

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2124 Session of 2012

INTRODUCED BY PRESTON, CALTAGIRONE, D. COSTA, CARROLL, DALEY,  
FREEMAN, HORNAMAN, MULLERY, READSHAW, TRUITT AND YOUNGBLOOD,  
JANUARY 17, 2012

REFERRED TO COMMITTEE ON APPROPRIATIONS, JANUARY 17, 2012

AN ACT

1 Amending the act of March 1, 1988 (P.L.82, No.16), entitled "An  
2 act providing for the establishment, implementation and  
3 administration of the Pennsylvania Infrastructure Investment  
4 Authority; imposing powers and duties on a board of trustees;  
5 transferring the rights, powers, duties and obligations of  
6 the Water Facilities Loan Board to the Pennsylvania  
7 Infrastructure Investment Authority; providing for the  
8 issuance of notes and bonds; providing for financial  
9 assistance and for a comprehensive water facilities plan;  
10 authorizing a referendum to incur indebtedness; making an  
11 appropriation; and making repeals," establishing municipal  
12 connection funding programs; making an appropriation; and  
13 making editorial changes.

14 The General Assembly of the Commonwealth of Pennsylvania  
15 hereby enacts as follows:

16 Section 1. The act of March 1, 1988 (P.L.82, No.16), known  
17 as the Pennsylvania Infrastructure Investment Authority Act, is  
18 amended by adding a chapter heading to read:

19 CHAPTER 1

20 PRELIMINARY PROVISIONS

21 Section 2. Section 1 of the act is renumbered to read:  
22 Section [1] 101. Short title.

23 \* \* \*

Section 3. Section 2 of the act, amended December 16, 1992 (P.L.1137, No.149), is renumbered to read:  
Section [2] 102. Legislative intent.

\* \* \*

Section 4. Section 3 of the act, amended December 16, 1992 (P.L.1137, No.149) and July 14, 2005 (P.L.299, No.51), is renumbered and amended to read:  
Section [3] 103. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Authority." The Pennsylvania Infrastructure Investment Authority.

"Board." The board of directors of the authority.

"Bonds." Bonds, notes or other evidences of indebtedness issued by the authority pursuant to this act.

"Borrower." An individual owner of a housing unit.

"Department." The Department of Environmental [Resources] Protection of the Commonwealth.

"Eligible cost." The cost of all labor, materials, machinery and equipment, lands, property, rights and easements, plans and specifications, surveys or estimates of costs and revenues, pre-feasibility studies, engineering and legal services, and all other expenses necessary or incident to the acquisition, construction, improvement, expansion, extension, repair or rehabilitation of all or part of a project.

"Federal poverty guidelines." The poverty measure issued annually by the United State Department of Health and Human Services as published in the Federal Register based on family size and household income.

1 "Governmental unit." Any agency of the Commonwealth or any  
2 county, municipality or school district, or any agency,  
3 instrumentality, authority or corporation thereof, or any public  
4 body having local or regional jurisdiction or power.

5 "Housing unit." A detached or attached single-family  
6 residential structure, including, but not limited to, a  
7 manufactured home on a permanent foundation, which is a  
8 permanent residence and is owned and occupied by one or more  
9 individuals.

10 "Loan origination fees." Fees paid by a borrower to a local  
11 lending institution for originating the borrower's loan.

12 "Loan servicing fees." Fees paid to a local lending  
13 institution.

14 "Local lending institution." A bank, savings and loan or  
15 other financial institution authorized to extend financial  
16 assistance under the Municipal Connection Funding Program.

17 "Manufactured home." A movable, single-family dwelling unit  
18 designed for long-term occupancy, built on a chassis at a  
19 factory, not less than eight feet wide and 32 feet long, with or  
20 without a permanent foundation, and consisting of a complete  
21 package with major appliances, plumbing and electrical  
22 facilities prepared for appropriate connections.

23 "Program." The Municipal Connection Funding Program  
24 established under section 501.

25 "Project." The eligible costs associated with the  
26 acquisition, construction, improvement, expansion, extension,  
27 repair, rehabilitation or security measures of all or part of  
28 any facility or system, whether publicly or, in the case of  
29 paragraph (1) or (2), privately owned:

30 (1) for the collection, treatment or disposal of

wastewater, including industrial waste;

(2) for the supply, treatment, storage or distribution of drinking water;

(3) for the control of storm water, which may include, but need not be limited to, the transport, storage and the infiltration of storm water; or

(4) for the best management practices to address point or nonpoint source pollution associated with storm water runoff or any other innovative techniques identified in the county-prepared watershed plans pursuant to the act of October 4, 1978 (P.L.864, No.167), known as the Storm Water Management Act.

