston, Galveston County, and the City of Galveston, set aside funds for rebuilding affordable rental housing stock, and only Galveston County and the City of Galveston dedicated funds for a small rental repair program.<sup>33</sup> Recognizing the importance of rebuilding affordable rental housing, Congress mandated by statute that a minimum of 10.6% (\$342,521,992) of the State's total allocation "shall be used for repair, rehabilitation, and reconstruction . . . of the affordable rental housing stock . . . in the impacted areas." (PL 110-329) The proposed Amendment, however, allocates \$174 million for an Affordable Rental Housing Recovery Program using the weather-based model, resulting in allocations to counties which sustained no housing damage.<sup>34</sup> The City of Galveston estimates that it has \$247 million in affordable housing needs, and the City of Houston has proposed spending \$180 million on multifamily housing – the affordable housing recovery needs of these two cities alone are over \$85 million more than the minimum allocation and \$65 million more than the State's proposed total spending.<sup>35</sup>

The proposed Amendment emphasizes that "[f]or all aspects of this Action Plan Amendment, local choice shall be emphasized, and the COGs shall have the right . . . to make determinations as to the allocations of funds within their regions among housing, infrastructure, and economic development programs, except as provided by the requirements of the pooled competitions."<sup>36</sup> The proposed Amendment "recommend[s]" that round 2 funds be split equally between housing and non-housing activities, but imposes no requirement that COGs meet this "goal[.]"<sup>37</sup> The proposed Amendment in fact specifically contemplates allowing regions to utilize housing funds

<sup>31</sup> GAO-07-574T April 12, 2007 Testimony. (Florida, in fact, allocated 70% of its CDBG disaster recovery funds to affordable housing recovery.)

<sup>32</sup> Housing Assistance Program Plans submitted to TDHCA, September 3, 2009 TDHCA Board Book. Available: <http://www.tdhca.state.tx.us/pdf/agendas/090903-book-090827.pdf>

<sup>33</sup> Owners of single family rentals are most likely not to rebuild, contributing to blight and further increasing the need for affordable rental housing. Margery Austin Turner, et al., "Affordable Rental Housing in Healthy Communities: Rebuilding After Hurricanes Katrina and Rita," The Urban Institute, March 2007, at 16. Available: <http://www.recoverycorps.org/media/files/AffordableHousing.pdf>

<sup>34</sup> Amended Plan at 11.

<sup>35</sup> Testimony of Harish Krishnaro, Executive Director of the Galveston Public Housing Authority, ORCA Public Hearing, Galveston, December 8, 2008, and testimony of Donald Sampley, Assistant Director of the City of Houston Housing and Community Development Department, ORCA Public Hearing, Houston, December 9, 2008.

<sup>36</sup> Amended Plan at 11. Categorical set asides include those for healthcare facilities, some portion of the affordable rental housing funding, innovative housing approaches (\$6 million), and title clearance and legal assistance (\$500,000).

<sup>37</sup> Amended Plan at 6 and 2.

for other activities “[i]f it is determined that the unused housing funds cannot be utilized within the region.”<sup>38</sup>

The failure to prioritize unmet housing needs is exacerbated by TDRA’s provision of extensive technical assistance only to certain jurisdictions, and only for infrastructure projects. This means that some jurisdictions did not have access to assistance that others received in applying for CDBG disaster recovery funds.

In response to stakeholder feedback regarding the validity of FEMA damage assessments and concurrent with development of the MODs, TDRA engaged the engineering firm HNTB to identify and assess potential projects and provide documentation of damage, scoping and cost estimating services in 29 counties most affected by Hurricane Ike. HNTB’s technical assistance was targeted to non-entitlement communities during the immediate aftermath of the storm to provide independent analysis of damage and preliminary screening and specifications for selected projects. This formed the basis for additional opportunities for requests for FEMA funding, documentation of urgent need, and project descriptions for grant applications. The 2,751 individual projects assessed by HNTB formed a database of needs and overall non-housing damage for these communities.<sup>39</sup>

HTNB (the same firm that created the weather funding allocation model) actually started work on the described contract on November 20, 2008, two months after Hurricane Ike.<sup>40</sup> While TDRA acknowledges that “almost all communities in the region impacted by Hurricanes Ike and Dolly would need assistance,” no assistance was provided to any jurisdiction affected by Hurricane Dolly, and neither the City of Galveston nor the City of Houston, as entitlement communities, were included in the survey.<sup>41</sup> No explanation is offered for the lack of technical assistance to Hurricane Dolly jurisdictions. It is also somewhat difficult to credit the assumption that the City of Galveston, in particular, “[had] resources not available to smaller communities” simply by virtue of its status as an entitlement community, particularly after bearing the full force of the 3<sup>rd</sup> most destructive hurricane in American history.<sup>42</sup> Similarly, no explanation is offered for the exclusive focus on infrastructure projects to the exclusion of all other disaster recovery needs, though the majority of initial calls to a disaster recovery hotline set up by TDRA and HTNB were requests for housing assistance.<sup>43</sup>

TDRA engaged HTNB to provide technical assistance to help some local jurisdictions “understand the program and identify [infrastructure] projects that were critical to their community’s recovery” because “many of the leaders of these small communities needed

<sup>38</sup> Amended Plan at 13.

<sup>39</sup> Amended Plan at 4, *see also* HTNB “ORCA Disaster Recovery Program: Hurricane Ike Summary Report,” (Revised Draft) Available: <http://www.tdra.state.tx.us/index.php/Home/HURRICANE+RECOVERY>

<sup>40</sup> HTNB Ike Summary Report at 7.

<sup>41</sup> HTNB Ike Summary Report at 2-4.

<sup>42</sup> HTNB Ike Summary Report at 4.

<sup>43</sup> HTNB Ike Summary Report, at 16. Calls for housing assistance were given the address of the TDHCA website. It is unclear how individuals in tents or FEMA trailers were expected to access the website.

guidance to fully understand the underlying engineering, environmental, and implementation issues associated with their projects.”<sup>44</sup> However, the Plan for Disaster Recovery assumes that these same jurisdictions have both (1) the capacity to identify, assess, estimate, and implement even more complex housing and economic development recovery programs, and (2) the capacity to prioritize community recovery needs in accordance with federal program requirements. TDRA continues to rely on this assumption in the Amended Plan, despite concrete evidence that most subrecipient jurisdictions do not have this capacity.

In addition to ceding all substantive decision-making and program administration authority to COGs with a demonstrated lack of capacity, TDRA has also provided a specific set of jurisdictions with government-funded services that give them an advantage in competing for CDBG funds. Not only certain jurisdictions, but certain types of recovery activities, and certain populations have been excluded from the process.<sup>45</sup> Neither housing recovery nor low income populations have received this form of assistance, despite their priority status under the CDBG program.

**B. The Action Plan fails to give maximum feasible priority to activities benefiting disaster victims with low and moderate incomes.**

The primary beneficiaries of all activities conducted with CDBG funds, whether housing, infrastructure, or economic development, must be the low and moderate income persons the CDBG program was developed to assist. Federal law and regulations require Texas to certify that its Amended Action Plan for Disaster Recovery “has been developed so as to give the maximum feasible priority to activities that will benefit low- and moderate income families,” and that “[t]he aggregate use of CDBG disaster recovery funds shall principally benefit low- and moderate-income families in a manner that ensures that at least 50 percent of the amount is expended for activities that benefit such persons during the designated period.”<sup>46</sup>

In Round 1, the result of ceding decisions on allocations of funds within their regions among housing, infrastructure, and economic development programs to the COGs was not only that housing recovery was severely underfunded, but also that “[j]urisdictions . . . prioritized projects other than those serving LMI residents” to the extent that Texas would not meet its federal statutory obligation to expend 50% of the total funds to meet the LMI national objective.<sup>47</sup>

<sup>44</sup> HTNB Ike Summary Report at 12.

<sup>45</sup> TDRA claims that its Public Participation plan included 149 community meetings and 14 regional meetings led by HTNB. (Amended Plan at 14.) However, neither the 149 community meetings nor the 14 regional meetings included the public – both types of meetings, however, included engineering and grant administration consultants who are potential bidders on contracts for CDBG-funded activities. (Hurricane Ike Summary Report at 11 and 13.)

<sup>46</sup> Alternative Certifications at 74 FR 7244, 7254, and 74 FR 41146, 41151-41152.

<sup>47</sup> Amended Plan at 6. (The 50% standard is already a downward departure from the standard 70% LMI requirement.)

Texas Appleseed applauds TRDA's statement that "[i]f the requirement of \$1,528,995,720 for LMI activities has not been met TDRA will require the COGs not meeting the 50% LMI requirement to amend their MODs to ensure the requirement is achieved. All allocations made by the regional COG MODs will be conditional until the State of Texas reaches the 50% LMI requirement for the entire allocation."<sup>48</sup> However, we remain concerned about the state's commitment to this requirement for several reasons. First, the requirement that 50% of activities funded must primarily benefit LMI individuals has always been attached to these funds, yet it was not enforced on subrecipients during Round 1. Second, Texas has already requested and been granted waivers for a number of program requirements related to programs serving low and moderate income families, including an overall waiver of the 70% LMI benefit requirement, one-for-one replacement of lower income housing units, and calculation of the LMI benefit related to economic development programs.<sup>49</sup> Third, local and regional jurisdictions have publicly objected to having to meet even a reduced LMI benefit requirement. For example Lufkin Assistant City Manager Keith Wright expressed concern to the Lufkin Daily News about the requirement because "Hurricane Ike was an 'equal opportunity' disaster" and stated that "[t]here are projects we will not be able to do because we don't meet the criteria," including the extension of a highway feeder road.<sup>50</sup> This statement illustrates a fundamental misunderstanding - despite DETCOG's four years of experience administering CDBG disaster recovery funding - of the federal statute's requirement that priority must go to projects serving low- and moderate- income persons.

Coastal counties in Texas, which bore the brunt of Hurricane Ike, tend to have higher poverty rates than the state as a whole.<sup>51</sup> Of the thirty-seven counties where individuals were eligible to receive Individual Assistance from FEMA after either Dolly or Ike, twenty-two have poverty rates higher than the overall poverty rate for Texas (16.3%) and all three counties struck by Hurricane Dolly have poverty rates over 30%.<sup>52</sup> Even within affected counties that have lower overall poverty rates, affected populations are often disproportionately low income. Galveston County has an overall poverty rate of 12.4%, for example, but the City of Galveston, which was devastated by Hurricane Ike, has a poverty rate of 22%.<sup>53</sup>

<sup>48</sup> Amended Plan at 9.

<sup>49</sup> Sec. Fed Reg notices.

<sup>50</sup> Jessica Cooley, "DETCOG lobbied for control of hurricane funding," *Lufkin Daily News*, September 2, 2009. Available: <http://www.lufkindailynews.com/hp/content/news/stories/2009/09/02/DETCOG.html>

<sup>51</sup> Sutter, Daniel, "Ensuring Disaster: State Insurance Regulation, Coastal Development, and Hurricanes," Mercatus Policy Series Policy Comment No. 14 (2007), pp. 11-12. The data collected is from the 2000 census and may underestimate poverty rates in light of Hurricane Katrina and the current recession. Texas poverty rate data from: Small Area Income and Poverty Estimates, 2007. Available: <http://www.census.gov/cgi-bin/saiper/saiper.cgi>

<sup>52</sup> Poverty data from the Small Area Income and Poverty Estimates, 2007. Available: <http://www.census.gov/cgi-bin/saiper/saiper.cgi>

<sup>53</sup> Poverty data from the Small Area Income and Poverty Estimates, 2007. Available: <http://www.census.gov/cgi-bin/saiper/saiper.cgi>

As a material condition of the receipt of CDBG funds, Texas must certify that “the Action Plan has been developed so as to give the maximum feasible priority to activities that will benefit low- and moderate income families,” and that “[t]he aggregate use of CDBG disaster recovery funds shall principally benefit low- and moderate-income families in a manner that ensures that at least 50 percent of the amount is expended for activities that benefit such persons during the designated period.”<sup>54</sup> Despite the high level of poverty in the most hurricane affected jurisdictions, TDRA has adopted a funding allocation model that steers money away from these areas, and provided extensive technical assistance to help jurisdictions identify and fund infrastructure projects that generally assist mixed income communities – technical assistance denied to affected jurisdictions in the Rio Grande Valley and on the Gulf Coast. For these reasons alone, Texas cannot certify that it has “given maximum feasible priority to activities that will benefit low-and moderate-income families,” and has demonstrated an inability to ensure that 50% of funds expended benefit low and moderate-income persons.

**B. *Use of a weather-based model misallocates funds between disaster-affected areas and contravenes the purpose of the CDBG disaster recovery program.***

Traditionally, CDBG disaster recovery funds are allocated using FEMA and other federal damage estimates and data. However, according to TDRA, “the 2008 Texas hurricane events rendered the FEMA damage assessments method inaccurate, because Hurricane Ike hit before the Hurricane Dolly damage assessments were complete, and FEMA personnel were mobilized away from conducting assessments in the area affected by Hurricane Dolly to attend to the needs of the region affected by Hurricane Ike.”<sup>55</sup>

There is no dispute that FEMA damage estimates for Hurricanes Ike and Dolly are inaccurate, and not solely because damage estimates for Hurricane Dolly were incomplete. Both the State’s experience with Hurricane Rita CDBG disaster recovery funding and publicly acknowledged problems with FEMA’s housing assistance programs after Hurricanes Ike and Dolly demonstrate that FEMA has consistently underestimated housing damage, particularly in low-income communities. FEMA denied over 22,000 applications for individual assistance out of a total of 38,000 applications after Hurricane Dolly. About 15,000 of these were denials of home repair assistance due to deferred maintenance.<sup>56</sup> These denials were made under regulations that a Federal District Court has held failed to provide legally sufficient eligibility standards.<sup>57</sup> Following Hurricane Ike, FEMA denied at least 85% of over 578,000 applications for housing assistance.<sup>58</sup> In Galveston County, where three quarters of the structures on Galveston Island were damaged, 58.78% of the housing assistance denials were classified as “insufficient

<sup>54</sup> Alternative Certifications at 74 FR 7244, 7254, and 74 FR 41146, 41151-41152.

<sup>55</sup> HTNB, “Office of Rural Community Affairs (ORCA) Funding Allocation Model,” at 2. Available: <http://www.tdra.state.tx.us/index.php/Home/HURRICANE+RECOVERY>

<sup>56</sup> *LUPE v. FEMA* (08-847, S.D. Texas) See Exhibit 2 to Plaintiff’s Motion for Preliminary Injunction and Exhibit 14 to Plaintiff’s Motion for Partial Summary Judgment (7-09)

<sup>57</sup> *LUPE v. FEMA* (08-847, S.D. Texas) See Order Granting Preliminary Injunction, May 13, 2009 and Preliminary Injunction, August 06, 2009. (Defendants filed a Notice of Filing of Appeal on September 22, 2009.)

<sup>58</sup> Email from FEMA External Affairs to the Houston Chronicle, June 26, 2009.

damage.”<sup>59</sup> The City of Houston has also stated that the estimated number of damaged homes in Harris County was probably low based on FEMA’s practice of denying applications based on “deferred maintenance.”<sup>60</sup> The State knows both that FEMA data is inaccurate, and how that data is inaccurate.

While FEMA data is clearly flawed, Texas has chosen to use an alternative model that is even more problematic - a model that only looks at weather data and high water maps without taking into account actual damage, population numbers in affected areas, housing density, types of economic activity, and the demographics of a community.<sup>61</sup> Instead of finding ways to adjust for flaws in the FEMA data, TDRA chose not to use damage data at all, instead basing allocations on windspeed, rainfall, and storm surge.<sup>62</sup> The model as used in a previous draft of the Amended Plan also included an “Impact Zone” factor “in order to take into account the exponential damage caused by the eye of the storm’s impact to the Texas coastline and to adequately estimate storm damage.”<sup>63</sup> However, that factor was discarded in the revised Amended Plan and replaced with an undefined “LMI population” factor. The “exponential” damage experienced by coastal counties in the Ike eyewall is no longer accounted for in the model. It should be noted that the proposed Amendment distributes the full amount of Texas’ \$3 billion allocation of CDBG disaster recovery funding, adjusting the initial allocations based on FEMA damage estimates between regional COGs using the weather based funding allocation model.<sup>64</sup>

<sup>59</sup> Phone call to the Media Desk at the FEMA JFO, Austin, Texas, November 12, 2008.

<sup>60</sup> Testimony of Richard Celli, Director of Housing and Community Development for the City of Houston, at a December 9, 2008 Public Hearing on Texas’ proposed Action Plan for Disaster Recovery in Houston.

<sup>61</sup> Types of data and a detailed description of model development are presented in the ORCA Funding Allocation Model starting on p. 4.

<sup>62</sup> ORCA Funding Allocation Model at 4. The panel of experts that “independently and collectively reviewed and confirmed that the calculations of wind speed damage, rainfall damage and storm surge damage were significant and are appropriate factors to use in measuring the effects of Hurricanes Dolly and Ike,” includes engineering, planning, public works, floodplain, and landscape architecture experts, but not one expert on housing, community development, or economic development. At least three of the six experts listed are employees of HTNB, the firm that developed the model, but that affiliation is not disclosed in the published “Funding Allocation Model.”

<sup>63</sup> ORCA Funding Allocation Model at 8-9. (“For Hurricane Ike, a significant level of damage occurred along the coast and in the area of greatest impact, specifically where the devastating eye wall of the hurricane (the Hurricane Ike eye wall was 40 nautical miles in diameter). Within the eye wall, the high winds and the extremely high storm surge caused tremendous damage that was more typical of a Category 4 hurricane than the Category 2 hurricane designation received by Ike.”) The revised Amendment substitutes an undefined low and moderate income population factor for the “Impact Zone” factor. This substitution does not affect the overall distribution of funds between regions, but does result in funding reallocation within regions.

<sup>64</sup> Although the Funding Allocation Model is being used to distribute the second round of CDBG disaster recovery funds, TDRA applied the Model to the full allocation of \$3 billion and based Round 2 allocations on that distribution. (“After the development of the Model and consideration of additional data gathered, ORCA determined that this Model would be used to determine the Round 2 allocation, including adjustments for each region to provide an aggregate distribution of funds that would align with the model results. The totals of Round 1 and Round 2 funding allocations will allocate 87% to Ike disaster areas and 13% to Dolly disaster areas. . . . This approach allows for adjusting Round 1 funding allocations, which used the best information available at the time, to provide a fair and reasonable total allocation of funds from Round 2.”) ORCA Funding Allocation Model at 10-12.

Weather intensity, however, does not predict damage, and it is an even poorer proxy for the unmet needs that the CDBG disaster relief program is intended to address.<sup>65</sup> For example, the first iteration of the TDRA model correctly reflects that the Ike storm surge was highest in Chambers and western Jefferson Counties, generating a surge damage factor of 29.19% for Chambers County while Galveston County has a surge factor of only 17%. But the model fails to take into account that much of Chambers County is pasture land – according to FEMA data, Chambers County has approximately 3,700 damaged homes while Galveston County has approximately 37,000.<sup>66</sup> The TDRA model tracks where the weather was most intense, not where damage occurred or where there are CDBG-eligible unmet disaster recovery needs.

Reliance on a weather based model is problematic enough to discredit the State’s funding allocation, but TDRA’s failure to make public the actual model, and its continued “calibration” of the model according to factors both external to the model and completely undefined is also troubling. The published “Funding Allocation Model” includes neither the input data nor the calculations on which the model is based.<sup>67</sup> The model also fails to show the basis for various ad-hoc assumptions it incorporates.<sup>68</sup> Further evidence of the ad-hoc nature of the model (and the inconsistency of its results with the stated goal of allocating funds by amount of storm damage) is presented in the “model calibration” section of the report. This section indicates that the model will be ignored for seven COGs because hearing testimony indicated “[these] regions would not require significant funding during Round 2.”<sup>69</sup> The model estimated these seven COGs should received 12.4% of the funding, and the ‘calibration’ reduced the funding of these (primarily rural) COGs to 3.9%. Thus, the model over-estimated damages for the least-impacted COGs by at least 300%. This raises questions regarding the Model’s use allocating funds among

<sup>65</sup> PL 110-329 mandates that funds be allocated “on the best estimates available of relative damage and anticipated assistance from other Federal sources.” See also, 74 FR 41146, 41147 (allocation between states is based on estimated unmet needs), and 74 FR 41146, 41153-41156, Appendix 1 (detailing HUD’s formula for allocating CDBG disaster relief funding appropriated by PL 110-239); and 74 FR 7244, 7245 (“In the first quarter of calendar year 2009, HUD will make a final review of long-term disaster recovery needs for all states affected by disasters in 2008 to allocate the remaining \$3.972 billion. This review will include unmet housing, infrastructure, and economic revitalization needs.”)

<sup>66</sup> Gulf Coast Interfaith analysis. FEMA data available by county at <http://www.fema.gov/hazard/hurricane/2008/ike/portal.shtm>.

<sup>67</sup> “While an observer could attempt to follow the spirit of calculations outlined in this description, the calculation steps are not explicitly presented and may contain unstated assumptions or error. The report’s failure to ‘show the work’ of the Model makes the fund allocation process non-transparent. Citizens impacted by this model have no way to verify the process has not been affected by error or unelaborated assumption.” Kevin G. Jewell, Comments on ORCA Funding Allocation Model for Texas Appleseed, September 14, 2009. (submitted as Comments on the previous draft of the Amended Plan)

<sup>68</sup> For example, a storm surge of 10-12 feet is assumed to be 1.7 times more damaging than one of 8-10 feet, while a storm surge of 12-14 feet is assumed to be only 1.1 times more damaging than one of 10-12 feet. Elsewhere a wind-speed of 85-95 mph is assumed to be 4.5 times more damaging than a wind speed of 65-75 mph. While such assumptions may be justified by empirical data, no such empirical data was presented - in fact, page 5 of the report states “[t]his Model determined that the higher sustained winds generated a greater overall wind speed damage factor.” when in actuality the presented evidence suggests the model assumed this fact in its construction. This wording is misleading. Kevin G. Jewell, Comments on ORCA Funding Allocation Model

<sup>69</sup> ORCA Funding Allocation Model at 11.

the 4 remaining COGs, and suggests the model over-allocates funds to low storm impact areas.<sup>70</sup>

TDRA issued a revised proposed Amendment on September 16, 2009, in response to obvious misallocations of CDBG disaster recovery funding that drew public criticism from the coastal counties most affected by Hurricane Ike and advocacy organizations alike.<sup>71</sup> The revised proposed Amendment substitutes an undefined “LMI population factor” for the “Impact Zone” factor used to adjust for the greater damage inflicted by the eyewall of Hurricane Ike in the first version of the model, and fails to deal with the fundamental problems of either the weather-based allocation model or the delegation of all substantive decisions regarding how CDBG funds will be spent to local government entities. The revision transfers \$335 million from State administered programs to locally controlled programs and allocates the federally mandated affordable rental housing set-aside according to the weather model. The result is that the Houston-Galveston region, which had more than 70% of homes damaged, received more than 70% of FEMA individual assistance and more than 75% of all SBA disaster loans, sees its allocation drop from 70% of the total funding under the Action Plan to less than 60% of the total allocation under the Amendment allocation model, while every other region receives an increased percentage of CDBG funding, and a greater percentage of total funding than the percentage of damage than even the weather model estimates.<sup>72</sup>

HUD allocated Texas half of the total CDBG disaster funding appropriated by Congress for unmet needs related to 2008 disasters.<sup>73</sup> For both rounds, HUD used available data on

<sup>70</sup> Kevin G. Jewell, Comments on ORCA Funding Allocation Model.

<sup>71</sup> See, e.g. Rick Casey, “Commentary: Is God good at politics?” *Houston Chronicle*, September 5, 2009. Available: <http://www.chron.com/dispatch/story.mpl/metropolitan/casey/6604739.html>; Heber Taylor, “A formula to heap injury on injury,” *Galveston County Daily News*, September 23, 2009. Available: <http://galvestondailynews.com/story.lasso?ewcd=aa9272e4f7cf9839>; Mike Snyder, “County may oppose storm recovery plan Allocation of \$1.7 billion to fix hurricane damage is called flawed FUNDS: New proposal is second parcel of federal recovery funds,” *Houston Chronicle*, August 25, 2009, Section B, Page 1.; Mike Snyder, “HURRICANE IKE: ONE YEAR LATER Recovery funds get second look Officials to review process to distribute money,” *Houston Chronicle*, September 15, 2009, Section B, Page 3.; Mike Snyder, “Area welcomes change in storm recovery plan Nonprofits still see problems with distributing funds MONEY: Houston has special interest in rental housing,” *Houston Chronicle*, September 17, 2009, Section B, Page 1.

<sup>72</sup> Amended Plan, Appendix E-2.

<sup>73</sup> PL 110-329 provides “[t]hat the Secretary shall allocate to the states not less than 33 percent of the funding provided under this heading within 60 days after the enactment of this Act based on the best estimates available of relative damage and anticipated assistance from other Federal sources.” HUD used available FEMA damage estimate data, and focused on two factors to make this first round allocation: (1) Unmet housing needs. This is each State’s relative share of estimated unmet housing need for property owners experiencing serious damage to their homes; and (2) Concentrated damage. To determine infrastructure and economic revitalization needs, HUD focused on areas of particular concentration of damage – specifically, each State’s share of seriously damaged homes in areas where more than 20 percent of the homes experienced damage. To allocate the second round of funding, HUD used FEMA Individual Assistance program data on housing unit damage, Small Business Administration (SBA) disaster loan program data on both housing and business repair and replacement loan applications, and FEMA Public Assistance program data. “The allocation was based on two factors: (i) The sum of estimated unmet housing, infrastructure, and business needs, adjusted by (ii) a HUD calculated risk level for recovery challenge.” HUD too used this funding allocation model for the full \$6.1 billion appropriation, and then

observed damages in a formula designed to estimate unmet need. The first round formula used the amount and severity of unmet housing need as a proxy for the state's overall level of unmet need, and for the second round of funding, used available data on observed damages from FEMA's Individual and Public Assistance programs and the SBA disaster loan program to calculate unmet need not only for housing, but for infrastructure and economic development as well. The eleven states that received additional second round allocations had estimated unmet needs "represent[ing] more than 97 percent of the estimated unmet needs across all 76 disasters that occurred in 2008."<sup>74</sup> Clearly, not only can a model and formula that use actual data to estimate unmet need and allocate CDBG funds be created, HUD has already created and used that model, and there is available information quantifying unmet housing, infrastructure, and economic revitalization disaster recovery needs in Texas. TDRA's determination to use a weather based model that has no validity as a model, let alone as an appropriate basis for the distribution of CDBG disaster recovery funds, is deeply troubling.

### Conclusion

The scope of needs following a disaster is simply larger than the needs the CDBG program is designed to address, and requires more funding than the CDBG disaster recovery program can provide. The role of the state and federal governments in the CDBG process is to ensure that disaster recovery grants are (1) used to meet the most urgent unmet recovery needs of communities, (2) primarily benefit low and moderate income families, and (3) are administered in compliance with federal law and regulations.

Ensuring that disaster response and recovery programs meet the most urgent needs of disadvantaged individuals and families in an expeditious manner is not only a statutory mandate, but is critical to overall recovery in Texas. The proposed Amended Action Plan for Disaster Recovery does not meet these requirements or promote this goal, for the reasons laid out above and in previous comments and submissions to TDRA and TDHCA.

The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act signed into law by President Bush on September 30, 2008, appropriated \$6.5 billion dollars in supplemental CDBG funds for "necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure, housing, and economic revitalization in areas affected by hurricanes, floods, and other natural disasters occurring during 2008." Supplemental CDBG funds to assist with disaster recovery are not exempt from program requirements, or disassociated from the primary objective of the CDBG program, the "development of viable urban communities, by providing decent housing

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allocated second round funding based on the model results and states' first round allocations. 74 FR 7422 and 74 FR 41146, 41147. (Appendix 1)

<sup>74</sup> 74 FR 41146, 41147.

and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.”<sup>75</sup>

Before appropriated CDBG disaster recovery funds are released to a State, the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act requires that, “each State shall submit a plan to the Secretary detailing the proposed use of all funds, including criteria for eligibility and how the use of these funds will address long-term recovery and restoration of infrastructure.” The Texas Department of Rural Affairs (TDRA)<sup>76</sup>, the agency designated by Governor Rick Perry as the entity responsible for administering these funds, made its State Plan for Disaster Recovery (Action Plan) available to the public on December 5, 2008.<sup>77</sup>

Under the proposed Action Plan, the State made preliminary allocations to eleven Councils of Government (COGs) using FEMA damage assessments, and “the COG region [was] be responsible for allocation of funds between housing and non-housing activities based on input from local communities.”<sup>78</sup> The Action Plan was approved by HUD March 4, 2009.

The State’s proposed Amendment to the Action Plan, which must be submitted to HUD by September 30, 2009, covers a second allocation of CDBG disaster recovery funding of \$1,743,001,247 to Texas, announced by HUD on June 10, 2009. Like the initial Action Plan, the proposed Amendment also allocates funds among 11 COGs without specifying an amount that must be spent on housing recovery or providing guidance on or enforcement mechanisms to ensure that local government subrecipients prioritize activities that primarily benefit low and moderate income families. TDRA has not adjusted how CDBG funds will be distributed, despite its concrete knowledge that “[s]everal trends have become evident in the review of the applications and the comments from stakeholders. Jurisdictions have prioritized projects other than those serving LMI residents in an effort to move recovery forward as fast as possible by focusing on urgent need projects with overall benefit to the community. This impacts the State’s ability to fulfill its obligation to expend 50% of the total funds to meet the LMI national objective.”<sup>79</sup>

While FEMA data is clearly flawed, Texas has chosen to use an alternative model that is even more problematic - a model that only looks at weather data and high water maps and ignores actual damage, population numbers in affected areas, housing density, types of economic activity, and the demographics of a community. Weather intensity does not predict damage, and it is an even poorer proxy for the unmet needs that the CDBG disaster relief program is intended to address. For example, the TDRA model correctly

<sup>75</sup> 42 U.S.C. 5301(c).

<sup>76</sup> Until September 1, 2009, TDRA was the Office of Rural and Community Affairs (ORCA.)

<sup>77</sup> ORCA Disaster Recovery Division, “State of Texas Plan for Disaster Recovery, U.S. Department of Housing and Urban Development (HUD), Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, Public Law 110-329.” December 2, 2008. Available:

<sup>78</sup> 2008 Action Plan, p. 12.

<sup>79</sup> TDRA, *State of Texas Amended Action Plan for Disaster Recovery (Revised)*, September 2009. Available: cite

reflects that the Ike storm surge was highest in Chambers and western Jefferson Counties, generating a surge damage factor of 29.19% for Chambers County while Galveston County has a surge factor of only 17.%. But the model fails to take into account that much of Chambers and Western Jefferson Counties are pasture land – according to FEMA data, Chambers County has approximately 3,700 damaged homes while Galveston County has approximately 37,000.<sup>80</sup> The TDRA model tracks where the weather was most intense, not where the damage occurred.

Reliance on a weather based model is problematic enough to discredit the State’s funding allocation, but TDRA’s failure to make public the actual model, and its continued “calibration” of the model according to factors both external to the model and completely undefined is also troubling. The published “Funding Allocation Model” includes neither the input data nor the calculations on which the model is based.<sup>81</sup> The model also fails to show the basis for various ad-hoc assumptions it incorporates. For example, a storm surge of 10-12 feet is assumed to be 1.7 times more damaging than one of 8-10 feet, while a storm surge of 12-14 feet is assumed to be only 1.1 times more damaging than one of 10-12 feet. Elsewhere a wind-speed of 85-95 mph is assumed to be 4.5 times more damaging than a wind speed of 65-75 mph. While such assumptions may be justified by empirical data, no such empirical data was presented - in fact, page 5 of the report states “This Model determined that the higher sustained winds generated a greater overall wind speed damage factor.” when in actuality the presented evidence suggests the model assumed this fact in its construction. This wording is misleading. Further evidence of the ad-hoc nature of the model (and the inconsistency of its results with the stated goal of allocating funds by amount of storm damage) is presented in the “model calibration” section of the report. This section indicates that the model will be ignored for seven COGs because hearing testimony indicated “[these] regions would not require significant funding during Round 2.” (page 11). The model estimated these seven COGs should received 12.4% of the funding, and the ‘calibration’ reduced the funding of these (primarily rural) COGs to 3.9%. Thus, the model over-estimated damages for the least-impacted COGs by at least 300%. This raises questions regarding the Model’s use allocating funds among the 4 remaining COGs, and suggests the model over-allocates funds to low storm impact areas.<sup>82</sup>

In addition, the proposed Amendment distributes the full amount of Texas’ \$3 billion in CDBG disaster recovery funding, adjusting initial allocations based on FEMA damage estimates, between regional COGs using the weather based funding allocation model, instead of data on actual damages, or any assessment of unmet needs.<sup>83</sup>

<sup>80</sup> FEMA data obtained and analyzed by Gulf Coast Interfaith.

<sup>81</sup> “While an observer could attempt to follow the spirit of calculations outlined in this description, the calculation steps are not explicitly presented and may contain unstated assumptions or error. The report’s failure to “show the work” of the Model makes the fund allocation process non-transparent. Citizens impacted by this model have no way to verify the process has not been affected by error or unelaborated assumption.” Kevin G. Jewell, ‘Comments on ORCA Funding Allocation Model’ for Texas Appleseed, September 14, 2009.

<sup>82</sup> Kevin G. Jewell, “Comments on ORCA Funding Allocation Model”.

<sup>83</sup> Although the Funding Allocation Model is being used to distribute the second round of CDBG disaster recovery funds, TDRA applied the Model to the full allocation of \$3 billion and based Round 2 allocations

In response to obvious misallocations of CDBG disaster recovery funding that drew public criticism from the coastal counties most affected by Hurricane Ike and advocacy organizations alike, TDRA issued a revised proposed Amendment on September 16, 2009.<sup>84</sup> The revised proposed Amendment substitutes an undefined “LMI population factor” for the “Impact Zone” factor used to adjust for the greater damage inflicted by the eyewall of Hurricane Ike in the first version of the model, and fails to deal with the fundamental problems of either the weather-based allocation model or the delegation of all substantive decisions regarding how CDBG funds will be spent to local government entities. The revision transfers \$335 million from State administered programs to locally controlled programs, it does not revise the model to more accurately reflect the disaster recovery needs of Texans and leaves the original distribution of funds between the COGs unchanged.

Texas Appleseed, along with other statewide and local community organizations, provided both written and oral comments, including an Administrative Complaint to HUD, on the proposed Action Plan, expressing our belief that the proposed Action Plan did not meet statutory and our concerns that both housing recovery and activities benefiting primarily low and moderate income families would be underfunded. These concerns were well-founded.

Under the distribution process set up in the initial Plan for Disaster Recovery, the total amount of CDBG funding directed at housing recovery was inadequate. Only 48% of the funding distributed to the COGs was allocated for housing recovery. If the City of Houston (which allocated 80% of its funding to housing) and the City of Galveston (which allocated 60% of its funding to housing) are excluded, only 27% of the money allocated by COGs was set aside for housing. Texas, Louisiana, and Mississippi all allocated at least 70% of their Katrina and Rita related CDBG disaster recovery funding to housing.<sup>85</sup> Even within the COGs, the proposed home rehabilitation programs are underfunded and not correlated with unmet need. For example, Deep East Texas Council of Governments (DETCOG) estimates that its program will serve only 99 households out of 989 with unmet housing needs (10%). Fort Bend County estimates it will serve 38 households out of 5100 damaged owner-occupied homes.<sup>86</sup>

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on that distribution. (“After the development of the Model and consideration of additional data gathered, ORCA determined that this Model would be used to determine the Round 2 allocation, including adjustments for each region to provide an aggregate distribution of funds that would align with the model results. The totals of Round 1 and Round 2 funding allocations will allocate 87% to Ike disaster areas and 13% to Dolly disaster areas. . . . This approach allows for adjusting Round 1 funding allocations, which used the best information available at the time, to provide a fair and reasonable total allocation of funds from Round 2.”) HTNB, *Office of Rural Community Affairs (ORCA) Funding Allocation Model*, 2009, pp. 10-12. Available: cite

<sup>84</sup> See, e.g. articles in chronicle, public comments

<sup>85</sup> GAO-07-574T April 12, 2007 Testimony. (Florida, in fact, allocated 70% of its CDBG disaster recovery funds to affordable housing recovery.)

<sup>86</sup> Housing plans submitted to TDHCA

Congress mandated by statute that at least 10.6% (\$139,388,960) of the State's total allocation "shall be used for repair, rehabilitation, and reconstruction . . . of the affordable rental housing stock . . . in the impacted areas." (PL 110-329) Only three subrecipients, the City of Houston, Galveston County, and the City of Galveston, set aside funds for rebuilding affordable rental housing stock, and only Galveston County and the City of Galveston dedicated funds for a small rental repair program.<sup>87</sup> The State's proposed Action Plan set aside \$58,834,914, or 4.47% of total grant funds, for an Affordable Rental Housing Stock Restoration Program; the Action Plan anticipates that the remaining 6.13% of that mandate will be met at the regional level by COG allocations, but imposes no requirements or guidance to ensure that this takes place. (PL 110-329; Action Plan at 13 Recognizing the importance of rebuilding affordable housing, Congress mandated in the Consolidated Security Act that "not less than \$650,000,000 from funds made available . . . shall be used for repair, rehabilitation, and reconstruction (including demolition, site clearance and remediation) of the affordable rental housing stock (including public and other HUD-assisted housing) in the impacted areas."<sup>88</sup> Texas must use a minimum of \$342,521,992 of its total CDBG allocation for affordable housing.<sup>89</sup> The City of Galveston estimates that it has \$247 million in affordable housing needs, and the City of Houston has proposed spending \$180 million on multifamily housing – the affordable housing needs to two cities alone are greater than \$85 million more than the minimum allocation and \$65 million more than the State's proposed total spending.<sup>90</sup>

State further distorts – provision of help with identifying, assessing, and estimating infrastructure projects in non-entitlement areas – also technical assistance with applications for federal funds – both FEMA and CDBG. HNTB. Started 2 months after Ike hit. "In response to stakeholder feedback regarding the validity of FEMA damage assessments and concurrent with development of the MODs, TDRA engaged the engineering firm HNTB to identify and assess potential projects and provide documentation of damage, scoping and cost estimating services in 29 counties most affected by Hurricane Ike. HNTB's technical assistance was targeted to non-entitlement communities during the immediate aftermath of the storm to provide independent analysis of damage and preliminary screening and specifications for selected projects. This formed the basis for additional opportunities for requests for FEMA funding, documentation of urgent need, and project descriptions for grant applications. The 2,751 individual projects assessed by HNTB formed a database of needs and overall non-housing damage for these communities."<sup>91</sup>

<sup>87</sup> Owners of single family rentals are most likely not to rebuild, contributing to blight and further increasing the need for affordable rental housing. (cite policy link/LA program)

<sup>88</sup> P.L. 110-329

<sup>89</sup> HUD No. 09-179

<sup>90</sup> Testimony of Harish Krishnaro, Executive Director of the Galveston Public Housing Authority, ORCA Public Hearing, Galveston, December 8, 2008, and testimony of Donald Sampley, Assistant Director of the City of Houston Housing and Community Development Department, ORCA Public Hearing, Houston, December 9, 2008.

<sup>91</sup> *Revised Amendment to Action Plan for Disaster Recovery* at 4, see also HTNB final report

The primary beneficiaries of all activities conducted with CDBG funds, whether housing, infrastructure, or economic development, should be the low and moderate income persons the CDBG program was developed to assist. Prioritizing rebuilding affordable and rental housing and associated infrastructure across the region will prevent permanent displacement, preserve the jobs and populations of many communities, and increase the quality of Texas housing stock.

