

September 13, 2012

The Honorable Jose E. Serrano
Ranking Member, Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Representative Serrano:

This letter serves as notice of the U.S. Small Business Administration's (SBA) intent to reprogram up to \$70 million in unobligated balances for the cost of direct loans within the Disaster Loans Program Account (DLPA) to be used for disaster administrative expenses. Up to \$35 million of this amount would be for disaster administrative expenses associated with Hurricane Isaac and other major disasters. And, up to \$35 million of this amount will be for disaster administrative expenses associated with non-major disasters under the Disaster Loan Program, as outlined in the 2013 Congressional Budget Justification. DLPA loan subsidy currently has an unobligated balance of \$400 million.

Hurricane Isaac Response: As noted above, the additional funds will assist SBA in its efforts to provide assistance to those who suffered damages under Hurricane Isaac and other major disasters. As a result of Hurricane Isaac and the severe storms and flooding in Louisiana, Mississippi and Florida, SBA is deploying staff and resources to assist small businesses, homeowners and renters in the affected regions. Hurricane Isaac (80 mph winds, damage assessments pending) is predicted to be the fifth largest Category One/Two hurricane in history, after Hurricanes Juan (1985, \$4.7 billion in damages, 85 mph winds); Gustav (2008, \$4.4 billion in damages, 105 mph winds); Georges (1998, \$2.9 billion in damages, 105 mph winds); and an unnamed hurricane in 1906 (\$2.3 billion in damages in today's dollars, 110 mph winds).

Non-Major Disaster Response: The President's FY 2013 Budget requested \$167 million in administrative expenses for SBA's Disaster Loans Program as part of the allowable disaster relief adjustment to the discretionary spending limits pursuant to section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act of

1985, as amended by the Budget Control Act of 2011 (P. L. 112-25). Section 251(b)(2)(D)(iii) of the Act defines “disaster relief” as “activities carried out pursuant to a determination under section 102(2)” of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. This determination refers to the Presidential declaration of a major disaster.

Assuming that the President’s Budget is enacted, SBA anticipates that it will have no FY 2013 appropriations for administrative expenses related to non-major disasters as authorized by Section 7(b) of the Small Business Act. These would include SBA’s disaster declarations that are administratively-declared, made in tandem with the Secretary of Agriculture’s or Secretary of Commerce’s disaster determinations, based on a State Governor’s disaster certification, or made under the Military Reservist Economic Injury Disaster Loan Program. To remedy this situation, SBA is providing this notice of its intent to provide funding to cover the administrative expenses of non-major disasters in FY 2013 through a reprogramming of funds described above.

If SBA does not reprogram these funds, SBA would need to curtail disaster loan operations for Hurricane Isaac and non-major Disasters, which would significantly impair its ability to respond to such disaster activity, liquidate and service disaster loans, and maintain the statutorily required level of staff necessary to respond adequately to open and new disaster declarations.

SBA is acutely aware of the need for fiscal restraint. We will continue our efforts to promote cost-effectiveness within the Disaster Loan Program, while at the same time meeting the needs of homeowners, businesses, and nonprofit organizations impacted by future disasters.

If you have additional questions, please feel free to contact me directly. If your staff would like further information on the reprogramming, they may contact Nick Coutsos, Assistant Administrator for Congressional and Legislative Affairs, at (202) 205-6700. We are happy to meet with you or your staff at your convenience. A similar letter is being sent to Chairwoman Emerson, Chairman Durbin, and Senator Moran.

With warmest regards,

Karen G. Mills