"Property lateral." The pipe connecting a housing unit to the street lateral.

"Secretary." The Secretary of Environmental [Resources] Protection of the Commonwealth.

"Security measures." Infrastructure improvements to publicly or privately owned water or wastewater systems designed in whole or in part for the protection of the collection, treatment and distribution of potable water and treatment of wastewater from threats and vulnerabilities to ensure the public health of the systems' customers in accordance with the Environmental Protection Agency's Drinking Water State Revolving Fund Program and the Clean Water State Revolving Fund Program established under section 1452 of the Safe Drinking Water Act (Public Law 93-523, 42 U.S.C. § 300j-12) and Title VI of the Federal Water Pollution Control Act (62 Stat. 1155, 33 U.S.C. §§ 1381-1387), respectively, and any other program for which there are funds or accounts administered by the authority.

"Statewide median household income." The median household

income reported for Pennsylvania in the most recently available  
Census of Population and Housing, as conducted and reported by  
the United States Bureau of the Census. This amount shall be  
adjusted on the first working day of each calendar year by  
multiplying median household income by the following factor:  
CPI-U(1)/CPI-U(2), where CPI-U refers to the Consumer Price  
Index for all Urban Consumers, as computed and reported by the  
United States Bureau of Labor Statistics. The designation (1)  
refers to the CPI-U for the year in which the median household  
income is calculated and reported and the designation (2) refers  
to the most recent CPI-U reported as of December 15 of the year  
immediately preceding the year when the adjustment is made.

"Storm water." Drainage runoff from the surface of the land  
resulting from precipitation or snow or ice melt.

"Water Facilities Loan Board." The board established under  
32 Pa.C.S. § 7504 (relating to Water Facilities Loan Board).

Section 5. The act is amended by adding a chapter heading to  
read:

### CHAPTER 3

#### PENNSYLVANIA INFRASTRUCTURE INVESTMENT

#### AUTHORITY

Section 6. Section 4 of the act is renumbered to read:

Section [4] 301. Pennsylvania Infrastructure Investment

Authority; board of directors.

\* \* \*

Section 7. Section 5 and subsection (a) of the act, amended  
December 16, 1992 (P.L.1137, No.149), are renumbered and amended  
to read:

Section [5] 302. Revenues of authority.

(a) Sources of revenues.--The authority may receive money

1 from sources of revenue, including, but not limited to, the  
2 following:

3 (1) State funds appropriated to the authority.

4 (2) Federal funds appropriated to or granted to the  
5 authority.

6 (3) Proceeds from the sale of bonds of the authority  
7 authorized under section [7] 304.

8 (4) Proceeds from the sale of bonds issued on or after  
9 the effective date of this act from the remaining unused  
10 authorization in addition to any other funds that remain  
11 unencumbered on the effective date of this act from the act  
12 of July 12, 1981 (P.L.263, No.88), entitled "An act  
13 authorizing the incurring of indebtedness, with approval of  
14 the electors, of \$300,000,000 for the repair, construction,  
15 reconstruction, rehabilitation, extension and improvement of  
16 community water supply systems, and for the repair,  
17 reconstruction or rehabilitation of flood control facilities,  
18 dams and port facilities and providing the allotment of  
19 proceeds from borrowing hereunder," approved by the  
20 electorate on November 3, 1981.

21 (5) Proceeds from the sale of bonds not to exceed a  
22 total sum of \$150,000,000 issued for site development under  
23 the provisions of Article XVI-B of the act of April 9, 1929  
24 (P.L.343, No.176), known as The Fiscal Code. This paragraph  
25 shall expire on December 31, 1989, except that the board may  
26 fund projects approved prior to December 31, 1989.

27 (6) Proceeds from the sale of any Commonwealth general  
28 obligation bonds issued under sections [16 and 17] 313 and  
29 314.

30 (7) Proceeds from the sale of any Commonwealth general

obligation bonds issued under section 12 of the act of March 16, 1992 (P.L.10, No.5), known as the Small Water Systems Assistance Act.

(8) Proceeds from the sale of authority assets.

(9) Repayment of loan principal.

(10) Payment of interest on loans made by the authority.

(11) Interest earned on the investments of authority moneys.

\* \* \*

Section 8. Sections 6, 7, 8 and 9 of the act are renumbered to read:

Section [6] 303. Powers and duties of authority.

\* \* \*

Section [7] 304. Specific power to issue bonds.

\* \* \*

Section [8] 305. Covenants and express conditions on obligations.

\* \* \*

Section [9] 306. Nature and effect of pledges.