Low-income families and communities are disproportionately affected by natural disasters, and then are disadvantaged again when the recovery process does not take their unique needs into account<sup>92</sup> “Socioeconomic status is a significant predictor . . . for physical and psychological impacts of disasters. [Vulnerable populations] are . . . less likely to prepare for hazards. . . less likely to respond to warnings; more likely to die, suffer injuries, and have proportionately higher material losses; have more psychological trauma; and face more obstacles during phases of response, recovery, and reconstruction.”<sup>93</sup> Low income families, seniors, and persons with disabilities often live in vulnerable housing, older homes and mobile homes, for example, and lack the resources to do disaster mitigation, carry sufficient insurance, or comply with evacuation measures.<sup>94</sup> Low income homeowners are also more likely to take on repairs themselves, or hire an (unlicensed) friend or acquaintance to do home repair work in order to reduce costs: these repairs are often not up to building code standards, or carried out with substandard materials. Low income residents of rental housing are particularly vulnerable: they must rely on private landlords or public housing authorities to ensure that their homes are well-maintained and disaster-resistant, and to rebuild and reopen damaged or destroyed housing after a disaster.<sup>95</sup> When housing is destroyed by a disaster, rents generally are significantly higher for the remaining or even rebuilt housing, which prevents low-income households from returning to their previous homes.<sup>96</sup>

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<sup>92</sup> After Hurricane Rita, Texas spent only the statutory minimum of 55% of its CDBG disaster funding on unmet housing needs while Louisiana and Mississippi each spent over 70% of their allocations on housing. Mississippi dedicated \$3.8 billion of its \$5.5 billion total funding allocation, and Louisiana \$8.0 billion of its \$10.4 billion total funding allocation, to housing programs. . (GAO-07-574T, Statement of Stanley J. Czerwinski, Director, Strategic Issues, Before the Subcommittee on Disaster Recovery, Committee on Homeland Security and Governmental Affairs, U.S. Senate “Gulf Coast Rebuilding: Preliminary Observations on Progress to Date and Challenges for the Future.” Thursday, April 12, 2007.) The State of Florida required grant recipients to use at least 70% of their funding specifically for the restoration of affordable housing. (Florida Department of Community Affairs, “2005 Disaster Recovery Initiative Action Plan addressing Hurricanes Katrina and Wilma, U.S. Department of Housing and Urban Development [Docket No. FR-5051-N-01, Federal Register/Volume 71, Number 29] Department of Defense Appropriations Act, 2006.” p. 6. Available: [www.floridacommunitydevelopment.org/disasterrecovery.cfm](http://www.floridacommunitydevelopment.org/disasterrecovery.cfm))

<sup>93</sup> Fothergill, Alice and Peek, Lori, “Poverty and Disasters in the United States: A Review of Recent Sociological Findings,” (2004), as quoted in Ballen Debra, “Vulnerable populations,” *The Institute for Business and Home Safety (IBHS)*, fact sheet, March 2009. Available:

<sup>94</sup> Ballen Debra, “Vulnerable populations,” *The Institute for Business and Home Safety (IBHS)*, fact sheet, March 2009.

<sup>95</sup> *Ibid.*

<sup>96</sup> Note about rents in New Orleans post-Katrina.

Coastal counties in Texas, which bore the brunt of Hurricane Ike, tend to have higher poverty rates than the state as a whole.<sup>97</sup> Of the thirty-seven counties where individuals were eligible to receive Individual Assistance from FEMA after either Dolly or Ike, twenty-two have poverty rates higher than the overall poverty rate for Texas (16.3%) and all three counties struck by Hurricane Dolly have poverty rates over 30%.<sup>98</sup> Even within affected counties that have lower overall poverty rates, affected populations are often disproportionately low income. Galveston County has an overall poverty rate of 12.4%, for example, but the City of Galveston, which was devastated by Hurricane Ike, has a poverty rate of 22%.

Governor Rick Perry's Funding Request for federal assistance related to the 2008 Hurricane season (*Texas Rebounds*) estimates over \$3.4 billion in housing needs alone, including repair, reconstruction, elevation, or relocation for single-family homeowners, small rental properties and multi-family rental properties.<sup>99</sup> Almost 70% of affected homeowners did not have flood insurance, according to Texas Department of insurance average data, and 14% did not have wind coverage, meaning they will be totally reliant on federal and other disaster recovery grant programs to rebuild their homes.<sup>100</sup>

HUD allocated Texas half of the total CDBG disaster funding appropriated by Congress for unmet needs related to 2008 disasters based on the amount and severity of damage to its housing stock. PL 110-329 provides "[t]hat the Secretary shall allocate to the states not less than 33 percent of the funding provided under this heading within 60 days after the enactment of this Act based on the best estimates available of relative damage and

<sup>97</sup> Sutter, Daniel, "Ensuring Disaster: State Insurance Regulation, Coastal Development, and Hurricanes," Mercatus Policy Series Policy Comment No. 14 (2007), pp. 11-12. The data collected is from the 2000 census and may underestimate poverty rates in light of Hurricane Katrina and the current recession. Texas poverty rate data from: Small Area Income and Poverty Estimates, 2007. Available: <http://www.census.gov/cgi-bin/saie/saie.cgi>

<sup>98</sup> Poverty data from the Small Area Income and Poverty Estimates, 2007. Available: <http://www.census.gov/cgi-bin/saie/saie.cgi>

<sup>99</sup> Governor Rick Perry, Judge Robert Eckles, Brian Newby, *Texas Rebounds: Helping Our Communities Recover from the 2008 Hurricane Season*, November 2008, p. 5. "Due to the timing of this report, the data included is preliminary and likely to underestimate the real need in the areas most damaged by the 2008 hurricane season. . . . It should also be noted that several estimates will depend on decisions made by the federal government as to whether, and to what degree, reimbursement is awarded. For example, if FEMA extends the period for debris removal, some cost estimates will decline. Similarly, if the United States Army Corps of Engineers (Corps of Engineers) is able to fund dredging or underwater debris removal, or if the Federal Highway Administration funds some or all of the transportation repair projects necessitated by the hurricanes, then transportation and navigation needs should decline. Additionally, costs to mitigate future infrastructure damages are included in these estimates. Therefore, some of the numbers included represent the best educated guess. The State of Texas has reviewed and substantiated these numbers to the best of its ability, within the limited time frame and with the data available."

<sup>100</sup> *Texas Rebounds*, 10. (It should be noted, in addition to the qualifications to cost estimates identified in the report, that *Texas Rebounds* is not a request for CDBG supplemental funding, and the needs identified are not contiguous with those that can be funded by CDBG program funds. For example, the report identifies \$14.3 billion in economic development needs that would be addressed with tax incentives and could not be funded with a direct appropriation of federal funds.<sup>100</sup> The housing needs and activities identified, however, are all eligible activities that can be funded with supplemental CDBG grants.)

anticipated assistance from other Federal sources.” HUD used available FEMA damage estimate data, and focused on two factors to make this first round allocation: (1) Unmet housing needs. This is each State’s relative share of estimated unmet housing need for property owners experiencing serious damage to their homes; and (2) Concentrated damage. To determine infrastructure and economic revitalization needs, HUD focused on areas of particular concentration of damage – specifically, each State’s share of seriously damaged homes in areas where more than 20 percent of the homes experienced damage<sup>101</sup> To allocate the second round of funding, HUD used FEMA Individual Assistance program data on housing unit damage, Small Business Administration (SBA) disaster loan program data on both housing and business repair and replacement loan applications, and FEMA Public Assistance program data. “The allocation was based on two factors: (i) The sum of estimated unmet housing, infrastructure, and business needs, adjusted by (ii) a HUD calculated risk level for recovery challenge.<sup>102</sup> HUD too used this funding allocation model for the full \$6.1 billion appropriation, and then allocated second round funding based on the model results and states’ first round allocations. The eleven states that received additional second round allocations had estimated unmet needs “represent[ing] more than 97 percent of the estimated unmet needs across all 76 disasters that occurred in 2008.”<sup>103</sup>

Texas has already learned and implemented a number of lessons from its experience with Hurricane Rita CDBG disaster recovery funds, particularly about how to structure housing programs that assist individual homeowners, and Texas Appleseed encourages ORCA and TDHCA to provide guidance incorporating these lessons to help funding recipients avoid delays. Policies and procedures must be designed to make the programs accessible to the populations they are designed to assist. Among the policies and practices that have been adopted by TDHCA’s Hurricane Rita CDBG grant program that should be incorporated in future programs are:

- Defining eligibility in accordance with the income requirements of the CDBG program and ensuring that all Texans have access to the same benefits under the same requirements.
- Allocating resources for intensive casework with special needs populations including the elderly, disabled, and very low-income.
- Allowing applicants to demonstrate an ownership interest in property by providing an Affidavit of Heirship or other documentation rather than requiring applicants to go through a title clearing process that averages about two years.
- Working closely with local faith-based and advocacy groups to do outreach and education in affected communities, and working with local legal services programs to refer applicants who needed legal assistance with property ownership or tax issues.

<sup>101</sup> HUD No. 08-179

<sup>102</sup> “HUD computes allocations based on data that are generally available covering all the eligible affected areas.” 74 Fed. Reg. 41146, 41147. August 14, 2009. Appendix 1 to the Notice includes the formula(s) HUD used to calculate estimated unmet need.

<sup>103</sup> 74 Fed. Reg. 41146, 41147.

- Streamlining applications in length, complexity, and reading level to make the process more accessible to applicants.
- Ensuring that entities have the capacity to effectively administer programs; as was demonstrated after Hurricane Rita, housing programs providing assistance to individual homeowners require a high level of administrative capacity and require a large investment of resources.

Building these best practices into Hurricane Dolly and Ike recovery programs from the beginning will allow Texas to take advantage of the lessons learned in the wake of Katrina and Rita and deliver help to affected families and communities more quickly and effectively.

On an annual basis, entitlement communities spend the largest percentage of grant money (27%) on housing needs. The second largest percentage of CDBG funds (24%) are spent on public improvements. Non-entitlement communities (those not receiving annual CDBG grants) spend, on average, only 17 percent of traditional state funding on housing, highlighting the importance of CDBG funding in providing impoverished communities with affordable housing.<sup>104</sup>

However, the scope of needs following a disaster (e.g., rebuilding critical infrastructure like sewer, water, and electricity, and rebuilding housing for all income levels, etc.) is simply larger than the needs the CDBG program is designed to address. As a result, the underlying goal of the CDBG program, which is primarily to help low and moderate income individuals and communities, and particularly to meet those individuals' housing needs, can become compromised. Despite good intentions, CDBG disaster recovery funding is often applied to projects other than those designed primarily to benefit low and moderate income individuals. In addition, some of the non-waivable requirements attached to CDBG grants, including extensive environmental review, and the sheer magnitude of a disaster, can delay CDBG funding from reaching individuals and communities affected by disasters.

The lack of affordable housing for survivors remains a substantial unmet need, and a major barrier to regional recovery four years after the 2005 hurricanes. Ensuring that disaster response and recovery programs meet the most urgent needs of disadvantaged individuals and families in an expeditious manner is critical, not only to hurricane recovery on the Gulf Coast, but to adequately addressing the aftermath of future disasters.

#### **Conclusion/Reccomendations?**

- FEMA must clarify which programs it is using for disaster relief for each disaster, and what the eligibility and recertification criteria for these programs are. The rules and regulations under which these programs are operating must be made publicly available on FEMA's website and from FEMA staff.

<sup>104</sup> See GAO Report to Congressional Committees, *Community Development Block Grants, Program Offers Recipients Flexibility but Oversight Can Be Improved.*"

- FEMA must give advance and adequate notice of rule and program changes to avoid the confusion and wrongful denials that followed Katrina and Rita as households were shuffled from one program to another. Notices to recipients must provide clear and understandable information and explain what information and program criteria form the basis of FEMA's decision.
- Many of the areas devastated by Ike and Gustav were already struggling to repair damage caused by Hurricanes Katrina and Rita three years ago. Disaster assistance must take into account cumulative damage and find ways to combine funding that maximize resources for rebuilding and minimize confusion and delay. There must be a process for accurate damage assessments that give victims the resources they need to rebuild their lives.
- Thousands of Texans have been left homeless indefinitely, and because of FEMA's decision not to provide immediate financial assistance after Hurricane Ike, have no resources with which to obtain food or shelter. FEMA must streamline its application process and ensure that it has the resources and trained staff to handle the number of calls and forms it is receiving.
- Large numbers of victims will be displaced for months, or even permanently; FEMA must have a plan for long term assistance and transition to permanent housing that does not involve poisonous trailers, substandard housing, or multiple programs.
- FEMA policies and decision-making must recognize and provide flexibility around the needs of the low-income disaster survivors most affected by recent hurricanes, from money for security deposits and the problems of heir property home ownership, to the need for intensive assistance with application and benefits processes for survivors who may be illiterate, disabled, or otherwise impaired.
- FEMA should conduct period assessments of its programs to determine whether they are effectively serving the entire population affected by a disaster.

Flexibility and coordination are particularly urgent for low income families and communities. These populations are more severely affected by disasters, and their housing recovery needs can be very different than households who have resources like savings and insurance, and who may only need temporary help while they are displaced.

We believe that strong and flexible collaboration with both state and local governments and voluntary organizations, and clear, consistent, and public program rules will reduce the burden on Gulf Coast residents working to rebuild their lives - and on FEMA itself. Hurricanes Katrina and Rita are ongoing disasters because of the poor planning, bureaucratic delays, and mismanagement that marked the recovery process; such mistakes can and should be avoided in the future.

*The New York Times*

## **As Galveston Recovers From Hurricane Ike, Some Residents Feel Left Behind**

By JAMES C. MCKINLEY Jr.  
September 21, 2009

GALVESTON, Tex. — There are many signs that this seaside town has revived a year after Hurricane Ike flooded more than 17,000 homes and businesses. The big resorts are humming again, and on hot days people throng the newly restored beaches. The port is open, and the cruise ships are back. Most of the businesses on the Strand, the island's historic strip of shops and restaurants, have reopened.

Yet the progress has been slow, and officials say it may be several years before the city fully recovers.

With the debris cleared, the main thoroughfares appear now much as they did before the storm, but on the backstreets, thousands of residents — in particular the poor and elderly who lacked insurance — are still struggling with the lingering effects of the hurricane.

About 20 percent of the 58,000 people who lived in the city before the hurricane have not returned, and one-quarter of the families whose homes were damaged by floods — about 4,000 households — are still unable to live in them.

Thousands of people are still staying with relatives or living in campers and government-provided trailers next to their ruined homes. About 3,000 are staying on the mainland in temporary apartments subsidized by the government. Many of these families are still waiting for more than \$160 million in federal housing grants that have been approved but have yet to be disbursed because of bureaucratic delays in Austin, officials said.

“We have a lot of people who didn't have insurance or who had some but not enough,” said Mayor Lyda Ann Thomas. “It's just not fair. People are waiting and waiting and waiting and waiting.”

The housing aid that has arrived has often proved to be too little. The Federal Emergency Management Agency has distributed emergency housing assistance to 1,300 households, but

many residents found that the grants, which were capped at \$28,800, did not cover their damages.

The state and federal governments have yet to take steps to protect the city from a future storm, beyond financing a \$46 million project to rebuild six miles of beaches and dunes. But a multibillion-dollar proposal to create a system of dikes coupled with giant, swinging gates across the mouth of Galveston Bay and San Luis Pass has begun to gather political momentum.

FEMA has distributed at least \$189 million to flood victims in Galveston County for temporary housing or repairs, and the city has received \$86 million in aid, mostly for removing debris. An additional \$269 million in block grants from the federal Housing and Urban Development Department has been approved for infrastructure and repairs to houses but has not arrived, city officials said.

Scars from the hurricane are sprinkled through the town. Four sprawling housing projects that were flooded have been razed. (There is a debate about where to rebuild them.) The system for storm water is still clogged with sand. More than 30,000 dead trees have yet to be removed. And the buildings at the state park are still little more than concrete ruins.

Shuttered businesses dot the island, and those still open are taking in only about 65 percent to 70 percent of their former earnings, according to the Chamber of Commerce.

Still, many residents say they find reasons to be optimistic. By most accounts, the pace of recovery here has been much better than in New Orleans after Hurricane Katrina, a more powerful storm.

After flirting with moving the island's hospital and medical school to the mainland, the State Legislature voted at the end of the summer to spend \$667 million to rebuild it, ensuring that the town's largest employer would stay put.

Most of the traditional tourist destinations have reopened; the beaches have been restored by the state at a cost of \$12 million. The city itself has avoided widespread layoffs, even though property taxes have plummeted, by spending money from a reserve fund, officials said.

And while at least 180 businesses have shut down for good, more than 130 new ones have opened, chamber officials say. Developers have also been snapping up properties near the water at a rapid rate, pouncing on depressed prices.

“It’s a no-brainer,” said Peter Koke, a North Carolina developer who has bought a dozen houses in Galveston County since the storm. “It’s going to come back way stronger than it was.”

If anyone embodies this seaside town’s determination to rebuild after Hurricane Ike, it is Jack King, the white-haired candy maker whose downtown store was a fixture on the island for decades.

A year ago, when Mr. King arrived at his confectionery, the floodwaters had swept through the cavernous parlor and destroyed everything: the antique counters and cabinets, the hardwood floor, the soda fountains, the gleaming counter from Italy and most of the candy-making machinery, including the saltwater taffy pullers that had made the shop famous.

Though he is 72, Mr. King said he never thought once about retiring. He plundered his savings and fought with his insurance company to get the \$500,000 he needed to rebuild. La King’s Confectionery reopened in late July.

“I been in the candy business all my life,” he said. “I don’t know how to do anything else.”

Kim Bachmeier and her husband, Steve Witcher, decided to cash in their retirement funds and open a shoe store for runners, Fit to Run, near the Strand. Ms. Bachmeier said she hoped the store would not only provide them an income but would also inspire more people to take up exercise to beat their post-hurricane blues.

“After the hurricane, a lot of people found the bottom of a lot of bottles; that was their way to deal with things,” Ms. Bachmeier said. “It’s more than just a store to us; it’s the beginning of a positive change for the island.”

Not everyone shares Ms. Bachmeier’s sanguine outlook.

Every day, Brenda Roby tiptoes through the rubble of her house on an inlet to get the mail from her box, one of the few things the storm did not carry away. The storm not only wiped her two-story house off its foundation, but it destroyed a building housing her catering business, as well. She has collected her flood insurance, about \$120,000, but it is not enough to rebuild, and the state-financed windstorm insurance company has denied her claim. She has lived in limbo for months in a FEMA trailer on her property.

“I’ve never been homeless or jobless in my life until after Ike,” she said. “Everybody is talking about how everybody got back on their feet, and I said, ‘O.K., I can’t do anything yet. One year later and I’m right where I was before.’ ”

Still, a grand divide exists between those like Ms. Roby who were insured against floods and those who were not. About 17,000 homes were seriously damaged, and 5,200 of the families in them did not have flood insurance. Most of the homeowners were poor or elderly, said Joe Higgs of Gulf Coast Interfaith, a group helping hurricane victims.

“The people who haven’t recovered are really the most vulnerable,” he said. “They are low income, and because of that they often did not have insurance.”

Many poor residents said the \$28,800 grants they had received from FEMA were insufficient to finish repairs on their homes.

The floodwaters nearly drowned William and Dorothy Auzston in their home on the night of Sept. 13 last year. Both are retired and in poor health, living on Social Security. They had no insurance; the home that Mr. Auzston, 83, built decades ago was in a flood zone, and a policy would be prohibitively expensive.

Since the storm, the Auzstons have spent the FEMA grant to clear the rubble and buy a camper to live in. They also managed to buy blueprints and have pilings driven, on top of which they hope to rebuild their home. But they are out of money.

“You are not going to rebuild no house with any \$28,000,” said Ms. Auzston, 60, a former hospital orderly who suffers from diabetes and breast cancer. “I have cried and cried and cried. It’s just not worth it anymore.”

Y'a Bon Village Coffeehouse  
Lessons Learned, Progress Made and  
Challenges that Remain from Hurricane Ike

Testimony to the U.S. Senate Committee  
on Small Business and Entrepreneurship

Respectfully Submitted  
by Sharon Batiste Gillins  
and Curtis L. Gillins

## Y'a Bon Village Coffeehouse

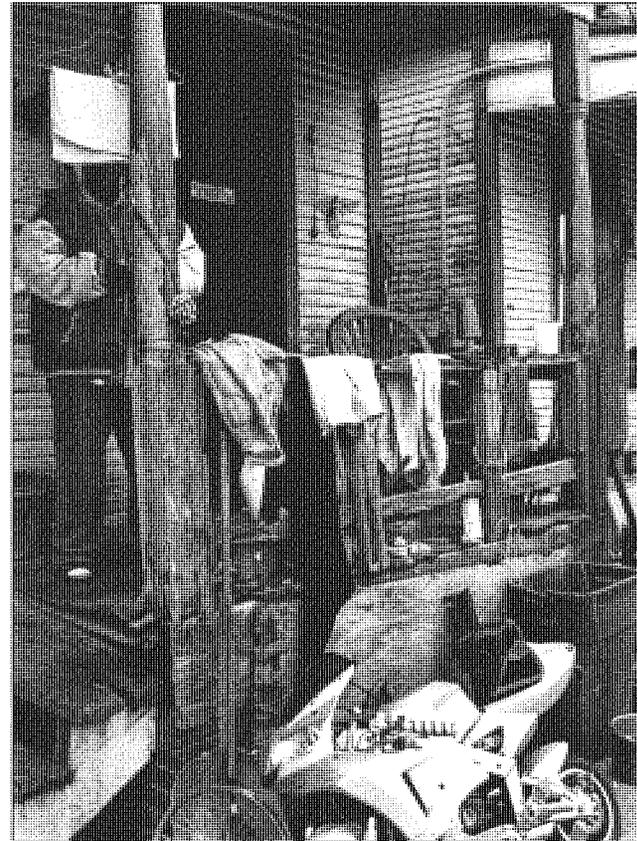
### A Little Oasis in the Inner City

This historic structure was vacant and inhabited by squatters when we took possession of it. We spent three years and every dollar, vacation and holiday renovating the building. We had a theory that mean people didn't like flowers, so we made sure to put some in! We opened on the last day of December, 2005.



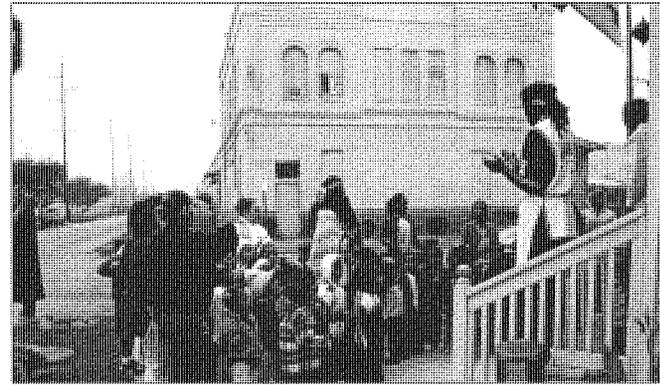
## **A Neighborhood with Many Challenges**

Village Coffeehouse stood in stark contrast to the neighborhood in which the business was located. Years of neglect and despair had taken a toll on an area that was once an economic center for African Americans in Galveston. The business of drugs, crime and prostitution replaced shops, grocers and cafes.



### **A Welcome Addition to the Neighborhood**

*Village Coffeehouse* was a welcome addition to an area that offered few options for residents, especially families and children. These children are from the St. Vincent's House Episcopal Center that provides child care and health services to residents. The children often stopped by on their daily walks to enjoy a snowball or to join Curt in a drum circle. On this day, they sang Christmas carols for us.



## Welcomed by Most, but Not By All

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**Today's News**

**Vandals try to burn down cafe**  
GALVESTON — Vandals broke five windows at Y'a Bon Village Coffeehouse and also tried to set the place ablaze.

**Suspect: Alleged threats were part of sting**  
LA MARQUE — The man accused of trying to extort money from the LMISD superintendent claims he was trying to catch the superintendent paying bribes.

**Man imprisoned for posing as refugee**  
GALVESTON — A judge gave a year in prison to a man who defrauded the government out of

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shop newspaper ads and weekly inserts  
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Within 3 months of opening, suspected drug dealers made several unsuccessful attempts to burn down Village Coffeehouse. Their actions strengthened Curt's resolve and mobilized the community to act. The business served as a catalyst for change in the area.

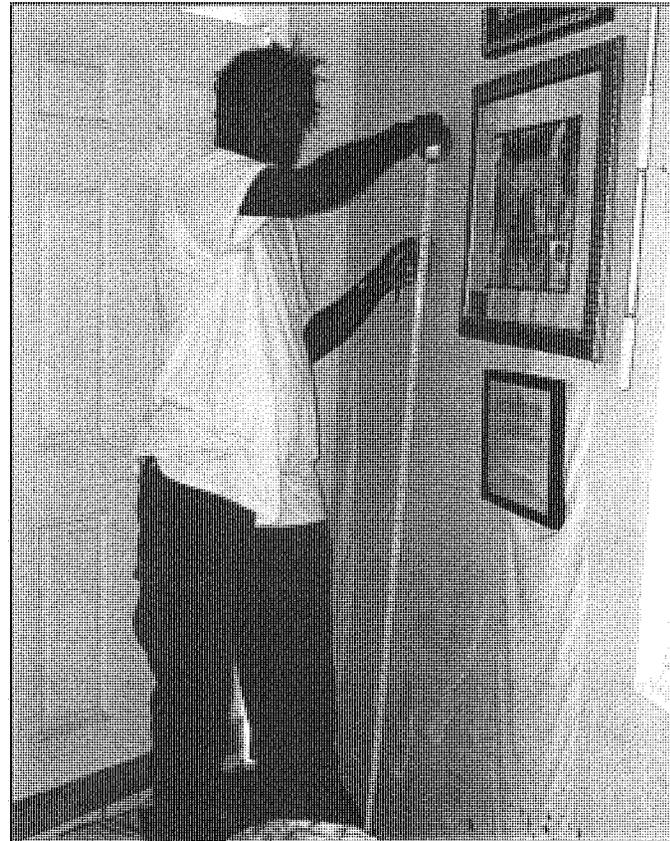
## Any Day at Village Coffeehouse



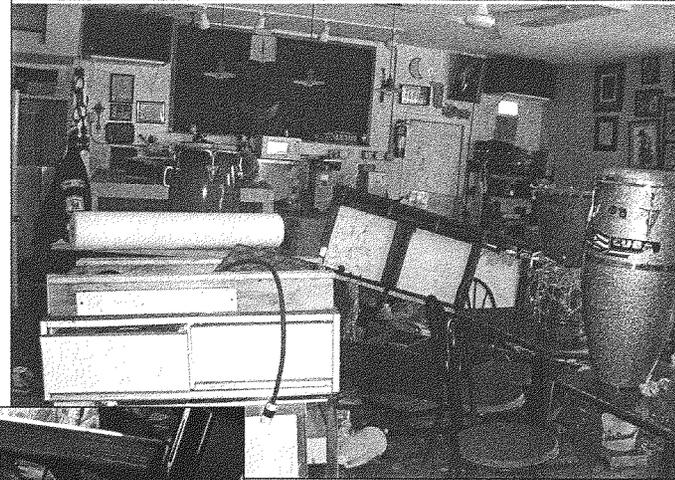
Customers were as diverse as Galveston's population. On Saturday mornings, this was the place to be for hot waffles, good conversation and good friends. Children and adults alike made it a part of their routine. It was the crossroads of the City.

### **Inundated With Water**

No one expected the level of water damage Hurricane Ike would bring. With 9 feet of water outside, our business took on more than 5 feet inside. The damage left us in shock.



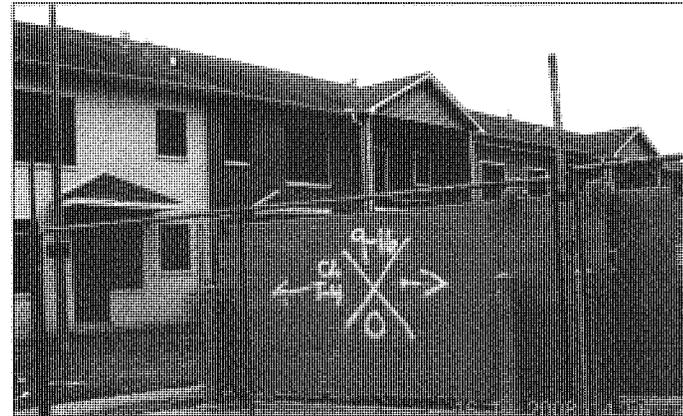
**Contents  
Insured for Wind...  
Destroyed by Water**



The inside was unrecognizable. Everything floated up, then fell over as the water receded. Art, appliances, supplies, musical instruments, tables and chairs...nothing could be salvaged.

### The Area Became a Ghost Town

The public housing complex across the street from Village Coffeehouse was built on grade. With 9 feet of water on the street, these units would never again be habitable. They were immediately fenced off and have since been demolished. With residents gone from this complex, surrounding homes, UTMB and the downtown, traffic patterns changed. Our customer base was gone.



## We Still Believe It!



We struggled to get sidewalks poured in front of the business to replace the crushed oyster shells that served as walkways. With the help of St. Vincent's House Director, Michael Jackson, it finally happened. When it did, we wrote in the concrete, "God is Good". Although obscured by the muddy remnants of the storm, that simple message survived. We still believe something good will come from this devastating event.

Thank you for coming to Galveston to witness our damage and our recovery, to hear our stories and to consider past and future response efforts. I am sorry I am out of town and unable to be here myself. I am the City Council representative for the City of Galveston tree committee which is tasked with helping the City to reforest. The loss of our trees is devastating and we need help to restore the canopy which helped with air quality, water drainage, energy cooling, valuable habitat for migrating songbirds, not to mention just being able to sit in the shade of a tree and drink lemonade with our neighbors.

I and all of galveston urge you to move forward with the supplemental funding for Forest Service programs for tree related recovery issues in this area. Thank you, Dr. Linda Colbert, City of Galveston City Council.

The death of so many trees is an unprecedented event. Ed Macie from the United States Forest Service in Atlanta, reported he has never seen as much destruction in the aftermath of the many storms he has assessed. He called it an ecological disaster.

Our trees were part of the defining character of the Island, starting with the majestic oaks lining the historic Broadway Blvd. Every neighborhood was shaded by trees large and small, each slightly different and shaped by the years of weathering on the Island. In many areas none survived the salt water flooding, leaving people to experience summer without shade, rising electric bills, and less storm water drainage. The migratory and resident birds are left without habitat damaging the natural resources and our nature tourism economy.

Contractors for the City reimbursed by FEMA have been removing the trees that did not survive, as they pose greater safety issues as they become more and more brittle. The removal work has occurred over the summer with Broadway removal beginning this weekend and private property debris removal after that. We are appreciative of the funding that has allowed removal of these dangerous dead trees.

Galveston will begin to replant in the fall. But we need help. and we are not the only area in the region whose trees were hard hit by Ike.

Hundreds of thousands trees were damaged by Ike. You have been able to see clearly the damage in Galveston- it is in your face- actually - the lack of trees in in your face. In Houston there are hundreds of damaged trees with broken limbs hanging over park play areas and street scapes. this is not a selfish plea. this is a regional effort. Ike was the third most expensive storm in the US history and the only one where the Forest Service did not receive a supplemental recovery fund to deal with the forest issues. Houston was 3 weeks without power after the storm much of that due to fallen trees. Galveston has lost 70 % of its canopy . Please advance the Forest Service supplemental recovery request. I have copies of it here for you.

On the state level the City Council voted to appropriate \$300,00 of the CDGB money for tree restoration because we consider the trees part of our infrastructure, not landscaping. However, ORCA did not allow trees as eligible appropriations. So we have been left reeling with how to restore part of our very fabric completely by ourselves when recovery projects from other storms have been funded. We appreciate your close attention to this issue very close to our hearts. Thank you, Donna Leibbert , City of Galveston Tree Committee

Texas Forest Service  
Emergency Hurricane Supplemental Budget Request

**Introduction**

On September 13<sup>th</sup>, 2008, Hurricane Ike swept into Southeast Texas resulting in significant damage to community trees in numerous communities. Officially listed as the third mostly damaging hurricane in US history, sixty-five (65) Texas counties were affected by this natural disaster. Of these, eight (8) counties (pop. 5.8 million) sustained severe damage and fifteen (15) counties (pop. 595,210) received moderate to heavy damage to their community forests.

**Program Need**

Immediately following the hurricane, many affected communities secured public assistance funding through FEMA to dispose of tree limbs and debris. Unfortunately, this critical short-term program was not designed to address three long-term tree problems caused by Hurricane Ike.

The first long-term need is urban tree safety. Affected communities are in need of additional resources and expertise to help them assess and respond to surviving storm-related urban tree safety issues. The second long-term mitigation issue is the loss and reduction of the tree canopy in affected communities. As a result of the storm, numerous towns and cities will experience related consequences such as lower property values, increased storm water runoff and erosion, reduced energy conservation, poorer air quality, and reduced human health benefits. Funding and expertise is needed to help these communities restore the urban forest canopy.

Finally, Hurricane Ike created a great need for public information and education. The general public would benefit from an effective public education program to insure that good science-based information and technical assistance is used to help municipal employees, green industry professionals, and citizens properly assess hurricane-damaged trees, repair damaged trees, and plant trees that will better resist future storms and hurricanes.

**Program Description**

The Texas Forest Service seeks \$8.5 million to help Texas communities mitigate the damage from Hurricane Ike to the regions community forests. This funding will implement activities that directly address specific storm related mitigation needs. Fundable recovery project categories include the following:

**Urban Tree Assessment** – Hiring, contracting, or training personnel to collect comprehensive information on trees in communities. Information will be used to establish a baseline of information that can be used by a community to 1) locate and make recommendations on treatments of storm damaged trees, 2) identify locations in need of storm mitigation and/or remediation, 3) determine storm related policies, 4) set tree mitigation goals, strategies and activities, and 5) measure future progress.

**Urban Tree Remediation** – Hiring, contracting, or training personnel to eliminate storm damage concerns through tree repair or removal. Priority will be given to storm damaged trees that pose a risk previously identified through a proper assessment.

**Information and Education** – Activities that inform, train, and/or certify appropriate municipal employees, professionals, nonprofit personnel, educators, and the general public on topics that would build their capacity to respond to storms that damage the urban forest. In addition, activities that develop urban forestry messages, training, and educational resources of value to the broadest and most diverse target audiences affected by Hurricane Ike. The Texas Forest Service will cooperate with the Texas Cooperative Extension on Information and Education activities.

**Urban Tree Mitigation** – Activities that incorporate urban trees in local government storm mitigation policies, plans, and procedures. These efforts will seek to use knowledge and experiences from Hurricane Ike to improve the quality of public and private urban planning decisions affecting people and places.

**Urban Tree Replacement** – Hiring, contracting, or training personnel to plan, select, purchase, plant, and/or maintain replacement trees on public and private property. Urban tree replanting will be limited to communities where Hurricane Ike destroyed urban trees or caused them to be removed.

**Timeline**

The project will begin once a contract agreement is secured with the USDA

Forest Service (FS). The award period will terminate on September 30, 2012 unless officially extended for additional time.

**Budget**

The Texas Forest Service will award funding for recovery activities through a competitive process that seeks to fund projects with the greatest need and that have the potential for maximum impact. Priority for recovery activities will be given to local municipal governments and other eligible groups in the eight (8) counties that suffered severe damage. Projects with local community involvement including local cash or in-kind match that maximize leverage of federal funding will be given higher priority. Where appropriate, the Texas Forest Service will carry out this program with assistance from various public, private, and nonprofit cooperators.

We assume at this time that funding will be through the USDA Forest Service, State and Private Forestry Program. The Texas Forest Service, with support from the Region 8 USDA Forest Service office, will develop technical standards, protocols, and specifications to ensure the quality and effectiveness of each direct recovery activity.

Park Board

Tourism industry and convention visitors bureau

Beaches and Beach Parks – Seawolf mostly destroyed, Stewart Beach operating, Apffel Park destroyed, Dellanara RV Park mostly destroyed and the Pocket parks destroyed.

Park Board has over 20 million in FEMA project worksheets signed and have received just over 340,000 and 231,000 was for Ashton Villa. We are told the money is in Austin and has not been obligated. How much red tape do we need to go through before we can finally rebuild our lives and livelihood?

Since Aug. we have more signed PW in the system but no money.

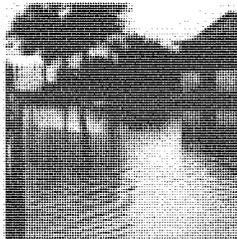
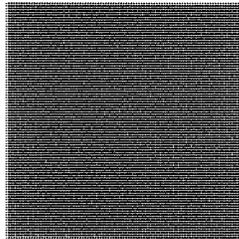
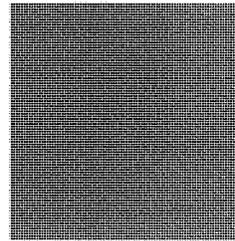
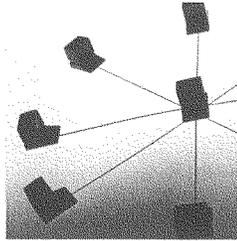
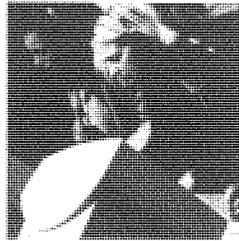
To make matters more complicated our FEMA team was transferred after we had worked with them for 8 months , a new team was put in place and the prior team instead of passing on our information to the new team they lost all their paper work and we are beginning again. A good example is Apffel Park pavilion which was deemed more than 50% damaged by FEMA engineers which took months to determine, we were able to take the building down as it was a hazard and now we are being told by the new team that they cannot say the building was more than 50% damaged because we tore it down.

