



Testimony of

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before the

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Subcommittee on Government Operations and the Federal Workforce

Congressional field hearing on

Assessing the Federal Government's Response to the 2023 Maui Wildfires

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Good afternoon, Chairman Sessions and distinguished committee members. Thank you for the invitation to discuss the Small Business Administration's (SBA's) response to disaster recovery after the Maui wildfires that hit the island in August 2023.

I am Francisco Sanchez, the Associate Administrator for the Office of Disaster Recovery and Resilience (ODR&R) at the SBA. On behalf of Administrator Isabel Casillas Guzman, and the entire agency, I want to express our deep appreciation for your support of our disaster assistance mission and commitment to ensuring the federal government stands ready to aid our communities in their preparedness and recovery efforts.

With decades of experience in emergency management, I've had the privilege of working on some of the nation's largest disaster and security events. Prior to joining SBA, I served as the Deputy Homeland Security and Emergency Management Coordinator for the Harris County Office of Homeland Security & Emergency Management in Texas, which is the third-largest county in the United States. Harris County includes the City of Houston and, during my tenure in public service, we responded to historic hurricanes like Katrina, Rita, Ike, and Harvey. We dealt with extreme natural events, ranging from wildfires that burned thousands of acres, to historic flooding, to rainstorms that dumped 16 inches of rain on our community in less than 12 hours.

Since my transition to the Federal government in January 2022, I have served as Associate Administrator of ODR&R at the SBA. SBA fulfills one of our most important functions by providing affordable, timely, and accessible financial assistance to businesses of all sizes, private non-profit organizations, homeowners, and renters following a declared disaster. The SBA's Office of Capital Access provides low-interest, long-term Federal loans for disaster losses not covered by insurance or other sources. Our world-class team across the whole of SBA works tirelessly to enhance our programs and resources, ensuring that America's 33 million small businesses, along with countless nonprofits, homeowners and renters, can access the recovery and mitigation resources they need to rebuild stronger, smarter, and more resilient.

In early August 2023, wind-driven wildfires killed 102 people and left two still missing in Maui. The wildfires destroyed the historic town of Lahaina and dozens of homes in Kula. These unprecedented fires impacted not only Maui, but the entire state, causing damages of nearly \$5.7 billion (including an adjustment for the 2024 Consumer Price Index) based upon Commerce Department estimates.

Within hours of President Biden's August 10 Disaster Declaration for Maui, SBA staff were deployed and on the ground assisting with relief efforts at disaster shelters and recovery centers throughout the area.

President Biden said that the federal government would stay in Maui for as long as it takes for

the community to recover. Administrator Guzman reiterated that commitment when she visited Maui with FEMA Administrator Deanne Criswell shortly after the disaster struck. I was on the ground with Administrator Guzman and Criswell, and the damage we saw was gut wrenching. As a former firefighter, I know too well the tragedy and destruction that a fire can cause, but the Lahaina fire was perhaps the most devastating fire I have witnessed in more than 20 years in public safety.

At our peak in the Maui response, SBA scaled to more than 79 staff on the ground and supported 10 Disaster Recovery Centers (DRCs) and Business Recovery Centers (BRCs). Our BRCs and DRCs provided in-person customer service for more than 6,000 survivors in Maui helping with their loan applications. This was in addition to the more than 4,000 survivors in various shelters that SBA reached. Further, our BRCs incorporated SBA's Office of Field Operations and Office of Entrepreneurial Development to ensure businesses received the whole of SBA's support to rebuild.

During her follow-up trip to Maui in February 2024, Administrator Guzman had the opportunity to speak directly with individuals and business owners who took advantage of SBA's affordable disaster loans, business owners like Tien Doan, who escaped Vietnam at the age of 15 hoping to live the American Dream. Mr. Doan achieved this goal, becoming a successful business owner with two jewelry stores and home to call his own. Although the fires destroyed his home and one of his stores, Mr. Doan intends to rebuild. He wrote to the SBA: "Your support has given us hope and a renewed sense of determination to rebuild and move forward."

