

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1108 Session of
2005

INTRODUCED BY RUBLEY, ARGALL, BARRAR, BASTIAN, BELARDI,
BENNINGHOFF, BOYD, BROWNE, CALTAGIRONE, CAPPELLI, CLYMER,
CORNELL, DALLY, DeWEESE, FAIRCHILD, FICHTER, FREEMAN, GEIST,
GEORGE, GINGRICH, GOOD, GOODMAN, HARPER, HENNESSEY, HERMAN,
HERSHEY, HUTCHINSON, LEACH, LEVDANSKY, MACKERETH, MANN,
McGEEHAN, MILLARD, R. MILLER, MUSTIO, NAILOR, NICKOL,
PETRARCA, PHILLIPS, PICKETT, REICHLEY, ROSS, SCAVELLO,
SCHRODER, STABACK, STERN, SURRA, E. Z. TAYLOR, THOMAS, TIGUE,
TURZAI, WALKO, WANSACZ, WILT AND YOUNGBLOOD, MARCH 24, 2005

REFERRED TO COMMITTEE ON LOCAL GOVERNMENT, MARCH 24, 2005

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 the Water
12 and Wastewater System Connection Funding Program to provide
13 certain grants and low-interest loans; providing for transfer
14 of certain moneys; and making editorial changes.

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

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

20 CHAPTER 1

1 PRELIMINARY PROVISIONS

2 Section 2. Section 1 heading of the act is amended to read:

3 Section [1] 101. Short title.

4 * * *

5 Section 3. Section 2 heading of the act, amended December
6 16, 1992 (P.L.1137, No.149), is amended to read:

7 Section [2] 102. Legislative intent.

8 * * *

9 Section 4. Section 3 of the act, amended December 16, 1992
10 (P.L.1137, No.149), is amended to read:

11 Section [3] 103. Definitions.

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

15 "Authority." The Pennsylvania Infrastructure Investment
16 Authority.

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

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

20 "Borrower." An individual owner of a housing unit,
21 manufactured home or mobile home and eligible owners of other
22 enterprises.

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

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

1 rehabilitation of all or part of a project.

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

6 "Governmental unit." Any agency of the Commonwealth or any
7 county, municipality or school district, or any agency,
8 instrumentality, authority or corporation thereof, or any public
9 body having local or regional jurisdiction or power.

10 "Housing unit." A detached or attached single-family
11 residential structure, including, but not limited to, a
12 manufactured home on a permanent foundation, which is a
13 permanent residence and is owned and occupied by one or more
14 individuals.

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

17 "Loan servicing fees." Fees paid to a local lending
18 institution.

19 "Local lending institution." A bank, savings and loan or
20 other financial institution authorized to extend financial
21 assistance under the Water and Wastewater System Connection
22 Funding Program.

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

29 "Manufactured home community." An area under single
30 ownership where designated spaces for manufactured homes are

1 rented or leased, having three or more such houses occupied as
2 residences.

3 "Program." The Water and Wastewater System Connection
4 Funding Program established under section 502.

5 "Project." The eligible costs associated with the
6 acquisition, construction, improvement, expansion, extension,
7 repair or rehabilitation of all or part of any facility or
8 system, whether publicly or, in the case of paragraph (1) or
9 (2), privately owned:

10 (1) for the collection, treatment or disposal of
11 wastewater, including industrial waste;

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

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

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

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

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

27 "Statewide median household income." The median household
28 income reported for Pennsylvania in the most recently available
29 Census of Population and Housing, as conducted and reported by
30 the United States Bureau of the Census. This amount shall be

1 adjusted on the first working day of each calendar year by
2 multiplying median household income by the following factor:
3 CPI-U(1)/CPI-U(2), where CPI-U refers to the Consumer Price
4 Index for all Urban Consumers, as computed and reported by the
5 United States Bureau of Labor Statistics. The designation (1)
6 refers to the CPI-U for the year in which the median household
7 income is calculated and reported and the designation (2) refers
8 to the most recent CPI-U reported as of December 15 of the year
9 immediately preceding the year when the adjustment is made.