NOTES

CONFIRMED PROJECT WORKSHEETS (PW) AS OF August 28, 2009

PROJECT WORKSHEET	DESCRIPTION	TOTAL COST	FEMA 75%	PARK BOARD 25%	AMOUNT RECEIVED	DATE RECEIVED
PW 8B-101	EAST BEACH DEMOLITION-BAJA & BIG REEF	\$4,861.13	75%	\$3,645.85	\$1,215.28	
PW 8R-100	BIG REEF WALKOVER	\$163,981.00	75%	\$122,985.75	\$40,995.25	
PW DP-101	SITE UTILITIES	\$1,383,177.09				
PW DP-102	ROADWAYS & PARKING	\$307,725.00				
PW DP-103	PARK PAVILLION	\$32,379.69				
PW DP-106	DELLANERA & PP1- SURFACE DEMOLITION	\$17,479.00		\$13,109.25	\$4,369.75	
PW DP-107	CAMPING SITE SURFACE	\$59,357.85				
PW DP-108	STORM SEWAR COLLECTION	\$4,994.09				
PW EB-108	R.A. APFEL - PICNIC TABLES	\$15,966.56	75%	\$11,974.92	\$3,991.64	
PW LG-101	BEACH PATROL BUOY BOXES	\$22,038.49	75%	\$16,528.87	\$5,509.62	\$16,528.87 7/28/2009
			15%	\$3,305.77	(\$3,305.77)	\$3,305.77 8/12/2009
PW LG-102	LIFEGUARD TOWERS	\$138,112.00		\$103,584.00	\$34,528.00	
PW LG-103	BEACH PATROL - PERSONAL WATERCRAFT	\$4,946.00	75%	\$3,709.50	\$1,236.50	\$741.90 8/12/2009
			15%	\$741.90	(\$741.90)	
PW LG-104	BEACH PATROL - SPECIALTY SIGNS	\$14,450.24	75%	\$10,837.68	\$3,612.56	\$2,167.54 8/12/2009
			15%	\$2,167.54	(\$2,167.54)	
PW LG-105	SIGNAGE ON BEACHES - Stewart Beach- RA Apffel- Dellanera Park-Pocket Parks	\$56,091.00	75%	\$42,068.25	\$14,022.75	\$42,068.25 7/28/2009
			15%	\$8,413.65	(\$8,413.65)	\$8,413.65 8/12/2009
PW LG-108	BEACH PATROL SIGNAGE	\$46,921.30	75%	\$35,190.98	\$11,730.33	\$35,190.98 8/15/2009
			15%	\$7,038.20	(\$7,038.20)	\$7,038.20 8/12/2009
PW MF-104	ATV'S & GOLF CARTS	\$69,005.00	75%	\$51,753.75	\$17,251.25	
PW MF-105	PB DAMAGED VEHICLES	\$378,914.00		\$284,185.50	\$94,728.50	
PW RHL-027	Stewart Beach /RA Apffel SAND STOCKPILE	\$389,995.00		\$292,496.25	\$97,498.75	
PW SAS-009	SEASCAPE & DELLANERA BEACHES	\$2,185,961.00		\$1,639,470.75	\$546,490.25	
PW SAS-019	SEASCAPE & DELLANERA DUNE	\$293,834.00		\$220,375.50	\$73,458.50	
PW SAS-022	SAND RENOURISHMENT - 21ST ST	\$217,094.00		\$162,820.50	\$54,273.50	
PW SAS-041	BEACH RENOURISHMENT - 61ST ST TO 17TH ST	\$5,108,754.00		\$3,831,565.50	\$1,277,188.50	
PW SAS-042	BEACH RENOURISHMENT - 17TH ST TO 10TH ST	\$169,777.00		\$127,332.75	\$42,444.25	
PW SB-101	STEWART BEACH PAVILLION	\$413,112.00				
PW SB-101	SS STEWART - MOORING	\$85,889.25		\$64,416.94	\$21,472.31	
WAS PW-03907						
PW SB-105	STEWART BEACH - TICKET BOOTHS & DUMPSTER	\$18,519.50	75%	\$13,889.63	\$4,629.88	
PW SP-100	SS STEWART - RIGHTING THE SHIP - TEMPORARY FENCING	\$339,491.00		\$254,618.25	\$84,872.75	
PW SP-104	SEAWOLF PIER	\$307,654.00		\$230,740.50	\$76,913.50	\$207,666.45 7/28/2009
PW SP-105	SEAWOLF - USS STEWART REPAIRS	\$10,992.00	75%	\$8,244.00	\$2,748.00	
PW SP-107	SEAWOLF PARK GROUNDS	\$149,131.00				
PW SP-111	SEAWOLF PARK - CONTENTS	\$46,606.00		\$34,954.50	\$11,651.50	
PW SP-113	NAVY DISPLAY ARTIFACTS	\$17,766.00				
PW SP-114	SECURITY/WEB CAMERA SYSTEM	\$22,646.00	75%	\$16,984.50	\$5,661.50	\$16,984.50 8/12/2009
			15%	\$3,396.90	(\$3,396.90)	\$3,396.90 8/12/2009
PW SP-116	SW - WOOD BUILDINGS	\$18,189.00	75%	\$13,641.75	\$4,547.25	
PW SP-119	USS CAVALLA - REPLACE CATHODIC SYSTEM	\$17,091.00		\$12,818.25	\$4,272.75	
PW SP-120	USS STEWART - MOLD ABATEMENT	\$132,972.00		\$99,729.00	\$33,243.00	
PW SP-121	USS CAVALLA - POTENTIAL MOLD DEVELOP	\$0.00		\$0.00	\$0.00	
PW ST-150	DELLANERA GEOTUBE	\$1,353,234.00		\$1,014,925.50	\$338,308.50	
PW AV-100	ASHTON VILLA	\$308,952.78		\$231,714.59	\$77,238.20	\$278,057.50 5/27/2009
WAS PW-07563						
<b>TOTAL COST</b>		<b>\$17,338,138.56</b>		<b>\$8,843,681.12</b>	<b>\$3,494,677.44</b>	<b>\$343,503.00</b>

***Disaster Recovery Plan***



**United States  
Small Business Administration (SBA)**

*June 1, 2007*



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## EXECUTIVE SUMMARY

Since its inception in 1953, the U.S. Small Business Administration (SBA) has served to aid, counsel, assist and protect the interests of small businesses. While SBA is generally known for its financial support of small businesses, the Agency also plays a critical role in assisting the victims of natural and other declared disasters. Specifically, SBA provides disaster assistance through its Disaster Loan Program (DLP) to help homeowners, renters, and businesses of all sizes recover from disasters such as earthquakes, hurricanes, and terrorist attacks.

Subsequent to the Katrina, Rita, Wilma disasters (also known as the 2005 Gulf Coast Hurricanes) SBA experienced significant challenges in scaling up its capacity to respond to the loan applications of many disaster victims. The cumulative damage of the Gulf Coast disaster cycle caused damage that was so extensive that the number of resulting disaster loan applications overwhelmed SBA's capacity to process them. The storms caused nearly \$100 billion in estimated damages and over 1,400 deaths.<sup>4</sup> As of May 15, 2007, SBA had approved more than 160,000 disaster assistance loans for a total of \$6.9 billion in net approved loans (\$5.7 billion disbursed) to individuals and businesses since the 2005 Gulf Coast Hurricanes.

SBA recognized the severe challenges that hindered its efforts to aid recovery, and has made dramatic improvements to its business processes. The Agency is prepared to process loans faster, provide better quality, and be more helpful to its customers in future disasters. This recovery plan identifies the framework and processes that SBA has in place that enable it to effectively respond to disasters. It incorporates lessons learned from its response to the 2005 Gulf Coast Hurricanes and recent business process improvements. It also lays out the proven processes and guiding principles that enabled SBA to respond effectively in the past to disasters having a smaller scale than the 2005 Gulf Coast Hurricanes. A collaborative, cross-disciplinary team within SBA met for several months to share best practices and lessons learned and to develop a methodology for scaling its operations to an acceptable performance level.

SBA's response to catastrophic disasters has five guiding principles. These principles allow the Agency to effectively execute surge plans involving the whole Agency, and multiple others across the United States. They are as follows:

- **SBA is prepared to respond.** Based on process improvement and lessons learned, SBA has a much-improved organizational infrastructure to respond to catastrophic disaster activity, swiftly and effectively.
- **SBA is trained to respond.** Training and coordination are the keys to preparedness. The vast majority of employees involved in SBA's catastrophic disaster response have been trained and will continue to be trained in their roles. They also will receive clear guidance on how the recovery plan will be implemented.
- **SBA's response requires an "all hands on deck" approach.** Employees across the entire SBA organization will have key roles to play in core functions and will be valuable assets to help SBA achieve the level of performance America requires and expects.
- **SBA takes pride in quality assurance and customer service.** The Agency will continuously strive to deliver the highest level of quality in service. Customers will be

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<sup>4</sup> White House Report: "Katrina Lessons Learned," Chapter 1, Figure 1.1. see: <http://www.whitehouse.gov/reports/katrina-lessons-learned/chapter1.html>

provided with the necessary support and communication channels to minimize confusion and ensure a positive experience during their time of greatest need.

- **SBA's response will be coordinated with its government partners.** The Agency will communicate with local, state, and federal government agencies, including Congress, to deliver timely assistance.

SBA's Disaster Recovery Plan supports the following outcomes:

- Support of long-term economic recovery by providing capital to help disaster victims rebuild and withstand economic injury;
- Faster decisions on disaster loan applications, closing and disbursement;
- A customer-focused, transparent, outcome-driven model of performance;
- A strong, standing, Core Capability supplemented by Surge Capacity; and
- Processes coordinated with federal guidance and protocols for disaster recovery (e.g., the National Response Plan (NRP) and the National Incident Management System (NIMS), where applicable).

SBA's Disaster Recovery Plan (DRP) is applicable Agency-wide to ensure a broad scope of coordination, awareness, and support throughout its organization. The DRP comprises the following key sections, summarized below:

- Section I, *Introduction*, gives a background on SBA and its role in supporting disaster recovery, according to national policy.
- Section II, *Disaster Recovery Framework: The Process*, discusses SBA's process for preparing for and processing disaster loan applications, including:
  - Pre-disaster Planning & Preparation;
  - Disaster Declaration & Notification;
  - Application Intake;
  - Loss Verification;
  - Loan Processing; and
  - Closing & Loan Disbursements.
- Section III, *Disaster Recovery Framework: Operational Support*, delineates SBA's five functional components that scale: (1) human capital, (2) infrastructure, (3) technology, and (4) public/private partnership, all reliant on streamlined (5) communications. SBA has prepared to scale each of these components, depending on the level of response needed for a given disaster. Furthermore, SBA leaders have designed an efficient and cost-effective means for making the best strategic decisions during their surge implementation plan. These components are summarized below:
  - **Human Capital (Personnel):** Utilize current staff; enlist Active Reserve and Ready Reserve; leverage ODA contractors; train ODA personnel in loan processing functions, then SBA (non-ODA) staff; engage SBDCs, SCORE, and WBCs in non-loan processing functions (local outreach); hire externally.
  - **Infrastructure (Facilities):** Expand office space, staff to meet anticipated workload, adjust schedules as needed to accommodate various time zones, employ a double-shift

- approach to maximize usage of facilities, and leverage assets within the Agency and its resources/partners to respond.
- **Information Technology:** Leverage DCMS core capabilities with oversight measures to ensure that system capacity remains stable.
  - **Public/Private Partnerships:** Utilize contractors and leverage relationships with other organizations.
  - **Communications:** Inform citizens of the SBA resources available to them; listen to businesses, chambers of commerce, and citizens; reach out to state, local, and federal partners.
- Section IV, *Organizational Roles and Responsibilities*, describes the organizational structure and roles and responsibilities of SBA's main offices that support disaster recovery, including:
- ODA Headquarters;
  - Disaster Customer Service Center;
  - Disaster Field Operations Centers (East and West);
  - Loan Processing and Disbursement Center; and
  - Personnel and Administrative Services Center, which includes:
    - Administrative and Human Resource Function,
    - Disaster Credit Management System Operations Center, and
    - Field Inspection Team.
- Section V, *Business Process Improvements*, highlights the changes SBA has made to accelerate responsiveness and improve quality in its loan processing function
- Section VI, *Forecasting and Modeling*, describes the models SBA uses to predict the number of disaster loan applications that will be generated by a particular disaster. Because SBA uses these forecasting tools, it has enough time to obtain and deploy the resources needed for processing loan applications subsequent to a disaster.
- Section VII, *Surging to Accommodate Need*, explains the resources SBA will deploy in response to disasters of different sizes. SBA categorizes disasters into levels based on the number of anticipated applications. This categorization enables SBA to determine an appropriate surge level for scaling resources and operations to meet the needs of disaster victims. Levels I and II are within ODA's core capabilities; for Levels III and IV necessitate an SBA-wide response. The disaster categories are as follows:
- **Level I** – 100,000 applications received and below;
  - **Level II** – 100,000 to 250,000 applications received;
  - **Level III** – 250,000 to 500,000 applications received; and
  - **Level IV** – 500,000 applications received and above.

Figure ES-1 (below) graphically depicts SBA's plan for accommodating Levels I – IV, in terms of Personnel, Facilities, and Information Technology. The surge plan for Personnel (Human Capital) first leverages current ODA staff, then deploys Active Reserves, Ready Reserves, existing contractor relationships, Cross Trained ODA personnel, Non-ODA Surge Staff, and then externally hired personnel, as necessary. SBA maintains the facilities to process 500,000 disaster

loan applications, before needing to locate additional space. SBA's Information Technology capacity supports 8,000 concurrent users.

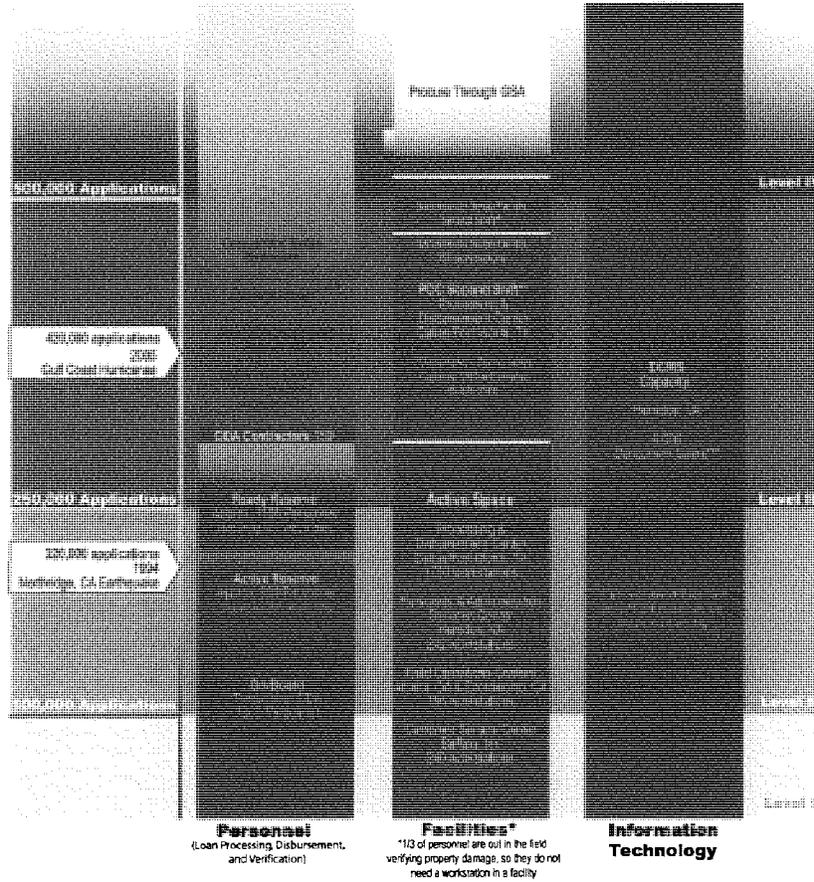


Figure ES-1: SBA's Detailed Surge Plan for Managing Disaster Loan Applications (May 15, 2007)

The following graphic, Figure ES-2, is another view of SBA’s surge plan, particularly the scaling of Human Capital/Personnel. Note that as SBA’s response moves from a core response (Levels I and II) to a surge response (Levels III and IV), more and more cross-SBA resources are deployed.

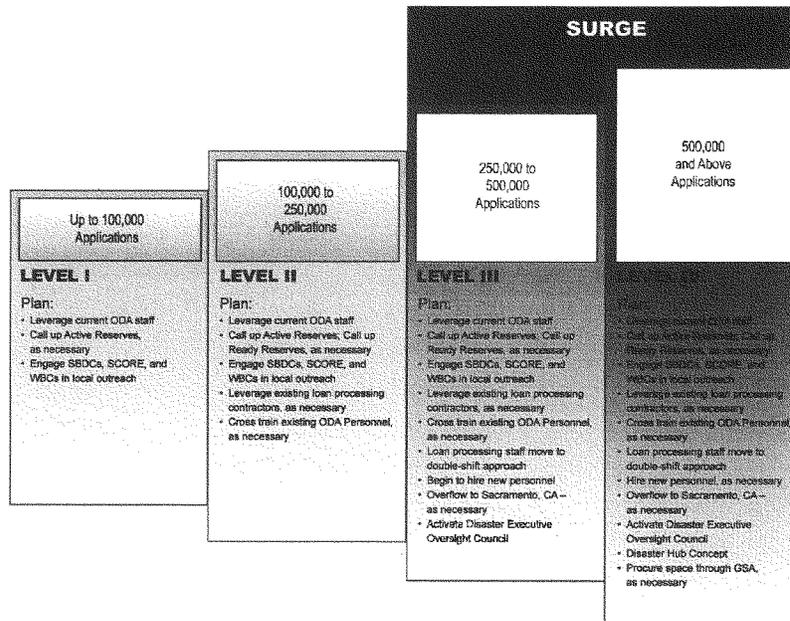


Figure ES-2: Scaling to Meet the Level of Disaster

Lastly, Section VII addresses SBA’s leadership decision-making structure for deciding how to best respond to a given disaster or series of disasters. Figure ES-3, Disaster Recovery Decision Tree, depicts the flow of decisions that SBA executives make: Initially, they decide whether a disaster can be handled by SBA’s Core Capability, or whether the Agency must move to Surge Capacity. If SBA decides that Core Capability will initially suffice, the Disaster Executive Oversight Council continually monitors loan applications, and elevates to Surge Capacity if the number of applications will exceed 250,000.

When Surge Capacity is required, the authority for the disaster response is elevated from the Associate Administrator of ODA to the Disaster Executive Oversight Council. At this point, there is a chain of mechanisms to ensure appropriate Surge Capacity resource allocation, as shown in Figure ES-3. As a surge response unfolds, SBA’s functional and support centers actively respond as directed by the Disaster Management Operations Council.

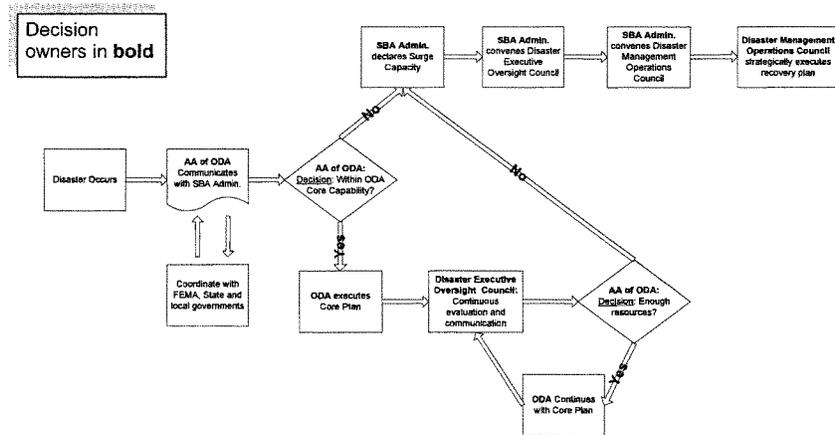


Figure ES-3: Disaster Recovery Decision Tree

- Section VIII, *Simulations*, describes the exercises SBA has performed and will continue to perform, which test their readiness for disasters. Preliminary exercises have tested SBA Headquarters' ability to surge to respond to large-level disasters; future simulations will test other offices throughout the organization.
- Section IX, *Communications Plan*, sets forth the mechanisms for communicating with citizens, state and local officials, federal officials, the media, national business organizations, and other strategic partners during disasters. Although the specific communication plan will vary for each disaster, SBA will apply the same principles for all levels of disaster. The two major objectives guiding the *Communications Plan* are clear:
  - SBA will inform citizens of SBA services and how to obtain them, and
  - SBA will coordinate operations with other recovery partners.
- Section X, *Path Forward*, recognizes that SBA continues to refine its disaster response capabilities. It describes SBA's ongoing initiatives for enhancing its operations:
  - **Next-Generation Modeling and Simulation** to augment SBA's current capabilities;
  - **Updated Standard Operating Procedures and Training** across the entire organization in addition to adopting regular simulation and tabletop exercises;
  - **Continued Business Process Improvements** to streamline the ways in which citizens interact with SBA in the disaster loan application process, including the ability to file disaster loan applications online;
  - **Expanded Public-Private Partnership** for improved local outreach, planning, and processing capability for a surge response.

## I. INTRODUCTION

The U.S. Small Business Administration (SBA) was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small businesses, to preserve free competitive enterprise, and to maintain and strengthen the overall economy of our nation. SBA's mission is to promote small business development and entrepreneurship through business financing, government contracting, and technical assistance. SBA also works with other federal agencies to reduce the regulatory and paperwork burdens of small businesses. In addition, SBA serves as the government's long-term lender to homeowners, renters, and businesses damaged by disasters.

SBA recognizes that small business is critical to the nation's economic recovery and strength, to building America's future, and to helping the United States compete in today's global marketplace. Although SBA has grown and evolved in the years since it was established in 1953, its bottom line mission remains the same. SBA helps Americans start, build and grow businesses. Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services to customers throughout the United States, Puerto Rico, U. S. Virgin Islands, Guam, Northern Mariana Islands, Federated States of Micronesia, and the Republic of the Marshall Islands.

While the Small Business Administration (SBA) is generally known for the financial support it provides to small businesses, the Agency also plays a critical role in assisting the victims of natural and other declared disasters. Specifically, SBA provides disaster assistance through its Disaster Loan Program to help homeowners, renters, and businesses of all sizes recover from disasters such as earthquakes, hurricanes, and terrorist attacks. SBA faced unprecedented demand for its disaster loan assistance services in the wake of Hurricanes Katrina, Rita, and Wilma, which devastated the U.S. Gulf Coast region across five states.<sup>5</sup> The storms caused more than \$100 billion in estimated damages and over 1,400 deaths. As of May 15, 2007, SBA had approved more than 160,000 disaster assistance loans for a total of \$6.9 billion in net approved loans (\$5.7 billion disbursed) to individuals and businesses since the 2005 Gulf Coast Hurricanes.<sup>6</sup> The cumulative damage of the Gulf Coast disaster cycle caused damage that was so extensive that the number of resulting loan applications overwhelmed SBA's capacity to process them. In the disaster recovery period, SBA, Congress, and the general public recognized that SBA's response to the hurricanes was impaired by several challenges, leaving many disaster victims without the timely assistance that they needed.<sup>7</sup>

SBA faced a series of cascading challenges as it ramped up its loan processing operations subsequent to the 2005 Gulf Coast Hurricanes. The scope of the disaster was widespread and unprecedented. There were extraordinary numbers of disaster victims to counsel and applications to process. There were ongoing operational transitions in progress within SBA. In summary, challenges and lessons learned surfaced in the areas of operations, human capital, infrastructure, communications and technology. Through process

<sup>5</sup> Hurricanes Wilma, Katrina, and Rita are collectively referred to as the 2005 Gulf Coast Hurricanes.

<sup>6</sup> SBA.gov – Disaster Recovery Daily Update.  
[http://www.sba.gov/localresources/disasteroffices/disaster\\_recov/hurricanes/pdf/Recovery-Update-072606.pdf](http://www.sba.gov/localresources/disasteroffices/disaster_recov/hurricanes/pdf/Recovery-Update-072606.pdf)

<sup>7</sup> GAO, SBA: Additional Steps Needed to Enhance Agency Preparedness for Future Disasters, GAO-07-114, Feb 2007.

improvements, enhanced internal and external coordination, and refined capabilities to surge and scale operations, SBA is better prepared to face future disasters with expeditious, personalized, quality service for its customers.

This document identifies the critical steps SBA has taken, in conjunction with its Federal partner agencies, to prepare for, respond to and recover from disasters. This document will be reviewed periodically, and updated as appropriate.

### **SBA'S ROLE IN DISASTER RECOVERY EFFORTS**

SBA, through its Office of Disaster Assistance (ODA), is responsible for providing affordable, timely and accessible financial assistance to homeowners, renters, and businesses following a disaster. ODA has been a part of the Agency since its inception in 1953, and has provided more than 1.8 million disaster loans totaling \$46 billion to disaster victims. In addition to its disaster loan program, SBA helps small businesses recover from disasters through its guaranteed lending, technical assistance and procurement programs.

Disaster losses are unexpected and create financial hardships for disaster victims. Fortunately, many disaster victims in America have insurance which covers part or all of their private property losses due to tornadoes, hurricanes, floods, earthquakes, wildfires and other disasters. However, for disaster losses not covered by insurance or other recoveries the primary form of federal financial assistance is a disaster loan from SBA. Disaster loans for property damages are available to homeowners, renters, non-farm businesses of all sizes, and private-nonprofit organizations. Certain small businesses are also eligible for Economic Injury Disaster Loans (EIDLs) to help with ongoing operating expenses until they recover from the disaster. For many, SBA disaster loans with low interest rates and long repayment terms make recovery possible.

The disaster loan program is administered through a coordinated effort among ODA's headquarters and functional centers: Customer Service Center, East and West Field Operations Centers, Processing and Disbursement Center and the Field Inspection Team, and its support centers: Disaster Credit Management System (DCMS) Operations Center and the Personnel and Administrative Support Center (See Figure 1).

#### ***MISSION***

***To help people recover from disasters and rebuild their lives by providing affordable, timely and accessible financial assistance to homeowners, renters and businesses.***

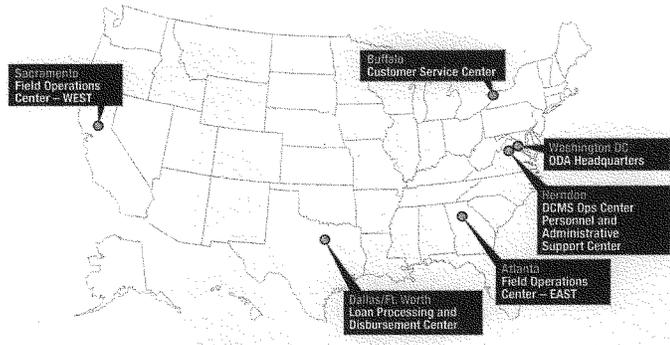


Figure 1: ODA Functional Centers

### THE NATIONAL RESPONSE PLAN<sup>8</sup>, PRESIDENTIAL DIRECTIVES, AND FEMA GUIDANCE

As a signatory to the National Response Plan (NRP), SBA is a part of the federal government's single comprehensive approach to domestic incident management to prevent, prepare for, respond to, and recover from major disasters, terrorist attacks and other emergencies. The NRP, using the national Incident Management System (NIMS), provides the structure and mechanisms for national-level policy and operational direction for domestic incident management. The NRP applies to all incidents requiring a coordinated Federal response as part of an appropriate combination of Federal, State, local, tribal, private-sector, and nongovernmental entities<sup>9</sup>. In May 2007, the White House published National Security Presidential Directive (NSPD) 51, updating and reinforcing national continuity policy.

SBA has one Primary Mission Essential Function (PMEF), which is to collect and disseminate disaster-related information from declared disasters and be prepared to process disaster loan applications. The Agency has a comprehensive Continuity of Operations Plan (COOP), which ensures it will be able to perform this essential function even in the event of a disaster that adversely impacts SBA's operations.

<sup>8</sup> In Homeland Security Presidential Directive (HSPD)-5, President Bush directed the development of a new National Response Plan (December 2004) to align Federal coordination structures, capabilities, and resources into a unified, all-discipline, and all-hazards approach to domestic incident management. See: <http://www.dhs.gov/xlibrary/assets/NRPbaseplan.pdf>. The NRP designed to integrate the efforts and resources of multi-levels of government, the private sector, and non-governmental entities and includes planning assumptions, roles and responsibilities, concept of operations, incident management actions, and protocols for plan maintenance. The NRP also assigns crisis responsibilities to specific federal agencies.

<sup>9</sup> Information taken from NRP Quick Reference Guide.

In response to the National Response Plan, Presidential Directives, and FEMA Federal Preparedness Circular 65 prescriptions, SBA has taken the following COOP measures:

- Incorporated continuity requirements in its operational COOP planning, so that if an event occurs without warning, SBA can continue its one essential function, with an emphasis on geographic dispersion of leadership, staff and infrastructure;
- Documented orders of succession and delegations of authority;
- Acquired resources necessary for continuity operations;
- Continued to train staff to continue to support the PMEF in an emergency;
- Transferred all COOP coordination functions to the Deputy Administrator and appointed a senior accountable official as COOP Coordinator;
- Identified and submitted to the NIMS Integration Center the disaster recovery PMEF and continues to develop viable and effective plans to implement this function;
- Planned, programmed and budgeted for continuity capabilities consistent with NSPD 51 directives; and
- Planned to perform annual tests of portions of plans and training of staff to evaluate program readiness and ensure adequacy and viability of plans and communications systems.

### **ENABLING SBA TO MEET FUTURE CHALLENGES**

This recovery plan describes SBA's ability to scale its existing operations to effectively respond to disasters requiring varying levels of support. By building on a solid foundation of experienced professionals, proven processes, operational improvements and lessons learned from the Agency's response to the unparalleled 2005 hurricane season, SBA has strengthened its disaster recovery capability in response to different disaster scenarios.

This recovery plan ensures that SBA's departments, field offices, and governmental partners seamlessly work together to respond quickly to disasters and help communities recover. SBA has scalable systems and the infrastructure in place, including a core steady state of capabilities that can be enhanced based on needs projected through risk modeling.

SBA faces future disaster scenarios with new resolve and the institutional knowledge gained from overcoming the challenges of the Gulf Coast Hurricanes. SBA has five functional components that scale: human capital, infrastructure, partnerships, and technology, with communications ensuring appropriate responses in each. Each component can scale, separately or in concert with the others, according to the surge that is required to meet various levels of disaster (See Figure 2).

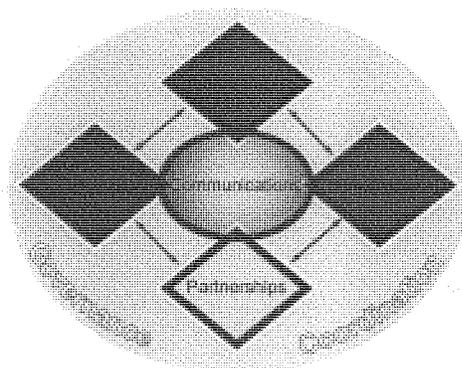


Figure 2: Framework for Scaling Operational Support

### KEY IMPROVEMENTS

SBA has improved its business procedures for scaling its operations to address catastrophic disasters. SBA increased its capacity for processing loan applications from victims of catastrophic events and also streamlined its ability to respond to smaller scale disasters by implementing several key improvements. Consequently, SBA is better prepared to provide service to its customers in any situation.

As described in this recovery plan, SBA approaches disaster seasons with a strong sense of commitment, a set of programmatic improvements and enhancements, and a cohesive concept of operations. SBA is prepared to coordinate internally, as well as with FEMA, other government entities, and the private sector to leverage SBA's resources and respond accordingly. SBA has made the following key improvements:

- **Upgraded System Capacity.** To accommodate a larger workforce to process loans, SBA has expanded the capacity of the Disaster Credit Management System (DCMS) to support 8,000 concurrent users. This expansion represents a four-fold increase in capacity over peak usage during the 2005 Gulf Coast Hurricanes. The system also enables users to work remotely, thus expanding the geographic alternatives for recruiting the workforce.
- **Expedited Referrals to Grant Providers.** Focusing on the need to render more decisions in a timely and efficient manner, SBA is using tools to enable it to refer applicants to grant providers much more quickly, with less work for the applicant and a significantly reduced processing burden for SBA. These improvements will reduce the volume of files pending a decision, minimize the aging of such files, provide funds to disaster victims more quickly, and ease the processing burden on DCMS.
- **Operational Reengineering and Oversight.** Based on a review of customer feedback and internal performance indicators, SBA identified multiple inefficiencies and quality issues in its processes. This review led to a full redesign of its internal production and support services operations that established integrated teams with case managers, attorneys, loan experts, and other support staff working together in a collaborative unit on cases assigned to each team.

Under this new approach, each borrower is assigned a case manager who provides personalized, one-on-one service, assisting the disaster victim by explaining the process, answering questions, and clarifying outstanding issues, which has resulted in less confusion, a reduction in errors, and a minimization of duplicative or additional work. This new process has yielded improved coordination and communication not only with the disaster victims but also among employees. Integrated teams accounted for faster response times, decreased error rates, and improved customer service and support. In addition, multiple IT improvements, policy modifications, and control enhancements have led to a faster, higher-quality operation.

- **Business Intelligence Tools.** The expanded use of performance metrics and reengineering tools significantly improves management's ability to establish clear timelines for initiatives, clarify performance goals, recognize individual accountability, and provide greater insight into the issues that SBA must address as they arise.
- **Enhanced Disaster Workforce.** SBA's Disaster Assistance capability expands and contracts in size based on the level of disaster activity. Prior to the 2005 Gulf Coast Hurricanes making landfall, ODA had about 800 employees on the payroll but quickly surged to over 4,300 employees in response to these unprecedented storms. Today, ODA has roughly 1,800 employees across all key functions. Recognizing the benefits and effectiveness of the ability to immediately supplement its workforce, the Agency expanded its Active and Ready Reserves (described further in Section III). This capability allows the Agency to activate this specialized group of trained personnel to report for duty within 48 hours. The number of trained employees on board and in the Disaster Reserves increases the Agency's capacity to quickly respond to disasters, including catastrophic events in 2007 and beyond.
- **Partnered with Private Sector.** As a result of the unprecedented application volume received, SBA created the Disaster Loan Partners Initiative and awarded three private sector contracts to assist with SBA's loan processing and loan closing activities. This unique partnership with the private sector provides the Agency with additional experienced personnel to enhance program delivery to disaster victims. This model can be expanded to include additional service providers to support various aspects of the lending operations, and SBA is actively evaluating the alternatives for expanding private sector support in serving the needs of disaster victims.
- **Leveraged SBA's Nationwide Infrastructure.** During its response to the 2005 Gulf Coast Hurricanes, the Agency utilized SBA's nationwide District office infrastructure to handle increased disaster activity. In addition, the Agency expanded the role of its District offices through a plan to utilize District employees in future disasters in such activities as processing support, media outreach and coordinating local resources through Small Business Development Centers (SBDCs), Chambers of Commerce, and other local professional and charitable organizations to improve outreach and accelerate response in the field.
- **Expanded Office Space for Surge Capacity.** As a result of the Gulf Coast Hurricanes, the Agency has more than doubled its capacity for loan processing and disbursement in the Fort Worth, TX center. In addition, SBA maintains backup and Surge Capacity in Sacramento. These facilities offer sufficient capacity to process 500,000 disaster loan applications; any further space requirements can be addressed by working closely with GSA in the event it is required.

- **Bolstered Forecasting Ability and Risk Monitoring Procedures.** The Agency has enhanced its capability to forecast application volumes when disasters strike. These new models – which include a flexible tool for forecasting – provide a more robust methodology for predicting application volume based on risk and disaster characteristics, allowing SBA to better gauge its response to a catastrophe. Based on the status of systems, facilities, and trained personnel at the time of the disaster, the models enable SBA to forecast the level and method of escalation necessary to respond in a timely and effective manner. Recognizing the benefits of forecasting, SBA is reviewing external disaster models to determine the value of linking the expected scope of potential disasters with its preparedness estimates.
- **Developed Disaster Scalability Preparedness Tool.** The Agency now has the ability to determine resource needs – financial, human capital (by function), and logistics – required to maximize SBA’s response against a number of different application volume scenarios. It is using this tool to ensure that resources are available under various scenarios.
- **Improved Ability to Help Small Businesses Win Federal Contracts.** SBA has been working with federal partners to make sure that small businesses were able to compete for contingency contracts subsequent to the 2005 Gulf Coast Hurricanes. SBA has also been working with the Chief Acquisition Officer’s Council on an integrated acquisitions community for responding to an incident of national significance. SBA developed a plan following the 2005 Gulf Hurricanes to use procurement center representatives and District Directors across the country to identify contracting opportunities for small businesses in affected areas.

The next two sections on the Disaster Response Framework describe SBA’s process for helping disaster victims rebuild, including the organizational support functions that enable the process.

## II. DISASTER RECOVERY FRAMEWORK: THE PROCESS

SBA accomplishes its mission of supporting disaster recovery efforts by providing affordable, timely and accessible financial assistance to eligible homeowners, renters, and businesses following a disaster. Financial assistance is available in the form of low-interest, long-term loans to assist individuals and businesses in their long-term recovery efforts. As discussed in detail in Section VII, *Surging to Accommodate Need*, SBA has established categories for its disaster response based on the number of loan applications projected. Level I and Level II disasters, in which SBA receives up to 250,000 loan applications, can be processed effectively using current processes and capabilities. Disasters categorized as Level III (250,000 – 500,000 applications) and Level IV (500,000 applications and above) will require additional surge support, which is detailed in Section VII of this document.

Figure 3 illustrates the Disaster Recovery Framework, which portrays the process and operational support systems that enable SBA to deliver loans to eligible disaster victims. The processes and support functions outlined below are valid for all categories of disaster. However, the scope and scale of operations as well as the necessary resources will vary depending on the size of the disaster.

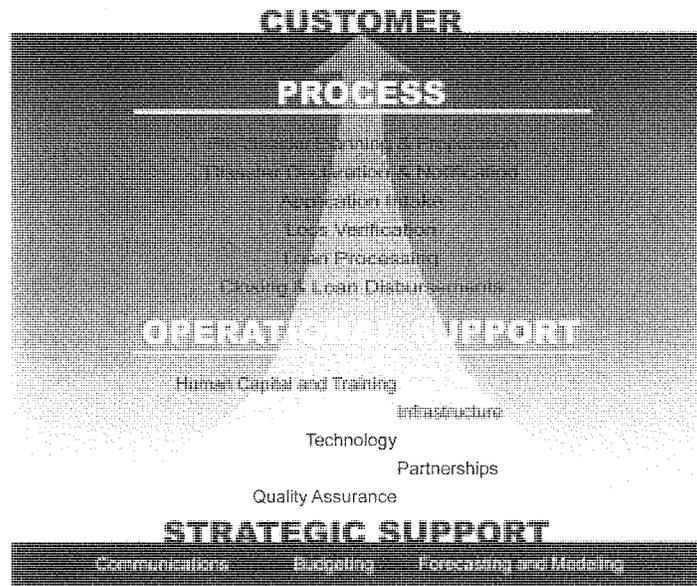


Figure 3: Disaster Recovery Framework

## PROCESS

### PRE-DISASTER PLANNING AND PREPARATION

SBA's role in a disaster response is different from that of first responders: The agency plays a disaster recovery role and is primarily concerned with the number of loans generated by a given disaster, whether the disaster is a hurricane, earthquake, or terrorist attack. This section describes the different types of disasters and how SBA prepares to face them. SBA regularly incorporates historical data, to increase the accuracy and efficiency of its pre-disaster planning efforts. Section VI, *Forecasting and Modeling*, further describes the modeling tools SBA uses to predict loan volume and the corresponding resources needed for loan processing.

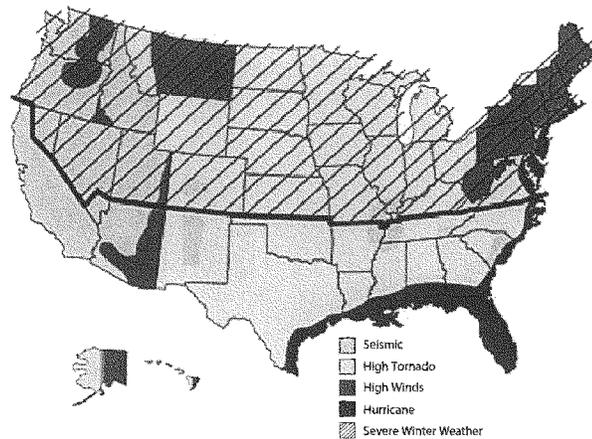
Pre-disaster planning for catastrophic disasters helps in the following ways:

- Allows SBA to position resources in a more efficient manner;
- Increases the speed of SBA's response by having advance information about specific types of disaster scenarios;
- SBA learns from each disaster response, incorporating lessons learned to improve future responses.

Most disasters requiring SBA's response are natural disasters, and the following graphic (Figure 4) illustrates which regions are at greatest risk for various natural disasters. The destructiveness of disasters varies.<sup>10</sup> While SBA does not dramatically alter its processes based on the type of disaster, the circumstances of the disaster will affect application volume. SBA's Disaster Recovery Plan is based on historical data and analysis.