Administrator Guzman also highlighted the importance of more recovery contract dollars getting to local small businesses when she met with Pono Aaina Management, an SBA 8a-certified firm. That firm rebuilt facilities at Lahaina Elementary School through a contract with the US Army Corps of Engineers. In fact, local and Native Hawaiian-owned small businesses have been at the forefront of the rebuilding effort. SBA's Office of Government Contracting and Business Development conducted small business sourcing efforts and worked to identify 179 Hawaii-based small businesses owned by veterans, women, and Native Hawaiians. At the end of July 2024, more than \$666 million in federal contract dollars has been awarded to small businesses including \$425 million to Hawaii-based firms or more than 64% of the total small business contracts.

SBA's disaster loan products have also been an important source of capital to help rebuild. To date, SBA has provided nearly \$400 million in loan offers to homeowners, businesses and nonprofits that were affected by the Maui wildfires. Nearly \$85 million has been disbursed to survivors – who can access funding in stages based upon their individual needs

Under Administrator Guzman's leadership, SBA undertook several important reforms that made our loan programs easier to utilize for disaster survivors, which benefited disaster survivors here in Maui.

In July 2023, SBA had updated our disaster loan limits for the first time in nearly 30 years to account for rising construction costs. Maui is a high cost-environment to rebuild, and SBA's increased limits ensured that survivors could access sufficient funding to rebuild homes, replace

personal property, and reopen their businesses.

SBA had increased loan limits for a homeowner's primary residence from \$200,000 to \$500,000. More than 58% of the loans SBA made in Maui were above the previous administrative limit of \$200,000.

SBA also had increased loan limits for personal property such as clothing, furniture, appliances, automobiles, from \$40,000 to \$100,000. More than 59% of active loans for personal property losses were above the outdated \$40,000 limit.

To give homeowners and businesses time to recover from a disaster, SBA had also increased the initial payment deferral period from 5 to 12 months so that borrowers do not make any payments on their loans until one-year after disbursement. Importantly, SBA aligned interest charges with this new extended deferral period so that disaster loans do not accrue interest for the first 12 months from the date a loan is received. These important reforms ensure that borrowers have time to rebuild and recover before payments begin.

Specifically in Maui, SBA utilized its authority to increase the maximum allowable loan disbursement from 6 to 24 months. This means that businesses and homeowners can wait longer to pull funds out on an approved loan so that they can delay starting the clock on the 12 month payment deferral period and have more time to plan and rebuild. SBA also waived the initial on-site inspection that is required before an initial disbursement, meaning survivors received any immediate funding more quickly.

The disaster in Maui affected the entire economy in Hawaii. Businesses in adjacent islands may not have had physical damage, but their businesses also suffered economic losses, especially those reliant on tourism. SBA expanded Economic Injury Disaster Loan (EIDL) eligibility for the contiguous counties in Hawaii, meaning more communities could access funding on other islands.

Working with Senator Mazie Hirono and the Hawaii Congressional delegation, SBA also extended the grace period for filing an application for up to 45 days after the initial loan application deadline.

We know that we have more work to do to help Maui recover. There are still three centers with Customer Service Representatives available to help answer questions and assist with new and ongoing applications. Additionally, SBA staff has conducted targeted outreach to encourage businesses that were impacted by the disaster to apply for EIDL assistance. SBA is continuing to provide reconsideration opportunities for businesses and individuals that were declined.

The devastating fires that hit Maui are one of the many risks that this community and others across Hawaii face from the increase in the frequency and scale of disaster events. That is why SBA is also focused on helping communities adapt and become more resilient. SBA's disaster mitigation funds allow owners to build stronger and more resilient defenses so that they can be prepared when the next disaster strikes.

Last year, SBA finalized rules that allow property owners to use mitigation loans to prepare for a range of disasters rather than only a “similar” disaster event. That means a borrower in Maui, can not only access funding to recover from the fire, but they can also access funding to prepare for a flood or other disaster. This commonsense change will allow Maui and other communities to be more resilient going forward.

Long-term recovery support for Maui’s rebuilding is ongoing and the SBA will continue to approve and disburse loans to help individuals and businesses return to normalcy. We are continuing to work with residents and small businesses to build back stronger and more resilient. And we will continue to follow the President’s lead in making sure we are here to support Maui wildfire survivors as long as it takes.

Thank you for your support of SBA and its critical disaster recovery mission. I look forward to our continued work together and appreciate the opportunity to answer your questions.