

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1504 Session of
2003

INTRODUCED BY ARMSTRONG, BEBKO-JONES, CAPPELLI, COLEMAN,
CREIGHTON, DENLINGER, KIRKLAND AND SCAVELLO, JUNE 3, 2003

REFERRED TO COMMITTEE ON EDUCATION, JUNE 3, 2003

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," authorizing school districts to enter
6 into interest rate management agreements and the Secretary of
7 Education to withhold State appropriations from school
8 districts choosing to enter into such an agreement to the
9 extent required to pay the interest component under the
10 agreement.

11 The General Assembly of the Commonwealth of Pennsylvania
12 hereby enacts as follows:

13 Section 1. Section 633 of the act of March 10, 1949 (P.L.30,
14 No.14), known as the Public School Code of 1949, amended
15 December 21, 1998 (P.L.1194, No.154), is amended to read:

16 Section 633. Reports to Secretary of Education; Withholding
17 State Appropriations.--It shall be the duty of the Secretary of
18 Education, to require, as part of the annual financial reports
19 of all of the school districts, a list of the amount of bonds or
20 other indebtedness that becomes due during the fiscal year,
21 together with the amount paid on each item of indebtedness. In

1 case of failure on the part of any school district to furnish
2 such report at the required time after the close of the fiscal
3 year, the Secretary of Education may withhold any State
4 appropriation that may become due to any such school district
5 until such report covering information regarding the maturities
6 of indebtedness and payments on same during the preceding fiscal
7 year, as required herein, and any other information which he may
8 require of a school district, has been received. In all cases
9 where the board of directors of any school district fails to pay
10 or to provide for the payment of any indebtedness at date of
11 maturity or date of mandatory redemption or on any sinking fund
12 deposit date, or any interest due on such indebtedness on any
13 interest payment date, or on any sinking fund deposit date in
14 accordance with the schedule under which the bonds were issued
15 or the interest component payable under a qualified interest
16 rate management agreement, the Secretary of Education shall
17 notify such board of school directors of its obligation and
18 shall withhold out of any State appropriation due such school
19 district an amount equal to the sum of the principal amount
20 maturing or subject to mandatory redemption and interest owing
21 by such school district or the interest component payable under
22 a qualified interest rate management agreement, or sinking fund
23 deposit due by such school district, and shall pay over the
24 amount so withheld to the bank or other person acting as sinking
25 fund depository for such bond issue.

26 Section 2. The act is amended by adding a section to read:

27 Section 641. Interest Rate Management Agreements.--(a) The
28 board of school directors of any school district shall have the
29 power to enter into qualified interest rate management
30 agreements with respect to outstanding indebtedness incurred

1 under the former act of July 12, 1972 (P.L.781, No.185), known
2 as the "Local Government Unit Debt Act," or any amendment or re-
3 enactment thereof.

4 (b) "Qualified interest rate management agreement" shall
5 mean an agreement entered into by or on behalf of a school
6 district, which agreement, including swaps, interest rate caps,
7 interest rate collars, interest rate floors, swaptions and other
8 similar arrangements, will, in the judgment of the school
9 district, assist the school district in managing the interest
10 rate risk or interest cost to the school district.

11 Section 3. This act shall take effect in 60 days.