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<sup>10</sup> Institute for Business and Home Safety (IBS). *A Disaster Planning Toolkit for the Small to Mid-Sized Business Owner*, p. 8. <http://ibhs.org/docs/OpenForBusiness.pdf> Disaster Planning Toolkit



Floods and wildfires are potential risks throughout the United States.

**Figure 4: Regional Natural Disaster Risk**

Seismic Activity causes damage near fault zones, most frequently on the West Coast. Once an earthquake has occurred, SBA can estimate the number of disaster loan applications that will be generated based on the magnitude. SBA makes forecasts in enough time to surge its human capital, technology, infrastructure, and other resources.

Tornadoes are difficult-to-predict weather phenomena that occur primarily in the Midwest each summer. Tornadoes generally cause less damage than other types of natural weather and they are frequently covered by private hazard insurance. Consequently, SBA's tornado lending is substantially less than that for other types of damage.

High Winds destroy natural and man-made structures, both directly and via material carried through the air that collides with other objects. Such events are typically smaller in scale.

Hurricanes cause damage by a combination of high winds and flooding. Historically, hurricanes have varied substantially in the combination of wind and flooding damage. Damage can be predicted by the amount of rainfall and the strength of the wind in the affected area and the assets at risk. SBA has ample historical data on hurricanes that it uses for pre-disaster planning and forecasting.

Severe Winter Weather, occurs primarily in the northern United States, and includes extreme snow and ice. Such events are typically smaller in scale.

Floods have been either wide-area flooding based on substantial rain, sometimes in combination with the run-off from melting snow. Damage can be predicted by the amount of rainfall in the watershed area and the assets at risk. SBA has ample historical data on floods that it uses for pre-disaster planning and forecasting.

Other disasters, include riots, or terrorist attacks. These disasters are generally one-of-a-kind events. Once such a disaster occurs, SBA quickly assesses the situation and employs the means necessary to respond. Sections III and VII describe SBA's plan for scaling human capital, infrastructure, partnerships, technology, and communications.

ODA prepares for anticipated disasters through forecasting, pre-positioning resources (when possible), and projecting employment needs. There are many different kinds of models for potential impacts based on various types of disasters and SBA will employ models to estimate the number of loans particular scenarios will generate.

**Forecasting and Modeling** - The primary goals of forecasting and modeling are to predict as accurately as possible the loan *volume* that will result from a disaster and the *timing* of when the applications will be received. The timing of when loan applications arrive subsequent to a disaster depends on the type and scale of the disaster. SBA's prediction model includes historical intake patterns for the categories of disaster type mentioned above. SBA prepares both before and after disasters occur to apply the appropriate staff and resources. These modeling tools are described more fully in Section VI, *Forecasting and Modeling*.

**Pre-positioning resources** - ODA participates in the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) Regional Response Coordination Centers (RRCC) when they are activated, as a standard operating procedure. These centers operate around the clock at their highest operational level to prepare for the potential effects of chartable events.

Representatives from all the federal and volunteer agencies that support state and local governments with disaster assistance work out of the RRCC. Staff orchestrates the massive pre-event staging of personnel, resources and relief supplies across the potentially affected area in anticipation of the chartable event.

**Employment projections** – ODA periodically makes employment projections to estimate the number of staff it will need to respond to disasters. Additionally, when a disaster occurs, Center Managers, with input from their Department Managers and data from internal SBA modeling tools, project staffing needs to adequately respond to the disaster. The staffing projections are based on the number of disaster loan applications expected, which is based on the number of disaster-damaged homes and businesses and the geographic range of the damage zone.

ODA continually varies the number of Disaster Reservists, depending on the need. ODA's Disaster Reserve personnel fall into two categories: Active Reserve and Ready Reserve. ODA first deploys Active Reservists to provide the staffing required to manage and process the influx of loan applications following a disaster. Then ODA reviews Ready Reserve Lists to contact former temporary employees, used in the past.

#### **DISASTER DECLARATION AND NOTIFICATION**

SBA disaster loans are available when one or more government entities declare that a disaster has occurred. SBA publishes the availability of assistance in the Federal Register. The published notice identifies the kinds of assistance available, the date and nature of the disaster, and the deadline and location for filing loan applications.

There are six ways disaster declarations are issued that make SBA disaster loans possible:

1. **Presidential Disaster Declarations** - The President declares a Major Disaster or an emergency and authorizes Individual Assistance (Assistance to Individuals and Households Program) or Public Assistance. The Federal Emergency Management Agency (FEMA) provides a disaster declaration summary to SBA after it is signed by the President. At that point, SBA's Office of Disaster Assistance issues a disaster declaration notice (after both of the above actions are complete).
2. **Agency Physical Disaster Declarations** - SBA makes a physical disaster declaration, based on the occurrence of at least a minimum amount of physical damage to buildings, machinery, equipment, inventory, homes and other property. SBA reviews Agency disaster declaration criteria to make an appropriate Agency Disaster Declaration.
3. **Governor Certification (7b2D) Declarations** - SBA makes an economic injury declaration following a state certification that at least five (5) small business concerns in a disaster area have suffered substantial economic injury as a result of the disaster and are in need of financial assistance not otherwise available on reasonable terms.
4. **Secretary of Agriculture Declarations** - SBA makes an economic injury disaster declaration in response to a determination of a natural disaster by the Secretary of Agriculture. The Department of Agriculture – Farm Service Agency (FSA) provides notifications to SBA that it has made emergency loans available.
5. **Secretary of Commerce Declarations** - SBA makes an economic injury disaster declaration (EIDL) in response to a declaration issued by the Secretary of Commerce, regarding fishery resource disasters.
6. **Military Reservist Economic Injury Disaster Loan** - SBA may make a Military Reservist Economic Injury Disaster declaration as authorized by the Veterans Entrepreneurship and Small Business Development Act of 1999. SBA makes low interest, fixed rate loans available to a small business employing a military reservist if the reservist is called up to active military duty during a period of military conflict, and he or she is an essential employee critical to the success of the business daily operation whose call-up has caused or will cause the business substantial economic injury.

#### **APPLICATION INTAKE**

**Application Screening** – SBA disaster loan applications are available at disaster recovery centers and through the mail. When completed loan applications are received, they are first screened for acceptability. Loan officers also review the application to determine repayment ability based on the minimum income level and debts as reported on the application.

**Application Entry** - Once an application is accepted by Screening, it is sent to Application Entry and recorded in DCMS. The loan application is assessed for credit and repayment ability. Then, a determination is made to advance the loan or decline the loan. Applications that meet the initial credit and repayment threshold are sent on to Loss Verification. After application entry, all application documents are sent to Scanning.

**Scanning** - The Scanning Department receives input from the Application Entry group, Loan Processing, Loss Verification, Mail Association, inbound faxes and the Legal Department. After scanning the documents, they are sorted, counted for reporting purposes and prepared for longer term storage as a backup to electronic records consistent with the record-keeping requirements currently in place.

#### **LOSS VERIFICATION**

All approved applications for physical disaster loan assistance require on-site inspections. Physical disaster loans are for permanent rebuilding and replacement of uninsured, or under-insured, disaster-damaged, privately owned real and/or personal property.

ODA's Field Inspection Team (FIT) performs inspections to establish the cause and extent of disaster damages. The FIT verifier views disaster-related damages for both real and personal property, and records observations in a report form contained on a portable personal tablet computer. FIT submits the report to guide the Loan Department in establishing eligibility. Section IV, *Organizational Roles and Responsibilities*, further describes FIT's loss verification duties.

#### **LOAN PROCESSING**

Loans are processed in accordance with the regulations and policies that govern the disaster loan program. SBA lends taxpayer funds to disaster victims and must base their decisions on a balance between the needs of the victim and prudent underwriting. Because the interest rate on loans to most borrowers is below the Treasury rate, and the term of the loans goes out as far as 30 years, the loan service cost are often significantly below market loans, thereby broadening the pool of applicants who are able to pay back SBA loans. Nevertheless, SBA can only make disaster loans to those victims that can demonstrate a reasonable ability to repay the loan.

Loan decisions are based on repayment ability, damage eligibility and credit-worthiness, all of which are analyzed during loan processing. In processing disaster loans SBA can incur risks that many private lenders will not and applies more lenient credit standards than private lenders. At the same time, SBA must adhere to fundamental credit standards and must thoroughly process loan applications to ensure that each loan is likely to be repaid. In Presidential declarations, loan applications that are declined in processing are referred to the Federal Emergency Management Agency (FEMA) for possible grant assistance.

#### **CLOSING AND LOAN DISBURSEMENT**

Once a loan is approved and signed off by the appropriate parties, loan closing documents are completed and sent to the borrower. Borrowers have several options for completing their loan documents, such as:

- Completing the documents by themselves and returning them to SBA.
- Scheduling a loan closing appointment to execute the documents with an SBA representative.
- Contacting SBA by phone to review the loan closing documents.

Secured loans are disbursed in stages that correspond with the borrower's needs. SBA also monitors the use of disaster loan funds to ensure compliance with program guidelines and the terms and conditions of the loan authorization and agreement as these loans are subsidized by the Federal government and the law establishes severe civil penalties for misuse of disaster loan

proceeds. When disbursing the real estate portion of a disaster loan, SBA personnel maintain contact with the borrower as necessary to determine an appropriate disbursement schedule and to confirm that construction is progressing as planned. As noted in the Loan Authorization and Agreement the disbursement period on the disaster loan is limited to 6 months; however, SBA can extend this period on a case-by-case basis for ongoing projects.

### III. DISASTER RECOVERY FRAMEWORK: OPERATIONAL SUPPORT

While Section II addresses ODA's primary customer-facing process, this section addresses the operations that support the process.

#### SCALING OPERATIONAL SUPPORT

SBA's operations have five key disaster recovery components that scale: human capital, infrastructure, partnerships, and technology, with communications ensuring appropriate responses in each. Each component can scale, separately or in concert with the others, according to the surge that is required to meet various levels of disaster (See Figure 5). These components scale to ensure that SBA can achieve a level of performance consistent with both internal goals and external expectations. Consistent with a surge approach, functional requirements across the key components of the framework increase as the Agency is called upon to respond to the larger application scenarios associated with each catastrophic disaster level. To illustrate this approach this section provides:

- A surge overview by each key component (i.e., human capital, infrastructure, technology, and public/private partnership); and
- Communications are addressed separately in Section IX.

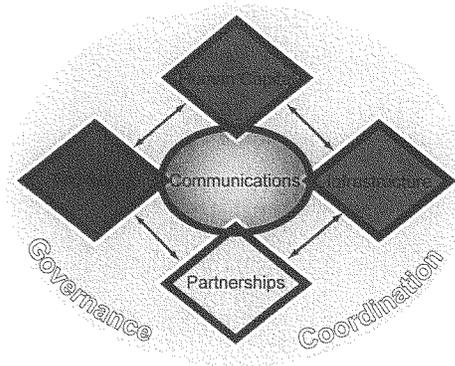


Figure 5: Framework for Scaling Operational Support

#### HUMAN CAPITAL AND TRAINING OVERVIEW

Human capital is the cornerstone of the Agency's disaster response. SBA's human capital augments ODA's staff and Active/Ready Reserve, and stands ready to help as the need expands beyond ODA's resources. SBA's framework recognizes the critical role that disaster employees play in the organization's response capability and the expanding role for the entire SBA organization in a Surge Capacity. By building on the framework in place, SBA will be able to respond to catastrophes even larger than the 2005 Gulf Coast Hurricanes.

**CURRENT ODA STAFF**

At the onset of hurricane season 2007, ODA has approximately 1,800 employees on staff. Their roles and responsibilities are described fully in Section IV, *Organizational Roles and Responsibilities*.

**DISASTER RESERVISTS**

ODA's Disaster Reserve is composed of two groups: Active Reserve and Ready Reserve. The Active Reserve employees, except for Attorneys, are selected and appointed through competitive procedures to term seasonal/on-call appointments. The Ready Reserve consists of former ODA employees whom management has identified as a key resource to call back to service at time when the Active Reserve is not sufficient to respond to large scale events.

Approximately 900 Active Reservists are currently on SBA's rolls; SBA will add more in the near-term, as needed, to respond to hurricanes and other disasters. This represents the most robust Active Reserve since the inception of SBA's Disaster Program. The additional personnel for the Active Reserve will have the necessary skills to perform key functions in the processing of disaster loans.

When former employees join SBA's Active Reserve, they commit in advance to report for duty within a 48 hour timeframe. For planning purposes, SBA anticipates that 70 percent of Active Reservists will honor that commitment (70% of 900 = 630). By having a large Active Reserve list, the Agency has better positioned itself to handle a catastrophic disaster situation, and augmented its ability to quickly ramp up and meet the needs of disaster victims. Funds have been allocated for training to ensure each and every reservist maintains their required level of core competency.

In addition, approximately 2,100 Ready Reserve employees are currently on SBA's list as potential sources of human capital. For planning purposes, SBA anticipates that 55% of Ready Reservists will report to duty if asked (55% of 2,100 = 1155). These individuals provide SBA a base of potential employees that can easily be re-integrated into SBA's operations, leveraging existing familiarity with SBA systems and processes to save resources and expedite the surge process.

**CROSS-TRAINING EXISTING ODA PERSONNEL**

In the initial stages of a disaster, ODA will hire and train customer service representatives to staff Disaster Recovery Centers, meet with disaster victims, and screen applications. As the disaster activity in the field wanes, these customer service representatives will be cross-trained to process loans in the Dallas-Fort Worth and Sacramento locations or to continue in the field working with disaster victims to help close their SBA disaster loans. ODA has produced training material for loan processing and loan closing surge training. SBA estimates that it can train 400 customer service representatives to perform these functions, as needed.

**NON-ODA SURGE STAFF**

Beyond the ODA, SBA's response to the 2005 Gulf Coast Hurricanes also included contributions from SBA's District Field Office structure and program areas such as the Office of Capital Access. In total, over 7,000 loans were processed by District offices. Additionally, Capital Access employees processed loans at the PDC and PDC Surge Facility in Sacramento, California following the 2005 Gulf Coast Hurricanes.

This internal Surge Capacity was employed for the first time in response to the 2005 Gulf Coast Hurricanes. For the 2007 hurricane season and beyond, SBA will deploy a larger complement of internal surge personnel for short-term periods of time, as required. ODA is training some of these non-disaster field staff in loan processing and other disaster assistance functions.

By employing this approach, SBA will have 400 people ready for service in temporary roles while the ODA uses its primary resources – the Active Reserve and Ready Reserve lists, contract support, and existing advertising and hiring procedures – to fill positions. This approach allows SBA to respond more quickly to catastrophic disaster than it has in the past, being ready to process disaster loan applications when they arrive.

#### **ACTIVATING NON-ODA SURGE STAFF IN PHASES**

SBA leverages internal surge support in a phased approach (see Figure ES-1). The first phase of utilization will encompass internal SBA skill sets that are capable of providing Surge Capacity in SBA's core functions of loan processing and post-approval processing. Specifically, this includes:

- District office personnel across the nation that (1) have been identified as having processed disaster loans during the Gulf Coast Hurricanes, or (2) have been identified as having loan processing experience. The majority of these individuals currently hold positions within the Agency as business opportunity specialists and lender relations specialists.
- Office of Capital Access personnel who are located in centers across the nation and who display the skill-set necessary to process disaster loans. The majority of these individuals currently hold positions within the Agency as loan servicing assistants and/or loan specialists.

The second phase of utilization leverages internal SBA skill sets that are capable of providing Surge Capacity in SBA's support functions, as well as additional support in SBA's core functions. Specifically, this will include utilizing staff across SBA's support areas in the Office of Management and Administration (M&A), CFO and CIO, as well as support from offices such as the Office of Government Contracting and Business Development (GC/BD), and personnel located throughout SBA headquarters.

Cross training for these personnel (approximately 400) will employ materials that have been adapted for nationwide training of non-disaster field office staff in cost-effective locations, as the need arises. ODA will also train surge legal and paralegal staff in loan processing, as necessary.

#### **SBDCs, SCORE, WBCs**

During Level I – Level IV responses, SBA leverages SBDCs, SCORE, and Women's Business Centers (WBCs), as needed. These groups primarily help with local outreach:

- 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

**EXTERNAL HIRING**

When SBA cannot meet staffing projections based on the pool of Active Reserve, Ready Reserve and other staffing resources, it immediately begins advertising for positions using Public Service Announcements (PSAs) in the locality where employees are needed. If the PSAs do not immediately generate an adequate response, ODA places classified ads, and recruits at local colleges and job fairs. If local recruitment is not sufficient, then ODA performs a national hiring initiative, placing classified ads in publications throughout major U.S. metropolitan markets. During the 2005 Gulf Coast Hurricanes SBA successfully hired over 4,000 employees using this approach.

Additionally, SBA is creating public/private sector partnerships that SBA can call upon for assistance for Level III and IV catastrophic events. For more information, see the "Expanded Public-Private Partnership" in Section X, *Path Forward*.

**QUALITY ASSURANCE**

SBA has revamped its application processing system since the 2005 Gulf Coast Hurricanes, as described fully in Section V, Business Process Improvements. Consequently, SBA's quality assurance methods, both at its Processing and Disbursement Center and Customer Service Center, have also evolved.

At the Processing and Disbursement Center, quality assurance focuses on monitoring that the staff has been processing loan applications in accordance with SBA Policy, DCMS processing changes and overall enhanced focus on customer support.

A Quality Assurance Team looks for exceptions or departures from stated policy. Each month the Quality Assurance review team performs a standard monthly review. Additionally, the team conducts any specific reviews requested by management. The Quality Assurance Team currently consists of two Loan Officers and two Attorneys that conduct the reviews.

The purpose of the Quality Assurance Team is to provide management with accurate and meaningful reports that reflect how the staff has complied with the policies and procedures that govern the disaster loan program. In addition to the ongoing daily reviews that are completed, the Quality Assurance staff also conducts a semi-annual loan charge-off review. Audits are conducted monthly with a report issued to management.

The Customer Service Center also has a quality assurance plan for monitoring the various functions of its operation, identifying areas for improvement and identifying training opportunities. ODA provides checklists, job aides and other training materials to each customer service representative. The CSC monitors communications with customers, in an effort to assure courteous, accurate and professional customer service.

ODA continues to build on the above described quality assurance methodology, employing Quality Assurance/Training Specialists who study and refine ODA's case management system.

**INFORMATION TECHNOLOGY OVERVIEW**

At the time of the 2005 Gulf Coast Hurricanes, the DCMS was newly developed and only provided the capacity to accommodate approximately 2,000 concurrent users. After it became apparent that the system could not accommodate the Agency's need, ODA implemented the DCMS Hardware Upgrade project. Since that time, the DCMS has been tested and verified to now support 8,000 concurrent users. This

represents a four-fold increase in capacity from peak usage during SBA's 2005 response, putting SBA in a much better position to face future catastrophic disasters.

DCMS now provides a broader range of geographically-dispersed SBA employees access to the system. Specifically, SBA employees performing surge processing across the Agency's nationwide infrastructure have access to the system to maximize efficiency.

## INFRASTRUCTURE OVERVIEW

SBA has retained Field Operations Center – West in Sacramento, CA. While currently being used for field operations West of the Mississippi River, it also serves as an alternate geographic location for loan processing if a disaster requires a larger response, or if an incident renders the Dallas/ Fort Worth facility inoperable. While SBA has taken additional steps to ensure robust capacity in Dallas/Fort Worth for core functions, current estimates indicate that if the Agency has a catastrophic disaster that will yield a large amount of applications (250,000 or more), SBA seeks additional support for the Agency's core functions in a Surge Capacity.

The Sacramento facility allows SBA to offer training in its core functions in an additional facility to complement Dallas/Fort Worth. By leveraging Sacramento, SBA is positioned to simultaneously grow two pools of disaster reservists (in core functions) in two geographic locations.

In addition to the Disaster facility currently housed in Sacramento, SBA has a district office and a loan servicing center in the area. With the SBA brand name firmly established in this geographic location, SBA is able to call upon a robust disaster reserve force. Further, the Sacramento facility is currently fully functional, requiring no additional infrastructure ramp-up or potential down time.

In sum, as shown in Figure ES-1, SBA approaches the 2007 hurricane season with the office facilities required to receive, process, disburse, and verify 500,000 applications, without having to procure additional facilities through GSA. Including only "active space" – the PDC (1750 workstations), PASC (242 workstations), FOC-E and FOC-W (156 total workstations), and CSC (240 workstations) – SBA has facilities to process in excess of 250,000 disaster loan applications. Adding a double-shift approach<sup>11</sup> at the PDC and a double-shift approach at the Sacramento PDC Surge Facility (350 workstations), SBA scales its operations to accommodate 500,000 disaster loan applications. While at first glance it appears that SBA has fewer workstations than necessary to house the upwards of 6,000 employees required to respond to a 500,000 application disaster within 21 days, loss verifiers – who perform their primary duties out in the field – do not require office space (see: "Facilities" bar in Figure 10).

### DEPLOYING DISTRICT OFFICE EMPLOYEES - THE DISASTER HUB CONCEPT

The Office of Field Operations (OFO) provides executive direction and oversight to SBA's ten regional offices, 68 district offices and 12 branch offices. This extensive field network provides SBA programs and services to small business communities all across the country. OFO and the Office of Disaster Assistance have successfully and collaboratively responded to disasters in the past.

<sup>11</sup> A "double-shift" approach means that one set of loan processors works during the day and another at night. So, for example, the PDC, which has 1,750 workstations, is capable of having 3,500 workers (1,750 x 2) during a given period.

When all other facilities are at their capacity, SBA will employ the Disaster Hub Concept. Surge personnel who have been identified will either report to the Processing and Disbursement Center, Sacramento Processing Facility, or "Disaster Hubs" located in one of the above mentioned district offices (SBA headquarters in Washington DC is also available for surge loan processing as well.)

Disaster Hubs are available to house district office employees to perform disaster loan processing for short-term (30/60/90 day) periods of time. This approach augments ODA's existing staff levels while ODA uses its primary human capital methods to hire permanent staff. Disaster Hubs have been identified based on analysis of vacant workstations, offices, IT factors (e.g., network and hub capacity, complement of outfitted workstations, authentication requirements), and conference and training rooms suitable for processing disaster loans. By utilizing the Disaster Hubs on double-shifts, it is estimated that SBA has an equivalent of 400 workstations (200 actual workstations) available for loan processing activities.

The benefits of using Disaster Hubs in this capacity are many:

- First, regardless of where the disaster occurs, district offices can be a significant contributor to SBA's overall disaster response effort because they are dispersed across the country. The SBA district office is a known-commodity in the community. District offices have contacts and resources which will help in facilitating interagency relief efforts and communicating effectively with the community.
- Secondly, each identified site has a minimum of ten fully cabled workstations/offices which are available to host disaster loan processors. Many of the sites have more than ten workstations/offices, as well as training and/or conference rooms.
- Third, every district office that can host a Disaster Hub site in the event they are needed is staffed with employees who possess the necessary skill set to process disaster loans.

## **PARTNERSHIPS OVERVIEW**

SBA has begun the process of expanding agreements with resource partners in order to define and predict the external support, both public and private, that will be available in supporting surge efforts. This effort will continue. Additional information is available in Section X, *Path Forward*.

## **STRATEGIC SUPPORT**

The previous sections have explained SBA's process for operational support functions, according to its Disaster Recovery Framework (see Figure 3). The last component of SBA's Disaster Recovery Framework, *Strategic Support*, includes Communications, and Forecasting and Modeling, and Budgeting. SBA's Communications Plan is addressed in Section IX, and Forecasting and Modeling in Section VI. Budgeting is discussed below.

### **BUDGETING**

Securing sufficient funding for SBA's disaster program administration and lending is a key strategic support function. This process involves two main components: completing the original demand forecast and then carefully monitoring all available data as the situation progresses to determine whether the original forecast needs updating.

SBA's process for tracking disaster fund usage involves a coordinated effort between the Office of Disaster Assistance (ODA) and the Office of the Chief Financial Officer (OCFO). ODA develops the initial estimates of disaster loan demand based on the following sources of information:

- Estimated number of referrals from the Federal Emergency Management Agency (FEMA);
- Historical average rate of applications received as a percentage of FEMA referrals;
- Historical average rate of applications approved;
- Historical average loan size for comparable disaster type (e.g. hurricane); and
- Results from the Internal Demand Forecast Model described in Section VI of this report.

After initial demand levels are established using this approach, SBA determines whether additional (supplemental) funds are needed. If so, SBA works with the Office of Management and Budget (OMB) to request supplemental funds from Congress.

As SBA begins to process loans following a disaster, SBA tracks the following information for home loans, combination business & economic injury disaster loans (EIDL), and stand-alone economic injury disaster loans:

- Total applications received
- Approved applications
- Withdrawn applications
- Pre-processing declines
- Declined applications
- Applications remaining in process
- Loans closed
- Loans disbursed

From these numbers SBA calculates percentage rates and average loan amounts that can be compared to historical averages and recent trends. It also projects actions on applications in-house but not yet processed, and applications projected to be received. Progress on application processing and related activities is tracked weekly or even daily in the case major disasters. The frequency of reviews and updates to the original forecast depend on the magnitude of the disaster and the availability of funds. For major disasters, assumptions are updated as often as weekly. The original assumptions and latest data are reviewed and revised by ODA and then reviewed by OCFO. If significant, they are then shared with SBA senior management. Any substantial variances are researched and can trigger an immediate review of the key forecast assumptions if necessary. For minor events where sufficient funds are available, assumptions are only updated every few months.

Following the unprecedented pace of loan approvals for the 2005 Gulf Coast Hurricanes, SBA instituted a daily tracking report of all disaster loans which we continue to use for all disaster activity. This report allows us to see on a daily basis net loan approval amounts, net numbers of loans approved, average loan size, estimated days remaining of funding availability at current average daily rates, program and subsidy amounts used to date, and program and subsidy current available balances. This report is distributed within the agency and to congressional staff upon request.

SBA uses these tracking methods to closely monitor disaster funding requirements and provide timely information to OMB and the congressional offices on disaster budget issues as appropriate.

Section III has addressed SBA's high-level framework for responding to disasters. The next Section, *Organizational Roles and Responsibilities*, explains the operational deployment of SBA's Office of Disaster Assistance (ODA) during all disasters.

## IV. ORGANIZATIONAL ROLES AND RESPONSIBILITIES

### OVERVIEW

Upon declaration of a disaster, the U.S. Small Business Administration's assets are immediately put into motion to help with recovery. As an event unfolds, SBA's Office of Disaster Assistance expands office space, calls on staff and active reservists to meet the anticipated workload, and adjusts schedules to accommodate the increased workload and various time zones.

The ODA organizational structure and assets are functionally-based and geographically dispersed, minimizing reliance on a single region. While there are additional offices within SBA that support disasters (see Appendix E), the primary offices that support a disaster response are as follows:

- **ODA Headquarters** at SBA's Central Office in Washington, DC.
- A full-service **Customer Service Center (CSC)** located in Buffalo, New York. Disaster victims contact this center when they have questions about their loan application. Services for disaster victims include a call center, e-mail response, disaster application mailing capabilities, and pre-application entry, and the center provides services to the other centers as needed.
- Two disaster **Field Operations Centers (FOC)**: FOC-E (East) is located in Atlanta, Georgia and FOC-W (West) is located in Sacramento, California. The two FOCs are responsible for the coordination of preliminary damage assessments, field operations, information dissemination, and disaster loss verifications outside of the continental United States (OCONUS).
- A centralized **Loan Processing and Disbursement Center (PDC)** located in Fort Worth, Texas. The PDC receives applications, evaluates them, and disburses funds to eligible borrowers. The backup location is in Sacramento, California.
- The **Personnel and Administrative Services Center (PASC)**, housed in Herndon, Virginia, includes the **Administrative and Human Resource** functions, the **Disaster Credit Management Systems (DCMS) Operations Center**, which oversees the DCMS system, and the **Field Inspection Team (FIT)**, which provides the loss verification/inspection function within the continental United States (CONUS).

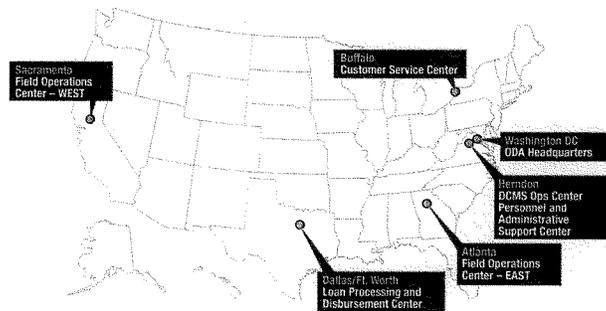


Figure 6: ODA Functional Centers

### **OFFICE FOR DISASTER ASSISTANCE (ODA) HEADQUARTERS**

ODA coordinates and leads disaster responses for Level I and Level II. Level I disasters are smaller in scale and do not generally require SBA Headquarters to be actively engaged on a day-to-day basis. For Level I and Level II disasters, the ODA Headquarters staff performs the following functions:

- Coordinate with FEMA, Congress, and Office of Communications and Public Liaison (OCPL).
- Coordinate and lead information-sharing with all Centers, ODA management, SBA senior management, Regional and District staff, and SBA Resource Partners.
- Participate in or lead meetings and activities with the National Response Coordination Center (NRCC), FEMA, Emergency Support Function Leaders Group (ESFLG), and Interagency Incident Management Group (IIMG), and other relevant disaster response teams.
- Activate Emergency Support Function (ESF) under the National Response Plan where SBA is a support or lead agency, as appropriate.
- Assess programmatic needs and project level of activity and budget. Damage estimates are based on surveys, historical information for similar types of events in the state and/or region, information from imaging, state and local reports, media, insurance in force, demographics, and timing of event (e.g., local events, festivals, off season or in season).
- Prepare and publish SBA disaster declaration in the Federal Register following disaster declarations.
- Approve or decline requests for disaster declaration submitted by ODA's Field Operations Centers.
- Review and set policy, procedures and guidelines for all ODA operations.

### **ODA'S CUSTOMER SERVICE CENTER**

Frequently, disaster victims have questions about how to file or fill out a disaster loan application. Many disaster victims have little experience in completing loan applications. Operationally, ODA supports this need through its Customer Service Center, located in Buffalo, New York. It is a single point of contact for disaster victims who have questions about SBA disaster loans. It provides them with the following services: a call center, e-mail response, disaster application mailing capabilities, and pre-application entry.

The CSC baseline state of readiness allows it to adequately respond to Level I and II disasters, representing a workload of approximately 2,000 calls per day or less.

ODA's CSC is responsible for the following tasks:

- Determining staffing requirements using 'New Disaster Forecasting Model' based on FEMA workload projections. This forecasting tool provides detailed call pattern estimates and staffing needs for the initial 90-days of a disaster.
- Based on the forecasted call volume for the new disaster, projecting hourly call patterns using the CSC's Daily Call Forecasting tool.
- Requesting activation of specified number of Disaster Reserve Techs/Specs in the local commuting area in a disaster, when necessary.
- Ensuring Mailbox team and Problem Resolution teams are in place. A specialized team of customer service agents is dedicated to respond to email inquiries received through ODA's

Customer Service mailbox (disastercustomerservice@sba.gov). The mailbox team typically has a dual responsibility of manning the Disaster Recovery Center line, a dedicated 800-line for exclusive use by field personnel.

- A “Problem Resolution” team works to research issues and facilitate resolution through points-of-contact in other centers.
- Coordinating with Administration regarding the supply of English and Spanish applications on hand.
- Updating the Disaster Information Gateway (DIG) and the CSC’s public folders. The Disaster Information Gateway and Public Folders are utilized by the CSC as resources to store and disseminate important information to the CSR staff. The DIG and public folders are central locations for items such as: Declaration Information, Fact sheets, DRC locations (by state and declaration), news clips, work schedules, numbered memos, forms, phone lists, and other general information.

### ODA FIELD OPERATIONS CENTERS (FOCs)

Field Operations Centers (FOCs) coordinate disaster field operations and reach out to ODA’s external partners to publicize ODA’s Disaster Loan Program in advance of and following disasters. Outreach targets include FEMA Regional Offices, State Offices of Emergency Services, SBA’s Regional Administrators and District Directors, Congressional offices, and SBA’s resource partners (SBDCs, SCORE, WBCs, Private Sector Professional Organizations, etc.).

FOCs are responsible for:

- Establishing, staffing, and maintaining field operations onsite in declared disaster areas, including Disaster Recovery Centers (DRCs) and SBA Disaster Loan Outreach Centers (DLOCs). DRCs are partnerships between FEMA and SBA.
- Conducting disaster surveys with FEMA, state, and local officials.
- Performing original loss verifications for OCONUS disasters.
- Performing onsite loss re-verifications for CONUS and OCONUS disasters.
- Communicating with media outlets.
- Communicating with Congressional District offices and other elected officials, including proactively conveying SBA’s disaster response accomplishments.

Field Operations Center – East (FOC-E) is located in Atlanta, Georgia and serves the states east of the Mississippi River, plus Minnesota, the U.S. Virgin Islands, and the Commonwealth of Puerto Rico.

Field Operations Center – West (FOC-W) is located in Sacramento, California and serves the states west of the Mississippi River (except Minnesota) plus American Samoa, Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, Guam, and Republic of the Marshall Islands.

**ODA'S LOAN PROCESSING AND DISBURSEMENT CENTER**

Loans are processed and funds are disbursed at the Disaster Assistance Processing and Disbursement Center (PDC). PDC employees access the same systems as Customer Service Center employees.

The PDC is responsible for the following functions:

- The mailing of all disaster loan applications requested by victims of a declared disaster.
- The screening for acceptance of all received disaster loan applications.
- Reviewing and processing all accepted disaster loan applications.
- The closing of all approved SBA disaster loans and the disbursement of the disaster loan proceeds.

If the size of a disaster requires a larger response, or if an incident yields the Dallas/Fort Worth PDC facility inoperable, SBA's Sacramento, California location provides backup capability.

**ODA'S PERSONNEL AND ADMINISTRATIVE SUPPORT CENTER (PASC)**

The Personnel and Administrative Services Center (PASC), includes the Administrative and Human Resource function, the ODA's Disaster Credit Management Systems (DCMS) Operations Center, and the Field Inspection Team (FIT).

**HUMAN RESOURCES**

Human Resources provides the necessary administrative support functions during a disaster response, including:

- Executing payroll, including filing of all time and attendance forms generated in the field.
- Handling day-to-day procurement needs of ODA centers, with an emphasis on purchasing from local small businesses whenever practicable.
- Making travel arrangements and processing travel vouchers for personnel involved in the disaster response.

**DISASTER CREDIT MANAGEMENT SYSTEM (DCMS) OPERATIONS CENTER**

The DCMS Operations Center supports ODA's information technology requirements. The systems supported by the operations center are essential to ODA employees' ability to help disaster victims recover.

The DCMS Operations Center has three departments. The Technical Operations group is responsible for the infrastructure, hardware, network, database, system administration and security issues. The Functional group is responsible for the software applications, planning, development, testing, training and communications, and reports. The third is the Help Desk which is the front line interface to users. The Help Desk is responsible for handling requests, primarily from ODA staff, for assistance with DCMS operational questions and issues.

Much of the activity at the center is monitored through automated routines<sup>12</sup>; the level of support to maintain this capability is currently in place.

DCMS is responsible for the following functions:

- Monitoring, tracking, and analyzing system metrics to keep the system up and operational.
- Procuring, maintaining, and supporting portable computer tablets for FIT and Loss Verification to use in disaster locations. ODA currently has 1,600 tablets.
- Closely monitoring tablet inventory for FIT in order to procure additional units, with sufficient reserve if needed.
- Completing upgrades and reprogramming requests to address operational needs and process improvements
- Assessing system capacity during a disaster and executing surge plans to expand capacity if necessary. Specific triggers have been identified to indicate when system is reaching capacity (e.g. approximately 4,000 concurrent users, CPU usage at 50% of capacity on a consistent basis during peak times, memory usage at 50% of capacity on a consistent basis during peak times; or a combination of these factors).
- Ensuring connectivity of disaster recovery satellite offices.

The DCMS Operations Center in Herndon, VA gives 8,000 personnel the ability to use the system simultaneously. A redundant DCMS Operations Center in Tempe, Arizona serves as a backup, should the Herndon Center be incapacitated. The Tempe DCMS facility has capacity for 2,000 concurrent users.

#### **ODA'S FIELD INSPECTION TEAM (FIT)**

FIT verifies the cause and extent of physical damages to borrower's property. It is responsible for completing all original loss verification reports in the continental United States. All approved applications for physical disaster loan assistance require on-site inspections. Physical disaster loans are for permanent rebuilding and replacement of uninsured, or under-insured, disaster-damaged, privately owned real and/or personal property. SBA's physical disaster loans are available to homeowners, renters, businesses of all sizes, and nonprofit organizations. The FIT's verification report is an essential element in the loan making process that guides the Loan Department in establishing eligibility.

The FIT verifier views disaster-related damages for both real and personal property, and records observations in a report form contained on a portable personal tablet computer. The FIT verifier has specific responsibilities that include, but are not limited to: determining the estimated cost of repair or replacement of real, personal and business property; providing information gathered during the on-site inspection to guide SBA loan officers in establishing eligibility within program guidelines; and estimating replacement and pre-disaster Fair Market Value of property.

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<sup>12</sup> A routine is a series of computer instructions for performing a specific, limited task.

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This section has detailed SBA's ability to respond to disasters through its ODA; Appendix E addresses other SBA offices that play a role. The following section, *Business Process Improvements*, addresses key improvements that SBA has made since the 2005 Gulf Coast Hurricanes.

## V. BUSINESS PROCESS IMPROVEMENTS

SBA's core process in its disaster recovery role is loan processing and disbursement (see Section II). Since August of 2006 SBA has (and continues to be) engaged in a comprehensive reengineering of the processes, tools and policies that directly impact disaster victims' experience with SBA and the ability of SBA loan processing employees to provide customer-focused service.

The Accelerated Disaster Response initiative (ADRI) focuses on improving the disaster victim's end-to-end experience from disaster loan application, through approval and closing, to final disbursement of funds: a complete overview is provided in Appendix H. The driving principles behind ADRI are speed of response, customer support and quality.

The cornerstone for achieving this goal is SBA's Case Manager Model – the assignment of a case manager to each approved disaster loan. The case manager is the single point of contact and personal advocate for getting loan funds disbursed when the borrower needs them.

Introduced to accelerate disbursement on backlogged disaster loans after the 2005 Gulf Coast Hurricanes, the case manager model proved its value by enabling SBA to get faster, more accurate and more customer-friendly action on more than 93,000 loans. As of July 2006, these loans had been approved but not fully disbursed. The case management approach was also instrumental in accelerating SBA's focus on making end-to-end process improvements.

These improvements, spanning across five key success factors, are being addressed by cross-functional reengineering teams operating with the mandate to design, test and implement solutions as quickly as possible. Highlights of improvements deployed and in process, include the following:

### 1. ACCELERATED LOAN APPLICATION DECISION PROCESSING

SBA has implemented a comprehensive set of improvements to give disaster victims a faster answer on their qualification for a loan post application, including:

- In collaboration with FEMA, installing mechanisms that ensure that only the disaster victims with the necessary income qualifications are directed to apply for an SBA disaster assistance loan, allowing for the immediate referral of individuals to other assistance programs.
- Redesigning the application receiving, data input and screening process to ensure rapid and accurate transfer of applicant information into loan approval processing at all incoming volume levels.
- Using more automated processing tools to screen ineligible applications in order to more quickly direct these disaster victims to other assistance programs and to free-up SBA resources to focus on qualified applications.
- Increasing the authority level of SBA loan officers to approve applications with high credit/high repayment scores without the need for secondary review, speeding response to low default risk borrowers and freeing time for in-depth review of other applications.

