

The Economic Impacts of a Hurricane Disaster Bridge Loan Program in Southern Louisiana: The Aftermath of Hurricanes Katrina and Rita

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This paper examined the impact and success of the state of Louisiana Bridge Loan Program on affected businesses based on a survey of firms which were awarded Bridge Loans following Hurricanes Katrina and Rita in 2005 and 2006. We evaluated the economic impact of the program by assessing sales revenue and employment number changes, along with certain self-reported measures of the program's effectiveness. We documented what some companies used these funds for and the instances where they may have used them inappropriately. Finally, we take a look at crisis management and how it can be applied in times of disaster for better results in the future.

INTRODUCTION

Hurricane Katrina struck Louisiana's coast on August 29, 2005, claiming the lives of 1,464 Louisiana residents. Hurricane Rita followed three weeks later on September 24, 2005. The storms initially evacuated and displaced 1.3 million Louisianians, destroyed more than 200,000 homes, 10 hospitals and 200 square miles of Louisiana marshland. The storms also completely destroyed 40 schools, damaged another 835 schools and flooded more than 16,000 businesses. About 179,000 jobs were lost in the New Orleans area alone. Louisiana's estimated property losses total more than \$100 billion (Louisiana Recovery Authority, 2006). Hector Barreto, SBA Administrator declared that: *"Through my visits with small business owners in the Gulf Coast it has become clear that the unprecedented scope and magnitude of these twin disasters requires a more creative response beyond our traditional disaster loan program"* (Federal Reserve Bank of Dallas, 2006). Sean O'Keefe, Louisiana State University Chancellor added: *"In order for the state to fully recover, the goals for rebuilding must have a strategic, sustainable vision for long-term progress. A focus on economic development will prove to be a critical aspect of recover. Supporting small businesses...will be critical elements for moving ahead....Population changes need to be addressed, and the state's highway system must adapt to serve those cities that have*

undergone rapid growth. Each of these challenges, and more, are in desperate need of visionary public policy alternatives and creative public administration solutions.” (O’Keefe, 2007)

The goal of this paper is to determine how effective the state of Louisiana’s Bridge Loan Program was in the wake of Hurricanes Katrina and Rita. The Bridge Loan program began shortly after the hurricanes hit, and was designed to provide affected small businesses (those between 2-100 employees) with the necessary cash flows to meet payment obligations and to assist them in repair and re-investment expenses. The loan was structured as a six-month interest-free loan with the state paying the interest. The ultimate objective was to smoothen out the recovery process for credit-worthy and productive businesses at a time when borrowing and liquidity might have been hard to secure. The Louisiana Economic Development (LED) agency administered the program via selected private financial institutions that originated and serviced the loans.

SUMMARY STATISTICS

The data used in this report were obtained through a survey of 132 loan recipients throughout southern Louisiana. A copy of the survey and a sampling report are included in the Appendix section. This study report begins by providing a broad demographic overview of the businesses sampled and the type of the data collected. For the various revenue brackets, endpoints were chosen so that roughly 25% of the sample data could be categorized within any given subset. Additionally, ranges were chosen when the data were grouped by percentage changes and probability estimates, in order to provide a more straightforward interpretation of the results. For the employment number brackets, the subcategories mirror those found in “*A Report on the Impact of Hurricanes Katrina and Rita on Louisiana Businesses: 2005Q2 - 2006Q4*” (Terrell and Bilbo, 2007), to allow for accurate comparisons. There were many survey respondents that left certain questions blank and consequently the frequency distributions do not add to the total number of firms surveyed (N=132), and the calculated percentages reflect only portions of the answers to the question. It is important to keep these missing values in mind as a caveat for interpretation.

