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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**HOUSE BILL**  
**No. 2567** Session of  
1976

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INTRODUCED BY RAPPAPORT, CAPUTO, WORRILOW, FRYER AND MEBUS,  
JUNE 23, 1976

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REFERRED TO COMMITTEE ON URBAN AFFAIRS, JUNE 23, 1976

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AN ACT

1 Relating to financial emergencies of municipalities and  
2 providing procedures for their relief.

3 The General Assembly of the Commonwealth of Pennsylvania  
4 hereby enacts as follows:

5 Section 1. Short Title.--This act shall be known and may be  
6 cited as the "Local Government Financial Emergencies Act."

7 Section 2. Definitions.--As used in this act:

8 "Court" means the Commonwealth Court.

9 "Department" means the Department of Community Affairs of the  
10 Commonwealth of Pennsylvania.

11 "Municipality" means a county, city, borough, town and  
12 township.

13 Section 3. Declaration of Financial Emergency.--The court  
14 shall declare, after certification by the department, a  
15 financial emergency to exist in any municipality upon  
16 determining that one or more of the following conditions has  
17 occurred:

18 (1) The municipality has failed, within the same fiscal year

1 in which a loan or debt service payment is due, to pay in full a  
2 loan from a bank or the principal or interest due on a note or  
3 bond within 30 days of its due date.

4 (2) The municipality, for a period of at least 30 days, has  
5 failed to transfer to the appropriate agency:

6 (i) taxes withheld on the income of employees; or

7 (ii) employer and employee contributions for Federal social  
8 security.

9 (3) The municipality has failed, for a period of at least 30  
10 days, to pay the wages and salaries of employees.

11 Section 4. Remedy of a Local Financial Emergency.--(a) The  
12 department is authorized, with respect to any municipality in  
13 which a financial emergency has been declared, to:

14 (1) make an analysis of the factors and circumstances  
15 contributing to the financial emergency and recommend steps to  
16 be taken to correct such conditions;

17 (2) amend, revise, approve or disapprove the budget of the  
18 municipality and limit the total amount of funds appropriated or  
19 expended during the balance of the fiscal period and the period  
20 of the financial emergency;

21 (3) require and approve or disapprove, amend or revise a  
22 plan to liquidate current debt;

23 (4) prescribe the form of special reports to be made by the  
24 finance officer or governing body of the municipality, the  
25 creditors, the department and the public;

26 (5) have access to records and books of account and the  
27 power to require the attendance of witnesses and the production  
28 of books, papers, contracts, and other documents relevant to an  
29 analysis of the financial condition of the municipality;

30 (6) approve or disapprove any appropriation, contract,

1 expenditure, or loan, the creation of any new position, or the  
2 filling of any vacancy in a permanent position by an appointing  
3 authority;

4 (7) approve or disapprove payrolls or other claims against  
5 the municipality prior to payment;

6 (8) approve a collective bargaining agreement prior to it  
7 becoming effective;

8 (9) employ such auditors and other personnel as may be  
9 necessary to carry out the provisions of this act;

10 (10) require compliance with orders of the department by  
11 court action if necessary; and

12 (11) provide grants, temporary cash loans or the guarantee  
13 of loans from private sources sufficient to meet the immediate  
14 needs of the municipality.

15 (b) The court is authorized to:

16 (1) Appoint and set the salary of a local administrator of  
17 finance to exercise the authority of the department with respect  
18 to the municipality and to perform duties under the general  
19 supervision of the department.

20 (i) the local administrator shall be a residence of the  
21 county in which the municipality is located;

22 (ii) he may not be a government employee or an elected  
23 official; and

24 (iii) he shall not be eligible to hold elective office for  
25 five years after the termination of his duties as administrator.

26 (2) Authorize municipalities to exceed local tax limits  
27 whenever they are currently levying taxes at the highest rate  
28 allowable and prove the need for such increases.

29 Section 5. Cessation of Local Financial Emergency.--The  
30 declaration of a local financial emergency in a municipality

1 shall be automatically revoked whenever two fiscal years elapse  
2 during which none of the conditions enumerated in section 3 has  
3 occurred.

4 Section 6. Federal Bankruptcy Act.--The department shall  
5 represent the interests of the State and all municipalities in  
6 any proceedings under the Federal Bankruptcy act which pertain  
7 to the financial distress of a municipality. It is authorized to  
8 perform any administrative or supervisory function requested by  
9 the court as part of, or pursuant to, such proceedings.

10 Section 7. Repeals.--All acts and parts of acts, municipal  
11 charters or parts of municipal charters are repealed in so far  
12 as they are inconsistent herewith.

13 Section 8. Effective Date.--This act shall take effect  
14 immediately.