### 2. IMPROVED PROCESSES AND TOOLS FOR LOAN CLOSING AND FUNDS DISBURSEMENT

In order to streamline the process of getting funds into the hands of approved disaster loan recipients, SBA has instituted a number of improvements, including:

- Positioning more SBA staff and equipment to enable the disaster victims to close their loans on site, thus avoiding delays associated with mail delivery and corrections to closing documents.
- Simplifying and standardizing loan closing documents to make these documents easier for disaster victims to understand and less likely to result in errors.
- Overhauling the entire mail receiving and sorting process including bar coding of documents to speed the delivery of information needed by case managers to disburse loan funds.

### **3. MORE TRANSPARENT, MEANINGFUL PERFORMANCE DATA TO MANAGE OPERATIONS**

To better equip managers and supervisors to monitor, coach and improve performance of loan processing operations, SBA continues to develop a new generation of performance reports pulled directly from its Disaster Credit Management System (DCMS) that will provide daily information on loan officer and case manager productivity and disbursement activity for borrowers. This “real time” performance reporting will help SBA executives detect bottlenecks in loan processing before they result in large backlogs.

### **4. MORE CONSISTENT ADHERENCE TO POLICY THROUGH TRAINING AND INTERNAL QUALITY ASSURANCE**

To mitigate the risk of discrepancies in loan officer and case manager actions as processing volumes and staff increase during large disasters, SBA has established a standing Policy Communications Team to quickly respond to areas of concern and give any employee an outlet for raising questions and concerns. In addition, a training, certification and ongoing internal quality assurance audit program continues to be refined for all loan processing jobs.

### **5. IMPROVED COORDINATION ACROSS DISASTER CENTER OPERATIONS**

To bring a renewed focus to the concept of “operating as one team”, SBA’s Office of Disaster Assistance senior leaders have been working together to break down communication, goal alignment and other barriers that hinder coordinated and effective response during disasters. This effort has resulted in a number of important changes in the way ODA governs its continuous improvement efforts, including:

- The integration of technology personnel into business process reengineering teams to improve the definition of system change requirements and reduce the cycle time for deploying system enhancements.
- Cross-center improvement teams established to review, and where necessary, redesign Administrative and Personnel support services. These teams are reducing waste and implementing standards in backroom processes that can or break the smooth functioning of core loan processing.
- The installation of a weekly, monthly and quarterly discipline for reporting progress on all improvement activities, capturing results and launching new improvement projects.

The Accelerated Disaster Response initiative has yielded significant dividends for SBA and will continue to do so as more solutions are deployed. The case manager model will continue to be refined to ensure

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customer focus and find efficiencies in resource utilization. ODA senior leaders will continue to integrate ADRI projects into daily operations.

## VI. FORECASTING AND MODELING

The primary goal of forecasting and modeling is to predict as accurately as possible the loan volume that will result from a disaster, so that SBA can plan an appropriate disaster response effort. Obtaining reliable information about the number of disaster loan applications a given disaster will generate will have positive outcomes throughout SBA's disaster response process. Modeling, simulating potential damage and effects of disasters and leveraging historical disaster information, provides SBA with insight to the necessary, appropriate, and most efficient response.

For disaster planning, SBA employs two internal models. The first model draws on readily available economic and demographic data from outside sources and combines this information with historical SBA experience to predict loan volume demand expected from a given disaster. This information is used as a source of data for decision-making regarding whether SBA has sufficient disaster loan authority available or will require a supplemental appropriation. The loan demand forecast from the first model will also be used as an input to the second internal model. The second model forecasts the amount and timing of staffing requirements.

The assumptions in these forecasting models are actively updated throughout an event as conditions change and more information about the specific situation becomes available. SBA recognizes the added value of external modeling approaches, and will use information from FEMA's HAZUS modeling process to provide additional, event-specific information that will refine and improve SBA's ongoing response. SBA has further incorporated HAZUS into its overall modeling process to independently validate the outputs from its internal modeling tools. Where internal modeling and HAZUS are insufficient, such as in projecting the effects of terror acts or analyzing the presence of insurance in a particular community, SBA will turn to additional external modeling resources to augment its capability.

The data outputs from the models described below inform SBA leaders in making decisions in the areas of human capital, infrastructure, technology, partnership needs, and communications. These tools are critical to SBA in designing a surge implementation plan that is both successful and cost-effective.

- **Internal Demand Forecast Model** – This model is designed to estimate the dollar amount of disaster assistance loans that will be made in response to the next large disaster, based on the information available at the time the disaster occurs.

When a disaster takes place, reliable information is available about the counties likely to be affected. To translate these geographical areas into likely loan volume estimates, the model has an internal database of economic, demographic, and physical data for each of 3,300 counties (or equivalents), including a proxy for the assets at risk, and equations to estimate loan volumes from measures of assets at risk and disaster severity. It also has historical information about the loan volumes and characteristics for each of the large historical disasters to provide a basis for comparison.

Using the database and equations allow the agency to identify one or more scenarios involving the individual counties affected and the severity of the disaster. Then, this information is translated into alternative estimates of the potential loan volumes than might result. As more information about the size of the impact area becomes available, the estimates can be refined.

- **Internal Resource Requirements Model** – This model is designed to forecast the staffing levels necessary for SBA to handle a wide range of disaster events. Key assumptions and inputs to the model include the following:
  - The target application review and decision timeframe (e.g. SBA's current goal of 21 days);
  - The requirements for specialized staff skills such as loss verification, loan processing, and legal review in the application process;
  - Staff productivity and training requirements;
  - The total expected loan volume; and
  - The type of disaster.

Using this information, the model forecasts the staff necessary, by specific skill area, to meet the targeted loan application review time on a weekly basis following the disaster event. The model can also be reversed to show the backlog in applications generated by a given set of available staff.

The most critical assumptions in the model include the estimate of applications expected, the expectation regarding the timing of the receipt of the applications (the "intake curve") and the staff productivity. The estimate of expected applications leverages the information from the initial risk assessment that is led by FEMA and includes input from other agencies, including SBA. Equally important to knowing the total volume of loan applications is having a strong understanding the timing of application receipt. SBA's analysis has shown that the loan application "intake curve" depends on the type and scale of the disaster. Therefore, the model includes historical intake patterns for six categories of disaster type and scale (e.g. disasters with less than 5,000 applications, earthquakes, floods, etc.). This timing information is an important factor in determining when staff will be needed and how the resources will be deployed. Finally, staff productivity is a significant factor in the model but difficult to measure. The productivity estimates are based on a mix of data and expert opinion. The available data is still being explored to gain insight as to how productivity varies with the type or size of the disaster, or with technology advances.

SBA's staffing modeling is based primarily on the notion that the entire SBA loan volume is not received immediately. Particularly given the variable nature of catastrophic disaster events and their effect on populations, each disaster will have its own characteristics and the application flow will reflect those. SBA's modeling has looked at historical disaster events to determine the most likely application flow that will result from various events. At the onset of a disaster scenario, SBA will apply its initial modeling results against the staffing model in order to determine the resource and staffing needs as well as the appropriate, situation-specific surge plan.

- **FEMA's HAZUS Model** – HAZUS is a Geographical Information Systems (GIS) based system created by FEMA that enables decision-making in disaster preparedness, response, and recovery by projecting the impact of disasters and also by projecting potential losses that will result from these disasters. SBA uses HAZUS to evaluate the various impacts that hurricane, flood, and earthquake disaster scenarios will have on different parts of the United States. The results from the evaluation of these scenarios provide essential information that SBA uses to determine the scope of its disaster response effort and to further refine its disaster response processes. Specifically, starting during the hurricane season 2007 SBA will cull information about disaster scope; uninsured property loss; persons displaced; businesses displaced; physical property loss; and demographic information. This information will be

useful both for relative adjustments to the specific disaster response and for long-term refinement to the entire SBA disaster response process.

Further, HAZUS helps SBA integrate with the operations of other governmental organizations (such as FEMA and many state governments and local governments that use the program for their emergency response). It provides SBA a real-time ability to track disasters as they occur and rapidly react to changes in scenarios. In certain “what if” scenarios (i.e., “what if a Category 4 hurricane hit Jacksonville, Florida?”), SBA will use information from HAZUS that will be useful in predicting what SBA’s response must be in situations like these.

### MODELING AND THE SURGE PROCESS

Modeling the impacts associated with catastrophic disasters is a fundamental element of the surge process. Modeling takes place leading up to and during a catastrophic event and continues to have a role throughout the surge process.

When a disaster appears to be so large that it will overcome the core capabilities of the ODA, modeling techniques are essential in gauging the level of surge and scale needed to enhance SBA’s core.

The following are areas in which modeling will be used to spur and support the surge process:

- **Initial Severity Assessment** – SBA uses internal modeling to conduct a severity assessment of any disaster situation. This will take place prior to surge (and, when possible, prior to the disaster event) and will be used to determine the expected level of surge that will be required.
- **Early Return Modeling** – Within the first two weeks of surge, SBA will use internal modeling as well as information from HAZUS and external modeling providers to determine the accuracy of initial estimates and any unforeseen circumstances that have resulted from the disaster activity. This will be particularly important in catastrophic scenarios in which SBA must concurrently manage the influx of loan applications from multiple disasters. SBA will use this early return modeling to help plan staffing and other requirements.
- **Location Modeling/Resource Allocation** – SBA’s modeling capabilities will be useful in determining the ideal physical locations at which to locate surge employees and will assist SBA in focusing its efforts in the appropriate geographic regions.
- **Real-Time Assessment** – Throughout the surge process, modeling will continue to be performed to provide real-time assessment of the efficiency of the SBA surge response and to provide suggestions and opportunities for streamlining the response and improving the surge.
- **End-of-Surge Modeling** – Modeling will be instrumental in determining the appropriate time to “end” the surge phase of SBA disaster response and also to discern any “Lessons Learned” or best practices that resulted from the surge effort.

While this section has addressed how SBA prepares to help with recovery, Section VII, *Surging to Accommodate Need*, details the order in which SBA appropriates resources to meet various levels of disasters.

## VII. SURGING TO ACCOMMODATE NEED

The size of a disaster affects the number of loan requests SBA receives, and consequently the resources SBA must activate to serve its customers. While the 2005 Gulf Coast Hurricanes represent the highest level of catastrophic disaster activity that SBA has faced to date, the Agency is now prepared to serve the needs of disaster victims at even greater levels of catastrophic disaster activity.

Disasters are categorized into levels based on the number of anticipated applications. This categorization enables SBA to determine an appropriate surge level for scaling resources and operations to meet the needs of disaster victims. The disaster categories are as follows:

- **Level I** – 100,000 applications received and below
- **Level II** – 100,000 to 250,000 applications received
- **Level III** – 250,000 to 500,000 applications received
- **Level IV** – 500,000 applications received and above

### CORE CAPABILITIES

In an average year, the majority of disasters result in fewer than 100,000 loan applications. As a general practice, and based on the experience of SBA's disaster assistance program, SBA can address the needs of disaster victims for incidents up to catastrophic Levels I and II using its current Core Capability. Catastrophic Level III and Level IV represent scenarios that will require SBA to leverage strategies and solutions across the SBA organization, or outside of the SBA organization.

ODA will use modeling tools to determine shortly after a major event whether the volume of loan applications from any given disaster will overwhelm its Core Capability. Scaling the SBA operation to a Level III or IV will require Agency-wide support to adequately fulfill the needs of SBA's customers within desired performance parameters. With an understanding of current capacity levels and potential activity increase, ODA immediately and proactively requests additional SBA resources and support from the SBA Administrator. This section further specifies the surge plan that SBA will employ at each defined level of catastrophic disaster.

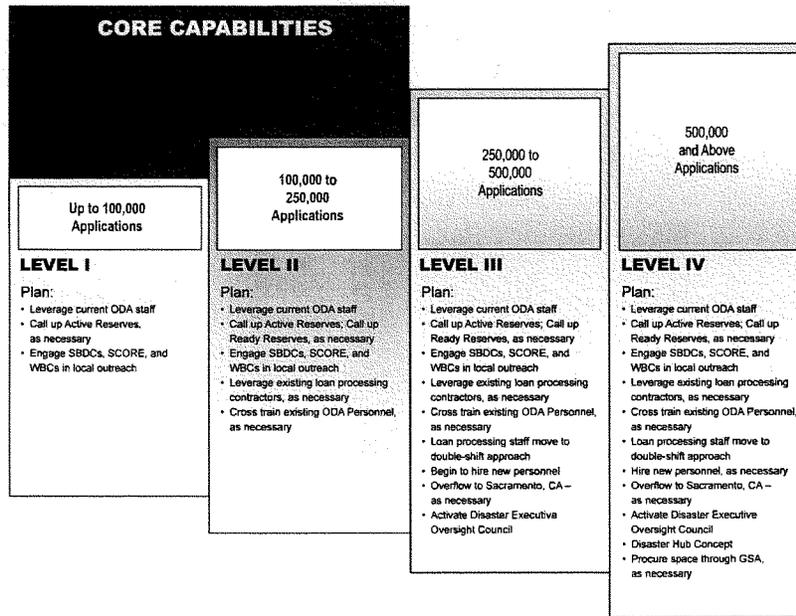


Figure 7: Overview of Disaster Levels – Focus on Core Capabilities

**SURGE CAPACITY**

As discussed in Section II, *Disaster Recovery Framework: The Process*, there are six types of disaster declarations; any of which make SBA disaster loans possible. When a disaster declaration occurs, SBA will experience an increase in the number and amount of loan applications. The more widespread or severe a disaster, the larger the number of homeowners and business that will be impacted, and the larger the level of operational surge for which SBA must plan.

The following graphic (Figure 8) illustrates SBA standards used to define catastrophic disaster levels and a snapshot of how SBA scales to meet the requirements of each level<sup>13</sup>. More detail on the specific surge activities can be found in the detailed descriptions of each level.

<sup>13</sup> While this section only addresses SBA’s process for scaling up its operations, it also has a set process for scaling down once resources are no longer needed. The scale down process is a reflection of the scale up process. Appendix D provides more information on how SBA prepares for and executes the scale down process.

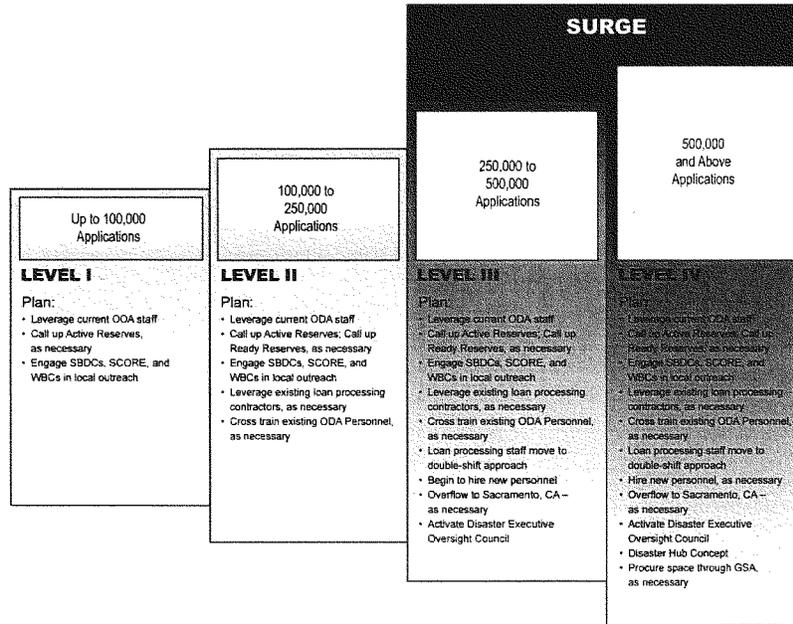


Figure 8: Scaling to Meet the Level of Disaster

**DISASTER RECOVERY DECISION TREE**

SBA’s Disaster Recovery Decision Tree (see Figure 9) depicts the decisions that SBA executives make in responding to a given disaster. First, they decide whether a disaster can be handled by SBA’s Core Capability, or whether the Agency must move to Surge Capacity. SBA’s Core Capability suffices for Level I disasters (fewer than 100,000 applications) and Level II disasters (between 100,000 and 250,000 applications). The Disaster Executive Oversight Council continually monitors loan application volume in Level I and II disasters and will elevate to Surge Capacity when the application intake exceeds its threshold of 250,000. SBA operates at Surge Capacity for Level III (between 250,000 and 500,000 applications) and Level IV (more than 500,000 applications) disasters.

When Surge Capacity is required, the authority for the disaster response is elevated from the Associate Administrator of ODA to the Disaster Executive Oversight Council. At this point, there is set of procedures that ensure appropriate Surge Capacity resource allocation, as shown in Figure 9. The Disaster Executive Oversight Council consists of SBA’s Administrator, Deputy Administrator, Chief of Staff, CFO, General Council, and the head of the Office of Congressional and Legislative Affairs. The Disaster Executive Oversight Council ensures that the Disaster Management Operations Council, comprised of relevant SBA program heads and executives, executes the Disaster Recovery Plan. Specifically, the Disaster Management Operations Council consists of the following individuals:

- Associate Administrator of ODA (AA/ODA),
- Associate Administrator of the Office of Field Operations (AA/OFO),
- Associate Administrator of the Office of Capital Access (AA/OCA),
- Associate Administrator of Government Contracting and Business Development (AA/GCBD),
- Associate Administrator of Entrepreneurial Development (AA/ED),
- Associate Administrator of the Office of Communications and Public Liaison (AA/OCPL),
- Associate Administrator of Human Capital Management (AA/OHCM),
- Chief Information Officer (CIO).

During Surge Capacity, the Disaster Management Operations Council directs and supports ODA’s centers and all of SBA’s resources to ensure an adequate response. Accordingly, SBA rapidly expands office space, augments staff to meet the anticipated workload, adjusts schedules, employs a double-shift approach, and works with resource partners (SBDCs, SCORE, Women’s Business Centers) as necessary to respond effectively.

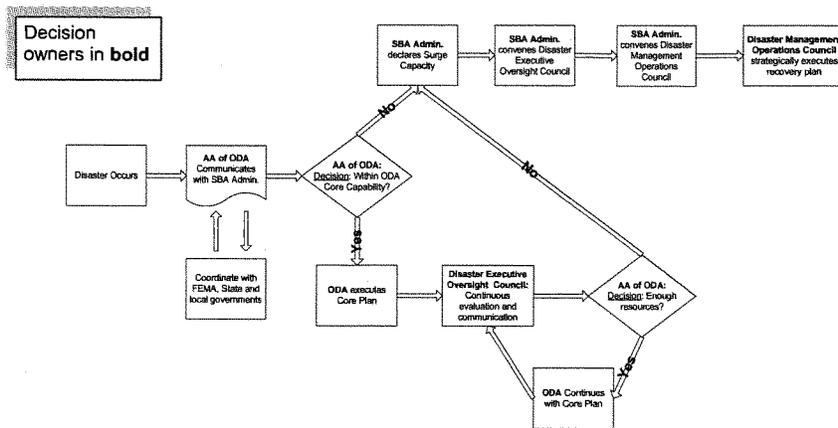


Figure 9: SBA's Disaster Recovery Decision Tree

**SBA’S LEVEL I PLAN**

The combination of SBA’s on-board strength, reengineered operations and expanded infrastructure capacity, positions SBA to handle Level I disasters within its Core Capability at a performance goal of 21 days (from receipt of the application to decision).<sup>14</sup> Historically, SBA has had tremendous success reaching this performance goal at this level. The business process reengineering efforts described in Section V position the Agency to achieve this performance goal with even greater efficiency. Subsequent to approval of loan applications, SBA has sufficient staff to perform post-processing functions.

For Level I disasters, ODA will activate the Ready and Active Reserve only if necessary to ensure that the proper balance of staff is readily accessible to respond to disasters at this level where the flow of applications tends to occur more rapidly. While SBA is fully prepared at this level, the occurrence of numerous disasters of this size would result in the deployment of SBA resources associated with higher levels of the catastrophic framework.



Level I – Core Capabilities – 100,000 applications	
	<ul style="list-style-type: none"> <li>➤ Leverage current ODA staff</li> <li>➤ Call up Active Reserves, as necessary</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Leverage current composition of SBA's disaster buildings</li> </ul>
	<ul style="list-style-type: none"> <li>➤ DCMS core capability provides adequate capacity</li> </ul>
	<ul style="list-style-type: none"> <li>➤ Engage SBDCs, SCORE, and WBCs in local outreach</li> </ul>
	<ul style="list-style-type: none"> <li>➤ CLA communicates with affected congressional offices</li> <li>➤ ODA PIO's communicate with the affected SBA regional and district offices and with the media</li> <li>➤ The public affairs personnel at the regional and district levels inform local officials of the classification of the disaster and the services SBA will provide; listen to local needs</li> <li>➤ ODA and OCPL constantly communicate</li> </ul>

<sup>14</sup> SBA uses a modeling formula for calculating the various staffing needs to process a certain number of loans under a given condition for the maximum allowable aging timeframe. In this model, multiple variables are in place; however, the number of applications and the number of allowable days aging drive the staffing requirement. Under normal business conditions with existing staff levels and workloads, the current SBA performance metrics for the maximum allowable aging time for loan processing are 12 days for home loans and 17 days for business loans (Again, days allowable drives staffing needs). However, for the purposes of Surge Capacity planning, SBA uses a 21 day maximum allowable aging timeframe as its performance goal (up to 30 for modeling Level IV). This number allows SBA to respond to the influx of loan applications, while maintaining control of the variables for staffing needs and time for processing applications, both of which play a significant role in driving costs. The SBA model can be adapted to calculate the staffing needs and associated costs by adjusting the maximum allowable aging timeframe for a given number of applications.

**SBA'S LEVEL II PLAN**

A Level II response (100,000 – 250,000 applications) is still within SBA's Core Capability. It does require SBA to leverage the Active Reserves, and possibly the Ready Reserves, to ensure adequate processing capability. SBA's Active Space (PDC, PASC, FOCs – East and West, and CSC) provides enough workstations for the necessary loan processing personnel.

While SBA has the Core Capability to achieve pre-set performance goals at Level II, it will closely monitor and anticipate disaster loan application volume: Once the volume is anticipated to reach 250,000 (due to a single disaster or due to multiple disasters), ODA's Associate Administrator and the Disaster Executive Oversight Council trigger Surge Capacity (see Figure 9, Disaster Recovery Decision Tree).

**II**

Level II – Core Capabilities – 100,000 to 250,000 applications	
	<ul style="list-style-type: none"> <li>➤Leverage current ODA staff</li> <li>➤Call up Active Reserves; Call up Ready Reserves, as necessary</li> <li>➤Cross train existing ODA Personnel, as necessary</li> </ul>
	<ul style="list-style-type: none"> <li>➤Leverage current composition of SBA's disaster buildings</li> <li>➤Surge Facility in Sacramento on "stand-by" should the flow of applications proves to be a challenge, or if the agency finds benefit in running concurrent operations</li> </ul>
	<ul style="list-style-type: none"> <li>➤DCMS core capability provides adequate capacity</li> </ul>
	<ul style="list-style-type: none"> <li>➤Engage SBDCs, SCORE, and WBCs in local outreach</li> <li>➤Leverage existing loan processing contractors, as necessary</li> </ul>
	<ul style="list-style-type: none"> <li>➤CLA communicates with affected congressional offices</li> <li>➤ODA PIO's communicate with the affected SBA regional and district offices and with the media</li> <li>➤The public affairs personnel at the regional and district levels inform local officials of the classification of the disaster and the services SBA will provide; listen to local needs</li> <li>➤ODA and OCPL constantly communicate</li> <li>➤OCPL activates the Disaster Assistance Information Center (DAIC) at SBA Headquarters, if Level III or IV response anticipated</li> </ul>

**SBA'S LEVEL III PLAN**

Once disaster loan application volume is anticipated to reach 250,000 (due to a single disaster or due to multiple disasters), SBA's Disaster Executive Oversight Council triggers Surge Capacity. According to SBA's disaster planning modeling tools, SBA will experience peak application inflow in or around the second month of processing. This will require SBA to employ surge strategies in the loan processing and loss verification functional areas to achieve a performance goal of 21 days.

In addition to the Disaster Reserves (Active Reserve and/or Ready Reserve), SBA will leverage the contractors that are ready to process loans, as well as the Non-ODA Surge Staff located primarily in the District Offices and the Office of Capital Access. ODA will employ hiring strategies in key functions to ensure that the full complement of staff are deployable in the week in which SBA's modeling activities indicate that they are required to be productive on SBA's front lines.

With respect to infrastructure, Level III may require employees of the Processing and Disbursement Center in Fort Worth to work double-shifts, as they did during the Gulf Coast Hurricanes. This double-shift approach yields an equivalent of 3,500 available workstations (1,750 actual workstations, deployed at double the standard number of hours per 24-hour period) for application intake, loan processing, and disbursement activity. SBA's surge loan processing and disbursement facility in Sacramento may also employ a double-shift capacity, as needed, which yields an additional equivalent of 700 workstations (350 actual workstations) for loan processing and disbursement activity. SBA will prepare pre-positioned Disaster Hubs to be used, should the volume be anticipated to exceed 500,000.



Level III – Surge – 250,000 to 500,000 applications	
	<ul style="list-style-type: none"> <li>➤Leverage current ODA staff</li> <li>➤Call up Active Reserves; Call up Ready Reserves, as necessary</li> <li>➤Cross train existing ODA personnel, as necessary</li> <li>➤Employ Non-ODA Surge Staff (District Offices, etc..)</li> <li>➤Loan processing staff work double-shifts</li> <li>➤Hire new personnel, as necessary</li> </ul>
	<ul style="list-style-type: none"> <li>➤Leverage current composition of SBA's disaster buildings</li> <li>➤Activate Surge Facility in Sacramento</li> <li>➤Operate a double-shift approach to maximize resources</li> <li>➤Utilize Disaster Hub Concept, as necessary</li> </ul>
	<ul style="list-style-type: none"> <li>➤DCMS core capability provides adequate capacity</li> <li>➤Closely monitor DCMS utilization &amp; capacity</li> <li>➤Closely monitor tablet inventory for FIT in order to procure additional units, with sufficient reserve</li> </ul>
	<ul style="list-style-type: none"> <li>➤Engage SBDCs, SCORE, WBCs in local outreach</li> <li>➤Leverage existing loan processing contractors</li> </ul>
	<ul style="list-style-type: none"> <li>➤OCPL activates the Disaster Assistance Information Center (DAIC) at SBA Headquarters</li> <li>➤DAIC communicates with affected congressional offices, partner agencies, media</li> <li>➤AA/CPL deploys personnel to JIC, as necessary</li> </ul>

**SBA'S LEVEL IV PLAN**

A Level IV disaster (more than 500,000 disaster loan applications) will be larger, and generate more loan applications, than any previous event, including the 2005 Gulf Coast Hurricanes. This number of applications (due to a single disaster or due to multiple disasters) will require SBA to leverage disaster planning modeling tools to determine if it is necessary to adjust the performance goal for processing beyond 21 days.

In addition to the Disaster Active and Ready Reserve, SBA will leverage all available surge human capital available across the Agency. Moreover, ODA will employ hiring strategies in key functions to ensure that the full complement of staff are deployable in the week in which SBA's modeling activities indicate that they are required to be productive on SBA's front lines. It is anticipated that hiring will begin immediately to ensure that the peak application periods are well staffed. Finally, SBA recognizes that draft legislation is pending in Congress that would prove to be most applicable to disaster activity associated with this catastrophic level. SBA awaits further direction from Congress, and will adapt pursuant to enacted legislation.

With respect to infrastructure, a Level IV response requires employees of the Processing and Disbursement Center in Fort Worth to work double-shifts. SBA's surge loan processing and disbursement facility in Sacramento will also employ a double-shift capacity (see Level III description for details). Further, SBA will leverage Disaster Hubs, as needed, to augment ODA's existing staff levels while it uses its primary human capital methods to hire permanent staff. By utilizing Disaster Hubs with a double-shift approach, it is estimated that SBA has an additional equivalent 400 workstations available for loan processing activities.

Finally, through the application of SBA's disaster planning tools, the Agency will be in a position to determine in the early weeks of a catastrophic response if the Agency possesses adequate infrastructure to house the required amount of staff to meet a 21 day process to decision goal. Should SBA estimate that it will require additional capacity for a given surge, the Agency will immediately leverage pre-existing relationships with GSA to negotiate the procurement and utilization of additional infrastructure. GSA is aware that SBA may need to acquire space quickly when a Level IV disaster occurs. SBA continually monitors available space throughout, in case of such a need.

**IV**

Level IV – Surge – 500,000 & above applications	
	<ul style="list-style-type: none"> <li>&gt;Leverage current ODA staff</li> <li>&gt;Call up Active and Ready Reserves</li> <li>&gt;Cross train existing ODA personnel, as necessary</li> <li>&gt;Employ Non-ODA Surge Staff (District Offices, etc..)</li> <li>&gt;Loan processing staff work double-shifts</li> <li>&gt;Hire new personnel, as necessary</li> </ul>
	<ul style="list-style-type: none"> <li>&gt;Leverage current composition of SBA's disaster buildings</li> <li>&gt;Operate a double-shift approach to maximize resources</li> <li>&gt;Activate Surge Facility in Sacramento, employ double-shift</li> <li>&gt;Utilize Disaster Hub Concept</li> </ul>
	<ul style="list-style-type: none"> <li>&gt;DCMS access is distributed &amp; monitored across each work-shift to ensure that the system remains viable</li> <li>&gt;If necessary, execute contingency plan to expand DCMS capacity</li> <li>&gt;Procure additional tablets inventory for FIT, as necessary</li> </ul>
	<ul style="list-style-type: none"> <li>&gt;Engage SBDCs, SCORE, WBCs in local outreach</li> <li>&gt;Leverage existing loan processing contractors</li> </ul>
	<ul style="list-style-type: none"> <li>&gt;OCPL activates the Disaster Assistance Information Center (DAIC) at SBA Headquarters</li> <li>&gt;DAIC communicates with affected congressional offices, partner agencies, media</li> <li>&gt;AA/CPL deploys personnel to JIC, as necessary</li> </ul>

**DETAILED SURGE PLAN**

Figure 10 (below) graphically depicts SBA’s plan for surging to accommodate the receipt of 500,000 disaster loan applications within its current composition of assets and resources. The numbers in the graphic are accurate as of May 15, 2007. While the above charts show the surge plan Level-by-Level, Figure 10 shows the surge plan as a continuum, spanning Levels I through IV. Particularly for the first two components – Human Capital/Personnel, Facilities/Infrastructure – there is an order to how the resources scale.

The surge plan for Personnel (Human Capital) first leverages ODA staff, then leverages employees from across the SBA organization. SBA leverages Active Reserves, Ready Reserves, existing contractor relationships, ODA staff, SBA staff, and then hires externally as necessary.

SBA maintains the facilities to process 500,000 disaster loan applications, before needing engage GSA to locate additional space. Space is measured in terms of workstations. Fully a third of the personnel during Surge Capacity are out in the field verifying property damage and therefore do not use workstations in one of the facilities. These loss verifiers log onto the DCMS system remotely, from their location in the field. The main loan processing and disbursement centers are in Dallas/Fort Worth, Texas and in Sacramento, California (Surge Facility). Each of these centers can employ double-shifts, one during the day and one at night, if necessary (as was done subsequent to the 2005 Gulf Coast Hurricanes).



## VIII. SIMULATIONS

Simulations are tools SBA uses to test and evaluate both personnel and protocols integral to efficient disaster response. An ideal simulation will allow SBA not only to test participants but also will highlight short comings and areas of concern in the SBA Disaster Recovery Plan. Effective implementation of post-simulation "Lessons Learned" will improve the SBA disaster plan and maximize performance in a real disaster scenario.

SBA's disaster simulations will be part of the normal SBA training program, but scheduled during times of minimal disaster activity so as not to exert undue pressure on SBA staff. Simulations can be tailored to specific program offices (e.g. Communications, Office of Field Operations, etc.) or can be implemented with a top-down approach that will encompass the entire Agency, including senior management. SBA staff will also participate in other Federal simulations and select state, tribal and local exercise as time allows.

Simulations will include systems testing at maximum levels including application processing and call center volume. They will also include ramp-up tests of hubs and backup processing facilities.



Figure 11: Disaster Simulation Process

In May 2007, 35 employees from SBA's Headquarters performed a tabletop exercise to test key components of this Disaster Recovery Plan. This exercise was the first of a series of exercises and simulations SBA will perform in order to prepare for disasters. It was directed toward the Senior Management of SBA, as well as management members of Office of Disaster Assistance and Office of Field Operations. It identified three operational areas (Communications, Governance, and Training) that SBA must drill in the future.

## IX. COMMUNICATIONS PLAN

In a disaster situation, SBA plays an essential role in restoring the affected area's economic health and vitality. Each year SBA handles tens of thousands of disaster loan applications for small businesses, homeowners, and renters to help them return to their pre-disaster standard of life. Ensuring accurate, timely, and consistent information exchange between disaster survivors and the government institutions upon which they rely is a vital part of SBA's disaster recovery mission.

The 2005 Gulf Coast Hurricanes have profoundly impacted SBA's disaster recovery planning. One important lesson is the need to interact with an increased number of customers, disaster victims, and state, local, and federal stakeholders in the event of a widespread disaster. SBA has developed a graduated plan that brings greater communications resources to bear as the event size increases.

### TARGET AUDIENCES

SBA will provide accurate, timely, and consistent information to several audiences simultaneously. Stakeholders have been classified in the following categories, including the communication objective for each constituent group:

- **Disaster Victims and SBA Customers:** Provide accurate, timely, and consistent information on contacting SBA, Agency services (especially about how to apply for disaster loans) and how to simplify the application process.
- **State & Local Officials:** Provide accurate, timely, and consistent information about SBA's services, how to access them, and the status of SBA operations in their area (with ongoing status reports throughout the process).
- **Federal and Congressional Officials:** SBA's Office of Congressional and Legislative Affairs (CLA) and Office of Intergovernmental Affairs have partnerships with FEMA, DHS, and other federal partners to ensure smooth recovery operations for customers. These partners understand SBA's role in supporting disaster recovery; as necessary, CLA and Intergovernmental Affairs will explain how SBA is responding to particular events and coordinate with its partners. SBA will coordinate with agency partners that offer other financial assistance programs that would impact SBA benefits.
- **National, Regional, and Local Media Outlets:** Enhance strong relationships with media to facilitate dissemination of SBA's message, provide an accurate picture of SBA operations, and encourage reasonable expectations as to what the Agency can and cannot do.
- **National Business & Government Associations:** Partner with economic development organizations, non-profits, and government associations to provide additional channels for increasing awareness of SBA services and aid in economic recovery.
- **Strategic Partners:** Partner with economic development organizations, non-profits, and SBA resource partners to provide additional channels for increasing the awareness of SBA services and aid in economic recovery.

### ROLES AND RESPONSIBILITIES

The Assistant Administrator for Communications and Public Liaison (AA/OCPL) is responsible for all communications, and creates the Agency's communications-related policy, for both normal and disaster recovery operations. As part of this responsibility, OCPL creates the Agency's core messages to ensure

customers and government entities understand SBA's mission, capabilities, and services. OCPL disseminates the messages at the national level, and to SBA Field and Disaster Offices for local distribution.

The Assistant Administrator for Congressional and Legislative Affairs (AA/CLA) is responsible for SBA's communications with members of Congress and their staffs. CLA responds to Congressional inquiries and seeks to keep members informed of SBA's recovery activities. CLA focuses on members of the districts affected by the disaster to ensure their constituents' needs are addressed, as well as members of the authorizing and appropriating congressional committees to ensure resource needs are well understood.

SBA's interaction with its customers and state and local stakeholders is led by regional and district public affairs personnel. These personnel maintain up-to-date contact with state, county, and municipal officials to educate them on SBA's role in disaster recovery prior to a disaster, and to facilitate recovery operations afterwards. They also maintain contact lists for local media outlets to ensure the public is aware of SBA's services and how they can be accessed. Field Office personnel have established relationships with local development organizations and professional organization (e.g., civic organizations, Chambers of Commerce), so will be the first point of contact for local business leaders in the event of disaster.

SBA also retains a robust crisis communications capability within its ODA, with dedicated Public Information Officers (PIOs) at its Field Operations Centers (East & West). When a disaster occurs, these experienced professionals deploy to the on-site Joint Information Center (JIC) alongside personnel from FEMA and other federal agencies to facilitate intra-government communications. ODA Field Communication Managers also lead the interaction with the local media outlets to answer inquiries and inform the public of SBA activities.

SBA employees have received significant training in crisis communications and public relations and are well prepared to interact with affected customers, federal, state and local officials, and the media. SBA has created communications materials, which will be disseminated immediately in the event of a disaster.

#### **PRE-DISASTER COMMUNICATIONS OUTLINE**

Pro-active communication, before disasters occur, is central to SBA's strategy. These "pre-disaster" communications are not specific to any one disaster, but are general preparations. To this end, OCPL:

1. In coordination with ODA,
  - a. Initiates SBA-wide training for all public affairs staff related to handling disasters in their districts;
  - b. With DHS and FEMA, establishes seasonal pen and pad briefings for national media on disaster-related issues;
2. In conjunction with ODA, CLA, and Intergovernmental Affairs,
  - a. Develops and disseminates basic materials explaining SBA's disaster services to all levels of government and media;
  - b. Enacts an earned media campaign (media tour) with a paid media option (advertisements)
    - i. FOCs circulate tips and relevant information to hurricane states during the month before hurricane season, in coordination with OCPL.

**COMMUNICATIONS PLAN: SURGING TO ACCOMMODATE NEED**

SBA developed this communications plan with two major objectives:

1. Informing customers of SBA services and how they can use them; and
2. Facilitating operations with other recovery partners.

The plan outlines the course of events for communicating prior to and during the execution of recovery operations. It identifies the assets to be called upon to respond, according to disaster severity (Level I-IV). SBA has developed this plan to be in alignment with the Emergency Support Function-15 Standard Operating Procedure<sup>15</sup> established by the Department of Homeland Security, enabling communications through the National Incident Management System (NIMS). Below is a summary of the concept of operations for reaching out to customers and other stakeholders in the different levels of disasters.

**LEVEL I DISASTER COMMUNICATIONS**

In the case of disasters such as hurricanes, where there is the opportunity to prepare for a disaster before it occurs, the ODA PIO reviews the communications operating procedures, sets an initial communication strategy, and creates requisite disaster-specific materials. For other disasters, such as tornadoes, SBA begins its recovery operations once the disaster declaration has been issued.

ODA PIOs are responsible for contacting the affected regional and district offices at the onset of a disaster once a disaster has been declared. The public affairs personnel at the regional and district levels immediately reach out to local officials to inform them of classification of the disaster and what services SBA will provide to assist in the recovery. SBA has developed a Disaster Toolbox for the field representatives to use in the period immediately following a disaster that contains ready-to-use materials providing basic information on SBA services.

The PIOs entering the area to begin recovery operations and SBA's field assets coordinate communications to the media in order to deliver a coherent message to the local population. These communications occur daily until recovery operations end and at community events.

Once in the affected area, the PIOs lead the communications efforts with federal, state, and local stakeholders from the JIC. They provide trained spokespeople to interact with local media outlets in order to further disseminate SBA's message. The PIOs interact closely with FEMA's Community Relations staff to coordinate outreach actions. ODA personnel also interact with congressional officials visiting the affected area.