When assessing the Bridge Loan program’s effectiveness in relation to its goals, there are really two questions that need to be answered: Did any businesses go under despite receiving financing, and secondly, did businesses that did receive financing recover quicker than those which did not? Of the 130 businesses that responded to the survey, only 2 reported that they are not currently operating. Both reported that between 2005 and 2006 they had zero employees, suggesting they were forced to shut down at least temporarily. However, one of those two firms reported having a projected opening in the next twelve months, whereas the other reported a projected employee base of zero. Nevertheless, assuming only the latter firm failed out of 132 respondents, the contrast to the business failure rates between Southeast and Southwest Louisiana were astounding, namely 28.31% and 18.63% respectively for 2006Q4 (Terrell and Bilbo, 2007).

Of the 132 businesses sampled, the average firm had approximately 9.01 employees and approximately \$1,154,346.80 annually in revenues before Hurricanes Katrina and Rita hit. As averages tend to be misleading, Tables 1 and 2 present bracketed frequency tables for both annual revenues and number of employees prior to receiving the Bridge Loan.

TABLE 1
ANNUAL REVENUES PRIOR TO LOAN

Annual Revenue prior to loan	Frequency (% of total)
< \$300,000	24 (22.6%)
\$300,000 - \$649,999	27 (25.5%)
\$650,000 - \$1,449,999	28 (26.4%)
> \$1,449,999	27 (25.5%)

TABLE 2
EMPLOYMENT PRIOR TO LOAN

Number of Employees prior to the loan	Frequency (% of total)
1 – 5	59 (49.2%)
6 – 10	36 (30.0%)
11 – 50	24 (20.0%)
> 50	1 (0.8%)

Between the years 2005 and 2006, a little over half of the businesses saw revenues decrease by an average of 37.98%. From 2006 to 2007, 76.4% of the businesses expected to see revenues increase.¹ With the Bridge Loan's inception in late 2005, and assuming an effectiveness time lag, it is safe to assume that this recovery comeback was in some measure attributable to the loan. Of course, people's migration patterns during and after the hurricanes might have impacted these numbers along with other factors, and consequently making it hard to truly gauge the loan's long-term effects. Table 3 presents the frequencies for various revenue changes.

TABLE 3
ANNUAL PERCENTAGE CHANGES IN REVENUES AFTER THE LOAN

	Frequency (% of total)
2005 to 2006	
< 0%	56 (53.3%)
0 - 50%	40 (38.1%)
51 - 100%	3 (2.9%)
> 100%	6 (5.7%)
2006 to 2007	
< 0%	25 (23.6%)
0 - 50%	66 (62.3%)
51 - 100%	8 (7.5%)
> 100%	7 (6.6%)
2005 to 2007	
< 0%	42 (40.0%)
0 - 50%	43 (41.1%)
51 - 100%	14 (13.3%)
> 100%	6 (5.7%)

Similarly, Table 4 provides a frequency tabulation of annual percentage changes in the number of employees for the same period.

TABLE 4
ANNUAL PERCENTAGE CHANGES IN EMPLOYMENT AFTER THE LOAN

	Frequency (% of total)
2005 to 2006	
< 0%	29 (24.6%)
0 - 50%	60 (50.8%)
51 - 100%	11 (9.3%)
> 100%	18 (15.3%)
2006 to 2007	
< 0%	3 (2.5%)
0 - 50%	90 (75.6%)
51 - 100%	12 (10.1%)
> 100%	14 (11.8%)
2005 to 2007	
< 0%	16 (13.9%)
0 - 50%	48 (41.7%)
51 - 100%	26 (22.6%)
> 100%	25 (21.7%)

These percent changes in revenue/employee growth between 2006 and 2007 represent the average recovery rates for these firms. Average employment growth for the selected businesses appears to have remained relatively constant, despite the obvious revenue disruptions.

Given that the Bridge Loans were available to both the Southeast and the Southwest, we attempted to gain a more nuanced view of the loans' effects by examining any differences in growth rates between the two regions. Unfortunately, a large proportion (42.4%) of the respondents did not report their zip code, making it virtually impossible to make any significant comparisons. It appears that the vast majority of the data were collected from Southeastern Louisiana business owners, but we cannot ascertain with confidence. (For detailed frequency listings of the regions, see the Appendix A-2).