\* \* \*

Section 9. Section 10 and subsection (f) of the act are renumbered and amended to read:

Section [10] 307. Financial assistance.

\* \* \*

(f) Loans.--Subject to any agreements with the holders of bonds, the board shall have the power to set terms applicable to loans in any manner it deems appropriate, subject to the provisions of this subsection. The board may consider such factors as it deems relevant, including current market interest rates, the financial and economic distress of the area which the

1 project serves, and the necessity to maintain the authority  
2 funds in a financially sound manner. Loans may be made based on  
3 the ability to repay the loan from future revenue to be derived  
4 from the project, by a mortgage or other property lien, or on  
5 any other fiscal matters which the authority deems appropriate.  
6 The board shall have the power to defer principal on loans for  
7 up to five years. In the event of a default on the repayment of  
8 a loan, the board may apply to the court of common pleas of the  
9 county where the project is located for the appointment of a  
10 receiver to assume operation and supervision of the facility  
11 under the supervision of the court. The minimum rate of interest  
12 to be paid on any loan made pursuant to this act shall be 1%.

13 The maximum rate of interest shall not exceed the following:

14       (1) For projects in counties whose unemployment rate  
15 exceeds the Statewide unemployment rate by 40% or more, 1%  
16 for the first five years and 25% of the bond issue rate for  
17 the remainder of the loan.

18       (2) For projects in counties whose unemployment rate  
19 exceeds the Statewide unemployment rate, but exceeds it by  
20 less than 40%, 30% of the bond issue rate for the first five  
21 years and 60% of the bond issue rate for the remainder of the  
22 loan.

23       (3) For all other projects, 60% of the bond issue rate  
24 for the first five years and 75% of the bond issue rate for  
25 the remainder of the loan.

26       (4) For projects located within municipalities for which  
27 unemployment rates exist which would qualify the project for  
28 lower interest rates than if the relevant county unemployment  
29 rate were used, the unemployment rate of that municipality  
30 may be used in determining the interest rate on the loan.

1 For purposes of this subsection, the phrase "unemployment rate  
2 of the county" shall mean the average unemployment rate for the  
3 county in the most recent calendar year for which data has been  
4 finalized. For the projects which serve multiple counties, the  
5 highest unemployment rate of the counties involved shall be  
6 used. The unemployment data utilized shall be data reported by  
7 the Department of Labor and Industry. For purposes of this  
8 subsection, the phrase "bond interest rate" shall be the rate of  
9 interest paid by the Commonwealth immediately preceding the date  
10 of the loan for the bonds issued under sections [16 and 17] 313  
11 and 314.

12 \* \* \*

13 Section 10. Sections 11 and 12 of the act are renumbered to  
14 read:

15 Section [11] 308. Comprehensive water facilities plan.

16 \* \* \*

17 Section [12] 309. Audits.

18 \* \* \*

19 Section 11. Section 13 of the act is renumbered and amended  
20 to read:

21 Section [13] 310. Annual report.

22 The board shall provide the General Assembly with an annual  
23 report detailing all projects funded under section [10] 307.

24 Section 12. Section 14 of the act is renumbered to read:

25 Section [14] 311. Expedited approval of rate relief.

26 \* \* \*

27 Section 13. Section 15 of the act is renumbered and amended  
28 to read:

29 Section [15] 312. Transfer of Water Facilities Loan Board.

30 (a) Removal of members.--All existing members of the Water

1 Facilities Loan Board shall cease to hold office on the day that  
2 the Governor certifies by publication in the Pennsylvania  
3 Bulletin the existence of a quorum on the board created under  
4 section [4] 301.

5 (b) Board of directors to serve as Water Facilities Loan  
6 Board.--For purposes of satisfying all outstanding obligations  
7 of the Water Facilities Loan Board and for purposes of  
8 collecting loan and interest repayments, the board established  
9 in section [4] 301 shall constitute the membership of the Water  
10 Facilities Loan Board.

11 (c) Transfer of function.--All remaining unencumbered funds,  
12 rights, powers, duties, obligations, liabilities, records and  
13 equipment of the Water Facilities Loan Board are transferred to  
14 the authority.

15 Section 14. Section 16 of the act is renumbered to read:  
16 Section [16] 313. Referendum.

17 \* \* \*

18 Section 15. Section 17 of the act is renumbered and amended  
19 to read:

20 Section [17] 314. Bonds.

21 (a) Issuance of general obligation bonds.--As evidence of  
22 the indebtedness if authorized under section [16] 313, general  
23 obligation bonds of the Commonwealth shall be issued from time  
24 to time to fund and retire notes issued pursuant to section [16]  
25 313 to carry out the purposes of this act, or both, for such  
26 total amounts, in such form, in such denominations and subject  
27 to such terms and conditions of issue, redemption and maturity,  
28 rate of interest and time of payment of interest as the issuing  
29 officials direct except that the latest stated maturity date  
30 shall not exceed 30 years from the date of the debt first issued

1 for each series.