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

12 "Water Facilities Loan Board." The board established under
13 32 Pa.C.S. § 7504 (relating to Water Facilities Loan Board).

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

16 CHAPTER 3

17 PENNSYLVANIA INFRASTRUCTURE INVESTMENT

18 AUTHORITY

19 Section 6. Section 4 heading of the act is amended to read:
20 Section [4] 301. Pennsylvania Infrastructure Investment
21 Authority; board of directors.

22 * * *

23 Section 7. Section 5 heading and (a), amended December 16,
24 1992 (P.L.1137, No.149), are amended to read:

25 Section [5] 302. Revenues of authority.

26 (a) Sources of revenues.--The authority may receive money
27 from sources of revenue, including, but not limited to, the
28 following:

29 (1) State funds appropriated to the authority.

30 (2) Federal funds appropriated to or granted to the

1 authority.

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

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

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

23 (6) Proceeds from the sale of any Commonwealth general
24 obligation bonds issued under sections [16 and 17] 313 and
25 314.

26 (7) Proceeds from the sale of any Commonwealth general
27 obligation bonds issued under section 12 of the act of March
28 16, 1992 (P.L.10, No.5), known as the Small Water Systems
29 Assistance Act.

30 (8) Proceeds from the sale of authority assets.

1 (9) Repayment of loan principal.

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

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

5 * * *

6 Section 8. The headings of sections 6, 7, 8 and 9 of the act
7 are amended to read:

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

9 * * *

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

11 * * *

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

14 * * *

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

16 * * *

17 Section 9. Section 10 heading and (f) of the act are amended
18 to read:

19 Section [10] 307. Financial assistance.

20 * * *

21 (f) Loans.--Subject to any agreements with the holders of
22 bonds, the board shall have the power to set terms applicable to
23 loans in any manner it deems appropriate, subject to the
24 provisions of this subsection. The board may consider such
25 factors as it deems relevant, including current market interest
26 rates, the financial and economic distress of the area which the
27 project serves, and the necessity to maintain the authority
28 funds in a financially sound manner. Loans may be made based on
29 the ability to repay the loan from future revenue to be derived
30 from the project, by a mortgage or other property lien, or on

1 any other fiscal matters which the authority deems appropriate.
2 The board shall have the power to defer principal on loans for
3 up to five years. In the event of a default on the repayment of
4 a loan, the board may apply to the court of common pleas of the
5 county where the project is located for the appointment of a
6 receiver to assume operation and supervision of the facility
7 under the supervision of the court. The minimum rate of interest
8 to be paid on any loan made pursuant to this act shall be 1%.
9 The maximum rate of interest shall not exceed the following:
10 (1) For projects in counties whose unemployment rate
11 exceeds the Statewide unemployment rate by 40% or more, 1%
12 for the first five years and 25% of the bond issue rate for
13 the remainder of the loan.
14 (2) For projects in counties whose unemployment rate
15 exceeds the Statewide unemployment rate, but exceeds it by
16 less than 40%, 30% of the bond issue rate for the first five
17 years and 60% of the bond issue rate for the remainder of the
18 loan.
19 (3) For all other projects, 60% of the bond issue rate
20 for the first five years and 75% of the bond issue rate for
21 the remainder of the loan.
22 (4) For projects located within municipalities for which
23 unemployment rates exist which would qualify the project for
24 lower interest rates than if the relevant county unemployment
25 rate were used, the unemployment rate of that municipality
26 may be used in determining the interest rate on the loan.
27 For purposes of this subsection, the phrase "unemployment rate
28 of the county" shall mean the average unemployment rate for the
29 county in the most recent calendar year for which data has been
30 finalized. For the projects which serve multiple counties, the

1 highest unemployment rate of the counties involved shall be
2 used. The unemployment data utilized shall be data reported by
3 the Department of Labor and Industry. For purposes of this
4 subsection, the phrase "bond interest rate" shall be the rate of
5 interest paid by the Commonwealth immediately preceding the date
6 of the loan for the bonds issued under sections [16 and 17] 313
7 and 314.