During Level I disasters, the OCPL provides communications oversight in order to ensure SBA's customers and stakeholders receive accurate, timely, and consistent information. When required, OCPL staff interacts with national media. The OCPL also serves as an additional communications resource to internal SBA operations such as Processing and Disbursement Center (PDC), and other federal agencies, primarily with contacts in the Washington, DC area.

CLA retains oversight of responses to congressional inquires, interacts directly with members and their staffs in the Washington, DC area, and ensures that members visiting the affected area

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<sup>15</sup> ESF-15 is an Interim guidance document at this time.

receive an accurate picture of SBA operations. The PIOs provide information to members of Congress who are visiting the affected area.

#### **LEVEL II, III, AND IV DISASTER COMMUNICATIONS**

Disasters classified above Level II require SBA to bolster its communication resources with a more expansive team: The scale of the recovery efforts in these events multiplies the number of stakeholders. Consequently, SBA has developed a Surge Capacity that employs SBA headquarters communications assets. This plan for increasing communications assets follows the principles of the overall Disaster Recovery Plan.

For Level II disasters, the same concept of operations and basic sequence of events applies. However, the AA/OCPL will activate the Disaster Assistance Information Center (DAIC) at SBA headquarters in Washington, DC (or other necessary locations) in response to any disaster on the high end of Level II and for all Level III and IV events. The DAIC increases the Agency's ability to conduct recovery operations and reach out to its customers. The purpose of the DAIC is to create a clearinghouse for Agency communications to create a clear picture of SBA recovery operations. The DAIC consists of representatives from the OCPL, CLA, ODA and other SBA offices, so as to collect information from across the organization. The AA/OCPL can also deploy headquarters personnel to the JIC to facilitate information flow between the DAIC and on-site activities. The DAIC is responsible for creating and maintaining a single, unified and accurate picture of recovery operations. The DAIC can then create clear, cohesive messages that all SBA personnel deliver to customers, state and local officials, and federal partners.

One of the DAIC's main roles is to take on communication responsibilities that could decrease the ability of ODA to conduct recovery operations. To that end, the DAIC will respond to inquiries regarding the laws and policies that govern SBA recovery operations and all media inquiries that do not originate from the affected area. The DAIC will serve as the main communications hub within SBA, for federal partners, and for members of Congress.

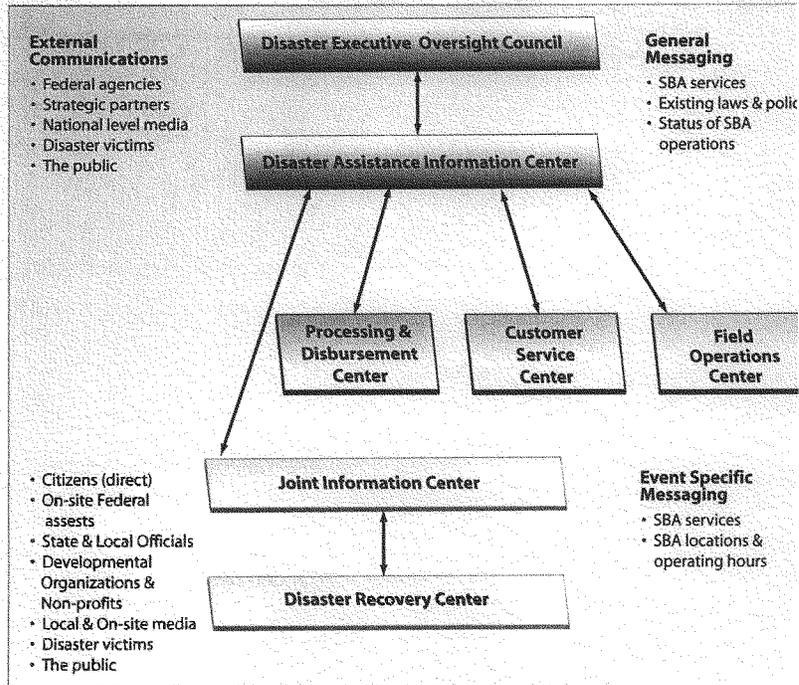


Figure 12: Concept of Operations for Surge Communications

Level III and IV disasters require the greatest assistance from SBA’s headquarters assets. Experience shows that such disasters require significant resources and oversight to establish a clear picture of the situation and accurately portray the state of recovery operations. In these cases, the AA/OCPL takes direct control of all SBA communication. The AA/OCPL may move the DAIC to the affected area while maintaining a stay-behind staff to manage Washington, DC area communications. Depending on need, the AA/OCPL will leverage surge support from SBA offices in unaffected districts to reinforce communications efforts in the disaster area. As disasters of this magnitude attract significant national media attention, the AA/OCPL will interact with the media from SBA Headquarters or from the affected area.

**IMPROVING SBA’S CAPABILITIES**

SBA’s plans are dynamic: the Agency will continue to learn and improve its operations as it responds to hurricanes in 2007 and other disasters. Lessons learned during and after the 2005 Gulf Coast Hurricanes shaped the Agency’s disaster recovery plan and how the Agency communicates with customers and other stakeholders. OCPL, ODA, and Field Offices will test their capabilities, communications plan, and existing SOPs through exercises and simulations. SBA will adjust its plan and SOPs over time to reflect organizational learning, and ultimately to better meet customers’ needs.

## X. PATH FORWARD

SBA continues to develop and refine its disaster recovery capabilities. This section describes ongoing initiatives that will further improve its disaster recovery ability over time.

### ONGOING INITIATIVES:

- *Next-Generation Modeling and Simulation*
- *Updated Standard Operating Procedures and Training*
- *Continued Business Process Improvements*
- *Expanded Public-Private Partnership*

#### NEXT-GENERATION MODELING AND SIMULATION

SBA already uses FEMA's HAZUS model to assist in projecting the impact of disasters and the number of disaster loan applications that will be likely to be generated by a particular disaster. SBA has used proprietary data – particularly historical disaster loan records – to augment and customize HAZUS to suit and support SBA's purposes.

During the past year, SBA launched a significant effort to examine leading-edge modeling and simulation developments in the private sector that could further improve its ability to forecast disaster recovery needs, loan volume, and total costs. SBA may incorporate some of these external modeling products into its risk modeling process. The actuarial and insurance industries have in-depth assessment techniques and models that could augment SBA's risk modeling process, and could potentially expand the variety of disasters that SBA's models address. Not only do these tools allow for an understanding of future disasters based on similar past disasters, they also provide for "what if"-type scenarios, for which there is little historical data from which to make projections. Implementation of such models would allow SBA to even more accurately predict loan amount and volume, and consequently to make funding requests to Congress that more truly reflect the size of the response needed.

#### UPDATED STANDARD OPERATING PROCEDURES AND TRAINING

Standard Operating Procedures have long been in place, along with corresponding training, for the SBA's core competencies regarding disaster recovery. The 2005 Gulf Coast Hurricanes provided incentive for multiple process improvements and updated standard operating procedures, particularly regarding SBA's surge response. These have been implemented over the past two years. A comprehensive approach to enhancing standard operating procedures, training, and coordination will continue. In addition, SBA will perform annual simulation and tabletop exercises to test and further upgrade its core and surge disaster response procedures.

#### CONTINUED BUSINESS PROCESS IMPROVEMENTS

SBA continues to improve and automate business processes to bring about greater responsiveness and efficiencies. Section V, *Business Process Improvements*, addresses the business process improvements that have already been made.

Currently, SBA is focused on defining functionality and system requirements for an online disaster loan application. By empowering homeowners, renters and business owners to begin the loan-application system on their own, delays will be reduced significantly. When displaced disaster victims reach any location with Internet access, they will be able to initiate the loan process, check on the status of their request, and receive automated updates at certain milestones events. Online filing will increase customer satisfaction, and reduce errors. The electronic application intake program will create other internal process improvements, such as reduce cycle-times and increase productivity of SBA employees.

SBA is actively involved in the planning for a government-wide single portal for disaster victims to submit electronic applications for assistance, as directed by *Executive Order: Improving Assistance for Disaster Victims* (August 29, 2006). This FEMA-led initiative is currently referred to as the *Disaster Assistance Improvement Plan* and includes 14 other Federal agencies and departments. The focus of the current plan is to provide application services following major disaster declarations to homeowners and renters, most of which are typically referred to SBA for a loan. The current plan proposes changes and improvements to both the FEMA NEMIS and DOL GovBenefits programs to meet the objectives of the Executive Order, and for other agencies to fund their supporting infrastructure.

The on-going SBA effort to release an online disaster loan application is necessary to support the internal infrastructure requirements of the government-wide single portal. The SBA effort includes addressing a gap in the single government portal by including online application services for business owners and to victims of disasters not declared by FEMA. SBA will closely coordinate with FEMA as it designs the functionality to be included in the government-wide portal and will incorporate the common data collected by this process. Using the same module and web service developed for the online loan application, SBA will feed its data into the other planned internal process improvements for a single integrated and efficient loan process solution.

Another potential component of the business process improvements is next-generation information technology capabilities that can assist SBA in its mission. In particular, SBA is considering strategies for developing systems-supported models that leverage public records for more rapid responsiveness to victims of disaster, while observing privacy and security statutes and regulations. The Agency is pursuing further time savings by partnering with the IRS to speed the transfer of tax return data needed for loan processing as well as contracting with commercial companies to reduce delays in securing property titles.

#### **EXPANDED PUBLIC-PRIVATE PARTNERSHIP**

SBA is actively engaging with a number of government, private, and non-profit organizations. The Agency aims to achieve the following objectives, particularly for Surge Capacity:

- **Improved local outreach following disasters**
  - Examples of major potential partners: U.S. Chamber of Commerce, International City and County Managers Association, National Association of Counties
- **Improved planning capability**
  - Examples of major potential partners: U.S. Chamber of Commerce, International City and County Managers Association, National Government Finance Officers' Association, Private Sector Council)
- **Bolster processing capability**
  - Examples of major potential partners: U.S. Chamber of Commerce, International City and County Managers Association

## XI. APPENDICES

### APPENDIX A: LESSONS LEARNED

The volume of loan applications subsequent to the 2005 Gulf Coast Hurricanes overwhelmed SBA's workforce, infrastructure, and loan processing system. At that time, SBA was not sufficiently prepared for a catastrophe of this magnitude. As a result, many disaster victims in the Gulf Region did not receive timely assistance. SBA has identified four previous challenges or primary lessons learned and corresponding resolutions.

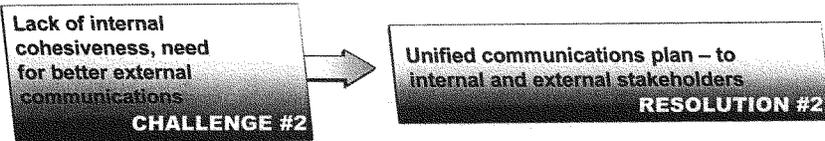


#### **LESSON # 1: SBA MUST HAVE A SURGE PLAN FOR SCALING TO RESPOND TO DISASTERS OF THE LEVEL OF THE 2005 GULF COAST HURRICANES OR GREATER**

The Gulf Coast Hurricanes of 2005 highlighted SBA's need for a surge plan to respond to disasters of this magnitude or greater. The number of loan requests from disaster victims generated by the Gulf Coast Hurricanes was approximately three times the number that resulted from any other instance in SBA's 50 year history. The quantity of loan applications after the Gulf Coast Hurricanes exceeded SBA's existing processing capacity. Additionally, SBA's Office of Disaster Assistance (ODA) was undergoing an organizational restructuring that further taxed its resources and operations. SBA had not fully developed a pervasive internal support mechanism to leverage all internal and external resources. SBA has now developed a surge plan, as described in Section VII of this report, *Surging to Accommodate Need*, for addressing increases in loan applications.

#### **Lesson Learned**

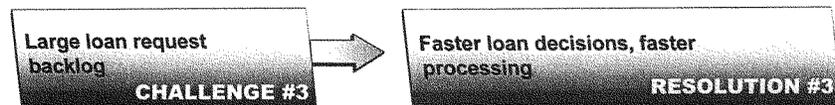
SBA learned that to effectively address the magnitude of loan applications created by the Gulf Coast Hurricanes of 2005 (or greater); the entire Agency must mobilize. Only if this happens can SBA supply ample resources in Surge Capacity. Section VII of this report, *Surging to Accommodate Need*, details SBA's plan to surge and provide resources for different levels of disaster based on the estimated number of loan applications, with the goal of enabling the Agency to meet performance standards regardless of the scope of the disaster.



**LESSON # 2: WHEN SCALING TO RESPOND TO LARGE DISASTERS, COMMUNICATION NEEDS TO BE IMPROVED AT ALL LEVELS**

In the Agency's surge following the 2005 Gulf Coast Hurricanes, there was insufficient communication among all of ODA's Centers and the rest of the Agency. Although the Centers have specific functions, they lacked an information-sharing network or platform and did not share information with each other as fully as should be expected: the result was that it was difficult to fully serve the disaster victims. Additionally, SBA's communication with external stakeholders – Congress, federal, state, and local agencies fell short of expectations.

SBA has implemented procedures to improve communication among ODA's Centers, throughout SBA, and with external stakeholders. This plan is detailed in Section VII, *Surging to Accommodate Need*, and in Section IX, *Communications Plan*, of this report.



**LESSON #3: SBA MUST INCREASE CAPACITY, REDUCE ERRORS AND REWORK, PROVIDE BETTER CUSTOMER SUPPORT, AND HAVE TOOLS IN PLACE TO SUPPORT OPERATIONAL ADJUSTMENTS**

As a result of the 2005 Gulf Coast Hurricanes, SBA received an unprecedented 420,000 loan requests. This massive volume exposed the weaknesses in the business process and key operations. Because of inflexibility in the operational model, the Agency lacked throughput capacity, resulting in a large backlog. At one point the average request took 75 days to process. While there are some borrowers that remain in the process (as of May 2007), the preponderance have issues with insurance, utilities, or obtaining documents – issues unrelated to SBA's response.

SBA has made significant progress in reengineering its processes and expediting referrals to grant programs to be prepared for future disasters. Through dialogue and operational improvements since the 2005 hurricanes, the Agency has become more adaptive.

**Business Process Improvements and Oversight**

A chief complaint of loan applicants after the hurricanes of 2005 was the complex process of interaction with multiple SBA representatives. Based on a review of customer feedback and internal performance indicators, SBA has identified inefficiencies and quality deficiencies in its processes.

SBA performed an in-depth review of its processes, which led to a full redesign of SBA's internal production and support services operations. Integrated teams now work together in collaborative units, focusing on cases assigned to them. They respond to customers faster, make fewer errors,

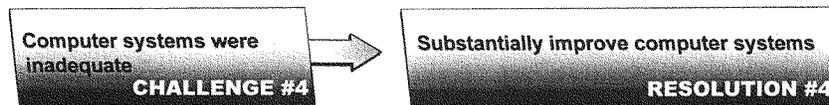
and generally provide better service. The new process has yielded improved communication with disaster victims and better collaboration among ODA employees.

Now, at the time of a loan approval, each borrower is assigned a case manager who is his or her point of contact throughout the process. This streamlined 'lifecycle' case management system helps the borrower navigate the process more efficiently, and thus receive the service they need in a timelier manner.

SBA has contacted over 90,000 borrowers in the Gulf to introduce them to the new process and has recorded the challenges encountered. SBA has used this information to create a database that provides insight into borrowers' needs and concerns.

#### **Expedited Referrals to Grant Programs**

SBA is using automated tools to expedite applicants' referral to grant programs, which results in less work for the applicant and a burden reduction for SBA. By using these tools, SBA can process a larger number of loans in a shorter period of time and refer ineligible loan applicants to grant providers much sooner. This improvement has reduced the volume of files pending a decision, minimized the aging of such files, and eased the processing burden on DCMS.



#### **LESSON #4: TO RESPOND TO FUTURE DISASTERS, ODA MUST IMPROVE ITS COMPUTER SYSTEMS**

When Hurricanes Katrina, Rita, and Wilma hit the Gulf Coast, SBA was in the process of upgrading its ODA loan processing computer systems. Prior to the Gulf Coast Hurricanes, ODA used Automated Loan Control System (ALCS) and Loan Officer Reporting (LOR). These systems were decommissioned due to severe resource, security, and scalability limitations. Therefore, a new computer system was in the process of being implemented.

ODA's new computer system, the Disaster Credit Management System (DCMS), was not completely deployed when the first of the three hurricanes struck. Consequently, the new system could only accommodate approximately 2,000 concurrent users. In addition, because the system was new, the workforce had a limited knowledge of the efficient use of the system's tools. SBA was in the process of expanding system capacity, network capacity and scanning infrastructure during the response. However, the volume of loan applications stressed the new system's capacity, causing significant backlogs.

#### **Upgraded System Capacity**

Since the Gulf Coast 2005 Hurricanes, SBA has completed the DCMS Hardware Upgrade project, significantly expanding DCMS' capacity. This expansion represents a four-fold increase in capacity over peak usage during the 2005 Gulf Coast Hurricanes up to 8,000 concurrent users. The current system also allows users to work remotely, expanding the geographic alternatives for workforce recruiting.

#### **Advantages of DCMS**

Now that the DCMS technology has been fully implemented and enhanced, SBA efficiently processes disaster loan applications by allowing data to be captured and reused throughout the

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process -- much of the process is now automated. DCMS underwent extensive performance testing prior to release to production. SBA intends to continue to enhance the DCMS software and hardware components to further improve performance and capabilities and will perform additional stress testing, as necessary, to assess the impact of these changes to the new baseline.

**APPENDIX B: ACRONYMS**

		HR	Human Resources
AA/OCPL	Assistant Administrator for Communications and Public Liaison	HSIN	Homeland Security Information Network
AA/ODA	Assistant Administrator for the Office of Disaster Assistance	IA	Individual Assistance
AA/OFO	Associate Administrator of the Office of Field Operations	IFA	Interjurisdictional Fisheries Act
ADRI	Accelerated Disaster Response Initiative	IIMG	Interagency Incident Management Group
ALCS	Automated Loan Control System	MOU	Memorandum of Understanding
BPR	Business Process Re-Engineering	NACo	National Association of Counties
CLA	Congressional and Legislative Affairs	NIMS	National Incident Management System
COBRA	Coastal Barrier Resources Act	NPSC	National Processing Service Center
CONUS	Continental United States	NRC	National Capital Region
CSC	Customer Service Center	NRCC	National Response Coordination Center
DAIC	Disaster Assistance Information Center	OCIO	Office of the Chief Information Officer
DCMS	Disaster Credit Management System	OFO	Office of Field Operations
DGR	Delegated Government Representative	OCON	Outside the Continental United States
DHS	Department of Homeland Security	US	States
DLP	Disaster Loan Program	OCPL	Office Communications and Public Liaison
DLV	Disaster Loss Verification	ODA	Office of Disaster Assistance
DLOC	Disaster Loan Outreach Center	OMB	Office of Management and Budget
		PASC	Personnel and Administrative Services Center
DRC	Disaster Recovery Center	PDA	Preliminary Damage Assessment
EIDL	Economic Injury Disaster Loans	PDC	Processing and Disbursement Center
ESF	Emergency Support Function	PIO	Public Information Officer
ESFLG	Emergency Support Function Leaders Group	PMO	Project Management Office
FEMA	Federal Emergency Management Agency	PSA	Public Service Announcement
FIT	Field Inspection Team	PWS	Performance Work Statement
FOC	Field Operating Center	RRCC	Regional Response Coordination Centers
FOC-E	Field Operating Center East	SBA	Small Business Administration
FOC-W	Field Operating Center West	SBDC	Small Business Development Centers
FSA	Farm Service Agency	SME	Subject Matter Expert
GFOA	Government Finance Officers Association	SOP	Standard Operating Procedures
GC/BD	Government Contracting and Business Development	WBC	Women's Business Centers
GIS	Geographical Information Systems	VTC	Video Conference Calls
GSA	General Services Administration		

## APPENDIX C: SCOPE AND METHODOLOGY

SBA faced unprecedented demand for its disaster loan assistance services in the wake of Hurricanes Katrina, Rita, and Wilma. The scale of the demand forced SBA to reexamine its Core Capabilities, Surge Capacity, and means for communicating, both internally and externally, in times of disaster. This document has identified the critical steps that SBA has taken and will take, in partnership with other agencies, to prepare for and respond to disasters.

### SCOPE

Although this document identifies the critical path for moving forward, it does not set forth Standard Operating Procedures. SOPs have long been in place, along with corresponding training, in SBA's core competency to respond to disasters. Based upon the comprehensive Disaster Recovery Plan that SBA has now developed, it will upgrade SOPs and training across the organization, particularly with regard to responding to large-scale disasters.

### METHODOLOGY

A collaborative team within SBA met for several months to develop the Disaster Recovery Plan. The team shared lessons learned and developed a methodology for modeling and meeting the needs of future disaster victims. Regarding each element of the surge response (Human Capital, Infrastructure, Technology, Communications, and Partnerships), SBA employed the following methodologies:

- **Human Capital** - employed detailed models based on productivity metrics to determine the staff's need relative to various levels of disaster loan application requests:
- **Infrastructure** - Analyzed productivity metrics, levels of Surge Capacity, and double-shift approaches employed subsequent to the 2005 Gulf Coast Hurricanes.
- **Technology** - Finished implementing and testing the DCMS system. Received input from SBA's CIO and the manager of SBA's DCMS Operations Center.
- **Communications** - Reviewed stakeholders' requests, analyzed contact points, and issues that arose subsequent to the 2005 Gulf Coast Hurricanes.
- **Partnerships** - Initiated an outreach campaign to build partnerships with government (federal, state, and local) and private sector entities.

SBA has disseminated internally generated products to key external stakeholders, including GSA, FEMA, and DHS in order to obtain additional information and enhance ongoing communications. It is important that all of the government agencies involved in responding to disasters do so in concert. SBA acknowledges that being prepared for large-scale disasters has a significant cost. Before finalizing the budget for the Disaster Recovery Plan SBA has vetted it with its stakeholders. The Agency's partners, GSA, FEMA, and DHS, understand its core capabilities and support its surge plans and readiness measures.

#### APPENDIX D: DISASTER SCALE DOWN PROCESS

As part of SBA's cost-effective, application-driven staffing model, levels of staff vary according to the number of applications needing processing services. SBA maintains employee types, which allow for a flexible and fair staffing model that can scale and surge when needed, while maintaining fiscal responsibility during down times.

As previously discussed in the *Surging to Accommodate Need* section, SBA can scale up its operations and increase manifold in size according to the level of a catastrophic event. However, as the recovery phase draws to a close, SBA must resume its normal operating protocols and gradually scale down its staffing, equipment, and resource needs.

According to its written procedures, when workload decreases cause a surplus of employees, decision-makers within SBA can estimate the continuing need for each job group (e.g., screening & applications entry, scanning, loss verification, loan processing, legal, etc.) and calculate the personnel reduction necessary for each job group. By using the surge modeling processing, SBA can determine an expected point at which the peak of loan volume and processing needs for various skill areas will be reached and can subsequently make decisions about releasing surge staff.

The scale process closely reflects the scale up process. Whereas, the screening and application job group is the first scale up, it is likely to be the first to scale down. Several factors affect the actual order of scaling up and down of the disaster staff: the presence of multiple disasters, the number of loan modifications, and the number of relocations. Multiple disasters or a large number of loan modifications may require the Office to retain screeners and scanners while still releasing other support staff or others sooner.

## **APPENDIX E: ROLES AND RESPONSIBILITIES OF OTHER SBA OFFICES THAT SUPPORT DISASTER RECOVERY**

While Section IV addressed the primary offices that support disaster, there are other offices that play a role. Below is a brief description of these offices, including their roles and responsibilities in SBA's disaster response.

### **M&A**

The Office of Management and Administration (M & A) is responsible for the oversight and management of the Office of Human Capital Management (OHCM) and the Office of Business Operations (OBO).

In the event of a major disaster, M & A, through the OBO, provides the necessary support to ensure that adequate space and facilities are available and that urgent acquisition needs are addressed expeditiously. To ensure the availability of adequate space and facilities, OBO works closely with officials from the General Services Administration to maintain the relationship, communication, and commitment needed to make certain of the immediate availability of space and facilities in those areas of the country most likely to be subjected to natural disasters.

The Division of Procurement and Grants Management (DPGM), within OBO, is responsible for meeting the acquisition needs of the Office of Disaster Assistance (ODA) during a disaster response. To facilitate ODA's needs in an expeditious manner, a senior Contracting Officer will be assigned to support their needs on an ongoing basis. That individual will work very closely with ODA to handle both routine and emergency requirements. That individual will also work closely with the Federal Emergency Response and Recovery Contracting team to utilize contracting vehicles developed specifically for disaster needs. When a disaster strikes, DPGM will provide additional contracting support as needed. DPGM will work closely with ODA to help them define their requirements, effect a streamlined acquisition process, and procure the right solution for their needs within budget and on time.

M & A, through OHCM, will coordinate with ODA to determine if there is a need to augment ODA disaster personnel staff. If a disaster goes to a Level III, OHCM will work with ODA and other program areas to implement the surge procedures. Specifically, OHCM will notify employees who are being affected and notify the SBA's union of activation of surge procedures. Depending on the severity and location of the event, OHCM is able to move its operations to the OHCM Denver Personnel Center. Should the OHCM Payroll Operation be impacted by the disaster, OHCM has measures in place with the National Finance Center (NFC) to ensure that SBA employees continue to be paid. OHCM would activate its "go teams" to a NFC backup location to manually input time and attendance data into the NFC. NFC has measures in place and emergency back up facilities to ensure payroll will be processed in a timely manner.

### **OCPL**

See Section IX, *Communications Plan*, for OCPL's roles and responsibilities during each level of the disaster response.

### **OCIO**

The Office of the Chief Information Officer is responsible for developing and implementing information technology policy, standards and procedures in accordance to applicable laws and regulations for use throughout the Agency. It provides oversight, management and operational

support of SBA's IT units, including the Agency's continuity of operations, disaster response and recovery capabilities for the infrastructure and critical systems. OCIO manages and monitors the Agency's network to ensure a fast response to any problems that may arise during critical times, regarding stability, reliability and availability of all critical systems.

OCIO and ODA work collaboratively in developing a paperless disaster loan application, which upon deployment will allow victims of natural disasters to complete the required paperwork online more expediently. OCIO manages SBA's websites, and ensures they are made available for accessibility at all times, so those affected by disasters can get to disaster related information from the first responders phase through to the recovery phase.

#### **SBA DISTRICT OFFICES**

While the Office of Disaster Assistance (ODA) has the primary responsibility for the delivery of SBA's disaster loan program, non-disaster field offices must play a role in Level III and IV disasters to ensure a seamless and effective response to our customers. The extent to which a regional, district or branch office will be called upon to support a disaster recovery operation (for example, as a Disaster Hub) will be determined largely by the severity of the disaster and how widespread it is. Many local offices lack sufficient staff to support a large endeavor and in many cases their own employees may be suffering the effects of the event and need to take care of their own families and home situations.

As a part of the Accelerated Disaster Recovery Initiative (ADRI), the ten Regional Communications Directors, or other highly qualified persons, have been designated by the Regional Administrators to work with ODA to support media and public affairs activities and coordinate support for SBA disaster programs from district offices within their region. These regional disaster designees will serve as points of contact when catastrophic disasters are declared.

**APPENDIX F: THE ACCELERATED DISASTER RESPONSE INITIATIVE (ADRI)**

SBA's Administrator Preston, by executive appointment, established the Accelerated Disaster Response Initiative in September 2006. Its goal is to modernize and improve the business processes that SBA uses to assist disaster victims while providing for an integrated technology solution that eases the burden on the disaster loan applicants. An ADRI Team supports the initiative and reports directly to the Administrator.

ADRI's main goal is to improve the speed in which disaster victims receive assistance while improving the manner in which disaster loans are approved and distributed. It has four main initiatives: an integrated case management approach to loan processing; an automated system for more rapidly collecting applicant data; private sector loan processing support for Surge Capacity; and broader SBA-wide integration. Section V, *Business Process Improvements*, addresses the improvements already brought about by ADRI.

In addition, the Accelerated Disaster Response Initiative Chief sits on a Presidential Task Force that was established in August 2006 to improve "the promptness and efficiency with which disaster victims obtain access to eligible Federal disaster assistance." This task force is charged with inventorying and assessing the effectiveness of disaster assistance programs, integrating a "single point" disaster application for use by multiple federal agencies, and the development of ways to eliminate or reduce duplication of efforts or requirements while minimizing fraud and waste.

# Focusing on the Future



Mayor Lyda Ann Thomas  
City of Galveston

U.S. Senate Committee on Small Business and Entrepreneurship  
A Year Later: Lessons Learned and Progress Made  
After Hurricane Ike

Galveston, TX

September 25, 2009

City of Galveston

Images, Statistics, and Facts  
from Hurricane Ike

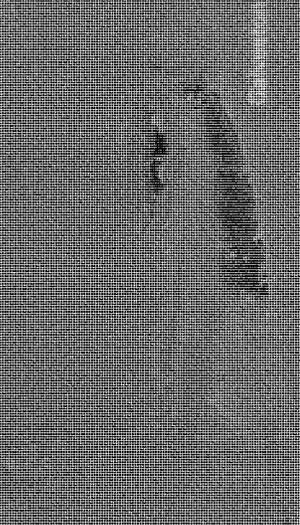
September 25, 2009





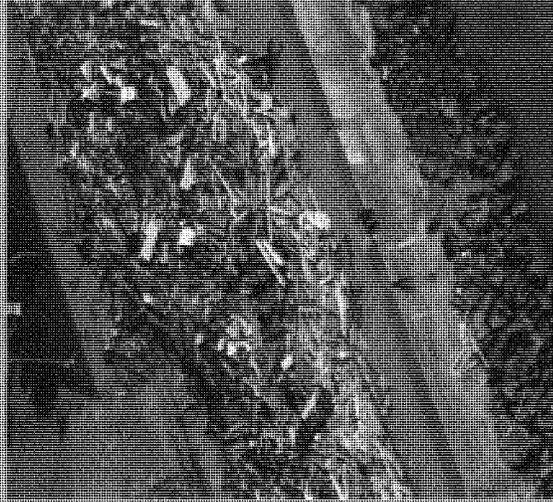
# Galveston Surge

- **Behind Seawall**
  - 12 to 13 ft. Surge
- **West End**
  - 10 to 12 ft. Surge
- **Entire Island Affected**
  - 90% Heavily Damaged

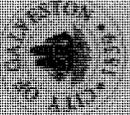




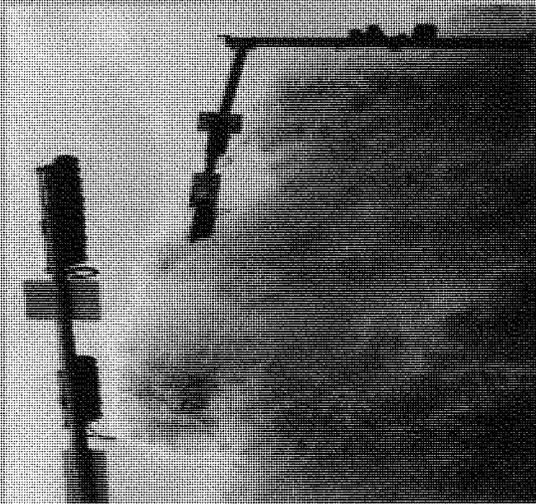
## Galveston Debris



- 1.2 Million Cubic Yards to Feb. 12, '09
- 1.8 Million Pounds of Household Hazardous Waste
- 53,000 White Goods
- 7,200 Televisions/etc.
- \$43+ Million so far.



# Damage to Infrastructure

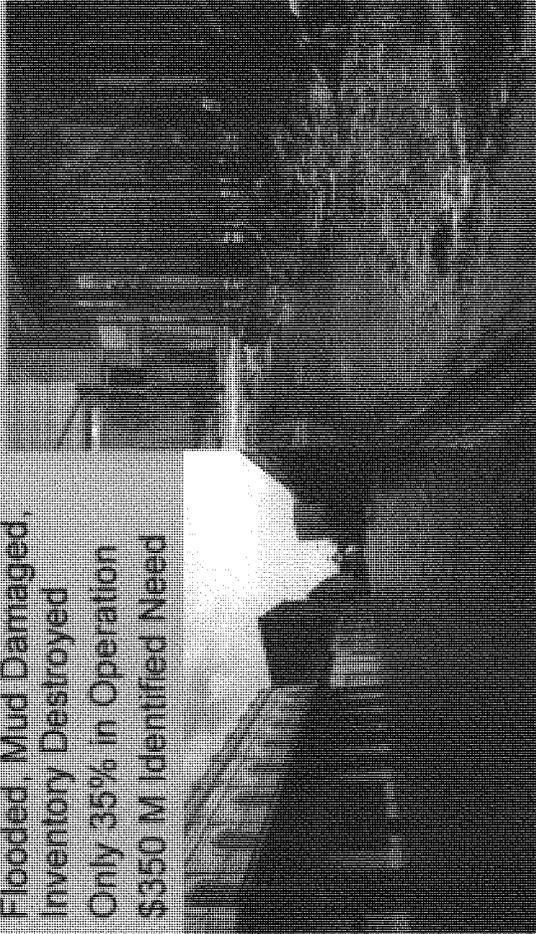


- 100% System Failure
- New Infrastructure
  - Simple Restart
  - Performed as designed
  - CIP 'on-hold'—Funding
- Old Infrastructure
  - Major Failure
  - Latent Damage
- \$970 Million Estimate



# Damage to Businesses

- Flooded, Mud Damaged, Inventory Destroyed
- Only 35% in Operation
- \$350 M Identified Need

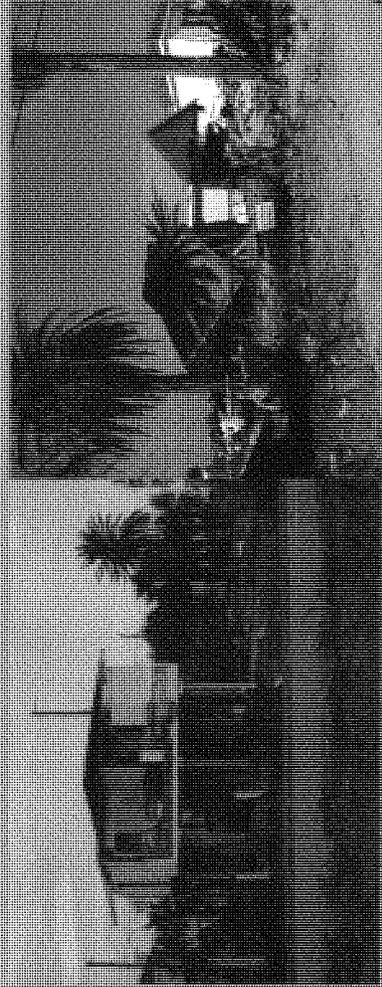


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# Damage to Homes

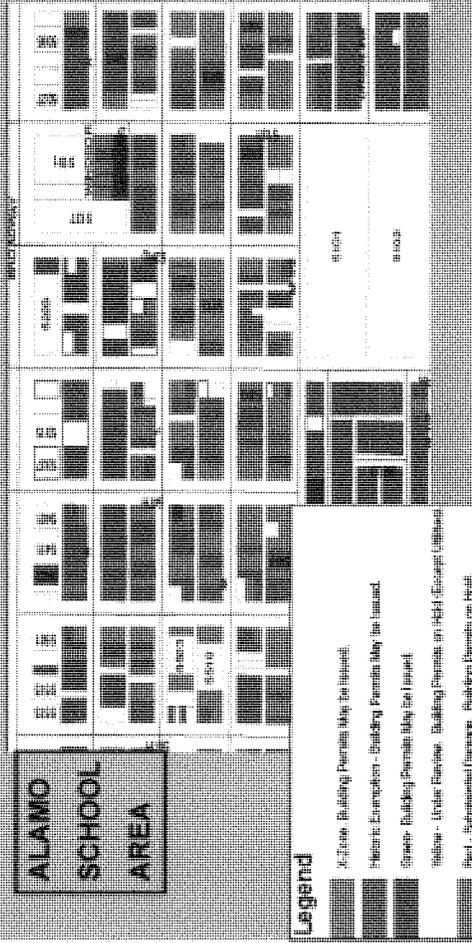
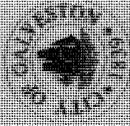
- 75% Heavily Flooded, Possessions Destroyed
- City-wide Housing Need \$735 M
- Public Housing Need \$250 M



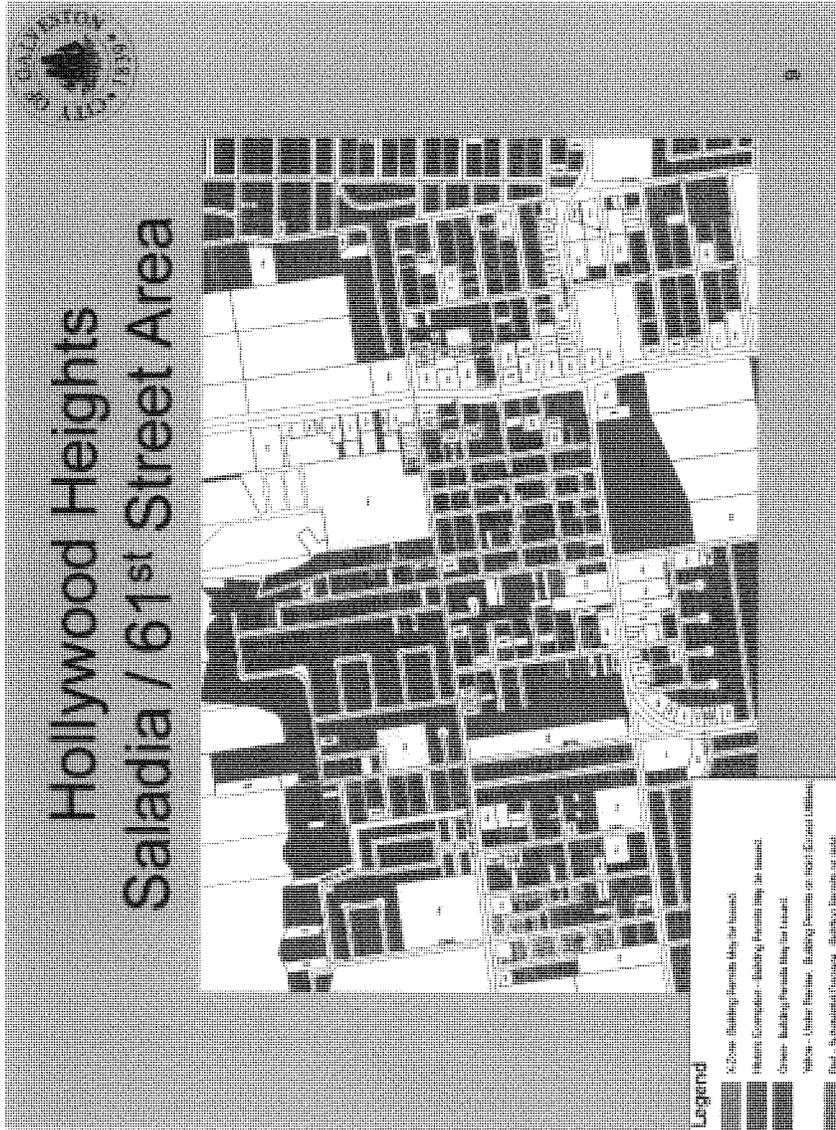
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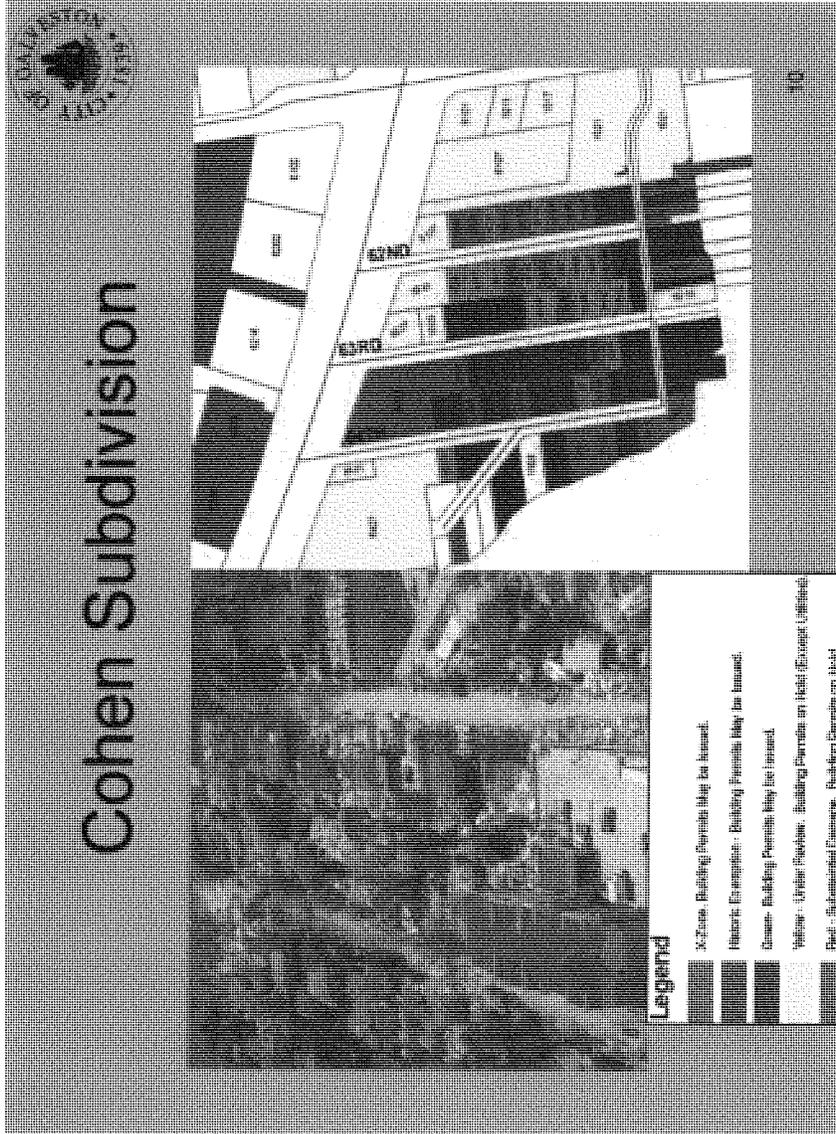
# “Substantial Damage” Example

- Low to Moderate Income Areas Hardest Hit
- Greater than 51% Damage >> Raise Home
- FEMA Forces Major Reconstruction of Homes
- Not Eligible for FEMA HMGP Funding—B/C











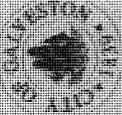
# Damage to Tax/Rate Base

## Ability to Recover

- Well Prepared—Reserves, Loans
- Taking Action—Hiring Freeze, Pay cuts, Budget Reduction \$15 M, Possible Layoffs
- Property Tax down 35%, Water and Sewer down 40%



11



# Help Us Help Ourselves

- **Maximize our Immediate Housing Funding**
  - We need to bring our people home—LMI
  - They need Federal Assistance – CDBG
  - FEMA HMGP Funds not useful to us
- **Maximize our Infrastructure Funding**
  - Complete System Failure
  - FEMA Patches Problems with PA Program
  - CIP Funding "on-Hold"
- **Help our Businesses Get Restarted**
  - Jobs, Population, Tax Base, Utility Rate Base



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**City of Galveston**

**Fact Sheet: Galveston Island After Hurricane Ike**

**Revival and Reflections: Marking the First  
Anniversary of Hurricane Ike**



### **Fact Sheet: Galveston Island After Hurricane Ike**

- ◆ Hurricane Ike made landfall at 2:10 a.m. September 13, 2008, with a 17-20 foot storm surge and 110 mph winds, flooding 75% of Galveston Island.
- ◆ Hurricane Ike is the third most destructive hurricane to ever make landfall in the U.S.
- ◆ An estimated \$3.2 billion worth of damage was caused on the Island.
- ◆ 1.7 million cubic yards of debris has been removed from Galveston.
- ◆ 21,000+ building permits have been processed with a construction value of more than \$327 million.
- ◆ 110,000+ volunteer hours have been spent on recovery projects.
- ◆ \$28,500,000 in stimulus money received or earmarked for city projects.
- ◆ \$267,000,000 of Community Development Block grant funds received for housing and infrastructure projects.
- ◆ FEMA funds allocated to the City of Galveston of 8/4/09 Obligated: \$82,671,078; Received: \$66,032,857. 90% of these funds are debris related.
- ◆ Approximately 80% of Galveston's population has returned. However, City officials estimate that 25-30% of citizens with flood damaged residences are still living out of their homes. 160 FEMA mobile homes are still occupied on the Island.
- ◆ 3,381 storm damaged trees have already been removed accounting for 48,202 cubic yards of debris. An estimated 30,000 more trees were killed by Ike's salty storm surge.
- ◆ 75% of Galveston's businesses have returned, but many are still operating at a reduced capacity.
- ◆ 95% of all tourism related businesses have opened with only the Railroad Museum and Galveston County Historical Museum remaining closed.
- ◆ Phase one of a \$12 million beach nourishment project was completed March 31<sup>st</sup> from 17<sup>th</sup> St. to 61<sup>st</sup> St. along the Seawall. 500,000 cubic yards of sand was placed along the beach.
- ◆ Three Galveston Island School District schools remain closed: Scott and Burnet Elementary, and Central Middle School. September '09 Enrollment: 6,099; September '08: 7,724.
- ◆ The University of Texas Medical Branch Emergency Room reopened August 1, 2009.