2 (b) Execution of bonds.--All bonds and notes issued under  
3 the authority of section [16] 313 shall bear facsimile  
4 signatures of the issuing officials and a facsimile of the great  
5 seal of the Commonwealth and shall be countersigned by a duly  
6 authorized loan and transfer agent of the Commonwealth.

7 (c) Direct obligation of Commonwealth.--All bonds and notes  
8 issued in accordance with section [16] 313 shall be direct  
9 obligations of the Commonwealth, and the full faith and credit  
10 of the Commonwealth are hereby pledged for the payment of the  
11 interest thereon as it becomes due and the payment of the  
12 principal at maturity. The principal of and interest on the  
13 bonds and notes shall be payable in lawful money of the United  
14 States of America.

15 (d) Exemption from taxation.--All bonds and notes issued  
16 under the provisions of this section shall be exempt from  
17 taxation for State and local purposes.

18 (e) Form of bonds.--The bonds may be issued as coupon bonds  
19 or registered as to both principal and interest as the issuing  
20 officials may determine. If interest coupons are attached, they  
21 shall contain the facsimile signature of the State Treasurer.

22 (f) Bond amortization.--The issuing officials shall provide  
23 for the amortization of the bonds in substantial and regular  
24 amounts over the term of the debt. The first retirement of  
25 principal shall be stated to mature prior to the expiration of a  
26 period of time equal to one-tenth of the time from the date of  
27 the first obligation issued to evidence the debt to the date of  
28 the expiration of the term of the debt. Retirements of principal  
29 shall be regular and substantial if made in annual or semiannual  
30 amounts, whether by stated serial maturities or by mandatory

1 sinking fund retirements.

2 (g) Refunding bonds.--The issuing officials are authorized  
3 to provide, by resolution, for the issuance of refunding bonds  
4 for the purpose of refunding any bonds issued under this section  
5 and then outstanding, either by voluntary exchange with the  
6 holders of the outstanding bonds, or to provide funds to redeem  
7 and retire the outstanding bonds with accrued interest, any  
8 premium payable thereon and the costs of issuance and retirement  
9 of bonds, at maturity or at any call date. The issuance of the  
10 refunding bonds, the maturities and other details thereof, the  
11 rights of the holders thereof and the duties of the issuing  
12 officials in respect to the same shall be governed by the  
13 provisions of this section, insofar as they may be applicable.  
14 Refunding bonds may be issued by the issuing officials to refund  
15 bonds originally issued or to refund bonds previously issued for  
16 refunding purposes.

17 (h) Quorum.--Whenever any action is to be taken or decision  
18 made by the Governor, the Auditor General and the State  
19 Treasurer acting as issuing officials and the three officers are  
20 not able unanimously to agree, the action or decision of the  
21 Governor and either the Auditor General or State Treasurer shall  
22 be binding and final.

23 (i) Public sale.--Whenever bonds are issued, they shall be  
24 offered for sale at not less than 98% of the principal amount  
25 and accrued interest and shall be sold by the issuing officials  
26 to the highest and best bidder or bidders after due public  
27 advertisement on such terms and conditions and upon such open  
28 competitive bidding as the issuing officials shall direct. The  
29 manner and character of the advertisement and the time of  
30 advertising shall be prescribed by the issuing officials.

1 (j) Private sale.--Any portion of any bond issue so offered  
2 and not sold or subscribed for may be disposed of by private  
3 sale by the issuing officials in such manner and at such prices,  
4 not less than 98% of the principal amount and accrued interest,  
5 as the issuing officials shall direct. No commission shall be  
6 allowed or paid for the sale of any bonds issued under the  
7 authority of this section.

8 (k) Bond series.--When bonds are issued from time to time,  
9 the bonds of each issue shall constitute a separate series to be  
10 designated by the issuing officials or may be combined for sale  
11 as one series with other general obligation bonds of the  
12 Commonwealth.

13 (l) Temporary bonds.--Until permanent bonds can be prepared,  
14 the issuing officials may in their discretion issue, in lieu of  
15 permanent bonds, temporary bonds in such form and with such  
16 privileges as to registration and exchange for permanent bonds  
17 as may be determined by the issuing officials.

