

**DISASTER LOAN PROGRAM**

2005 GENERAL SESSION

STATE OF UTAH

**Sponsor: Ron Bigelow**

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**LONG TITLE**

**General Description:**

This bill establishes a disaster loan program.

**Highlighted Provisions:**

This bill:

- ▶ authorizes the Division of Emergency Services and Homeland Security to make loans to counties that are affected by disasters;
- ▶ establishes loan requirements; and
- ▶ establishes a mechanism for requesting the loan and for other political subdivisions within the county to participate in the loan program.

**Monies Appropriated in this Bill:**

This bill appropriates \$25,000,000 from the General Fund to the Division of Emergency Services and Homeland Security for fiscal year 2004-05 only, to fund the loan program.

**Other Special Clauses:**

This bill provides an immediate effective date.

**Utah Code Sections Affected:**

ENACTS:

**53-2-102.5**, Utah Code Annotated 1953

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*Be it enacted by the Legislature of the state of Utah:*

Section 1. Section **53-2-102.5** is enacted to read:

**53-2-102.5. Loan program for disasters.**



28           (1) The director may make loans to local governments as provided in this section  
29 when:

30           (a) the governor has issued a proclamation declaring a state of emergency because of a  
31 natural disaster;

32           (b) the Legislature has appropriated monies to the division explicitly for that purpose;  
33 and

34           (c) threats to the public health and safety, or damages to flood control systems or the  
35 transportation infrastructure exist.

36           (2) (a) In order to qualify for loans under this section, the county and each political  
37 subdivision within the county shall:

38           (i) pass a resolution that:

39           (A) requests a loan;

40           (B) identifies the loan amount that is requested; and

41           (C) describes, in as much detail as possible, how the entity will spend the loan  
42 proceeds; and

43           (ii) complete the application for funds provided by the director.

44           (b) Each political subdivision other than the county shall submit a copy of its  
45 resolution and application to the county legislative body.

46           (c) The county legislative body shall file with the director:

47           (i) a letter identifying the total loan amount sought by the county and its political  
48 subdivisions; and

49           (ii) a copy of the county's resolution and application and a copy of the resolution and  
50 application of each political subdivision seeking loan funds.

51           (3) (a) To the extent appropriated funds are available, the director shall prepare a  
52 promissory note lending the county the total amount requested by the county for itself and its  
53 political subdivisions.

54           (b) The director shall ensure that the promissory note contains:

55           (i) an annual percentage rate of 2%;

56           (ii) a requirement that the principal and interest on the note are due on the May 1 in the  
57 calendar year after the year in which the note is signed;

58           (iii) terms allowing the county to prepay some or all of the note's principal, interest, or

59 both before the date that the note is due; ~~H~~→ [amd]

59a (iv) terms that require repayment of the principal and interest on the note be made to the  
 59b General Fund Budget Reserve Account established in Section 63-38-2.5; and

60 [~~(iv)~~] (v) ←~~H~~ terms that limit the use of note proceeds to the repair and reconstruction of  
 61 infrastructures owned by local governments located within the county.

62 (c) After an authorized representative of the county signs the promissory note, the  
 63 director shall disburse the loan funds to the county.

64 (4) The county and any participating political subdivision may not use loan proceeds  
 65 for costs:

66 (a) that could have been paid from other available funding sources if the county or  
 67 participating political subdivision had applied for those funds; or

68 (b) to compensate private businesses or private persons for damages incurred in the  
 69 disaster by those private businesses or persons.

70 (5) After receiving the loan proceeds from the state, the county shall, before disbursing  
 71 loan proceeds to the other county political subdivisions, obtain signed promissory notes from  
 72 each participating political subdivision that include terms substantially similar to the terms  
 73 contained in the promissory note signed by the county.

74 (6) The county shall, on behalf of itself and any participating political subdivision, file  
 75 a report with the director every three months, that:

76 (a) specifies each project on which loan funds were expended, classified by the name  
 77 of the local entity that expended the funds; and

78 (b) identifies the amount expended for that project.

79 (7) If the county or one of its participating political subdivisions has not expended or  
 80 committed the funds by the date that the promissory note is due, the county or participating  
 81 political subdivision shall return the unused or uncommitted funds to the director for redeposit  
 82 into the fund.

83 **Section 2. Appropriation.**

84 (1) There is appropriated \$25,000,000 from the General Fund, for fiscal year 2004-05  
 85 only, to the Division of Emergency Services and Homeland Security for the loan program  
 86 created by Section 53-2-102.5.

87 (2) It is the intent of the Legislature that, because of the flooding of the Virgin and  
 88 Santa Clara rivers in January of 2005, these monies be used for loans to the affected  
 89 Washington County entities in order to:

- 90           (a) preserve the public health and safety;
- 91           (b) reestablish the tourism industry;
- 92           (c) repair and stabilize flood control and management systems and facilities;
- 93           (d) repair and rebuild the damaged transportation infrastructure; and
- 94           (e) ensure that the state complies with national and state environmental standards.
- 95           (3) It is the intent of the Legislature that this \$25,000,000 appropriation is nonlapsing.

96           Section 3. **Effective date.**

97           If approved by two-thirds of all the members elected to each house, this bill takes effect  
98 upon approval by the governor, or the day following the constitutional time limit of Utah  
99 Constitution Article VII, Section 8, without the governor's signature, or in the case of a veto,  
100 the date of veto override.

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**Legislative Review Note**  
as of 1-28-05 9:54 AM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

**Office of Legislative Research and General Counsel**