###

9/4/2009

**Testimony Overview and Recommendations  
presented by**

**Mayor Lyda Ann Thomas,  
City of Galveston**

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

**Galveston, TX**

**September 25, 2009**

**Landrieu Hearing, Galveston, Texas 9/25/09**

*A Year Later: Lessons Learned, Progress Made, and Challenges that Remain from Hurricane Ike*

**City of Galveston Testimony****FEMA's Many Roles and Challenges**

After a significant storm event such as Hurricane Ike, affected citizens look to FEMA to assist them in their recovery efforts. Few citizens understand large bureaucracies and expect FEMA to respond to their needs in what the citizen expects as an organized response. FEMA also makes available flood insurance to those who wish to purchase it. The flood insurance underwriter for FEMA sends a Flood Insurance Adjuster out to address what flood insurance will cover. The FEMA National Flood Insurance Program (NFIP) has its own procedures, has an on-site review, and its own discrete results. However, to the affected citizen it appears that FEMA has multiple personalities due to differences in approach by FEMA requirements and programs.

**Individual Assistance Program Challenges**

FEMA's primary citizen response is through the FEMA Individual Assistance (IA) Program. The IA program has its own registration requirements, has its own procedures, has a face-to-face interview process, and its own discrete results too complex and convoluted to cover at this hearing geared to business and infrastructure recovery.

**Recommendations**

The entire Federal Assistance Calendar to individuals needs to be coordinated so that there is a master plan or oversight that offers a timely schedule of benefits either through the IA program, the availability of HMGP Buyout or Elevation Funds and HUD CDBG Federal Housing Assistance. Citizens need to have all options available to them so that they can make the most intelligent decision on whether to repair, elevate, or tear down their properties.

An example is that Hazard Mitigation Grant Program (HMGP) Housing Buyout and Elevation Assistance was available from FEMA through the State of Texas for discussion well before CDBG Housing Assistance. Because of this, there was enormous pressure to use the HMGP buyout and elevation funding no matter the end result. HMGP elevation funding was not pragmatically available to us following this storm...no homes would qualify, leaving the HMGP buyout program. This program is designed to be effective for riverine situations and is not tailored to be effective for coastal communities. To use HMGP buyout funding in most places on Galveston Island would destroy neighbors and promote urban blight. However, since these funds were announced first it placed the Council and Staff in the very difficult position of deciding to use these funds or wait for promised CDBG Recovery Funding.

CDBG recovery funding should be released prior to or concurrent with the HMGP buyout funds, and both should be available within weeks after a storm. We are now over a year past the storm, and funding for neither has actually been produced.

The housing voucher system should take into account the amount of destruction done to housing. In the case of Galveston, vouchers should have been issued on a three month or six month cycle. The fewer deadlines and last minute extensions, the better. Citizens need help right after the storm. It has now been 1 year and housing assistance is just now becoming available.

### **Residential Substantial Damage Estimate Program Challenges**

As a participant in the National Flood Insurance Program (NFIP), the City of Galveston is required to issue permits for all construction within the community.

FEMA requires all cities that participate in the National Flood Insurance Program, which Galveston does, to have an ordinance that includes the Residential Substantial Damage Estimate (RSDE) program. The City has no choice but to implement it or the citizens of the city cannot have flood insurance at all. The program also has its own procedures, has an on-site review, and its own discrete results. Also, this program is to be paid for by the City itself. The cost of this endeavor is significant (on the order of \$1.0Million). FEMA was

gracious enough to provide staff to conduct the RSDE process for the City, but it took weeks to get the process started, and weeks to finish it.

It is important to note that no FEMA assessment assistance is available to commercial properties, which includes businesses and industries.

No one whose residence is under RSDE review may receive a building permit from the city to start reconstruction activities. The review process involves color-coding residences as Green, no significant damage, Yellow, questionable damage, and Red, substantial damage. Structures coded Yellow and Red have obvious repair requirements that must be further inspected and permitted. Should a property be coded Red, it may go through a reassessment process, but in the long run, property owners either must tear down or elevate. .

Finally, the RSDE process is inherently discriminatory. Because the ratio of calculated damages to value calculation is the determinant of whether significant reconstruction must take place, the lower the value of the home, the more likely it is that it will be considered “substantially damaged” and the more likely the city can release the more expensive homes from further review.

### **Recommendations**

These programs need to be integrated and coordinated; they are not in any way. Citizens appearing at the City of Galveston City Council had a very difficult time understanding if a flood insurance adjuster came by their home and calculated the loss, that this loss was not the same as the calculation of damage to their home associated with the RSDE Process, and that this process is not coordinated with needs met by the IA Program for temporary housing.

There are additional considerations. Substantial damage data is the basis for many HMGP and CDBG grant application processes. Yet, because substantial damage data for commercial properties is not captured in a similar process, an accurate assessment of business needs was not available for calculation for first round CDBG Funding and was not used in the 2<sup>nd</sup> round weather formula devised by ORCA..

Obviously, undue stress is placed on the City Planning Department which must continue its normal functions of building inspection, permitting and code enforcement. Additional staff -- trained in damage assessment as well as the City's building codes and FEMA's regulations -- is essential. Additional space and IT equipment is required.

It is highly recommended that local governments have the option of entering into a pre-positioned contract that is eligible for reimbursement to complete Substantial Damage Assessments required for NFIP permitting.

#### **FEMA's Public Assistance Program Challenges**

FEMA's response through Public Assistance is wholly inadequate due to Stafford Act restrictions and over-interpretation of rules by FEMA employees. The City suffered significant damage to its Main Wastewater Treatment Plant. The estimate to repair this facility is approaching \$70 Million.

According to Texas Law, any construction activities of a public work such as this treatment plant in excess of \$8,000.00 must be designed by a licensed professional engineer. Any design by a licensed professional engineer also must be designed to meet Texas Commission on Environmental Quality standards. FEMA also has a provision in its rules that it will pay to reconstruct to new Codes and Standards; however, interpretation of that rule by FEMA is that it does not apply to the Main Wastewater Treatment Plant. It is expected that FEMA's calculated cost to repair the plant may be as low as \$1.0 Million; however, it is not actually possible to repair the plant with that little funding.

The City has received an allocation of \$109 Million in Community Development Block Grant Disaster Recovery Funds from Texas' Phase 1 allocation. Of that \$109 Million, \$69 Million must now be used to supplement the funding needed to actually reconstruct the plant in accordance with rule and law.

To make matters even more complex, FEMA views themselves as the “funding source of last resort”. However, the CDBG funds mentioned above are truly the funding source of last resort. This confusion could lead to the withdrawal of FEMA funding from this and other similar projects.

### **Recommendations**

- **Re-Work the Hazard Mitigation Grant Program Buyout & Elevation Program**

The HMGP Housing Buyout and Elevation program needs to be fully re-worked, and not in the direction that FEMA has moved over the last year. The HMGP Buyout and Elevation Program is tailored for “riverine” situations, with the end goal to eventually clear the river floodway and floodplain of housing hazards. However, the program is actually detrimental to coastal areas. 90% of the City of Galveston is eligible for “buyout”, which is an absurd notion for us. Galveston’s goal cannot be to clear the entire Island of residential structures. The actual result would be to create a checkerboard pattern of bought out homes and lots resulting in irreparable damage to the neighborhood and actually promoting urban blight.

In addition, due to the supposed infrequency of flooding here, elevations are almost impossible under the current benefit cost calculation. Coastal communities should have the ability to promote elevation of structures rather than buyouts to avoid this situation. In the interim prior to any re-write of the program, coastal communities need the ability to define what our hazards are and buyout or elevate as needed to address those goals.

- **Clarify Confusion Over Responsibility**

There is a basic misunderstanding among initial FEMA recovery staff regarding the role of the FHWA in storm recovery. An example of this is FEMA staff led City Staff to believe that they were responsible for the recovery of about ½ of the traffic signals on the Island; however, as it turns out, FEMA is responsible for none of them. The City had to advise FEMA staff of this after reading FEMA’s own literature. Had this not been caught by City Staff, the result could have been de-

obligation of funding my FEMA Auditors. The traffic signal issue was not an isolated issue as indicated with the confusion of funding at the Pelican Island Bridge. FEMA worked with the Galveston Navigation District for months regarding the recovery work needed at this bridge before it was determined that the Federal Highway Administration had jurisdiction.

There appears to be no overall Federal coordination regarding recovery funding, leaving the strategic coordination of such activities to the local government. At some appropriate level of federal government, acting in cohesion with State administrators, FEMA PA funding, FEMA Mitigation Funding, FEMA / State HMGP Funding, Federal Highway Administration Funding, and Community Development Block Grant funding (to name the top available funds) should be coordinated with clear jurisdictional understandings of responsibilities.

- **Provide Proactive Pre-Storm Mitigation Funding**

Proactive federal mitigation funding should be made available through analysis of critical nodes expected through storm impacts relative to the impact it could have on critical facilities. An example is the 30<sup>th</sup> Street Water Pump Station as it relates to the University of Texas Medical Branch. The failure of this pump station caused catastrophic problems throughout the City and especially at UTMB. The City recognized this as a concern prior to the storm, and a replacement station was being constructed prior to the storm; however, federal assistance in protecting those critical nodes prior to a major event could save literally hundreds of millions of dollars proactively. A portion of the damage to UTMB and other residences and businesses could have been avoided had the pump station been operational prior to the storm.

- **Provide Proactive Post-Storm Expected Latent Damage Funding**

Funding for pro-active repairs to storm damaged, but not -yet -failed facilities should be considered. It is our understanding that FEMA has anecdotal information from previous storms where their own employees expect certain failures, but until the failure actually

happens, no action is taken. An example of this is the Airport Water Pump Station. This pump station failed approximately 11 months after the storm. The pump station is a critical node that left 2/3 of the Island without water. Further, statements by FEMA field employees indicated that this is about the time such failures happen. Where indicated provision for addressing latent damage in advance would save the government millions of dollars..

- **Use CDBG Funding for Local Match of other Federal Programs such as FEMA and FHWA**

The City of Galveston just this past week had to raise our tax rate by 12.5% in order for us to raise funds to meet local match requirements for various federal programs. We have been able to get 90/10 match for FEMA projects, 80/20 for FHWA projects and 75/25 for HMGP projects as examples of matching requirements. These matches are very much appreciated, however providing a local match of millions of dollars for many different projects is overwhelming and is an additional burden that our citizens have to carry. The annual CDBG allotment that the City of Galveston receives is allowed to be used for local match. We also understand that New Orleans has been allowed to use their relief CDBG funding for local match. Galveston is requesting the same consideration. This would be an enormous relief and would save us with having to drain our reserves which are needed for the next storm and to bolster our financial strength and bond rating.

- **Rework Round 2 CDBG Funding Formula**

The proposed formula still is using weather as the basis for distribution of the funding with a very small recognition (just recently added) for low to moderate income communities. There is no real recognition of the damage to homes and property that Galveston actually sustained as a percentage relative to other communities.

### **City Cash Flow Challenges**

All FEMA programs are on a reimbursement basis. We understand that the process and programs need to have a high level of accountability as well as protection against possible fraud. The City of Galveston was able to secure a \$5 million Community Disaster Loan

for operations and that was appreciated. However with an annual budget of \$96 million; this funding did not go very far in helping us. All of our revenue streams suffered greatly; most funding streams were down about 15% to 25% down. At one point our water fund was down about 40%. Galveston was in many ways fortunate to have built up its reserves prior to the storm to help carry us for a three-month period.. We lost 130 employees out of 825 or about 16% of the workforce. We implemented a hiring freeze, and all remaining employees took a 3% salary cut in order to help the City survive the immediate financial crisis. We will continue to have cash flow problems for the next several years while we rebuild our city.

### **Recommendations**

- **Advancement of Federal Funding to Help Communities**

The City recommends a cash advance of half of the estimated damages so that a community can address immediate needs before they become more costly and businesses and their employees and their families can get back on their feet quicker.

### **Population Loss and Count Challenge**

Galveston had a population of approximately 57,500 people before Hurricane Ike. It is hard to determine at this point, but we believe that our population is now somewhere between 45,000 and 50,000 people. If we are correct, we will have lost approximately 15 to 20% of our population. Our citizens have not had a chance to return to their community and with the new census count to be in early April 2010, just 6 months away, we fear that the new census will show our population dropping below the 50,000 mark. This is significant because much of our annual federal funding for housing, community development and public transportation comes from formulas that rely on our population being over 50,000. We fear that if we do not reach this mark that we could lose future federal funding for many years to come which will continue to hurt Galveston's recovery.

**Recommendations**

The City seeks relief for the 2010 Census count in the form of a waiver until our citizens registered with FEMA or taking part in HUD's DeHAP program can be counted as Galveston residents again, regardless of their temporary location in April 2010.

**The Challenge of Shifting Deadlines for Debris Removal and Housing Vouchers**

The City of Galveston and its citizens were continually told that the deadline for removal of debris was going to end and then at the last moment or in most cases after the deadline had passed there would be a continuance of the FEMA funding. And although 100% funding is greatly appreciated, the last minute financial shifting that was necessary and the added emotional stress at a time when we did not need that additional stress was not appreciated by the City of Galveston or its citizens. We knew that FEMA would have the last word; we just did not know which or when that would be. This one point alone reduced FEMA's credibility.

**Recommendation**

FEMA should gage its deadlines to match the extent of damage and debris caused by a disaster and establish more realistic time-lines for all programs that are time-limited

**The Challenge of Tree Removal and Replacement**

FEMA will cut down dead trees at 100% reimbursement; however, FEMA will not remove stumps. If removal is not flush cut, a tripping hazard remains. Another problem with not removing the stump is that tree replacement is difficult. Presently, re-forestation of the community is not available through any federal program, either FEMA or CDBG. Trees are a very important part of any community. In Galveston, they are an essential part of our infrastructure.

**Recommendation**

Just as maintenance of our seawall and our wetlands is a function of government at the federal level, the City recommends that reforestation of Galveston be regarded as a subject to be covered by FEMA's Public Assistance program for necessary infrastructure replacement. This is especially appropriate as an energy-saving move and a means to reduce carbon emissions.

**Galveston Economic Development Partnership Report, 9/25/09****Business Development**

Galveston's private sector responded and is in process of recovering - primarily - due to the resources made available locally for business recovery following Hurricane Ike.

Through the facilitation of the Galveston Economic Development Partnership and Mayor Lyda Ann Thomas, the local banks of Galveston Island created the Hurricane Ike Recovery Loan Program for businesses needing "gap financing" immediately following Ike. Created as a short-term (180 day) low interest (5% single pay note), Galveston banks relent somewhere between **\$40-\$50 Million** to businesses located on the Island prior to Ike, with a commitment of staying and rebuilding following the storm.

In addition, the GEDP created the Hurricane Ike Recovery Loan Fund, worked with the City to allocate CDBG dollars for business recovery, coordinated with the Regional Planning Council (Houston-Galveston Area Council) for the awarding of a \$10 Million regional Revolving Loan Fund from EDA and continues to provide local technical assistance for business recovery purposes.

The U.S. Small Business Administration was extremely responsive following Hurricane Ike. On site within days of the storm, SBA personnel performed comprehensive outreach efforts in publicizing the availability and eligibility criteria for business loans under their program offerings.

**Now one-year after Ike, the following needs remain unmet:**

- Available capital for small businesses.
- Parity with other states with respect to incentives/inducements available for leveraging the costs of destruction, displacement and reconstruction. (ie GO ZONE).
- Consideration from the State and Federal agencies on the importance of business/job retention (as opposed to job creation). Most programs are designed for job creation purposes and greater credit needs to be allowed for retaining those companies and those jobs left after a catastrophic event attempting to rebuild/recover.

**Barriers that need to be addressed:**

- Greater coordination/guidance for small businesses impacted by a catastrophic event (programs available, registration/application processes, parameters of programs available, etc...)
- SBA must be given greater leverage for the 20% of disaster funds that are dedicated to small businesses to allow for greater leeway in the requirements of collateral and credit worthiness. Greater partnerships with local business development organizations could be beneficial pre-event for activities post-event.
- HUD program dollars (CDBG) for economic development need a higher priority and greater adaptability for the needs of communities devastated by a catastrophic event. For example, make revolving loan funds truly revolving for a realistic term and rate. (6 years allows for glorified car loans, not the rebuilding of a local business base). Also, consideration should be given to those entitlement communities that commit to the establishment of a revolving loan fund in perpetuity, not artificially returned then, to leave the community vulnerable for another such event.

**Actions deserving of praise or greater acknowledgement:**

- The response and actions of Galveston's local lenders. They provided a hand-up, not a hand-out and this could serve as a national model for hurricane recovery.
- SBA for the improvements made in response to Hurricane Ike
- U.S. Department of Commerce - EDA for their regional leadership in responding to Hurricane Ike and this Gulf Coast area. (consideration should be given to increasing the resources available to the regional offices for personnel expenses when grant dollars are awarded).

**Written Testimony presented by**

**Mayor Lyda Ann Thomas,  
City of Galveston**

**to U. S. House Committee on Homeland  
Security Subcommittee on Emergency  
Communications, Preparedness and Response**

**Washington, DC**

**March 3, 2009**

*Written Testimony presented by Mayor Lyda Ann Thomas, City of Galveston*

*To U. S. House Committee on Homeland Security Subcommittee on Emergency Communications, Preparedness and Response, Washington, DC, March 3, 2009*

**City of Galveston Finance and Cash Flow Challenges**

Immediately after Hurricane Ike hit Galveston, revenues to operate the city plummeted. Citizens were not on the island and therefore water consumption dropped dramatically. Five months after the storm water consumption has somewhat stabilized to a level that is 40% less than pre-storm levels, a level that could remain relatively constant for many years. Additionally, almost every business in town was closed, and 5 months after the storm only 35% of the businesses have re-opened. Sales tax revenue took a significant dive. Although sales tax has rebounded with the rebuilding effort, long term our projections are for such revenues to remain at far less than pre-storm levels for an extended period of time.

Despite these challenges, the city must continue meeting payroll and operational expenses after the storm. On top of that we are expected to pay in advance for the clean up, response and repairs of all our systems and then seek reimbursement from FEMA that will not come for many months, and as experience has taught us in the past it can sometimes be years.

The City has to cover the 25% non-federal cost-share for FEMA assistance. Unto themselves these cost-share expenses are far greater than our normal annual operating budget, at a time when revenues are significantly depressed and both workload and other expenses that must be borne by the City are far greater than before the storm. The City of Galveston was very well prepared financially going into this storm with all of our reserves above target levels as well as a pre-negotiated loan agreement in place. We have reduced our budget by 15% which included reducing salary's to every employee as well. We have lost about 10% of the workforce and are still faced with having to layoff employees at a time when we need their help. These financial challenges, and the loss of critical personnel that result, threaten the pace and success of our recovery.

*Recommendations:*

FEMA needs to develop a funding mechanism based upon a community's fiscal responsibility and typical operating budget and advance an appropriate level of funding to help to carry them for a sustained period of time to allow for adequate recovery and rebuilding. Galveston was the only community to receive a cash advance for debris only, which was appreciated but only scratches the surface of what is needed.

FEMA should also work with Congress to develop the ability to provide upward adjustments for cost-share for catastrophically-impacted areas like Galveston, irrespective of the situation and resources available elsewhere in the state. For areas hurt as badly as Galveston, the normal rules for recovery are often insufficient, and the resource needs that can be absorbed by communities experiencing "garden variety" disasters can cripple a catastrophically-impacted jurisdiction like ours.

### **Extensions of Funding Assistance Challenges**

Category A (Debris) 100% funding was extended in advance through October 26, 2008. It was not until a few weeks after the expiration of 100% Category A funding that the City received an extension through April 26, 2009. This time of uncertainty of whether we could get 100% reimbursement or just 75% reimbursement caused the City to have a great deal of stress due to the extreme cost of debris removal relative to our city's budget. We appreciate the extension of Category A at 100% through April 26th; however, we need another extension, and we need to know whether we will get it or not, sooner rather than later.

Unlike essentially every other storm we have studied, Category B (Emergency Protective Measures) 100% funding has not been extended and we have only been assured of 75% reimbursement for the bulk of our recovery. We need extension of Category B work at 100% to be granted and to be extended as requested for Category A. We are experiencing continual latent defects in our infrastructure that require continual expansion of Category B work.

#### *Recommendation:*

Categories A and B should be set for an extended period of time immediately after the storm based upon the severity of the event. Every community should have enough time to properly recover without having to worry about these two most critical areas of recovery. Again, this should be somehow codified in the Stafford Act or in regulation, to provide communities like Galveston predictability and surety of resources for their recovery.

### **Additional After Storm Assistance Challenges**

The FEMA first responders did very well in their assistance to us. Where we could have used additional help is from FEMA Public Assistance Staff immediately after the storm to proactively assist the city in making certain the paperwork the city is creating to substantiate its reimbursement claims will be satisfactory months later, rather than have to argue with staff members regarding documentation exceptions. FEMA rules indicate that if another Federal Agency has funding responsibility for a particular item, a city must work with that agency for assistance. In many instances, the other agency has a totally separate set of rules and timelines for assistance, and may not even have any funding available under the responsible program to fund the project. An example is traffic signals. Of our 116 traffic signals, it turns out that FEMA can only assist us with 1. The Federal Highway Administration must assist with the other 115.

#### *Recommendations:*

Provide more public assistance help immediately after the storm so that we are ahead of the game, instead of behind.

FEMA's Rule of Other Federal Agencies funding first needs modification to be more inclusive. An integrated approach through FEMA would be helpful and would lessen the confusion. It would be helpful if FEMA could fund the repair effort when another agency's programs have

insufficient funding or cannot provide the assistance within normal recovery timelines, and then seek reimbursement from the responsible agency as appropriate.

### **Sheltering and Transitional Housing Challenges**

More than 75% of the housing stock in the City of Galveston sustained damages resulting from hurricane Ike. Residents either evacuated prior to the storm or were evacuated after the storm. In order for citizens to return to their jobs, check on their uninhabitable homes, cleanout their houses, pack their belongings, and meet with FEMA representatives and/or insurance agents, citizens needed to be able to stay close to the City. Hotel accommodations were scarce and where there were accommodations, they were often filled with Red Cross, Salvation Army, or FEMA representatives.

As much as FEMA made itself available to the public, the difficulties met with in the application process for assistance were compounded by requirements for citizens to reapply for their vouchers every two weeks.

Also, FEMA's rule that prohibits the placement of temporary housing in coastal V-zones has made it nearly impossible to place sufficient housing stock to meet community and business needs.

#### *Recommendations:*

It would be helpful if these major national entities came with self contained living accommodations, or committed to stay in housing and hotels away from catastrophically impacted areas like Galveston, in the immediate aftermath of a disaster until such time sufficient housing is available to serve both displaced residents and others.

Vouchers should be issued for no less than 30 days.

FEMA should consider providing waivers to their policies related to the placement of temporary housing in V-zones when there are insufficient options available to get people back to their communities. Said housing, however, should be engineered to withstand strong winds and elevated on temporary foundations, to better protect from loss in future events, and require evacuation planning (and resident commitments to evacuate when orders are given) in the event another hurricane approaches during the temporary housing period.

### **Shelter Operations Challenges**

The City has a contract with the Red Cross to operate a shelter following a disaster. However, the Red Cross came prepared only to operate a shelter in one of several schools. There were no undamaged schools that could house a shelter. There was confusion between FEMA and the Red Cross as to who could authorize a tent shelter. After a week of debate, the Red Cross hired the contractor then was told by FEMA that they would not be reimbursed and that the City needed to

contract with the Vendor. In the end, the City signed the agreement with Vendor after the vendor had been here for six weeks. The vendor took all directions from the Red Cross who were operating the shelter. However, the City holds a bill for \$3 million with supporting documentation held by the Red Cross and no clear solution as to how to get this bill paid.

*Recommendation:*

That the Red Cross negotiate with vendors in advance, so that when this type of facility is required and that FEMA reimburse the Red Cross directly. Further, FEMA should utilize the flexibility it has in the Stafford Act to address unique situations like this quickly and to simply pay the bill because it was necessary, is allowable and is the right thing to do.

**FEMA Program for Homeowners vs. Renters Challenges**

Galveston has a large (over 60%) population of renters. FEMA has very good programs set up for homeowners with adequate insurance and also for homeowners with no insurance. Although the process is very tedious, if you follow all the steps the program works. However, there is minimal assistance for renters. It would be helpful, if there were assistance for owners of rental property to get them back in operation. In addition, when apartments were placed back in operation, FEMA set a rental rate which created an increase in the cost of living for renters. FEMA rental rates were in many cases 10 – 30% higher than was being charged for the same property prior to the storm.

When insufficient housing exists to handle displaced residents, the pace of recovery for rental properties directly impacts how quickly people can return to Galveston and support both their personal as well as community recovery efforts. This creates a public-sector imperative to assist rental property owners, so that people can get out of FEMA trailers and government-provided housing and back into their communities.

*Recommendation:*

Develop FEMA's pilot program that assists apartment owners to fix their property for the purpose of housing displaced homeowners and renters. Look at variable rental rate schedule. Not a flat rate based on the number in the household.

**Volunteer Housing Challenges**

We had many faith based volunteer groups and also many civic groups from around the country that came to assist with the cleanup of community. There were no churches in Galveston able to house volunteers after the storm since most had been seriously damaged. We finally arranged to use a vacant school to house volunteers, however, the city was asked on numerous occasions to assist with operating costs and also staffing costs of the facility which is being run by volunteers. We were told on several occasions that there was funding available through FEMA for this type of operation. However, by going through the chain of command that was necessary, none of the intermediary levels knew anything about the program. Volunteer efforts have been and will continue to be a key to clean up the community and also to restore homeowner property

to its pre-IKE state. This is particularly true with senior citizens, handicapped, and single parent families many of whom were underinsured or had no insurance.

*Recommendation:*

Develop or make available through FEMA some type of funding for volunteer housing, as was done in Louisiana after Hurricane Katrina. The availability of this assistance should be codified, so that delays and disagreements do not impact communities impacted by future disasters.

**Individual Assistance/Federal Assistance Challenges**

FEMA assessments process leaves homeowners in limbo. Despite repeated requests by the City, the FEMA Assessment Team did not come to the City until 4 to 6 weeks after Ike, causing citizens to pay rent and mortgages, simultaneously when they could have been in their homes. Assessment Team members were poorly trained, inexperienced and inconsistent in their assessments. Homeowners did not know for weeks whether their homes had to be demolished, rehabilitated or elevated. Some are still waiting for a final decision. FEMA seems to have an unwritten policy that a large number of people are initially turned down and then told to reapply or appeal, not once but two or three times.

The Residential Substantial Damage Estimate (RSDE) process (determination of 50% or more damage, triggering elevation of structures) is an entirely separate process from the National Flood Insurance Program estimates of damage through Flood Insurance. In several instances, this yielded very different results to the property owner's detriment. An example would be a situation where the RSDE process caused a home to be considered substantially damaged; where the NFIP process indicated it was not. This split process does not make much sense to the homeowner.

Similarly, the estimates of whether a structure that's eligible for assistance under the Public Assistance Program is 50% or more damaged (and thus eligible for replacement) is not done consistently with substantial damage determinations under the NFIP. This again can result in serious problems, with some buildings being required to be elevated under NFIP (thus increasing reconstruction costs dramatically), but those costs are not considered when determining whether the damages are sufficient to allow for building replacement.

*Recommendations:*

Federal Assistance needs a more integrated approach through FEMA as the overall coordinator.

This entire program needs to be revamped so that FEMA can come in immediately after the storm with a much simpler, less cumbersome program that will give citizens and communities answers to their personnel situation so that they can determine what they should do. Consistency should be the goal for determining damage estimates or in the evaluation of whether the 50% threshold is met.

In addition, RSDE teams that are trained in advance, in adequate numbers to handle a regional disaster, should be pre-positioned.

#### **FEMA VOAID Program Challenges**

The FEMA VOAID representative was only authorized to communicate with public service agencies. Unfortunately, the local public service agencies – Salvation Army, Red Cross, Food Bank, Catholic Charities, Family Services, and local agencies were unable to function after the storm due to loss of facilities, lack of communication, and undefined roles. The City took on this operation because of the large number of volunteers coming into the area and also the amount of donations. The City was coordinating volunteers, donations, and citizen concerns with assistance from Americorp volunteers who were under the direction of the FEMA VOAID.

#### *Recommendation:*

The City would have willingly released the responsibility for these programs to another agency; however, there was none. It would have been helpful if the VOAID had been a little more flexible to recognize all parties participating in the process to initiate recovery of the community.

#### **Hazard Mitigation Grant Program (HMGP) Funds (Section 404) Challenges for Coastal Communities:**

The rules for use of HMGP funds typically require the calculation of a benefit/cost analysis in strict accordance with FEMA guidelines. One available program is for buying homes. The guidelines are such as to promote the removal of homes from river or creek floodplains and floodways, and actually provide a waiver of the need for benefit/cost calculation if the home is determined through the RSDE process to be Substantially Damaged. Such a waiver does not exist in coastal communities such as Galveston, which have coastal floodplains and not riverine floodplains, and have no floodways at all.

Given the high costs to coastal communities nationwide from severe storms and hurricanes, this makes no sense. The only way to break the cycle of damage is to encourage the elevation of homes along the coast when future storms are predicted, as in the case of Galveston.

Unfortunately, the normal benefit-cost calculations do not help a community like Galveston, which faces significant future risk but which has experienced few storms of any consequence over the past 50+ years. Because of the extremely limited flooding history during that period, coastal community homes that are Substantially Damaged need to be elevated but cannot meet the b/c calculation. In our case, none of our Substantially Damaged neighborhood homes qualify for elevation, which has left over 1,000 of our homes ineligible for funding under this program. The City was left with a choice of assisting the individual citizen with the buyout and destroying the neighborhood, or by refusing the individual citizen access to a program that would relieve their burden.

*Recommendations:*

Modify the HMGP program so that it will benefit coastal communities, in light of their actual risk. Past losses can certainly be a good indicator of risk, but it is not the only one. Coastal V zone properties should be included in the FEMA waiver of benefit/cost analysis, in recognition of their significant risk.

**FEMA Operational Challenges following a catastrophic event**

Continual staff changes (every 4-6 weeks) create an unstable arena in which local planners, elected officials and residents constantly have to re-explain their situation. Also, institutional learning is lost on the processes.

Recovery resources need to be developed which are consistently applied from one event to another and from one geographic area to another. Frustration grows when one area learns that the rules are not the same or that other areas received greater benefit than theirs.

Similarly, every time staff rotates in or out, many decisions and directions already agreed-to by prior FEMA staff are re-evaluated, and new decisions are made related to project eligibility, funding, and policy interpretation. This causes significant confusion and delays, resulting in a delayed recovery.

*Recommendation:*

Provide consistent, stable and long-term very knowledgeable staff, especially the key personnel, to help guide the community out of the disaster and through the recovery process. And if personnel do change, increased efforts should be made to ensure adequate transition time to avoid the confusion, delays, re-evaluation of prior decisions and problem resolutions, and loss of documentation that has characterized the recovery efforts in Galveston when personnel rotated out.

**Business support Challenges following a catastrophic event**

There is no clear direction on the role of FEMA and the Small Business Administration as it relates to the private sector in recovery/rebuilding stages. There are too many different stories and rumors relating to what the private sector hears on how to do business with FEMA and SBA, how to become a part of the rebuilding process and what assistance might be available to the business community, and not enough answers that can be relied upon. This lack of transparency and inability to get reliable information has confused and lengthened the recovery period, and causes many businesses to not seek or obtain help available to them.

*Recommendation:*

Do a better job of communicating with the business community, both directly and by leveraging local resources (communities, chambers of commerce, business leaders, elected officials, media, and others). In addition, information provided should be in writing, be more comprehensive, and

be reliable – statements by inadequately or incompletely trained FEMA program staff, Community Relations personnel, and telli-registration staff is not sufficient.

#### **Galveston Public Housing Challenges**

Public housing is essential. Four large project units were so heavily damaged they need to be replaced. Keeping track of our displaced citizens and assisting them with proper documentation to fulfill eligibility requirements for FEMA assistance has been a challenge.

#### *Recommendations:*

There needs to be a pre-existing IAA (Inter Agency Agreement) between FEMA and HUD. HUD is the appropriate federal government entity with its sub-contracting Housing Authorities to respond to Public Housing Issues after a disaster. FEMA/HUD needs to have the local housing data, population data ahead of time or at the time of the storm to respond to a disaster. FEMA/ HUD must explore options to deal with the tenants and landlords rather than dealing with just the landlords after a disaster.

FEMA's Rental Repair PILOT program worked well after hurricane IKE and this needs to be part of the housing solution after a disaster. This is a program in which FEMA works with the landlord directly to fix their damaged units in exchange for landlords to allow eligible families to live in those units after a disaster. This program should be expanded, however, to also include assistance for owners of single-family rental properties when other housing resources are insufficient, to further enhance the pace of restoration of housing after a disaster occurs.

FEMA must explore pre-fabricated housing options to replace some of the housing stock as part of the long-term housing solution.

FEMA needs to have better operating procedure to educate the local media and publish its own newsletters to better provide proper news rather than fabrication of stories by the local media and misinformation.

FEMA needs to re-evaluate its policy to only allow temporary housing outside of coastal V zones when there is insufficient ability to place needed easily be used for temporary housing (including some with infrastructure in place), and options to elevate said units above anticipated flood levels and protect them against high winds exist, but FEMA's policy interpretations won't allow them to place such housing on Galveston Island due to the V-zone problem.