18 (m) Disposition and use of proceeds.--The proceeds realized  
19 from the sale of bonds and notes, except funding bonds,  
20 refunding bonds and renewal notes, under the provisions of this  
21 section are specifically dedicated to the purposes of the  
22 referendum to be implemented by this act and shall be paid into  
23 the special funds established in the State Treasury in such  
24 amounts as may be specified by the board pursuant to section  
25 [5(c)] 302(c). The proceeds shall be paid by the State Treasurer  
26 periodically to the board to expend them at such times and in  
27 such amounts as may be necessary to satisfy the funding needs of  
28 the board. The proceeds of the sale of funding bonds, refunding  
29 bonds and renewal notes shall be paid to the State Treasurer and  
30 applied to the payment of principal, the accrued interest and

1 premium, if any, and costs of redemption of the bonds and notes  
2 for which such obligations shall have been issued.

3 (n) Investment of funds.--Pending their application to the  
4 purposes authorized, moneys held or deposited by the State  
5 Treasurer may be invested or reinvested as are other funds in  
6 the custody of the State Treasurer in the manner provided by  
7 law. All earnings received from the investment or deposit of  
8 such funds shall be paid into the State Treasury to the credit  
9 of the funds established by the board in section [5(c)] 302(c)  
10 in such amounts as may be specified by the board pursuant to  
11 that section.

12 (o) Registration of bonds.--The Auditor General shall  
13 prepare the necessary registry book to be kept in the office of  
14 the duly authorized loan and transfer agent of the Commonwealth  
15 for the registration of any bonds, at the request of owners  
16 thereof, according to the terms and conditions of issue directed  
17 by the issuing officials.

18 (p) Expenses of preparation for issue and sale of bonds and  
19 notes.--There is hereby appropriated to the State Treasurer from  
20 the proceeds of the bonds and notes issued as much money as may  
21 be necessary for all costs and expenses in connection with the  
22 issue of and sale and registration of the bonds and notes in  
23 connection with this act.

24 Section 16. The act is amended by adding a chapter to read:

25 CHAPTER 5

26 MUNICIPAL CONNECTION FUNDING PROGRAMS

27 Section 501. Establishment of programs.

28 (a) Municipal Connection Funding Program.--There is hereby  
29 established the Municipal Connection Funding Program for the  
30 purpose of authorizing financial assistance in the form of

1 guaranteed low-interest loans to homeowners for tapping fees and  
2 eligible costs relating to the installation of a water or sewage  
3 lateral for homes constructed prior to the installation of a  
4 public water distribution system or a public sewage collection  
5 system servicing the property or relating to the replacement of  
6 water or sewage laterals to housing units as part of an  
7 upgrading or reconstruction of a public water distribution  
8 system or public sewage collection system.

9 (b) Municipal Connection Funding Loan Guarantee Program.--In  
10 addition to the program established under subsection (a), the  
11 Municipal Connection Funding Loan Guarantee Program is hereby  
12 established for the purpose of authorizing financial assistance  
13 in the form of guaranteed low-interest loans to homeowners for  
14 tapping fees and eligible costs relating to the installation of  
15 a water or sewage lateral for homes constructed prior to the  
16 installation of a public water distribution system or a public  
17 sewage collection system servicing the property or relating to  
18 the replacement of water or sewage laterals to housing units as  
19 part of an upgrading or reconstruction of a public water  
20 distribution system or public sewage collection system.

21 (c) Regulations.--

22 (1) The authority shall develop regulations as may be  
23 necessary for the application for and approval of program  
24 funds for loan recipients which at a minimum shall be  
25 required to repay program loans to the local lending  
26 institution within 15 years from the date of the loan at an  
27 annual interest rate not to exceed 1%. The authority shall  
28 develop regulations for the implementation of the guaranteed  
29 loan program, which shall include, but not be limited to,  
30 procedures for local lending institutions participating in

1 the program under section 507(m) to qualify for reimbursement  
2 from the Municipal Connection Funding Guarantee Program when  
3 the residential borrower defaults on the loan.

4 (2) The authority may promulgate any additional  
5 regulations that it deems as necessary for carrying out the  
6 provisions of this chapter.

7 Section 502. Scope.

8 This chapter applies to financial assistance provided to  
9 owners of a housing unit.

10 Section 503. Applicant eligibility.

11 (a) Owner occupancy required.--An applicant is eligible if  
12 he is an owner-occupier of a housing unit and either of the  
13 following conditions exists:

14 (1) The housing unit is served or is to be served by a  
15 public water distribution system or public sewage collection  
16 system owned by a municipality or municipal authority.

17 (2) The owner-occupier is required to replace private  
18 water or sewage laterals as part of an upgrading or  
19 reconstruction of a public water distribution system or  
20 public sewage collection system.