8 * * *

9 Section 10. The headings of sections 11 and 12 of the act
10 are amended to read:

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

12 * * *

13 Section [12] 309. Audits.

14 * * *

15 Section 11. Section 13 of the act is amended to read:

16 Section [13] 310. Annual report.

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

19 Section 12. Section 14 heading of the act is amended to
20 read:

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

22 * * *

23 Section 13. Sections 15, 16 and 17 of the act are amended to
24 read:

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

26 (a) Removal of members.--All existing members of the Water
27 Facilities Loan Board shall cease to hold office on the day that
28 the Governor certifies by publication in the Pennsylvania
29 Bulletin the existence of a quorum on the board created under
30 section [4] 301.

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

7 (c) Transfer of function.--All remaining unencumbered funds,
8 rights, powers, duties, obligations, liabilities, records and
9 equipment of the Water Facilities Loan Board are transferred to
10 the authority.

11 Section [16] 313. Referendum.

12 (a) General rule.--Pursuant to the provisions of section
13 7(a)(3) of Article VIII of the Constitution of Pennsylvania, the
14 question of incurring indebtedness of \$300,000,000 for loans for
15 the acquisition, repair, construction, reconstruction,
16 rehabilitation, extension, expansion and improvement of water
17 supply and wastewater treatment systems, subject to
18 implementation through this act, shall be submitted to the
19 electors at the next primary, municipal or general election
20 following the effective date of this act.

21 (b) Certification.--The Secretary of the Commonwealth shall
22 forthwith certify the question to the county boards of
23 elections.

24 (c) Form of question.--The question shall be in
25 substantially the following form:

26 Do you favor the incurring of indebtedness by the
27 Commonwealth of \$300,000,000 for use as loans to acquire,
28 repair, construct, reconstruct, rehabilitate, extend,
29 expand and improve water supply and wastewater treatment
30 systems?

1 Section [17] 314. Bonds.

2 (a) Issuance of general obligation bonds.--As evidence of
3 the indebtedness if authorized under section [16] 313, general
4 obligation bonds of the Commonwealth shall be issued from time
5 to time to fund and retire notes issued pursuant to section [16]
6 313 to carry out the purposes of this act, or both, for such
7 total amounts, in such form, in such denominations and subject
8 to such terms and conditions of issue, redemption and maturity,
9 rate of interest and time of payment of interest as the issuing
10 officials direct except that the latest stated maturity date
11 shall not exceed 30 years from the date of the debt first issued
12 for each series.

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

18 (c) Direct obligation of Commonwealth.--All bonds and notes
19 issued in accordance with section [16] 313 shall be direct
20 obligations of the Commonwealth, and the full faith and credit
21 of the Commonwealth are hereby pledged for the payment of the
22 interest thereon as it becomes due and the payment of the
23 principal at maturity. The principal of and interest on the
24 bonds and notes shall be payable in lawful money of the United
25 States of America.

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

29 (e) Form of bonds.--The bonds may be issued as coupon bonds
30 or registered as to both principal and interest as the issuing

1 officials may determine. If interest coupons are attached, they
2 shall contain the facsimile signature of the State Treasurer.

3 (f) Bond amortization.--The issuing officials shall provide
4 for the amortization of the bonds in substantial and regular
5 amounts over the term of the debt. The first retirement of
6 principal shall be stated to mature prior to the expiration of a
7 period of time equal to one-tenth of the time from the date of
8 the first obligation issued to evidence the debt to the date of
9 the expiration of the term of the debt. Retirements of principal
10 shall be regular and substantial if made in annual or semiannual
11 amounts, whether by stated serial maturities or by mandatory
12 sinking fund retirements.

