

USE OF DISASTER LOAN FUNDS

2006 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: David Clark

Senate Sponsor: John W. Hickman

LONG TITLE

General Description:

This bill modifies the disaster loan program by changing financial terms.

Highlighted Provisions:

This bill:

- ▶ requires that new promissory notes be issued to refinance any promissory notes issued by the program that are unpaid as of their due date;
- ▶ requires that the new promissory notes be issued:
 - for the principal balance of the outstanding promissory notes;
 - with a due date two years from the date that the original promissory note was due; and
 - at no interest;
- ▶ changes the loan program by requiring two-year loans instead of one-year loans; and
- ▶ provides that notes issued, based on monies appropriated for disaster loans as of May 1, 2005, are due on or before June 30, 2007.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill provides an immediate effective date.

Utah Code Sections Affected:

AMENDS:

53-2-102.5, as enacted by Chapter 1, Laws of Utah 2005

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

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

32 **53-2-102.5. Loan program for disasters.**

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

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

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

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

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

43 (i) pass a resolution that:

44 (A) requests a loan;

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

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

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

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

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

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

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

56 (3) (a) To the extent appropriated funds are available, the director shall prepare a
57 promissory note lending the county the total amount requested by the county for itself and its

58 political subdivisions.

59 (b) ~~[The]~~ Except as required in Subsections (8) and (9), the director shall ensure that
60 the promissory note contains:

61 ~~[(i) an annual percentage rate of 2%;]~~

62 ~~[(iv)]~~ (i) a requirement that the principal ~~[and interest]~~ on the note ~~[are]~~ is due on the
63 May 1 in the calendar year two years after the year in which the note is signed;

64 ~~[(iii) terms allowing the county to prepay some or all of the note's principal, interest, or~~
65 ~~both before the date that the note is due;]~~

66 ~~[(iv)]~~ (ii) terms that require repayment of the principal ~~[and interest]~~ on the note be
67 made to the General Fund Budget Reserve Account established in Section 63-38-2.5; and

68 ~~[(v)]~~ (iii) terms that limit the use of note proceeds to the repair and reconstruction of
69 infrastructures owned by local governments located within the county.

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

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

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

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

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

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

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

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

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

91 (8) For each promissory note issued under this section that is unpaid on May 1, 2006,
92 the director shall issue a new promissory note to replace the existing promissory note:

93 (a) for the principal amount of the unpaid promissory note without accrued interest, if
94 any;

95 (b) due on or before June 30, 2007; and

96 (c) with no interest rate.

97 (9) The director shall ensure that each promissory note issued under this section that is
98 funded by monies appropriated and available for disaster loans as of January 1, 2006, are due
99 on or before June 30, 2007.

100 Section 2. **Effective date.**

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