21 (b) Maximum income allowable.--Loans may be provided under  
22 this program if the applicant's household income does not exceed  
23 150% of the Statewide median household income. Local lending  
24 institutions shall comply with regulations of the authority if  
25 they seek to participate in the Municipal Connection Funding  
26 Loan Guarantee Program pursuant to section 507(m).

27 Section 504. Project eligibility.

28 The following conditions shall be satisfied for an eligible  
29 project:

30 (1) The owner of the real property into which the

1 lateral is to be installed or replaced must also be the owner  
2 and occupant of the housing unit located thereon.

3 (2) The property lateral is located in an area that is  
4 served by a public water distribution system or public sewage  
5 collection system and the property lateral is required by the  
6 municipality or municipal authority to connect to the system.

7 (3) The municipality or municipal authority has  
8 established a tapping fee in accordance with 53 Pa.C.S. Ch.  
9 56 (relating to municipal authorities).

10 (4) The inspector employed by the municipality or  
11 municipal authority which will operate the water distribution  
12 or sewage collection system to which the lateral is connected  
13 has certified that the property lateral meets all permit  
14 requirements under applicable State and municipal laws and  
15 regulations.

16 (5) The construction activity to be financed by a loan  
17 under the program has not commenced and the tapping fee has  
18 not been paid prior to the time of application approval by  
19 the local lending institution.

20 (6) The project must be approved by a local planning  
21 commission, zoning board or zoning officer.

22 Section 505. Eligible costs.

23 Eligible costs shall include:

24 (1) All testing, design, materials and construction  
25 costs associated with the property lateral, including a  
26 grinder pump, if required.

27 (2) Permit and inspection fees.

28 (3) Interest during construction or financing of the  
29 project and allowance for funds used during construction.

30 (4) Costs relating to the closing of an applicant's

1 loan, such as legal fees, credit reports, title reports,  
2 insurance, judgment reports, lien certificates, appraisal  
3 fees and loan origination fees.

4 (5) Tapping fees.

5 Section 506. Ineligible costs.

6 Loans awarded under the program may not be used for the costs  
7 of acquisition of land or right-of-way for a project.

8 Section 507. Financial assistance terms and conditions.

9 (a) Financial assistance.--Financial assistance under the  
10 program shall be in the form of guaranteed loans as further  
11 specified in this chapter. The Municipal Connection Funding Loan  
12 Guarantee Program shall provide loan guarantees to local lending  
13 institutions that make loans for projects consistent with the  
14 requirements of this chapter.

15 (1) The maximum amount of a loan shall not be greater  
16 than 90% of eligible costs and in no case may exceed \$20,000.

17 (2) The minimum amount of a loan shall be \$2,500.

18 (3) The maximum term of a loan shall be 10 years.

19 (4) Loan repayment shall commence not later than 60 days  
20 after the date of loan closing.

21 (b) Collateral.--Collateral shall be determined by the local  
22 lending institution under regulations established by the  
23 authority and may include, but are not limited to, a mortgage on  
24 the borrower's property subordinate only to the debt outstanding  
25 at the time of loan approval by the local lending institution.

26 (c) Repayment.--A loan shall be repaid in full if the  
27 property to which it applies is either sold or transferred to  
28 other than an immediate family member.

29 (d) Fees.--The borrower may be charged fees for delinquent  
30 payment of either principal or interest on a loan if fees are

1 described in the loan agreement entered into and agreed to by  
2 the borrower and the local lending institution.

3 (e) Documentation.--An applicant shall apply for funding to  
4 a local lending institution by submitting documentation as may  
5 be required to demonstrate compliance with standards of the  
6 local lending institution.

7 (f) Local lending institution.--Upon receipt of a funding  
8 application, the local lending institution shall:

9 (1) Verify that the applicant meets the eligibility  
10 criteria of section 503.

11 (2) Verify that the application is valid and contains  
12 all required documentation.

13 (3) Verify through the authority that sufficient funds  
14 are available to approve the application.

15 (4) Perform credit and security checks needed to ensure  
16 that the applicant meets the collateral requirements of the  
17 authority.

18 (g) Approval.--A local lending institution may approve an  
19 application for funding under the program only if the conditions  
20 under subsection (k) are satisfied.

21 (h) Completion of review.--Upon completion of its  
22 application review, a local lending institution shall notify the  
23 applicant of the following:

24 (1) The outcome of its review.

25 (2) Whether the applicant is eligible for a grant.

26 (3) Whether the applicant's loan is approved.

27 (4) The amount and terms of the loan.