13 (g) Refunding bonds.--The issuing officials are authorized
14 to provide, by resolution, for the issuance of refunding bonds
15 for the purpose of refunding any bonds issued under this section
16 and then outstanding, either by voluntary exchange with the
17 holders of the outstanding bonds, or to provide funds to redeem
18 and retire the outstanding bonds with accrued interest, any
19 premium payable thereon and the costs of issuance and retirement
20 of bonds, at maturity or at any call date. The issuance of the
21 refunding bonds, the maturities and other details thereof, the
22 rights of the holders thereof and the duties of the issuing
23 officials in respect to the same shall be governed by the
24 provisions of this section, insofar as they may be applicable.
25 Refunding bonds may be issued by the issuing officials to refund
26 bonds originally issued or to refund bonds previously issued for
27 refunding purposes.

28 (h) Quorum.--Whenever any action is to be taken or decision
29 made by the Governor, the Auditor General and the State
30 Treasurer acting as issuing officials and the three officers are

1 not able unanimously to agree, the action or decision of the
2 Governor and either the Auditor General or State Treasurer shall
3 be binding and final.

4 (i) Public sale.--Whenever bonds are issued, they shall be
5 offered for sale at not less than 98% of the principal amount
6 and accrued interest and shall be sold by the issuing officials
7 to the highest and best bidder or bidders after due public
8 advertisement on such terms and conditions and upon such open
9 competitive bidding as the issuing officials shall direct. The
10 manner and character of the advertisement and the time of
11 advertising shall be prescribed by the issuing officials.

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

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

24 (l) Temporary bonds.--Until permanent bonds can be prepared,
25 the issuing officials may in their discretion issue, in lieu of
26 permanent bonds, temporary bonds in such form and with such
27 privileges as to registration and exchange for permanent bonds
28 as may be determined by the issuing officials.

29 (m) Disposition and use of proceeds.--The proceeds realized
30 from the sale of bonds and notes, except funding bonds,

1 refunding bonds and renewal notes, under the provisions of this
2 section are specifically dedicated to the purposes of the
3 referendum to be implemented by this act and shall be paid into
4 the special funds established in the State Treasury in such
5 amounts as may be specified by the board pursuant to section
6 [5(c)] 302(c). The proceeds shall be paid by the State Treasurer
7 periodically to the board to expend them at such times and in
8 such amounts as may be necessary to satisfy the funding needs of
9 the board. The proceeds of the sale of funding bonds, refunding
10 bonds and renewal notes shall be paid to the State Treasurer and
11 applied to the payment of principal, the accrued interest and
12 premium, if any, and costs of redemption of the bonds and notes
13 for which such obligations shall have been issued.

14 (n) Investment of funds.--Pending their application to the
15 purposes authorized, moneys held or deposited by the State
16 Treasurer may be invested or reinvested as are other funds in
17 the custody of the State Treasurer in the manner provided by
18 law. All earnings received from the investment or deposit of
19 such funds shall be paid into the State Treasury to the credit
20 of the funds established by the board in section [5(c)] 302(c)
21 in such amounts as may be specified by the board pursuant to
22 that section.

23 (o) Registration of bonds.--The Auditor General shall
24 prepare the necessary registry book to be kept in the office of
25 the duly authorized loan and transfer agent of the Commonwealth
26 for the registration of any bonds, at the request of owners
27 thereof, according to the terms and conditions of issue directed
28 by the issuing officials.

29 (p) Expenses of preparation for issue and sale of bonds and
30 notes.--There is hereby appropriated to the State Treasurer from

1 the proceeds of the bonds and notes issued as much money as may
2 be necessary for all costs and expenses in connection with the
3 issue of and sale and registration of the bonds and notes in
4 connection with this act.