#### **Closing Summary: The Need for Cooperative Pre-planning and Long-term Continuity for Business/Community Recovery**

Currently programs are initiated only following a catastrophic event. In areas like Galveston where Hurricanes are likely to occur, it would be beneficial if communities/businesses could be pre-planning or proactively working with FEMA to improve contingency planning efforts, application forms, contact information, pre-event educational outreach, etc...In addition, if federal policy following a natural disaster came in post-event with a longer time- frame for

planning and response activities, and included up-front funding to support local efforts so that seriously impacted communities can assume greater responsibility and leadership in their own recovery planning and implementation efforts, this would be most helpful. The continual rush for a pre-set time line, of which the deadlines continue being extended, is frustrating and psychologically exhausting for residents and those affected on a routine basis.

*Recommendation:*

Our nation's emergency management system needs to place greater value, and dedicate greater resourcing, to the encouragement of pre-event planning for response and recovery efforts. A grant program for states, designated to support community efforts in this regard, would be critical to making this happen, as would increased development of planning tools and guidance that can be used in support of the expenditure of said funds. In addition, in the post-disaster environment, it is not enough for the federal government to provide a handful of technicians to support long-term recovery planning and implementation efforts. Particularly for catastrophically-impacted communities like the City of Galveston, resourcing is needed to allow the community to take ownership for its recovery and lead its own recovery planning process. And that planning process (to include both funding and technical support) should not be arbitrarily limited to impossibly short timelines; they should be provided for a duration deemed appropriate given the magnitude of the disaster in question, as determined in consultation with State and local officials. Lastly, shoreline protection is the long-range answer to coastal security.

**Written Testimony Presented By**

**Mayor Lyda Ann Thomas,  
City of Galveston**

**to the Ad Hoc Subcommittee on  
Disaster Recovery of the U.S. Senate Committee  
on Homeland Security and Governmental Affairs**

**Washington, DC**

**September 23, 2008**

WRITTEN TESTIMONY

Of

Lyda Ann Thomas, Mayor, City of Galveston, Texas  
Before the Ad Hoc Subcommittee on Disaster Recovery of  
the U.S. Senate Committee on Homeland Security and  
Governmental Affairs

On Tuesday, September 23, 2008, at 10:00 am, at the  
Dirksen Senate Office  
Building, in Washington, D.C.

Senators Landrieu and Domenici and Distinguished members of the  
Committee:

Thank you for the opportunity to discuss with you Galveston's most  
immediate needs in response to Hurricane Ike, one of the City's most devastating  
natural disasters since the 1900 Storm which took 8,000 lives.

The City's structures – its port, University of Texas Medical Branch,  
historic downtown business district, and east end, even its condominiums and  
second homes built according to our strict building codes -- have withstood a surge  
equal to a Category 4 hurricane, virtually submerging the entire island in depths  
ranging from 3 to 18 feet. Although damaged, these structures stand testimony to  
the fact that Galveston Island is a viable, valuable piece of real estate that proudly,  
this day, flies the flag of The State of Texas and the United States of America.

The seawall that was built by the United States Corps of Engineers, in 1902, has proven its worth numerous times, and is a constant reminder of the close relationship and deep appreciation Galvestonians feel for the government which came to their rescue at that time.

My grandfather, Issac H. Kempner, served the city's government then and sought federal, state and New York banking assistance for the shattered city. Lessons learned from him and his generation of Galvestonians form the basis of today's hurricane recovery plan.

I must tell you that chills ran up my spine when I saw the name Ike selected for this year's Hit List. The irony, on the one hand, is that I, his granddaughter, might bear the God-awful responsibilities of helping my citizens dig out and bear up against a similar tragic event.

The greater irony is that my grandfather, I. H. Kempner, was commonly called 'Ike'. If I feared before, I instinctively feel now, that Ike symbolizes much more than the destruction of Galveston. Ike represents the rebuilding of our city.

I appear before you to ask your help in giving Galveston and Galvestonians a new beginning, just as the U.S. government did after the 1900 Storm.

We will require billions of dollars to rebuild all our infrastructure which took a terrible beating, strengthen our Port and repair and shore up the University of Texas Medical Branch, its hospital, medical school, research labs, and especially the Galveston National Laboratory.

These are the city's economic engines. Are they worth saving? Is Galveston worth saving? That is the question you must decide. Here are some reasons why Galveston is worth saving:

Our island has a proud record of national security and coastal defense. Pirate Jean Lafitte took advantage of its location. It was part of America's defense system in the Civil War, Spanish American War, World War I and World War II. It possesses a natural deep water harbor closest to open sea lanes. The Pelican Island side provides frontline major offshore Oil rig repair – an invaluable component in the nation's major petrochemical producing and refinery region encompassing the Gulf of Mexico and East Texas.

With adequate rail and bridging, the Port can continue to serve this nation; especially it's exporting and importing of vital materials which will increase when The Panama Canal widening and deepening is complete.

Mr. Gerald Sullivan, Chairman of the Port of Galveston Board of Trustees will be happy to answer any of your questions regarding the port, and Dr. David Callender, President, will stand ready for UTMB.

I want to conclude my remarks with an appeal from my heart to yours. The citizens of Galveston have suffered severe losses. One whole section of town north of Broadway may be uninhabitable. An estimated 10 to 20,000 citizens lost their homes and their possessions.

We need help – lots of it – but, first and foremost, we need you to continue your support and cooperation extended from the President, members of congress,

Homeland Security, FEMA, the Corps of Engineers, HUD, Red Cross, Salvation Army, Small Business Administration, volunteers and many others as well.

Together, taking the comprehensive approach you have taken since Ike appeared in the Gulf, we can address human as well as strategic and economic needs.

Lastly, I want to thank and commend FEMA. Had it not been for FEMA, the city would not have recovered as well as it has to allow me to leave only 10 days after the storm. Our representative, Jaime Forero, was at our side from day one, facilitating our response and recovery. His resourcefulness and ability helped to coordinate men and machinery, secure generators, PODS, DMAT, fuel and a Disaster Recovery Center, to mention a few.

Communication is always a deficit on Galveston Island. We have no radio or TV stations; only a public service channel on cable TV. We had no power, no water, no natural gas, and no sewage. FEMA was our lifeline working synergistically with state emergency management under Jack Colley and Sandy Coachman, the Federal Coordinating Officer. The Governor of Texas, Rick Perry, our senators, our representatives, and all our volunteers have done themselves and our nation proud!

I look forward to having another opportunity to come before you as we continue our recovery efforts and face new challenges that will undoubtedly require your support.

Because of the damage to Galveston's infrastructure -- our water, sewer and electrical systems, roads and bridges, hospital, government buildings, etc. we had to prevent our citizens from returning to the Island until we could bandage and triage our city. Our Island was simply not safe enough to reliably support the basic city services of our 60,000 citizens. We still have serious concerns about the ability of our water and sewer system to support the population, but we could not keep our citizens out of their city and their damaged personal property any longer.

### **Housing**

Fifty percent of Galveston households make less than \$50,000 per year. It is estimated that eighty percent of the households in Galveston received some level of damage from the rising water from the storm/bay surge. As a result of the catastrophic damage to the infrastructure, we could not let our citizens into the city for 10 days, because their health, safety and general welfare could not be protected. This unavoidable delay in the beginning of clean-up will add costs to the repairs and increase mold and other health issues. Most insurance companies are claiming that their policies do not cover mold.

In addition to the direct assistance needed for citizens to repair their homes, the city will need funds to clean up and eradicate abandoned and dilapidated homes. **Estimated related costs \$200 million**

### **Water System**

Galveston Island gets its fresh water supply from the mainland via the Gulf Coast Water Authority. The water arrives via a pipeline built in 1890. We have 90 miles of water distribution lines. A third of this distribution system is still asbestos cement pipe. We have three main pump stations which need to be elevated and

reconstructed. Our pumps were all overwhelmed with water and the electrical systems were fried with seawater and the pipes were filled with sand. When we started receiving water again after the storm, we had hundreds (and probably eventually thousands) of leaks and we leaked out as much as we were taking in.

**Estimated related costs \$100 million**

#### **Sewer System**

Our sewer system was full of sand and we need to reconstruct the system to prevent this. We have 4 sewer plants, only one is elevated and protected. On the unseawall-protected West End, our water treatment plant was hardened and elevated and protected by a concrete levee. This plant had little damage.

However, our other sewer treatment plants were not elevated and protected and suffered significant damage. We have 50 lift stations. One is hardened and lifted. Prior to the storm, city council had authorized a contract to harden and lift eight more. It is now evident that it will take 10 years to complete this phased program, leaving our city too vulnerable. Much of the Island is still on septic tanks. Many of them were destroyed and some found floating in the Bay. This is obviously not environmentally friendly for our bay or beach water quality, and all septic systems need to be replaced and tied into the city sewer system. **Estimated related costs \$75 million**

#### **Drainage System**

The City of Galveston's Drainage System is antiquated and has been completely clogged by sand and debris from Hurricane Ike. We need help in quickly cleaning and restoring the System to prevent further flooding and subsequent health and safety concerns. **Estimated Related Costs \$75 million**

**Traffic Controls**

We have approximately 130 signalized intersections. After Tropical Storm Allison and Hurricane Rita, we began modernizing to a hardened standard and had reconstructed 30 out of the 130 intersections. All of the upgraded and modernized signals weathered the storm well. The others did not. For the reentry of our citizens, we had to put up over 1,000 temporary stop signs. For public safety, evacuation and traffic flow management, we need to modernize and synchronize all of our traffic signals in the City. **Estimated related costs \$50 million**

**City Facilities**

After Hurricane Ike, the City of Galveston had no city facilities from which to operate. Our Emergency Operations Center had to double as City headquarters. The City had to commandeer and take over a fortified seawall hotel. Like the whole city, firehouses were flooded and little fire protection was available. Before the storm hit, firemen had to watch from the upper stories of the hotel while over 10 homes and businesses could be seen on fire with no protection available. Over 40 structures burned with no fire protection or impaired protection available. All critical city service facilities need to be elevated and hardened. **Estimated related costs \$50 million**

**Roadways and Bridges**

Our roadways and bridges are strategic assets. We have a brand new 8 lane causeway connecting Galveston to the Mainland. The ribbon cutting for the grand opening was scheduled for mid-September.

FM 3005 is the only artery that runs the entire length of the West End with 47% of our tax base. It must be elevated, hardened and (in a few places) relocated further inland.

Harborside Drive is the main route for our industrial, port, educational and medical facilities. This roadway easily floods and needs to be elevated and hardened.

Pelican Island Bridge, built in 1958, connects Galveston to Pelican Island where Texas A&M Galveston is located as well as strategic maritime and offshore support installations. Most, if not all, of the major oil companies have facilities there. The Port of Galveston and the Port of Houston will soon begin developing a 1,100 acre site for the largest container terminal on the Gulf Coast to relieve the congestion that is building in the Houston Ship Channel and Port of Houston. The bridge suffered damage in Hurricane Ike. Temporary repairs at the cost of approximately \$500,000 has the bridge temporarily back in service.

With the new causeway completed, a second west bay crossing and a 61<sup>st</sup> street flyover would ease evacuation off the island and relieve traffic congestion to our beaches and tourist sites such as Schliterbahn and Moody Gardens. **Estimated related costs \$300 million**

#### **Beach Erosion**

Galveston has several of the top ten tourist attractions in the state of Texas. Moody Gardens is the #3 tourist attraction in the state and sustained substantial damage. Schliterbahn Waterpark is the # 7 tourist attraction in the state. The Texas

Aviation Hall of Fame and Flight Museum is the #11 tourist attraction in the state. However, the #1 reason people come to Galveston is for our beaches. As evident from the unprecedented storm surge that hit the Texas coast our beaches suffered significant erosion. Without beach restoration and erosion protection, our economy will suffer greatly. Hotel/Motel taxes contribute significantly to our island's economy. In addition, the beaches protect the integrity of the seawall.

**Estimated related costs \$100 million**

#### **Port of Galveston**

The Port of Galveston is an enterprise of the City of Galveston. The Port serves the offshore oil industry and the shipping industry. In 2006, the Port was ranked as the No. 4 Cruise port in North America and No. 10 in the world and is home to both Carnival and Royal Caribbean Cruise Lines.

In 2007 The Port of Galveston provided \$1 Billion in economic impact to the State of Texas and created over 13,000 jobs statewide and over 3,000 jobs locally.

The port suffered serious damages as a result of Hurricane Ike. These damages include missing fenders, broken pilings, collapsed wharf decking, warehouse and cruise terminal damages, mud and debris must be cleaned up, perimeter security fencing is compromised and security cameras are missing. The levees located at the dredged material disposal area on Pelican Island have been severely compromised. The port facilities require emergency dredging to return the port to currently authorized depths. The volume of material to be removed is in excess of 2 million cubic yards to restore the channel to pre-hurricane conditions.

The previously mentioned Pelican Island bridge is vital to the Port of Galveston as it provides the connection between the Port's operations on Pelican Island and Galveston Island. In addition to the temporary repairs, the bridge needs to be widened and strengthened. **Estimated related costs \$500 million**

#### **University of Texas Medical Branch at Galveston**

UTMB is the economic engine for the City of Galveston. UTMB employs 12,500 FTEs throughout Galveston County and the State of Texas. UTMB is home to the new Galveston National Laboratory where critical national security research is conducted. UTMB generates approximately \$110 million annually in federal grants. It enrolls approximately 2500 students in critical areas of nursing, medical school and other health care professionals. Additionally, it operates one of the largest medical complexes in the Gulf Coast Region and is the only Level- one Trauma Center serving a 9-county population

Prior to the arrival of Hurricane Ike the patient population was evacuated and placed throughout the State. The loss of revenue and ramping up of population of displaced patients and return of clinic patients is significant. Damage to the buildings, equipment and clean up cost will far exceed the approximate \$115 million in insurance coverage. **Estimated related costs of \$609 million**

#### **Business/Economic Recovery**

Assistance is needed for business recovery. Galveston is home to 2,500-3,000 businesses and 40,000 jobs. Direct assistance, incentives and low interest loans will be necessary for the business community to recover. Flood damage insurance is limited in amount and coverage. **Estimated related costs \$350 million**

With 47% of our tax base (but only approximately 10-15% of our population) in the decimated “unseawall protected” West End, our ability to repair the storm damaged infrastructure is severely limited and will depend a great deal on federal help.

One of the first and easiest things that the Federal Government could do to help Galveston recover, without providing direct financial assistance is to release the 600 acres of seawall protected, 20 foot elevation land that the City loaned the Corp of Engineers for dredge spoil deposit in the early 1900s. Galveston has been requesting the remediation and return of this now valuable land for years. This elevated and protected land is exactly what we need to progress through this century.

**Federal Emergency Management Agency**

**Hurricane Ike**

**Response and Recovery  
Statewide Activity Report**

**September 25, 2009**

**Hurricane IKE Response and Recovery Statewide Activity**

<b>DATE</b>	<b>Brief Description of Event or Decision</b>
09012008	Tropical storm Ike develops over the eastern tropical Atlantic near 17.6N 39.5W.
09032008	Tropical storm Ike strengthens into a category 1 hurricane located near 21.6N 52.7W.
09122008	Governor Perry requested that the President declare an expedited major disaster for the State of Texas as a result of Hurricane Ike.
09122008	Texas Task Force Ike consisting of 500 vehicles and 1000 personnel are staged in San Antonio to conduct response and recovery missions post hurricane Ike landfall  Aviation re-entry assessment teams are staged and ready and will start conducting missions post hurricane Ike landfall  Public works assessment teams are staged and ready and will start conducting missions post hurricane Ike landfall  USAR has staged 527 personnel and 120 vehicles in Houston at the Reliant Center
09122008	201 shelters are open with total population of 29,456
09132008	Hurricane Ike made landfall on Galveston Island as a strong Category 2 hurricane.  118 shelters are open with a total population of 41,513.
09132008	Extensive Search and Rescue (SAR) missions are initiated TX SOC Power Team initiates power restoration missions
09132008	Community Relations teams in the field
09132008	The President signed a Major Disaster Declaration 1791-DR-TX authorizing Individual Assistance and assistance for debris removal (Category A), including direct Federal assistance, under the Public Assistance program designating Angelina, Austin, Brazoria, Chambers, Cherokee, Fort Bend, Galveston, Grimes, Hardin, Harris, Houston, Jasper, Jefferson, Liberty, Madison, Matagorda, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Trinity, Tyler, Walker, Waller, and Washington Counties. All counties in the State of Texas are eligible to apply for assistance under the Hazard Mitigation Grant Program.
09132008	Hurricane Ike made landfall on Galveston Island as a strong Category 2 hurricane.
09132008	118 shelters are open with a total population of 41,513
09132008	Amendment No. 1 to Major Disaster Declaration 1791-DR-TX authorizing Federal funds for assistance for debris removal (Category A) under the Public Assistance program, including direct Federal assistance, at 100 percent of the total eligible costs for a period of up to 72 hours.
09132008	IOR issued for JFO established at Highland Mall, 6001 Airport Blvd. Austin, TX 78723

09142008	Amendment No. 2 to 1791-DR-TX added emergency protective measures (Category B), including direct Federal assistance, under the Public Assistance program (already designated for debris removal [Category A], including direct Federal assistance, under the Public Assistance program) for Angelina, Austin, Brazoria, Chambers, Cherokee, Fort Bend, Galveston, Grimes, Hardin, Harris, Houston, Jasper, Jefferson, Liberty, Madison, Matagorda, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Trinity, Tyler, Walker, Waller, and Washington Counties.
09142008	FEMA/State Agreement signed
09142008	Housing Inspections begin
09162008	AEAO contacted all Elected Officials
09162008	Debris Hotline established
09162008	Amendment No. 3 to 1791-DR-TX to authorize Federal funds for assistance for debris removal and emergency protective measures (Categories A and B), including direct Federal assistance, under the Public Assistance Program, at 100 % of the total eligible costs for a 14 day period retroactive to the date of the major disaster declaration.
09172008	(3) of (9) Mobile Response Information Centers open on Galveston Island
09182008	PA PDAs begin
09192008	First blue roof installed
09222008	Applicant Briefings began
09262008	Opened AFOs in Houston, Galveston and Beaumont
09262008	Amendment No. 4 to 1791-DR-TX adds Galveston County for Public Assistance [Categories C-G] (already designated for Individual Assistance and debris removal and emergency protective measures [Categories A and B], including direct Federal assistance, under the Public Assistance program).
09282008	IA PDAs began
10032008	Amendment No. 6 to 1791-DR-TX closes the incident period effective October 2, 2008.
10082008	Amendment No. 7 to 1791-DR-TX amends declarations of September 13, 2008 and September 16, 2008 and authorizes Federal funds for assistance for debris removal and emergency protective measures (Categories A-B), including direct Federal assistance, under the Public Assistance program, at 100 percent of the total eligible costs for an additional 30 days beyond the previous 14-day period, retroactive to the date of the major disaster declaration.
10092008	Amendment No. 8 1791-DR adds Gregg, Harrison, Rusk and Smith Counties for Individual Assistance, Shelby County for Individual Assistance and Public Assistance, Angelina, Brazoria, Fort Bend, Hardin, Newton, Polk, and Tyler Counties for Public Assistance [Categories C-G] (already designated for Individual Assistance and debris removal and emergency protective measures [Categories A and B], including direct Federal assistance, under the Public Assistance program).
10092008	The States request to extend Transitional Sheltering Assistance for Displaced Individuals and Households for 1791-DR-TX for an additional period of time through November 30, 2008 was approved.

10102008	First PW obligated for \$1,000,006
10132008	RPA deadline extended to November 11, 2008
10162008	Amendment No. 9 to 1791-DR-TX adds Aransas, Burleson, Nueces, and San Patricio Counties for Public Assistance, Rusk County for Public Assistance (already designated for Individual Assistance), Cherokee, Harris, Houston, Liberty, Matagorda, Montgomery, Orange, San Augustine, and Trinity Counties for Public Assistance [Categories C-G] (already designated for Individual Assistance and debris removal and emergency protective measures [Categories A and B], including direct Federal assistance, under the Public Assistance program).
10242008	Amendment No. 10 1791-DR-TX adds Anderson, Bowie, Leon, and Milam Counties for Public Assistance, Grimes, Jasper, Jefferson, Nacogdoches, San Jacinto, Walker, and Waller Counties for Public Assistance [Categories C-G] (already designated for Individual Assistance and debris removal and emergency protective measures [Categories A and B], including direct Federal assistance, under the Public Assistance program).
11012008	The States request to extend IA registration deadline to 12/12/2008 was approved.
11012008	The States request to extend the deadline to submit requests for additional county designations for 1791-DR-TX to 11/16/2008 was approved.
11052008	Last Blue Roof installed
11052008	Amendment No. 11 to 1791-DR-TX adds Brazos, Calhoun, Cass, Marion, Morris, Panola, Robertson, and Upshur counties for Public Assistance, Gregg, and Harrison counties for Public Assistance (already designated for Individual Assistance), Austin, Madison, Sabine, and Washington Counties for Public Assistance [Categories C-G] (already designated for Individual Assistance and debris removal and emergency protective measures [Categories A and B], including direct Federal assistance, under the Public Assistance program).
11082008	Last shelter closed
11112008	RPA deadline extended to 11/25/2008
11212008	Amendment No.13 to 1791-DR-TX adds Wharton County for PA.
11252008	RPA deadline for 1791-DR-TX
11262008	Amendment No. 14 to 1791-DR-TX authorizes Federal funds for assistance for debris removal (Cat. A) , including direct Federal assistance, under the PA program, at 100 percent of the total eligible costs for and additional six months immediately following the previous 44 day period.
11302008	The request for an extension of the Transitional Sheltering Assistance to January 3 <sup>rd</sup> 2009 was approved.
12122008	The Individual Assistance deadline for registration was extended until January 12 <sup>th</sup> 2009.
12162008	Applicant briefs were completed
12232008	The request for an extension of the Transitional Sheltering Assistance to March 13 <sup>th</sup> 2009 was approved.
01062009	The Individual Assistance deadline for registration was extended until February 6 <sup>th</sup> 2009.
01312009	Deadline for Registrations extended until February 20 <sup>th</sup> , 2009.
02122009	State extended Hazard Mitigation Grant Program (HMGP) Application

	deadline: Grant applications for HMGP projects must be submitted or postmarked by Friday, April 10 <sup>th</sup> , 2009.
02202009	IA Registration period closed.

City of Galveston  
Hurricane Ike Orders  
Index

**HURRICANE IKE ORDERS  
INDEX  
Revised March 18, 2009**

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| 2. 9/10/08  | 08-051 Ordinance declaring local state of emergency & local state of disaster   |
| 3. 9/10/08  | Declaration of Local State of Disaster  |
| 4. 9/11/08  | <b>Order of Mandatory Evacuation for West End of Galveston (7:00 a.m.)</b>  |
| 5. 9/11/08  | <b>Order of Mandatory Evacuation (9:30 a.m.)</b>  |
| 6. 9/12/08  | Order Restricting Ingress, Egress & Access  |
| 7. 9/12/08  | Notice of Mandatory Curfew between 8:00 p.m. and 5:00 a.m.  |
| 8. 9/12/08  | Declaration of Necessity to Disconnect Water and/or Sewer Utility Connections to Affected Properties Located with the City of Galveston         |
| 9. 9/12/08  | Notice of Disconnection of Water and/or Sewer Service   |
| 10. 9/13/08 | Mandatory Order No Ingress/Access to the City   |
| 11. 9/13/08 | <b>FEMA Notice of Major Disaster Declaration for the State of Texas dated 9/13/08</b>   |
| 12. 9/13/08 | <b>FEMA Notice of Major Disaster Declaration for the State of Texas Amendment No. 1 dated 9/13/08</b>   |
| 13. 9/14/08 | <b>FEMA Notice of Major Disaster Declaration for the State of Texas Amendment No. 2 dated 9/14/08</b>   |
| 14. 9/14/08 | Notice of Extended Mandatory Curfew 6:00 PM until 6:00 AM until further notice  |
| 15. 9/14/08 | Request for Cruise Ship Assistance  |
| 16. 9/15/08 | Notice of Mandatory Prohibition of Access to South Side of Seawall and use of Beaches   |
| 17. 9/15/08 | Microsoft letter of Disaster Response Assistance & Agreement  |
| 18. 9/15/08 | <b>Order Establishing San Luis Resort Hotel as Base Camp and Convention Center at the San Luis Resort as City Command Post for Operations</b>   |
| 19. 9/15/08 | <b>Notice to Proceed Debris Clearance Monitoring R.W. Beck</b>  |
| 20. 9/15/08 | <b>Notice to Proceed with Debris Clearance DRC Emergency Services, LLC</b>  |
| 21. 9/15/08 | <b>Agreement Btw. COG and State of Task Force Operations use of Designated Areas at Scholes Airport as Command Post</b>                         |
| 22. 9/15/08 | Mandatory Order of Evacuation of All Persons at the Flagship Hotel due to Structural Concerns.  |
| 23. 9/16/08 | Temporary Suspension of all Ordinances and City Code Provisions Regulations Towing Vehicles, Wrecker Regulations, Abandoned and Junked vehicles |
| 24. 9/16/08 | <b>FEMA Notice of Major Disaster Declaration for the State of Texas Amendment No. 3 dated 9/16/08</b>   |
| 25. 9/17/08 | Emergency Meeting Agenda  |
| 26. 9/16/08 | <b>Notice of "Look and Leave" for Galveston Residents and I3business</b>  |

- Owners Btw. 6 am-6 pm
27. 9/16/08 Agreement Between The COG and Peninsula Sanitation Service, Inc. Disaster Response for Hurricane Ike
28. 9/17/08 **Extension of a Local State of Disaster**
29. 9/17/08 Extension of Declaration of State of Emergency
30. 9/17/08 Order Removing Competitive Bidding Requirements & Procedures
31. 9/18/08 Boyer Contract to Install Electric Motors for Water Plant @ 59<sup>th</sup> Street
32. 9/18/08 Notice to Proceed with Engineering Services Boyer Inc.
33. 9/19/08 Mandatory Order Authorizing Non Essential Civilian Employees Use of Sick Time for No Pay Status suspending Chapter 14, Sec. 3C of the COG Employee Personnel Manual of 2004
34. 9/20/08 Order Establishing the Property commonly referred to as the Old K-Mart Parking Lot Stewart Road as a State Point of Distribution and a FEMA Registration Location
35. 9/20/08 Notice to Proceed with Debris Clearance Ashbritt Environmental Inc.
36. 9/20/08 **Agreement Between. COG and FEMA Use of Designated Areas at Scholes Airport as a Base Camp.**
37. 9/20/08 Posting of Agenda for City Council Meeting on 9/24/08—posted 9/20/08
38. 9/21/08 First Contract Amendment for Debris Clearance Ashbritt Environmental Inc.
39. 9/21/08 First Contract Amendment for Debris Clearance DRC Emergency Services, LLC
40. 9/21/08 Notice of Mandatory Prohibition of Open Burning and improper Use of Flammable Materials Near Electrical Sources & Failure to thoroughly Extinguish Smoking Materials
41. 9/21/08 Order Waiving all Bldg Permitting Fees and. Building, Mechanical, Plumbing, Electrical, and Fire Permit Fees for Sixty Days Unless Terminated Earlier until 11/20/08
42. 9/21/08 Mandatory Order Restricting Water Usage to Essential Needs of Cooking, after Water Purification and Showering, Implementing Water conservation Measures Within the COG
43. 9/21/08 Notice of Lifting of Mandatory Prohibition of Access on the South Side of Seawall Blvd But Continued Mandatory Prohibition of Recreational Use of the Gulf of Mexico,
44. 9/21/08 **Lifting Mandatory Evacuation Order Except for the West End**
45. 9/21/08 Munter Letter to Lloyd Unsigned
46. 9/22/08 Order Suspending all Temporary Licenses to use the Public Right of Way and Those Associated License Fees for 60 days as ordered by the Mayor of the COG until 11/21/08
47. 9/22/08 Order Dismissing Civil Action No. 11-08-280 Griffin vs. Thomas et al
48. 9/22/08 Order waiving City Charter Procedural Requirements for adopting the Budget at least 7 days prior to beginning of the fiscal year, ordering a special city Council meeting for Monday 9/29/2008
49. 9/22/08 Order Controlling Prices Terminates upon the indefinite expiration of the declared state of emergency
50. 9/22/08 Mandatory Order that destroyed non conforming use of off premise

- advertising signs shall lose its non conforming status and be removed by the owner effective immediately
51. 9/22/08 Notice of City Council meeting for 9/26. 2008 posted on 9/22/2008
52. 9/22/08 **Notice of "Look and Leave" for West of the end of the seawall to San Luis Pass**
53. 9/23/08 Short Term Gross Lease at Scholes Intl Airport parking area.
54. 9/23/08 Second Contract Amendment for Debris Clearance Ashbritt Environmental Inc.
55. 9/23/08 Second Contract amendment for Debris Clearance DRC Emergency Services Inc.
56. 9/23/08 Order temporarily establishing a 10 day waiting period for impoundment of stray or abandoned animals
57. 9/23/08 **Order Revoking the State of Emergency for the COG effective 9/24/2008 at 6 am under the Charter, Continuation of Declaration of Local State of Disaster ordered by the Mayor.**
58. 9/23/08 Munters Moisture Control Services quote for Wright Cuney (dehumidify); Island Transit Admin (dehumidify); Island Transit Admin (clean-up)
59. 9/23/08 Memo from Eric Wilson Re: Emergency Purchase Due to Hurricane Ike
60. 9/23/08 Hillmann Environmental Group, LLC Contract Agreement
61. 9/23/08 **Order Revoking the State of Emergency for the City of Galveston Effective Wednesday, September 24, 2008 at 6:00 A.M.**
62. 9/23/08 Mayor Thomas Senate Testimony
63. 9/24/08 Ordinance 08-052 Continuing the Declaration of a Local State of Disaster for one year
64. 9/24/08 Ordinance 08-053 Extending a Mandatory Curfew Effective between 8:00 P.M. and 6:00 AM.
65. 9/24/08 Munters Moisture Control Services for restoration at City Hall
66. 9/2008 Lone Star Legal Aid – Assistance for Hurricane Ike
67. 9/25/08 Patton Boggs LLP – representation obtaining Federal Financial Assistance
68. 9/24/08 Munters MCS - Model Remediation Work Plan
69. 9/24/08 Post Water Intrusion Microbial Investigation and Mold Remediation Protocol
70. 9/25/08 Memorandum of Understanding Between Copart, Insurance Auto Auctions, Manheim (Total Resource Auctions) and the City of Galveston
71. 9/26/08 **FEMA Notice of Major Disaster Declaration for the State of Texas Amendment No. 4 dated 9/26/08**
72. 10/1/08 Letter to Galveston County Health District regarding health threat of debris from Hurricane Ike
73. 10/2/08 **FEMA Notice of Major Disaster Declaration for the State of Texas Amendment No. 5 dated 10/2/08**
74. 10/3/08 **FEMA Notice of Major Disaster Declaration for the State of Texas Amendment No. 6 dated 10/3/08**
75. 10/3/08 **Request for FEMA Assistance in Private Property Debris Removal, Demolition of Private Structures and Water Way Debris Removal**

76. 10/3/08 Interlocal Agreement on Temporary Debris Site within City of Galveston, Texas
77. 10/3/08 **Request for State Assistance (General Land Office) for Debris Removal on Public Beaches and Relocation and Placement of Beach Sand Displaced by Hurricane Ike**
78. 10/3/08 **Request for State Assistance (Texas Department of Transportation) for Debris Removal on all State Highways Located Within the City of Galveston, Texas**
79. 10/3/08 **Request for State Assistance (Texas Department of Housing and Community Affairs) for Temporary Housing Units for Residents Displaced by Hurricane Ike**
80. 10/3/08 Ordinance 08-058 Amending Mandatory Curfew to 12:00 AM to 5:00 AM
81. 10/3/08 Ordinance 08-060 Waiving the imposition or collection of late fees for Municipal utility accounts.
82. 10/5/08 Follow-up Request for State Assistance Emergency Housing, Shelter, and Mass Care Hurricane Ike
83. 10/6/08 Fax to Jack Colley Re: Statement of Understanding between The City of Galveston Emergency Management and The Greater Houston Area Chapter of the American Red Cross – Council Approved 1/26/06
84. 10/8/08 **FEMA Notice of Major Disaster Declaration for the State of Texas Amendment No. 7 dated 10/8/08**
85. 10/9/08 **FEMA Notice of Major Disaster Declaration for the State of Texas Amendment No. 8 dated 10/9/08**
86. 10/10/08 Notice of Lifting of Mandatory Prohibition of Recreational Use of the Gulf of Mexico, Effective Friday October 10, 2008
87. 10/10/08 Notice of Lifting of Mandatory Order Restricting Water Usage to the Essential Needs of Cooking, After Water Purification and Showering, Implementing Water Conservation Measures Within the City of Galveston Effective Friday, October 10, 2008
88. 10/6/08 **Order Establishing an Additional FEMA Disaster Recovery Center Fixed Facility Location at Alamo School for City of Galveston Emergency Public Assistance – Establishing Additional FEMA Mobile Emergency Registration Intake Centers at Shields Park, 927 Broadway, and 6327 Stewart Road**
89. 10/6/08 Permission to Enter private property to determine if property has suffered substantial damage
90. 10/8/08 Request for State Assistance Long-Term Community Recovery ESF #14 Hurricane Ike
91. 10/9/08 Ordinance 08-062 to temporarily suspend all regulations relating to trailers and recreational vehicles located on residential and commercial properties due to widespread damage caused by Hurricane Ike.
92. 10/9/08 Ordinance 08-063 Amending Mandatory Curfew to remain in effect from midnight to 5 a.m. from 20<sup>th</sup> Street to 25<sup>th</sup> Street from Harborside to Winnie.
93. 10/16/08 Ordinance 08-067 – Adopt temporary regulations regarding temporary storage units

94. 10/20/08 Mutual Aid Agreement for Public Assistance Between City of Galveston and Asset Group, Inc.
95. 10/20/08 **Rick Perry letter to President Bush requesting federal assistance**
96. 10/23/08 Ordinance 08-068 Granting variance until 4/30/2010 from Flood Elevation Requirements for FEMA manufactured homes in floodplains to provide temporary housing
97. 10/23/08 **Order lifting the Look and Leave Policy for the West End of Galveston Island Effective 6:00 A.M. Thursday, October 23, 2008 by the Mayor of the City of Galveston**
98. 10/29/08 Memorandum of Understanding Regarding Temporary Provision of Fire Protection Services on Bolivar Peninsula
99. 11/13/08 **FEMA responses to concerns regarding private, cluster and community temporary housing sites for Hurricane Ike victims.**
100. 11/17/08 Authorization from Local Government for GLO to Clear Ike Debris.
101. 11/20/08 Ordinance 08-073 adopting a private property debris removal and demolition policy in compliance with rules established by FEMA
102. 12/5/08 Governor Rick Perry's Proclamation to extend the disaster proclamation of September 8, 2008.
103. 1/13/09 **Letter to FEMA requesting funding for commercial debris removal and extend to March 31, 2009.**
104. 1/15/09 Order Lifting Temporary Suspension of all Ordinances and City Code Provisions Regulating Towing Vehicles, Wrecker Regulations, Abandoned and Junked Vehicles Effective Midnight January 15, 2009
105. Jan/09 **The Senate Subcommittee on Flooding and Evacuations Interim Report (Report to the 81st Legislature January 2009)**
106. 1/12/09 **House Select Committee on Hurricane Ike Devastation to the Texas Gulf Coast Texas House of Representatives Interim Report 2008 (Report to the House of Representatives 81st Legislature) State Representative Sylvester Turner, Chairman**
107. 1/13/09 James Lee Witt Professional Consulting Services Agreement
- a. Task Order No. 1 – Notice to Proceed
  - b. Revised Task Order No. 1 – Notice to Proceed

**Testimony Summary: Brad Harris  
Federal Coordinating Officer – Hurricane Ike  
Federal Emergency Management Agency**

**Accomplishments of the Federal, State, and Local Partnership:**

- Nearly 35,000 Texans assisted by the Transitional Sheltering Assistance program.
- More than 21,000 families were housed under DHAP with over 12,000 families still participating.
- Over 3,720 temporary housing units were put in place and occupied. In less than one year since Hurricane Ike, 1,595 (43 percent) of the temporary housing units have been vacated and returned to the federal inventory, 1,964 still remain in temporary housing units.
- Rental Repair Pilot Program (authorized by PKREMA) FEMA repaired one 32-unit rental property in Galveston. The pilot program expired on December 31, 2008.

**Public Assistance (PA):**

- Debris Removal - A streamlined process was implemented to reimburse local governments allowing the utilization of local debris removal programs which sped-up the recovery process.
- Project Worksheets - As of September 4, 2009, 13,939 Project Worksheets were written. The remainder will be written before the end of the calendar year.
- Hazard Mitigation Program- Projects currently under consideration include buy-outs of certain residential properties which may be in floodways or velocity zones and construction initiatives to further harden and storm-proof structures critical to the local infrastructure.

**Remaining Challenges to Texas Recovery:**

**Individual Assistance**

- Placing all eligible applicants in temporary housing units in a timely manner is challenging. Unit placement must comply with applicable Federal, State and local codes and ordinances.
- Not enough qualified contractors were available to handle all of the rebuilding needs. Lack of contractors may inhibit an individual's ability to adequately repair their home before the end of the housing program.
- With greater coordination FEMA can continue to maintain an up-to-date database and snapshot of rental resources that become available in the areas most significantly damaged.

**Public Assistance**

- Many remaining Project Worksheets are extremely complex. The University of Texas Medical Branch (UTMB) covered several properties, including 157 buildings and critical facilities, such as emergency rooms and laboratories.
- The remaining Project Worksheets require architectural drawings for the construction and this process will take some time.
- FEMA has implemented new initiatives for the timely completion of Project Worksheets:
  - Created an interagency debris task force with debris specialists to assist with gathering information to help expedite Project Worksheets preparation and processing.
  - Reorganized staff to set up specialized Public Assistance teams with specific experience in effort to focus on Project Worksheets for applicants (i.e. UTMB and Electrical Cooperatives).



## **SERVICES**

FACILITY PLANNING	<u>Programming</u> – Needs Assessment, Space Projections, Business & Facility Objectives, Feasibility Studies
INSTALLATION SERVICES	<u>Site Analysis</u> – Location Studies, Area/Building Requirements & Condition Assessment, Test Fits, and Coordination of Zoning,
	<u>Technology System Management</u> – Cable Plant, Data, Voice, Building Automation & Management Systems, Audio Video, Access Control/Security, Life Safety/Fire Suppression, Paging
	<u>Electric Systems</u> designed, installed all electrical, power distribution, conduit systems and lighting
	<u>Engineering, Design, and Installation</u> -Voice, Video, Enterprise Network cabling and hardware.
	<u>Miscellaneous Systems Coordination</u> – Data, Telephone, Cabling, Security Systems, A/V Systems, Signage, Records Management Systems, Plants, Artwork, Window Coverings, Lab Systems
	<u>Full Services</u> -Computing & Network Security Infrastructure thru Consulting, Implementation & Management using traditional PC and Virtual Machine Technologies, Specialty Systems & Equipment
PROJECT MANAGEMENT	<u>Construction Management</u> – Contract Administration of GC/Subs, Inspections, and Coordination of Submittals, Permits, Testing Services, Information Requests, Change Requests, Client Furnished Items, Punch lists, Warranty & As-built Documents, Claims Mitigation
	<u>Contract Administration</u> – Contracting Plan, Pre-Qualifying, RFP/RFC Development, Bid Coordination, Progress Tracking & Reporting
	<u>Cost Control</u> – Budget Development, Cost Estimating, Contract Negotiation, Invoice Management, Value Engineering, Cost-Benefit Models, Change Order & Claims Evaluation
	<u>Schedule Control</u> – CPM Scheduling, Contract Incentives/Penalties, Long Lead Item Coordination, Decision Tracking, Progress Tracking

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