

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

29 **53-2-102.5. Loan program for disasters.**

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

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

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

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

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

40 (i) pass a resolution that:

41 (A) requests a loan;

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

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

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

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

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

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

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

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

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

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

58 (ii) a requirement that the principal and interest on the note are due on the May 1 in the

59 calendar year after the year in which the note is signed;

60 (iii) terms allowing the county to prepay some or all of the note's principal, interest, or
61 both before the date that the note is due;

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

64 (v) terms that limit the use of note proceeds to the repair and reconstruction of
65 infrastructures owned by local governments located within the county.

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

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

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

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

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

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

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

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

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

87 (8) For any promissory notes unpaid as of April 30, 2006 that mature in 2006, the
88 director shall issue a new promissory note to replace any existing promissory note:

89 (a) for the principal amount of the unpaid promissory note without accrued interest, if

90 any;

91 (b) due May 15, 2007; and

92 (c) with no interest rate.

93 **Section 2. Effective date.**

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

Legislative Review Note

as of 12-19-05 8:59 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

Fiscal Note

Use of Disaster Loan Funds

19-Jan-06

Bill Number: HB00878:28 AM

State Impact

It is estimated that provisions of this bill can be implemented with existing resources. The state will forgo approximately \$166,000 in cumulative interest due April 30, 2006

Individual and Business Impact

Any fiscal impact will be dependent on distribution of the relief funds.

Office of the Legislative Fiscal Analyst