



Community Disaster Loans

Program Specific Recovery Act Plan

May 15, 2009



Homeland
Security

*Federal Emergency Management Agency Disaster
Assistance Directorate, Public Assistance Division*

Message from the Component Accountable Office

I am pleased to transmit the FEMA Community Disaster Loan Program plan as required by the implementation guidance from the Office of Management and Budget. The plan was prepared by the Disaster Assistance Directorate, as the proponent and awarding authority for this grant program.

The Community Disaster Loan (CDL) Program provides operational funding to help local governments that have incurred a significant loss in revenue, due to a major disaster, that has or will adversely affect their ability to provide essential municipal services. Congress recently passed the American Recovery and Reinvestment Act (ARRA), which included revised provisions to the Community Disaster Loan (CDL) Program. The enclosed report explains what funds are available in the ARRA and how those funds will be distributed and tracked.

This funding will provide relief to communities impacted by unemployment and poverty, and will play a crucial role in helping to get our economy back on track and families back on their feet.

Sincerely,

Robert A. Farmer
Acting Director, Office of Policy and Program Analysis
Federal Emergency Management Agency

Executive Summary

The “Traditional” Community Disaster Loan (CDL) Program provides operational funding to help local governments that have incurred a significant loss in revenue, due to a major disaster, that has or will adversely affect their ability to provide essential municipal services. The Stafford Act, Section 417, subparts 206.360 through 206.367, authorizes FEMA to provide direct loans to local governments who have suffered a substantial loss of tax and other revenues, as a result of a major disaster, and which can demonstrate a need for Federal assistance in order to perform their governmental functions. Local governments must show a loss of greater than 5% of tax and other revenues for the current or succeeding year. Loan amounts may not exceed 25% of the operating budget of the local government for the fiscal year in which the disaster occurred, or the cumulative estimated revenue loss for the fiscal year of the disaster and the subsequent three fiscal years, but shall not exceed \$5 million. In 2008, Congress provided \$100,000,000 loan authority to provide loans to all eligible disaster applicants. Applicants were identified in three states including Iowa, Texas, and Louisiana. Of the \$100,000,000 loan authority, \$52,517,275 was approved to twenty-one (21) communities in Texas, Louisiana, and Iowa.

In 2009, Congress passed the American Recovery and Reinvestment Act, which included revised provisions to the “Traditional” Community Disaster Loan (CDL) Program. Specifically, any local government with a major disaster in calendar year 2008 could receive a Community Disaster Loan of up to 50% of the operating budget for the fiscal year of the disaster if they suffered a loss of 25% or more in tax revenues. The \$5 million cap was removed. The revised provision imposed different requirements than the traditional CDL program. As mentioned above, under the traditional CDL Program there is a 5% revenue test which requires a loss of 5% or more of revenues from all sources in the operating funds in the year of the disaster or the year following the disaster. Under the new provisions, to qualify for an increased loan the local government has to meet a revised revenue test of incurring at least a 25% loss of tax revenues in the operating funds. This new revenue test is calculated as the actual loss in tax revenue (i.e., pre-disaster tax revenue estimates less actual tax revenue) through the date the most recent tax revenue data is available, but not extending beyond the end of the fiscal year following the fiscal year of the disaster. If the local governments meet the revised revenue test, they may qualify for additional loan funds to the funds already received of not more than 50% of the operating budget for the fiscal year of the disaster. Tax revenues include property tax, sales tax, income tax, or any other locally imposed tax. All other revenues, including user fees, charges for services, permits, Federal per capita grants, and interest revenues are not considered tax revenues. Of the \$100,000,000 appropriated for this program, \$47,482,725 is currently available to fund any requests for supplemental funding.



Community Disaster Loan Program

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I. Legislative Requirement

This report is submitted per the requirements of the American Recovery and Reinvestment Act (P.L. 111-5) and follows the Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009 (OMB M-09015).

Community Disaster Loan (CDL) Program

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II. Funding

In 2009, Congress provided for a Disaster Assistance Direct Loan Program Account for the cost of direct loans as authorized under section 417 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5184) to subsidize gross obligations for the principal amount of direct loans not to exceed \$100,000,000 under the Traditional Community Disaster Loan Program.

Of the \$100,000,000 appropriated for this program and the supplemental, \$47,482,725 currently remains available to fund any requests for traditional or supplemental loans. Supplemental funding requests are evaluated on a case by case basis.