The two questions from the survey that seem to be particularly crucial in assessing the Bridge Loan Program's impact were questions 9 and 12. Question 9 asked "*What are the chances that you would be in business today had you not received financing?*" whereas question 12 asked, "*What are the chances that you will be forced to move or relocate your business in the next 12 months?*" Higher values for both imply a less effective loan impact, and lower values imply a more effective loan impact, assuming of course that the Bridge Loan Program's goals were one, keeping firms in business and two, keeping them from having to relocate.

Tables 5 and 6 below present bracketed frequencies for these two variables.

TABLE 5
PROBABILITY OF CONTINUOUS OPERATION WITHOUT FINANCING

Probability of Operations without Financing	Frequency (% of total)
< 25%	18 (15.1%)
25 - 49%	7 (5.9%)
50 - 74%	36 (30.3%)
> 75%	58 (48.7%)

TABLE 6
PROBABILITY OF FORCED RELOCATION WITHOUT FINANCING

Probability of Forced Relocation	Frequency (% of total)
< 25%	90 (74.4%)
25 - 49%	4 (3.3%)
50 - 74%	13 (10.7%)
> 75%	14 (11.6%)

The number of businesses that shrank in terms of revenue growth and the number that grew overall in revenues are presented in Table 7 in the form of a cross-tabulation of net employment growth and net revenue growth between the years 2005-2007. (For more details see Appendix A-3).

TABLE 7
GROWTH RATES, 2005-2007

% Change in Revenue ('05 - '07)	% Change in Employment Number ('05 to '07)				<i>Totals</i>
	< 0%	0 - 50%	51 - 100%	> 100%	
< 0%	13	15	3	8	39
0 - 50%	3	17	13	7	40
51 - 100%	0	5	4	4	13
> 100%	0	0	3	2	5
<i>Totals</i>	16	37	23	21	97

Of the firms which responded to both questions, only 13 reported having decreased both revenues and a having experienced a smaller employee base in 2007 compared with 2005, while 2 firms actually claimed to have doubled both revenues and number of employees.

According to a report by the Louisiana Recovery Authority, businesses in Southeast Louisiana, which were heavily affected by Hurricane Katrina were more likely to fail than in other parts of the state. The state as a whole had an overall business failure rate of 20.87% from the 2005Q2 to 2006Q4, while the Southeast region of the state had a failure rate of 28.31% (Louisiana Recovery Authority, 2006). Orleans Parish had the biggest business loss as a result of

the hurricanes, but showed the strongest growth in the fourth quarter of 2006. In fact, by the first quarter of 2007, the state was only 505 employers shy of the pre-storm levels. This represented a significant increase statewide from the initial loss of 5,178 employers immediately following the Hurricanes and also showed progress over 2006Q4. The report also revealed that the state as a whole had an overall business failure rate of 22.75% from 2005Q2 to 2007Q1, while the Southeast and Southwest regions had failure rates of 29.83% and 19.84% respectively.

Although these facts clearly indicated upward trends in the state overall, the story is really a tale of two recoveries. It is clear that while there was growth to be seen in many of the recovery parishes, there continued to be serious losses to the economies of the regions that had been affected the most. Parishes like Calcasieu and St. Tammany experienced the typical hurricane recovery in the shape of a “V” curve, i.e., an extreme downturn in the weeks immediately following the storms and then a steep economic bounce as construction and other rebuilding commenced (Terrell and Bilbo, 2007). These businesses continued to face extreme challenges as they attempted to rebuild and contribute to the economic recovery of their communities.

Effects by Business Revenue Size

The size of annual pre-loan revenues were not strongly associated with most of the variables, including questions 9 and 12, namely, “*What are the chances that you would be in business today had you not received financing?*” and “*What are the chances that you will be forced to move or relocate your business in the next 12 months?*” respectively, or with the largest segment of the two-year growth rates in terms of both employment and revenues. However, within the businesses with annual pre-loan revenues of less than \$300,000, 54.2% of them saw net revenues between 2005 and 2007 decrease and 62.5% of them did not anticipate a job opening for their business for the current year. This suggests that these businesses were still recovering. Both of these numbers were larger than the sample averages of 40% and 46.2%, respectively. Table 8 documents this pattern in net revenues.

