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Statement of Congressman Bruce Braley
House Committee on Transportation and Infrastructure,
Subcommittee on Economic Development, Public Buildings,
and Emergency Management
“Role of the Federal Government in Small
Business Disaster Recovery”
September 12, 2008

Thank you, Chairwoman Holmes Norton, Ranking Member Graves, and members of the Subcommittee, for holding this important hearing today and for inviting me to testify. I'm very pleased that the Subcommittee is holding this hearing to examine the role of the federal government in helping small businesses recover from natural disasters.

In the Spring and Summer of 2008, Iowa was hit hard by tornadoes, storms, and flooding, causing the greatest level of widespread damage in the state's history, with even 500-year floodplains affected. Iowa has suffered damages that place this disaster within the top dozen or so all-time national disasters. Eighty-five of Iowa's 99 counties were declared Presidential Disaster Areas for Individual Assistance, Public Assistance, or

both. The rebuilding and recovery from these storms and flooding will take place for years.

The storms and floods of 2008 have affected nearly everyone in Iowa, causing unprecedented damage to Iowans homes, lives, property and livelihoods. Iowa's small businesses affected by the storm face an uncertain future as a result of a lack of capital, revenue gaps, and weakened ability to generate revenue. Unemployment in Iowa has jumped from 3.9% in May to 4.3% in July, largely as a result of these natural disasters.

According to data and materials provided by Iowa Department of Economic Development, Iowa Finance Authority, and Iowa Homeland Security and Emergency Management Division, small and intermediate businesses sustained \$55.36 billion in total assessed damage. Approximately 4,800 non-manufacturing small businesses and 800 intermediate businesses were impacted. Large businesses experienced an additional \$100 million in losses. Additionally these businesses will sustain hundred of millions of dollars in lost revenue.

Although the data is not final and continues to be updated, the Rebuilding Iowa Advisory Commission reports that total unmet need for

damages to small and intermediate businesses just in Iowa is estimated at \$2.78 billion.

These businesses provide jobs and are critical to the local economy, but will struggle to survive without some kind of additional assistance.

Small businesses were devastated and some may never reopen. Local governments face extraordinary challenges to sustain a tax base that is in jeopardy as a result of losses in housing and the local economy. The closing of small businesses can have an especially detrimental impact upon the economies and livelihoods of small towns.

In Iowa, the Small Business Administration has provided 3359 loans for \$222 million, and this support is greatly appreciated. The issue, though, is that small businesses have few other places to look than the SBA for flood relief support, and they only provide loans. Especially when these businesses are going through such a difficult transition, there is reluctance for many of them to take on this additional debt.

And others have taken loans from the SBA, but the amounts are not enough to cover their damages. Mike Tully, for example, is President and CEO of Aerial Services, Inc (ASI). Among other things this company does aerial photography and mapping. ASI submitted \$1,755,029 in physical damage, but so far has only received \$308,000 of insurance proceeds and

a \$213,788 SBA loan. This doesn't even cover a third of their total damages.

Or consider Don and Vicky Bowers, the owners of Tapken's convenience store in Anamosa, Iowa. They lost more than \$120,000 to the floodwaters of 2008. The only reason they are now open for business again is because of the generosity of people in the community who donated their time and materials to help fix up the store. But there are additional challenges for the Bowers' as they continue to rebuild their business.

Although the SBA is the only source of direct financial assistance to small businesses affected by natural disasters, there are other agencies that can indirectly aid small businesses. For example, FEMA can reimburse state and local governments for debris removal, even on commercial property. Also, the Department of Housing and Urban Development provides Community Development Block Grant funding that may be used to create jobs through the expansion and retention of businesses.

Iowa's congressional delegation came together in a bipartisan manner and worked with the President to quickly pass a \$2.65 billion flood relief package into law which included funding for the SBA, FEMA, and HUD, among other agencies. This will go a long way to help Iowa's families, farmers and businesses rebuild, but the cost of recovery is rising

every day. Unfortunately, much of this money remains tied up by bureaucratic red tape. It is shameful for appropriated funds to sit unused while there are so many Iowa flood victims in need. It is necessary to keep pushing Congressional leaders and the President to pass additional federal assistance before adjourning this Fall and to expedite the release of already appropriated funds, to help Iowa and other communities recover from these disasters.

It is important that small businesses have assistance available to recover apart from just loans. That is why I was happy to co-introduce, along with my friend and colleague, Steve King, H.R. 6641, the *Small Business Owner Disaster Relief Act of 2008*. This bill would amend the Stafford Act to allow emergency assistance grants for small businesses with 25 or fewer employees. These grants could be used to repair, restore, or replace their damaged facilities.

I have also co-introduced a bill, along with Dave Loebsack, H.R. 6587, the *Midwestern Disaster Tax Relief Act*. It is a tax package that would help home owners and small business owners affected by the storms and flooding get back on their feet. Among other things, it reduces the 2008 tax burden for small and mid-sized businesses by substantially

increasing allowable deductions for the depreciation and expensing of business property.

You can be assured that I'll continue to fight to work towards legislation that helps Iowa small businesses, as well as towards completing a second relief package. And as I mentioned, we need to ensure that the Bush Administration releases all currently appropriated funds to Iowa as soon as possible. Thank you again for allowing me to testify before the Subcommittee today, and thank you for your efforts to ensure the ongoing success of small businesses.