To date, seven (7) 2008 loan recipients have requested evaluation for eligibility. The remaining 2008 loan recipients do not appear to possess the necessary level of tax revenue loss to be eligible, and we do not anticipate them requesting evaluation. Hence, we do not expect any further requests. If we receive requests, we will evaluate them; but, it is unlikely they will be eligible, given their level of tax revenue loss.

Additionally, of the seven who have requested evaluation, we anticipate only three of them to have enough tax revenue losses enough to be determined eligible. Therefore, we believe the funding amount currently available will suffice for any supplemental loan amounts.

III. Objectives

The goal of this portion of the Community Disaster Loan Program is to provide additional funding to eligible applicants who were provided “Traditional” Community Disaster loans in 2008. Such additional funding would afford those eligible communities additional resources to continue providing those functions of a municipal operating character, such as police or firefighter salaries. This specific goal will be accomplished by evaluating the loan recipients from 2008, determining if they have met the 25% tax revenue loss threshold, and providing them

the additional eligible funding through the vehicle already set up with their Traditional Community Disaster Loan.

The “Traditional” Community Disaster Loan (CDL) Program provides operational funding to help local governments that have incurred a significant loss in revenue, due to a major disaster, that has or will adversely affect their ability to provide essential municipal services. Local governments must show a loss of greater than 5% of tax and other revenues for the current or succeeding year. Loan amounts may not exceed 25% of the operating budget of the local government for the fiscal year in which the disaster occurred, or the cumulative estimated revenue loss for the fiscal year of the disaster and the subsequent three fiscal years, but shall not exceed \$5 million.

In 2009, Congress passed the American Recovery and Reinvestment Act, which included revised provisions to the “Traditional” Community Disaster Loan (CDL) Program. Specifically, any local government with a major disaster in calendar year 2008 could receive a Community Disaster Loan of up to 50% of the operating budget for the fiscal year of the disaster, if they suffered a loss of 25% or more in tax revenues. The \$5 million cap was removed. The mission of the Program is to identify and provide loans to eligible applicants from 2008 disasters supplemental funding.

This provision has not been previously implemented with the “Traditional” Community Disaster Loan Program; therefore, there is no history of accomplishments.

The objectives of the “supplemental” are to 1) identify local governments who received Traditional Community Disaster loans in 2008 that are eligible for additional funding based on the 25% tax loss requirement 2) complete new loan packages for those determined eligible and 3) provide additional loan funds for eligible applicants. FEMA has engaged the states where 2008 loans were provided and is currently working with each applicant who has requested evaluation for eligibility on a case by case basis.

IV. Activities

The local government shall use the loaned funds to carry on existing local government functions of a municipal operation character or to expand such functions to meet disaster-related needs.

- The funds shall not be used to finance capital improvements nor the repair or restoration of damaged facilities.
- Neither the loan nor any cancelled portion of the loans may be used as the non-Federal share of any program, including those under the Stafford Act.
- Typical uses for such loan funds would include paying the salaries of police, firefighters, garbage workers, or teachers while the community recovers.

V. Characteristics

These funds will be awarded in the form of loans.

VI. Delivery Schedule

February 16, 2009 – Public Assistance Division was notified of the Stimulus Conference Report that articulated supplemental funding availability for 2008 Community Disaster Loan recipients.

February 17, 2009 – Public Assistance Division began financial review of all 2008 loan recipients to determine their *likelihood* of eligibility with regard to supplemental funding requirements (i.e., 25% tax loss litmus test). Furthermore, Public Assistance Division unofficially notified the states of the potential for additional funding for 2008 loan recipients. Public Assistance engaged the Office of Chief Counsel to clarify limitations on the “tax only” loss.

February 25, 2009 – Public Assistance Division developed guidelines for Traditional Community Disaster Loans as they related to the supplemental.

March 2, 2009 – Public Assistance Division crafted an announcement to states to detail the new offering and its limitations.

March 3, 2009 – Public Assistance Division began assembling staff to engage applicants based upon forecasting performed in February.

March 10, 2009 – Public Assistance Division officially notified states of the supplemental funding opportunity and the availability of the program to engage interested parties immediately.