TABLE 8
PERCENT CHANGES IN '05 TO '07 REVENUES BY ANNUAL PRE-LOAN REVENUES

Annual Revenue, pre-loan	% Change in Annual Revenue ('05 to '07)			
	< 0%	0 - 50%	51 - 100%	> 100%
< \$300,000	54.2%	29.2%	8.3%	8.3%
\$300,000 - \$649,999	23.1%	50.0%	19.2%	7.7%
\$650,000 - \$1,449,999	46.4%	39.3%	7.1%	7.1%
> \$1,449,999	37.0%	44.4%	18.5%	-
<i>Total</i>	40.0%	41.0%	13.3%	5.7%

Another interesting trend worth pointing out involves job creation. As noted previously, employment growth seemed to remain relatively steady within the sampled businesses. One group however, firms with annual pre-loan revenues between \$300,000 and \$650,000, seems to have experienced particularly strong employment growth over the years 2005 to 2007, as evidenced by Table 9.

TABLE 9
AVERAGE EMPLOYMENT GROWTH BY ANNUAL PRE-LOAN REVENUES

Annual Revenue, pre-loan	N	Mean % of Firms with Change in the Number of Employees, 2005-2007
< \$300,000	22	55.61%
\$300,000 - \$649,999	26	127.60%
\$650,000 - \$1,449,999	28	39.63%
> \$1,449,999	22	65.70%
<i>Totals</i>	98	72.41%

This evidence of job growth is even further supported by Table 10, which displays the average number of employees for the various pre-loan revenue brackets for the period before the loan (2005) and after the loan (2007).

Based on this information, the overall percentage change in employment for the average firm was roughly +33% between the years 2005 and 2007. From 2005-2006, employment grew by 15.65%. These figures are in contrast to the net loss in employment of roughly 1% found in Southeast Louisiana between 2005 and 2006 and reported in *The Report on the Impact of Hurricanes Katrina and Rita on Louisiana Businesses: 2005Q2 - 2006Q4* (Terrell and Bilbo, 2007). However, they are roughly in line with the report's employment figures for Southeast Louisiana for the same period.²

TABLE 10
AVERAGE EMPLOYMENT BY ANNUAL PRE-LOAN REVENUES, 2005-2007

Annual Revenue, pre-loan	Mean Number of Employees 2005	Mean Number of Employees 2007
< \$300,000	3.78	5.13
\$300,000 - \$649,999	5.31	9.26
\$650,000 - \$1,449,999	8.50	11.29
> \$1,449,999	18.63	22.75
<i>Totals</i>	9.01	11.99

Effects by Business Employee Size

The effects of both hurricanes and the Bridge Loans are more apparent when viewing the data through the lens of employment numbers. The first thing to point out is that businesses with fewer than 6 employees comprised a little over half of the group that saw revenues decrease for the period between 2005 and 2007. This number is in line with the losses experienced by the <\$300,000 annual revenue segment, again implying that recovery might have been taking longer for the smallest businesses. Table 11 shows the revenue percentage changes broken down by pre-loan employment brackets.

TABLE 11
CHANGES IN ANNUAL REVENUE (2005-2007) BY PRE-LOAN EMPLOYMENT SIZE

Number of Employees, pre-loan	% Change in Annual Revenue ('05 to '07)			
	< 0%	0 - 50%	51 - 100%	> 100%
1 – 5	51.2%	43.9%	46.2%	60.0%
6 – 10	24.4%	31.7%	23.1%	40.0%
11 – 50	22.0%	24.4%	30.8%	-
> 50	2.4%	-	-	-
Totals	100%	100%	100%	100%

A relatively stronger pattern emerges when looking at the Probability of Operation without the loan measure and the Probability of Relocation without the loan measure (questions 9 and 12), namely, “*What are the chances that you would be in business today had you not received financing?*” and “*What are the chances that you will be forced to move or relocate your business in the next 12 months?*” respectively. Responses to these questions document the perceived positive impact of the loan and the probability of a forced move within the next 12 months, respectively. It turns out that business with fewer than 6 employees prior to the Bridge Loan make up a majority of the group reporting that, without the loan, there is a less than 50% chance they would continue to be in operation. This would suggest that they had losses but inventory, equipment and other typical loan needs were low enough that they may have been able to start again without the loan, but the loan surely made it easier for them to start all over again.