28 (i) Funds.--Funds shall be disbursed to the contractor on  
29 behalf of the borrower or to the borrower upon completion of  
30 construction and final inspection and certification from the

municipality or municipal authority that the project has been completed in accordance with all permit requirements and is operable as designed and intended.

(j) Changes.--A change to an approved project which is inconsistent with the approved design for which the permit was issued may not be made unless the municipality or municipal authority gives prior approval to the change.

(k) Recordkeeping.--

(1) A borrower shall maintain financial records to substantiate expenditures on an approved project.

(2) A local lending institution shall maintain financial and activity records on a loan application and approved loan and shall report this information to the authority in a form and at those times as may be requested.

(l) Financial assistance documents.--The authority shall develop and adopt financial assistance documents which, among other things, define the terms and conditions under which financial assistance must be offered under the program. These documents shall be used by local lending institutions participating in the program without change, except as approved by the authority.

(m) Application.--A local lending institution may participate in the Municipal Connection Funding Loan Guarantee Program by submitting an application to the authority on behalf of a borrower.

(1) The application shall be in the form prescribed by regulations adopted by the authority, and shall include all of the following:

(i) The name and the address of the borrower.

(ii) Certification that the borrower is the owner-

1 occupier of a housing unit, and that either: the housing  
2 unit is served or is to be served by a public water  
3 distribution system or public sewage collection system  
4 owned by a municipality or a municipal authority; or, the  
5 owner-occupier is required to replace private water or  
6 sewage laterals as part of the upgrading or  
7 reconstruction of a public water distribution system or  
8 public sewage collection system.

9 (iii) A copy of the borrower's last two years of  
10 Federal and State tax returns.

11 (iv) A statement describing the amount of the loan,  
12 a copy of the local lending institution's commitment  
13 letter and applicable credit underwriting that supports  
14 the repayment of the loan, and the collateral and  
15 guarantees offered to support the loan.

16 (v) Any other information required by regulations  
17 adopted by the authority.

18 (2) The authority shall review the application to  
19 determine that:

20 (i) The borrower's factual circumstances meet the  
21 minimum criteria for qualification under the program.

22 (ii) The loan guarantee to be offered is consistent  
23 with the goals of the program as established by this  
24 chapter and the regulations adopted by the authority.

25 (iii) The project site is located within the local  
26 lending institution's service area and within this  
27 Commonwealth.

28 (iv) The local lending institution will register the  
29 loan with the authority and will comply with the terms  
30 and conditions of the regulations adopted by the

1        authority.

2            (v) The borrower and the local lending institution  
3        have met all other program requirements established by  
4        the authority.

5        (3) Upon being satisfied that all requirements have been  
6        met, the authority will notify the local lending institution  
7        of its action.

8        (4) In the administration of this program, the authority  
9        may establish a subcommittee composed of members of the  
10       authority and department staff to review and approve  
11       applications for loan guarantees.

12       (5) After approval of the application, a master  
13       guarantee agreement will be executed between the local  
14       lending institution and the authority and a subaccount for  
15       the local lending institution will be established within the  
16       Municipal Connection Funding Loan Guarantee Program Account.  
17       A guarantee certificate will be issued by the authority to  
18       the local lending institution for each loan approved by the  
19       authority to be covered by the master guarantee agreement  
20       stating the terms and amounts of the guarantee. A reserve in  
21       the amount of the guarantee or a portion thereof will be made  
22       against the local lending institution's subaccount for each  
23       loan that has been issued a guarantee certificate.

24       (6) (i) The master guarantee agreement executed by the  
25       local lending institution and the authority shall  
26       establish a procedure for making a claim against the  
27       guarantee.

28       (ii) Prior to making a request for payment of funds  
29       from its subaccount on account of a claim against the  
30       guarantee, the local lending institution shall first

1 exhaust all of its remedies against the borrower of the  
2 loan.

3 (iii) If a claim is made during the first two years  
4 of the term of a loan covered by the guarantee, the local  
5 lending institution shall be entitled to a payment from  
6 its subaccount in an amount not to exceed 50% of the  
7 outstanding principal amount of the loan at the time the  
8 claim is made, after taking into account any recovery  
9 first made by the local lending institution. If a claim  
10 is made at any time after the end of the first two years  
11 of the term of the loan, but prior to the end of the  
12 seventh year of the loan, the local lending institution  
13 shall be entitled to a payment from its subaccount in an  
14 amount not to exceed 25% of the outstanding principal  
15 amount of the loan at the time the claim is made, again  
16 taking into account any recovery first made by the local  
17 lending institution. No claims may be made against the  
18 guarantee for a loan after the expiration of the seventh  
19 year of the term of the loan.