5 Section 14. The act is amended by adding a chapter to read:

6 CHAPTER 5

7 WATER AND WASTEWATER SYSTEM CONNECTION FUNDING

8 Section 501. Scope.

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

11 Section 502. Water and Wastewater System Connection Funding
12 Program.

13 (a) Establishment.--There is hereby established the Water
14 and Wastewater System Connection Funding Program for the purpose
15 of authorizing financial assistance in the form of grants and
16 low-interest loans to homeowners for tapping or facilities
17 extension fees and eligible costs relating to the installation
18 of a water or wastewater lateral for homes constructed prior to
19 the installation of a publicly or privately owned water
20 distribution system or a publicly or privately owned wastewater
21 collection system servicing the property or relating to the
22 replacement of water or wastewater laterals to housing units as
23 part of an upgrading or reconstruction of a publicly or
24 privately owned water distribution system or publicly or
25 privately owned wastewater collection system.

26 (b) Regulations.--

27 (1) The authority shall develop regulations as may be
28 necessary for the application for and approval of program
29 funds for loan recipients which at a minimum shall be
30 required to repay program loans to the local lending

institution within 15 years from the date of the loan at an annual interest rate not to exceed the maximum rate established for the county in which the residence is located. This maximum rate shall be determined in accordance with section 307(f) (relating to financial assistance). The authority shall develop regulations for the implementation of the program, which shall include, but not be limited to, procedures for local lending institutions participating in the program under section 507 (relating to financial assistance terms and conditions) to qualify for funding from the program when the residential borrower defaults on the loan.

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

Section 503. Applicant eligibility.

(a) Owner occupancy required.--Except as provided in subsection (b), an applicant is eligible if he is an owner-occupier of a housing unit and any of the following conditions exists:

(1) The housing unit is served or is to be served by a publicly or privately owned water or wastewater system.

(2) The owner-occupier is required to replace private water or wastewater laterals as part of an upgrading or reconstruction of a publicly or privately owned water or wastewater system.

(3) The owner of the real property into which the property lateral will be installed is the owner of the housing unit located thereon.

(b) Land leased property.--An owner of land leased to an

owner-occupier or renter of a single-family home or manufactured home, including an owner of a manufactured home community, shall be eligible for funding under the program for each single-family home and manufactured home in which the owner-occupier or renter of the home meets the requirements of subsection (a)(1) and (2).

(c) Maximum income allowable.--

(1) Loans may be provided under the program if the applicant's household income does not exceed 200% of the Statewide median household income. Local lending institutions shall comply with regulations of the authority if they participate in the program pursuant to section 507 (relating to financial assistance terms and conditions).

(2) Grants may be provided under the program to applicants whose household income does not exceed the most recent Federal poverty guidelines for the year in which an application is made. Local lending institutions which receive applications from owner-occupiers or renters who meet the income qualifications for a grant shall refer completed applications for further consideration by the authority, pursuant to regulations adopted under section 5021(b) (relating to Water and Wastewater System Connection Funding Program).

Section 504. Project eligibility.

The following conditions shall be satisfied for an eligible project:

(1) The property is located in an area that is served or will be served by a publicly or privately owned water or wastewater system and the property is required by the municipality or municipal authority to connect to the system.

(2) For a publicly owned water or wastewater system,

1 that the system has established a tapping fee in accordance
2 with 53 Pa.C.S. Ch. 56 (relating to municipal authorities).

3 (3) For a privately owned water or wastewater system,
4 that the system has established a facilities extension fee,
5 as part of its tariff, on file with the Public Utility
6 Commission, in accordance with 52 PA. Code § 65.21 (relating
7 to duty of public utility to make line extensions).

8 (4) The certified inspector has certified that the
9 property lateral meets all permit requirements under
10 applicable State and municipal laws and regulations.

11 (5) The construction activity to be financed by a loan
12 or grant under the program has not commenced and the tapping
13 or facilities extension fee has not been paid prior to the
14 time of application approval by the local lending
15 institution.

16 Section 505. Eligible costs.

17 Eligible costs shall include:

18 (1) All testing, design, materials and construction
19 costs associated with the property lateral, including a
20 grinder pump, if required.

21 (2) Permit and inspection fees.

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

24 (4) Costs relating to the closing of an applicant's
25 loan, such as legal fees, credit reports, title reports,
26 insurance, judgment reports, lien certificates, appraisal
27 fees and loan origination fees.

28 (5) Tapping or facilities extension fees.