The findings relating to these two important issues for all pre-loan employment categories are provided in Table 12 below.

TABLE 12
PROBABILITY OF CONTINUING OPERATIONS WITHOUT THE LOAN BY PRE-LOAN EMPLOYMENT SIZE

Number of Employees, pre-loan	Chances of Operation Without Financing	
	< 50%	> 50%
1 – 5	13	44
6 – 10	6	28
11 – 50	5	18
> 50	1	-

A similar pattern emerges when we break down the probability of a forced relocation by employment numbers. For those reporting a greater than 50% chance of a forced move within the next 12 months, over half are businesses with fewer than 6 employees. These figures are presented in Table 13.

TABLE 13
PROBABILITY OF FORCED RELOCATION WITHOUT THE LOAN BY PRE-LOAN EMPLOYMENT SIZE

Number of Employees, pre-loan	Probability of Forced Relocation	
	< 50%	> 50%
1 – 5	44	14
6 – 10	29	6
11 – 50	16	5
> 50	-	1

However, the emerging situation is not as dire as it seems because most businesses with 1-5 employees (77%) thought they had a greater than 50% chance of remaining in operation without the loan, as well as a less than 50% chance of being forced to relocate. Thus, being a smaller business does not necessarily seal your fate in terms of a forced relocation and does not necessarily eliminate your chances of being in business without the state's assistance in the form of a loan.

In summary the key findings of the study were:

- The majority (53.3%) of the businesses sampled saw revenues shrink between 2005 and 2006, but an even larger majority (76.4%) expected revenues to increase between 2006 and 2007.
- When asked for an estimate of the probability their business would be operating in the absence of the Bridge Loan, only 21% reported a low probability of less than 50 percent that they intended to reopen with or without the loan, with firms with fewer than 6 employees representing over half of this group.
- Employment growth was relatively strong for the sample of the firms surveyed. Only 13.9% of the sampled businesses projected a net decrease in the number of employees from 2005 to 2007, but at the same time 44.4% of this same group anticipated having an open position within the next 12 months. The average change in employment overall was +33%.
- A large portion of the sample (40%) experienced a net decrease in revenues between 2005 and 2007, with over half of these recovering businesses having fewer than 6 employees. Overall however, approximately 57% of the businesses grew in both employment and revenue between 2005 and 2007.
- Only 22.3% of respondents reported a strong probability (>50% chance) of having to move or relocate their business within the next 12 months, again, with over half of this business subgroup having fewer than 6 employees.
- The state as a whole had an overall business failure rate of 22.75% from 2005Q2 to 2007Q1, while the Southeast and Southwest regions had failure rates of 29.83% and 19.84% respectively.
- Most of the small businesses receiving these loans used them in a beneficial way for their company and the communities surrounding them, but there have been some cases of misappropriations of funds.
- It was determined that a sound crisis management plan in place is one effective way that some of these small firms could have avoided many setbacks during their recovery.

RECOMMENDATIONS

This study's survey included questions regarding how the Bridge Loan proceeds had been used. Most of the businesses basically gave the same answer by stating that they had used the loan proceeds to pay for critical operating expenses, diversify their business offerings, and provide critical services to the communities they served. Additionally these funds were used for repairs or to replenish their inventory stock and serve their customers.