March 24, 2009 – Upon request by the State of Texas, the Public Assistance Division spoke directly with the City of Galveston regarding potential eligibility for supplemental funding.

March 25, 2009 – Public Assistance Division received the first request for evaluation for eligibility (Oakville, Iowa). No other 2008 loan recipients in Iowa were determined to be potentially eligible.

April 1, 2009 – Received for request from the State of Louisiana for three (3) 2008 loan recipients. No other 2008 loan recipients determined to be potentially eligible.

April 2, 2009 – Public Assistance Division reached out to the State of Texas to determine if any other 2008 loan recipients would be interested. Two (2) additional 2008 loan recipients were identified.

April 20, 2009 – Public Assistance Division was working with all identified potential applicants and is awaiting supporting documentation from all in order to make final eligibility determinations.

TBD – Upon an eligibility determination, applicants will deliver completed loan package to Governor’s Authorized Representative for concurrence and delivery to Region. At that point, the Region will forward the package to FEMA Headquarters for final processing through the Chief Financial Officer.

VII. Environmental Review Compliance and Federal Infrastructure Investments

FEMA is required to consider the potential impacts to the human and natural environment of projects proposed for FEMA funding. FEMA, through its Environmental and Historic Preservation (EHP) Program, engages in a review process to ensure that FEMA funded activities comply with various Federal laws including: National Environmental Policy Act, National Historic Preservation Act, Endangered Species Act, and Executive Orders on Floodplains (11988), Wetlands (11990) and Environmental Justice (12898). The goal of these compliance requirements is to protect our nation’s water, air, coastal, wildlife, agricultural, historical, and cultural resources, as well as to minimize potential adverse effects to children and low income and minority populations.

The Community Disaster Loan Program’s mission does not interact with any of these elements. The CDL’s mission is to provide funding to allow local government to continue funding their essential operations. There would not be any impacts to human or natural environments.

VIII. Measures

ARRA – Supplemental Funding for 2008 Community Disaster Loan Recipients Performance Measures		
Measure #1	Measure	Eligibility Determinations
	Description: Percent of Identified Potential Applicants to Eligibility Determinations	Evaluation of identified potential applicants
	Data Collection Methodology	Number of identified potential applicants to the number of eligibility determinations completed. <i>Metric is solely dependent upon applicant's ability to provide required information to make determinations.</i>
Measure #2	Measure	Fund Availability
	Description: Percent of eligible Applicants able to draw down funds	The number of determined eligible applicants and the availability of the funds for drawdown.
	Data Collection Methodology	Number of eligible applicants who have access to loan funds via Smartlink.

IX. Monitoring/Evaluation

To date, the CDL Program has approved 22 “Traditional” Community Disaster Loans to communities affected by disasters in 2008. Seven (7) communities who received loans in 2008 have requested evaluation for the supplemental funding. Of those seven (7), all are currently being evaluated for eligibility; none have been determined eligible for supplemental funds to date.

Additionally, the CDL Program conducted a global review of all loans provided in 2008 and determined no other loan recipients would meet the 25% tax loss threshold for the supplemental.

FEMA disburses funds to local governments when requested, generally in accordance with their Schedule of Loan increments in the Promissory Note. As funds are disbursed, interest accrues against each disbursement. When incremental disbursements are requested, the local government is required to submit a copy of its most recent financial report for consideration by FEMA in determining whether the level and frequency of periodic payments continue to be justified. Desired adjustments in the disbursement schedule are submitted in writing 10 days prior to the proposed disbursement date in order to ensure timely receipt of the funds.

Additionally, the local government is required to submit to FEMA copies of its annual financial reports (operating statements, balance sheets, etc.) for the fiscal year of the disaster and for each of the three (3) subsequent fiscal years. FEMA reviews each loan periodically to determine whether projected revenue losses, disaster-related expenses, operating budgets, and other factors have changed sufficiently to warrant adjustment of the scheduled disbursement of loan proceeds.

X. Transparency

FEMA provides each loan recipient with a loan status report on a quarterly basis.

XI. Accountability

Program Managers are held accountable for the timely engagement of potential applicants, expedient review of information for eligibility determinations, and the time it takes (given the process) for funds to be made available to the applicant. Such accountability is monitored through a weekly status report provided to the Division Director and the states.

XI. Barriers to Effective Implementation

Given the regulations as they exist, there are no barriers to effective implementation.