



Senate Local Government Committee

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Chairman



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ANALYSIS

Amendment to Senate Bill 901

EXISTING LAW and BILL SUMMARY:

The Local Government Unit Debt Act (LGUDA) provides for review of project financings by the Department of Community and Economic Development (DCED), defines the different types of debt a municipality may enter into, and sets limits on the amount of debt a municipality can incur without voter approval.

Senate Bill 901 makes reforms to the Local Government Unit Debt Act, 53 Pa.C.S. §§ 8001-8049 to:

- Establish a true review process by DCED in which borrowings are adequately examined in a timely fashion to insure the intent of LGUDA to protect taxpayers is followed,
- Limit the ability of municipalities to provide unlimited guarantees of other entities' debts
Eliminate the ability to charge a fee for issuing a guarantee
- Amend the "self-liquidating" and "working capital" definitions to prohibit reimbursements for payments made under a guarantee or other non-project-related costs
- Allow DCED to retain the filing fees under LGUDA, earmarked for enforcement of LGUDA
- Provide for fiduciary duty of advisers and penalties for false filings

AMENDMENT:

The proposed amendment would change Senate Bill 901 to:

- Provide that small borrowings that can be done by resolution are not subject to the 2-step review process by DCED
- Increase the amount that is considered a small borrowing from \$125,000 to \$250,000
- Reduce the timeframe within which DCED must conduct its review from 60 to 30 days
- Delete the restrictions on negotiated private sale of bonds versus competitive sale
- Adds a definition of "financial advisor"
- Amend the limits on municipal governments providing guarantees of debt of another local government unit to provide that a guaranty may be provided if: the project is a drinking water, storm sewer, or sanitary sewer project, the debt is incurred in connection with a "Plan" or "Recovery Plan" approved under the Municipalities Financial Recovery Act, 53 P.S. §11701.101 et seq. or successor legislation, or the guaranty is necessary to enable the authority to obtain the most competitive interest rate available in the marketplace as demonstrated by comparables.
- Provide that the local government unit shall have one year, rather than six months to incur the debt after obtaining approval.
- Improve review of debts claimed to be self-liquidating by requiring updated filings
- Further provide for the duties and responsibilities of participants in Local Government Unit Debt Act transactions