Although the Bridge Loan's intention was to help small businesses to thrive and reach their pre-hurricane sale levels as soon as possible, some loan recipients that either had no chance of repayment or had unethical intentions as to the use of the funds were among the ones who benefited from the Bridge Loan program. This situation raised serious concerns about the effectiveness of the SBA and other lenders to weed out the non-deserving businesses from the Program. As of February 1, 2007 the SBA had 44 open investigations directly related to the 2005 Gulf Coast hurricanes loan funds. The number of the Bridge loans for Hurricanes Katrina and Rita that were in some stage of delinquent status as of that date were: charged off: 10; delinquent: 171; in liquidation: 2; past due: 654 (Terrell and Bilbo, 2007). The most common allegations involved:

- Unauthorized use of loan proceeds
- Material false statements in the application process
- False/Counterfeit supporting documentation
- False assertions regarding residence in affected areas at time of disaster.

In spite of these few "bad apples" it seems that most small businesses agreed that some form of crisis management approach would probably be the best option from now on to deal with disasters. However, it is quite difficult for management to think about learning something from a crisis and pinpoint the right crisis response that could be useful in future planning. An organizational crisis is defined as "a low-probability, high-impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly (Pearson and Clair, 1998). Crisis management involves a systematic attempt by managers to prevent crises from occurring and to manage them successfully when they do take place. It begins long before a crisis occurs and continues long after recovery (Pearson et al., 1997).

But what form of crisis management would work when FEMA the largest and most specialized organization in crisis management charged with contingency planning for disasters failed so miserably in the wake of Katrina? The uniqueness of disaster events and their apparent unpredictability constrains our ability to learn from our experience with disasters. In fact, there is clear evidence that problems with our disaster management and response systems reoccur, incident after incident (Donahue & Tuohy, 2006). This can be very frustrating in the development of sound solutions and the management of uncertainty seems to be an oxymoron.

Although in the case of Hurricanes Katrina and Rita "hindsight is 20/20" and nothing can be done about it now, businesses can learn from this tragedy and develop their own crisis management plan for similar situations in the future. Contingency planning is commonly the purview of agencies that are expected to deal with the unexpected, most obviously, emergency response organizations such as FEMA and the military. Yet other civic, community, and financial organizations that are outside the realm of disaster management might find themselves

in harm's way during a disaster and can also derive profound benefits from identifying and adopting key principles and practices that will allow them to operate effectively when disaster does strike and are compelled or called to act (Donahue & O'Keefe, 2007).

The main road to recovery after a disaster is some form of crisis management and prior contingency planning by the businesses and government support groups. Creative contingency planning along with resiliency and commitment to positive outcomes will lead to an enhanced probability of a speedy recovery.

According to a report by the National Federation of Independent Business (NFIB) based on some real business experiences and responses to the hurricane disaster, there are five major lessons that business owners in Louisiana and elsewhere can take away from this tragedy and can serve as a blueprint for contingency planning for crisis management (Christens, 2005):

1. Form a disaster plan

For one advertising agency located on the Mississippi coast, this meant having communication with all employees. In the days before the storm, Shirley Godwin owner of the *Godwin Group* had his 80 employees submit all their contact information for a central phone tree, which was then distributed to everyone. *"Updating the phone tree was the most important thing we did...we had to assume people wouldn't be able to use traditional means of communicating. email wouldn't work, because people didn't have power. Cell phones might not work, because certain towers were down. We asked for numbers for everywhere anyone could be reached—your cell phone, your child's cell phone, your parents' house, etc. And then we made sure everyone had every number. The main thing the hurricane reinforced is what we already knew: It all starts with good communication."*

2. Take Care of Employees

Eddie Maloney, one of the owners of a Mississippi based retail store named *Cowboy Maloney's Electric City* did not use the hurricanes as an excuse to miss payroll. Despite the chaos around them and lack of electricity, they managed to make use of a generator to get paychecks on time to their employees knowing that they would need every dime to get through the following weeks and months. *"The main thing you worry about in one of these deals is your associates. We didn't have anybody hurt, and we feel good about that. You've got to make sure you take care of people."*

3. Anticipate Customer Needs

Horne LLP is an accounting firm with six offices operating along the coast of Louisiana, Mississippi, and Alabama. In the aftermath of Katrina, the firm began a new service which consisted of helping clients file complicated business-interruption claims. Horne also helped its competitors by offering office space and utilities to a displaced New Orleans firm. Even while power and phone lines were down, marketing director Shawn McGregor kept the company website updated with his laptop and a power converter for his van.

