



Highlights of [GAO-10-723](#), a report to the Committee on Small Business and Entrepreneurship, U.S. Senate

## Why GAO Did This Study

Hurricanes Katrina and Rita wreaked havoc on small businesses in the Gulf Coast, and much federal assistance has been provided to help these businesses. GAO was asked to describe (1) the amount of assistance provided to Gulf Coast small businesses through the Small Business Administration's (SBA) disaster and Gulf Opportunity (GO) loans, state-administered business assistance programs funded by the Department of Housing and Urban Development's (HUD) Community Development Block Grants (CDBG), and the Economic Development Administration's (EDA) Revolving Loan Fund (RLF) program; (2) the extent to which Gulf Coast small businesses received federal contract funds; and (3) the current state of and improvements in the region's economy. GAO analyzed data on SBA and EDA loans and states' use of supplemental CDBG appropriations, data on prime and subcontracts awarded for hurricane recovery activities, and economic indicators both before and after the hurricanes.

## What GAO Recommends

GAO recommends that the Secretary of Defense should take steps to ensure that contracting officials with the Corps and other DOD departments consistently comply with requirements to monitor the extent to which contractors are meeting subcontracting plan goals. DOD did not concur with the implication that its contracting personnel do not enforce requirements.

View [GAO-10-723](#) or [key components](#). For more information, contact William Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

# HURRICANES KATRINA AND RITA

## Federally Funded Programs Have Helped to Address the Needs of Gulf Coast Small Businesses, but Agency Data on Subcontracting Are Incomplete

### What GAO Found

Several federal programs provided assistance to Gulf Coast small businesses after the 2005 hurricanes; however, despite this assistance, some small businesses still face recovery challenges. Of the programs we reviewed, SBA provided the greatest amount of assistance to small businesses. SBA approved about \$1.4 billion in loans through its Disaster Loan and GO Loan programs to assist with the repair or replacement of damaged property and to address economic losses suffered after the hurricanes. In addition, Louisiana expended about \$179 million and Mississippi targeted \$3 million in CDBG disaster relief funds for small business assistance grant, loan, and other programs to further assist businesses that in some or all cases, may not have been eligible for SBA loans. EDA did not receive supplemental appropriations after the hurricanes, but Gulf Coast small businesses did receive about \$36 million in loans from EDA's RLF grantees, which provide gap financing to small businesses to start or expand their business. Even with federal assistance, however, some small business owners with whom GAO met have encountered recovery challenges. For example, a few of these small business owners told GAO that they had problems applying for SBA loans because the hurricanes destroyed needed financial records. Other owners face higher expenses, especially the cost of commercial insurance and added debt from these loan programs, which has made recovering difficult.

Gulf Coast small businesses received almost \$2.9 billion in federal contracts awarded in response to the hurricanes. The *Federal Acquisition Regulation* requires that agency contracting officials monitor prime contractors' performance under subcontracting plans. However, the U.S. Army Corps of Engineers (Corps) and the rest of the Department of Defense (DOD)—two of four agencies that awarded the most in federal contracts for hurricane recovery—could not demonstrate that they were consistently monitoring subcontracting accomplishment data for 13 of the 43 construction contracts for which subcontracting plans were required. Without such monitoring, the Corps and the rest of DOD are limited in their ability to determine the extent to which contractors are following their subcontracting plans.

Indicators—including population estimates, number of small businesses, unemployment rates, and housing prices—suggest that the hurricanes' effects on local economies varied across the Gulf Coast. From 2005 to 2006, some heavily damaged areas experienced steep declines in population and number of small businesses, while less-damaged areas experienced steady increases in these indicators. Since that time, the population and number of small businesses in heavily damaged areas have increased, but they both still remain below prehurricane levels. House prices have shown some steady increases from 2005 to 2008 in heavily damaged metropolitan areas. The impact of the recent oil spill in the Gulf of Mexico on small businesses is uncertain.