20 (iv) If a local lending institution recovers any  
21 payments on account of a loan after it has made a claim  
22 against the master guarantee agreement and after it has  
23 received payment on account of the claim from its  
24 subaccount, the local lending institution shall repay to  
25 the authority, for deposit into the local lending  
26 institution's subaccount, a percentage of the amount of  
27 the recovery equal to the percentage of the guarantee of  
28 the loan.

29 (v) Within 30 days following the second anniversary  
30 of the issuance of a guarantee certificate for a loan

1 covered by a master guarantee agreement, the local  
2 lending institution shall provide the authority with a  
3 written status report of the loan, including the then-  
4 current principal balance of the loan, and an assessment  
5 of the continued economic viability of the borrower.

6 Section 508. Funds and accounts.

7 (a) Establishment of funds.--The authority may establish  
8 separate funds, accounts or other financial structures as may be  
9 needed to implement and operate the program.

10 (b) Approval.--The authority shall from time to time approve  
11 such funding, including the pledging of the authority's  
12 revenues, to finance the program.

13 (c) Liability.--The authority shall not be held liable for  
14 loan offers or approvals made by a local lending institution in  
15 the absence of prior authority-approved funding.

16 Section 509. Loan servicing.

17 (a) Monitoring.--The authority shall monitor the program and  
18 process established by a local lending institution.

19 (b) Loan servicing fee.--The local lending institution may  
20 charge a loan servicing fee to defray the costs that it incurs  
21 to service loans under the program. These loan servicing fees  
22 shall be charged to and shall be the sole responsibility of  
23 program borrowers.

24 Section 510. Program monitoring.

25 The borrower shall submit to the local lending institution  
26 receipts for the project in accordance with the schedule and  
27 requirements contained in the loan agreement. Failure to provide  
28 the receipts in accordance with the schedule shall constitute a  
29 violation of the loan agreement.

30 Section 511. Transfer of moneys.

The sum of at least \$5,000,000 shall be transferred annually from the PENNVEST Bond Authorization Fund to the Municipal Connection Funding Program to carry out the provisions of this act.

Section 17. Sections 18, 19, 20 and 21 of the act are repealed:

[Section 18. Appropriations.

(a) Appropriation.--The sum of \$500,000, or as much thereof as may be necessary, is hereby appropriated from the General Fund to the Pennsylvania Infrastructure Investment Authority as a continuing appropriation to carry out the provisions of this act. This appropriation shall lapse June 30, 1989.

(b) Continuing appropriation.--The General Assembly hereby appropriates on a continuing basis to the authority funds as authorized by section 5 in order to carry out the purposes of this act, including the payment of the administrative expenses of the authority.

Section 19. Severability.

The provisions of this act are severable. If any provision of this act or its application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this act which can be given effect without the invalid provision or application.

Section 20. Repeals.

(a) Absolute.--On the date that the Governor certifies by publication in the Pennsylvania Bulletin the existence of a quorum on the board created under section 4, the following acts or parts of acts are repealed:

The definitions of "community water supply system," "department," "flood control facility," "port facility,"

"project" and "water facility" in section 7502 and sections 7503, 7504(b), (d) and (e), 7506, 7510, 7511, 7512, 7513, 7514, 7515 and 7516 of Title 32 of the Pennsylvania Consolidated Statutes (relating to forests, waters and State parks).

(b) Limited.--The following acts or parts of acts are repealed:

(1) Any project itemized in a capital budget which was funded by current revenues without the use of bond obligations.

(2) Sections 1, 1.1, 2 and 3 of the act of August 20, 1953 (P.L.1217, No.339), entitled "An act providing for payments by the Commonwealth to municipalities which have expended money to acquire and construct sewage treatment plants in accordance with the Clean Streams Program and the act, approved the twenty-second day of June, one thousand nine hundred thirty-seven (Pamphlet Laws 1987), and making an appropriation," as applied to projects funded under the provisions of this act.

(c) Inconsistent.--All other acts and parts of acts are repealed insofar as they are inconsistent with this act.

Section 21. Effective date.

This act shall take effect immediately.]

Section 18. The act is amended by adding a chapter to read:

#### CHAPTER 9

#### MISCELLANEOUS PROVISIONS

Section 901. Appropriation.

The sum of \$10,000,000, or as much as may be necessary, is hereby appropriated to the Pennsylvania Infrastructure Authority for the fiscal year July 1, 2011, to June 30, 2012, to carry out the provisions of Chapter 5.

1 Section 902. Repeal.

2 All acts and parts of acts are repealed insofar as they are  
3 inconsistent with this act.

4 Section 19. This act shall take effect in 90 days.