4. Collaborate With other Businesses

For example, a pharmacy was left with no power. It had to find a way to sustain service for its customers most of who were transplant patients who faced organ rejection and even death if they went a day without medication. Delivery services were naturally out, so the owner used a generator to keep computers running and partnered with other pharmacies in the area. To get medicines to the Gulf Coast, he joined forces with another pharmacy to deliver goods to areas that had lost mail service. *"We met people at the Wal-Mart parking lot at noon and Chick-Fil-A at 3pm. Armada Health Care, our purchasing group, drove us 165 gallons of*

gas from New Jersey. And Novartis Pharmaceuticals called from Dallas and said: 'I know you need gas; what else do you need?'"

5. Focus on Your Recovery

A makeup and wardrobe consultant had her home demolished leaving her without a mailing list, catalog, Web site or any product line. Instead of dwelling on what she lost, she began studying her options and decided to move back to her hometown where contracts there helped her buy a house, revise her mailing list, and spread the word that she was back in business. The word *FOCUS* is the key factor for a complete recovery.

CONCLUDING REMARKS

This report documented the impact of Louisiana's Bridge Loan Program on recipient businesses. Looking at the big picture that the data portrayed, we can conclude that, in spite of some problems, the Bridge Loan overall worked relatively well. Because of the positive impacts of the Bridge Loan, most businesses in the sample reported both revenues and employment increases from 2005-2007. Although the majority of businesses surveyed reported that they would still be operating even if they had not received financial assistance, it is probably true that the revenue and employment numbers would not have been as good in the absence of the loan. It only takes a quick review of the summary of the responses to question 11 on the impacts of the loan in Appendix A-6 to see that this is indeed most likely the case. This is especially true for small businesses which appeared to be in a more sensitive and vulnerable economic situation after the hurricanes. These smaller businesses with fewer than 6 employees seemed to have particularly benefited from the quick financing, since they represent over half of the group reporting a less than 50% chance of remaining open without the loan. It does not appear that most would have shut down permanently, but it is quite possible that many would have had to do so at least temporarily. Thus, the Bridge loan allowed the businesses to experience a quicker recovery phase.

Some valuable ideas and suggestions by the survey respondents for a better administration of the Bridge loan program are provided in Appendix A-6. The suggestion that was repeated most often was that "the loan should have a longer term, longer interest free periods and/or lower interest rates to help with the added costs of the storms". Strong concern with "red tape" and the long time it took in some cases to conclude the loan transaction should be considered as needing a closer examination as well. As in every emergency program, a better dissemination of information about the loans and an overall quicker process were typical suggestions.

It is important to note however, that these results pointing toward a generally positive impact of the Bridge loan program should not be considered as a panacea to be replicated during any similar disaster crisis management program, because the loan eligibility criteria for the Bridge Loan program might have been biased favoring those businesses that were already in a good position to withstand the economic impact created by the storms. Individual banks were given large discretion in determining the recipients' loan eligibility and thus we cannot draw a definitive conclusion on this matter.

With respect to future planning, the terms of the loan, the clear identification of those who need it most, alternative uses of the loans, and a more sophisticated tracking method should be considered in order to undertake a better and more precise analysis of the impacts of the Bridge loan program. Overall, the program did provide firms with a soft landing, helped them bring more people back to work quicker, and overall assisted them in moving forward without having

to shut down even temporarily. From the state's perspective, the quick employment recovery meant more wages, more tax revenues, and more spending all of which added value to the state economy.

ENDNOTES

1. Throughout the report, all 2007 figures constitute projected figures.
2. Employment in Southeastern LA grew by 11.1% between 2005 and 2006, according to the report.

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