



FEMA

RECOVERY DIVISION FACT SHEET

RP9580.101

FREQUENTLY ASKED QUESTIONS (FAQs) 2006 SPECIAL COMMUNITY DISASTER LOAN PROGRAM

Background

The Community Disaster Loan Act of 2005 authorized \$1 billion in loans for communities in Louisiana and Mississippi that were devastated by Hurricanes Katrina and Rita. The Supplemental Appropriations Act of 2006 provided additional loan authority for the Community Disaster Loan Program. The eligibility criteria for the 2006 program are different from those of the 2005 Program. Specifically, the law states, "...the amount of any such loan issued pursuant to this section may exceed \$5,000,000, and may be equal to not more than 50 percent of the annual operating budget of the local government in any case in which that local government has suffered a loss of 25 percent or more in tax revenues due to Hurricane Katrina or Hurricane Rita." These Frequently Asked Questions explain the eligibility under the 2006 Community Disaster Loan Program.

Questions & Answers (Q&A)

1. How much additional money has Congress appropriated for the SCDL Program?

Congress appropriated \$372M for the SCDL in the Supplemental Appropriation Act of 2006.

2. What changes to the 2005 SCDL Program are included in the Supplemental Appropriation Act of 2006?

The Supplemental Appropriation Act of 2006 includes three changes:

- A. The maximum loan amount is increased from 25% to 50% of the applicant's operating budget the fiscal year of the disaster.
- B. The loan analysis may only consider "tax revenue" loss and not "other revenues" as allowed for in the October 2005 SCDL regulations.
- C. The applicant must demonstrate an actual loss in tax revenues of 25% or greater.

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3. How will FEMA calculate 50% of the applicant's operating budget the fiscal year of the disaster?

FEMA will multiply 50% by the operating budget calculated in the applicant's original application.

4. How does FEMA define "tax revenues"?

FEMA defines "tax revenues" as revenues generated by a government through its sovereign power to tax. Tax revenues, in accordance with the Government Accounting Standards Board (GASB), are "non-exchange revenues," meaning taxes paid for a non-direct service.

5. Will user fees or in-patient hospital fees qualify as "tax revenues"?

In accordance with the GASB, "exchange revenues" are not considered "tax revenue" as the revenue is generated in exchange for a service (e.g., permit fees, sewer and water fees, hospital in-patient fees, etc.).

6. How does FEMA determine whether an applicant has suffered a loss of 25% or more in tax revenue due to Hurricane Katrina or Rita?

FEMA compares the actual tax revenues to the pre-disaster baseline tax revenues (i.e., what anticipated tax revenues would have been had the disaster not occurred) from the disaster through the most recent reporting period. If the actual tax revenue losses are at least 25% of the pre-disaster baseline for that time period since the disaster, the applicant qualifies to participate. It is assumed that all losses are hurricane-related.

7. What happens if the applicant has suffered less than 25% tax revenue loss due to Hurricane Katrina or Rita?

The applicant does not qualify for a 2006 Supplemental Appropriation CDL.

8. How does FEMA calculate the cumulative revenue loss for the fiscal year of the disaster and three succeeding fiscal years?

FEMA asks the applicant to update its post-disaster tax revenue projections for the tax revenue sources identified in their original application to reflect the actual and revised projections for the fiscal year of the disaster and three succeeding fiscal years. The baseline tax revenues – what revenues would likely have been had the disaster not occurred – remain unchanged.

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9. Can the applicant identify any additional tax revenue loan analysis?

Yes. If an applicant believes that the inclusion of additional tax revenue sources will increase its loss it may submit these additional revenue sources. Conversely, applicants will be asked whether any other tax revenue sources increased due to the Hurricane and, if so, to include that tax revenue source in the analysis.

10. How does FEMA calculate the new loan amount?

FEMA takes the lesser of 50% of the operating budget (Fiscal Year of Disaster) or the cumulative projected revenue loss (FY of Disaster + 3 years), then subtracts any previously awarded loan amount(s).

11. What is the timeline for receiving a new loan?

All loans must be awarded no later than **September 30, 2006** as the \$372M is authorized for FY 2006 only.

12. What is the loan process?

- FEMA works with the applicant to prepare the loan application.
- Applicant reviews, signs, and submits application to the Governor's Authorized Representative (GAR).
- Applicant obtains any local or state approval to obtain a loan.
- GAR reviews application and recommends a loan amount.
- Applicant submits signed Promissory Note and Lobby Disclosure Form to GAR.
- GAR forwards recommendation, application, Promissory Note, and Lobby Disclosure form to the Gulf Coast Recovery Office (GCRO).
- GCRO Director signs and forwards application to FEMA HQ.
- FEMA HQ reviews, approves, and awards loan funds.

13. Is there an appeal process if an applicant disagrees with FEMA's decision?

Yes. An applicant that disagrees with FEMA's decision regarding its application may submit a letter describing its reason(s) for dissent to James A. Walke, the FEMA Public Assistance Branch Chief.

14. Will FEMA issue regulations due to the changes noted above?

No. FEMA has determined that the 2006 law is self-executing, meaning that the new loans can be awarded without issuing new regulations.