29 Section 506. Ineligible costs.

30 Grants and loans awarded under the program may not be used

for the costs of acquisition of land or right-of-way for a project.

Section 507. Financial assistance terms and conditions.

(a) Financial assistance.--Financial assistance under the program shall be in the form of loans or grants as further specified in this chapter. The program shall provide loans to local lending institutions that make loans for projects consistent with the requirements of this chapter.

(1) The interest rate offered on loans shall not be less than 1% per annum or more than the maximum rate established for the county in which the residence is located. This maximum rate shall be determined in accordance with section 307(f) (relating to financial assistance).

(2) The maximum amount of a loan shall be no greater than 90% of eligible costs and in no case may exceed \$15,000. The maximum amount of a grant shall be \$10,000 per housing unit.

(3) The minimum amount of a loan shall be \$1,500. The minimum amount of a grant shall be \$500 per housing unit.

(4) The maximum term of a loan shall be 15 years.

(5) Loan repayment shall commence no later than 60 days after the date of loan closing.

(6) A grant and loan combination may be offered to eligible applicants.

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

(c) Repayment.--A loan shall be repaid in full if the

property to which it applies is either sold or transferred to other than an immediate family member.

(d) Fees.--The borrower may be charged fees for delinquent payment of either principal or interest on a loan if fees are described in the loan agreement entered into and agreed to by the borrower and the local lending institution.

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

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

(1) Verify that the applicant meets the eligibility criteria of section 503 (relating to applicant eligibility).

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

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

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

(g) Approval.--A local lending institution may approve an application for funding under the program only if the conditions under this section are satisfied.

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

(1) The outcome of its review.

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

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

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

2 (i) Funds.--Funds shall be disbursed to the contractor on
3 behalf of the borrower or to the borrower upon completion of
4 construction and final inspection and certification from the
5 publicly or privately owned water or wastewater system that the
6 project has been completed in accordance with all permit
7 requirements and is operable as designed and intended.

8 (j) Changes.--A change to an approved project which is
9 inconsistent with the approved design for which the permit was
10 issued may not be made unless the publicly or privately owned
11 water or wastewater system gives prior approval to the change.

12 Section 508. Funds and accounts.

13 (a) Establishment of funds.--

14 (1) The authority shall establish the Water and
15 Wastewater System Connection Funding Program Fund. The moneys
16 of this fund are hereby appropriated on a continuing basis to
17 carry out the provisions of this chapter.

18 (2) The authority may establish separate funds, accounts
19 or other financial structures as may be needed to implement
20 and operate the program.

21 (b) Source of funding.--

22 (1) The sum of \$5,000,000 shall be transferred from the
23 Pennsylvania Infrastructure Investment Bond Authorization
24 Fund to the Water and Wastewater System Connection Funding
25 Program Fund established in subsection (a)(1) to carry out
26 the provisions of this chapter.

27 (2) The board may transfer additional moneys from any
28 fund of the authority to the Water and Wastewater System
29 Connection Funding Program Fund.

30 (c) Liability.--The authority shall not be held liable for

1 loan offers or approvals made by a local lending institution not
2 in compliance with the regulations established by the authority
3 in the absence of prior authority-approved funding.

4 Section 509. Loan servicing.

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

7 (b) Loan servicing fee.--The local lending institution may
8 charge a loan servicing fee to defray the costs that it incurs
9 to service loans under the program. These loan servicing fees
10 shall be charged to and shall be the sole responsibility of
11 program borrowers.

12 Section 510. Program monitoring.

13 The borrower shall submit to the local lending institution
14 receipts for the project in accordance with the schedule and
15 requirements contained in the loan agreement. Failure to provide
16 the receipts in accordance with the schedule shall constitute a
17 violation of the loan agreement.

18 Section 15. The act is amended by adding a chapter heading
19 to read:

20 CHAPTER 7

21 MISCELLANEOUS

22 Section 16. The headings of sections 18, 19, 20 and 21 of
23 the act are amended to read:

24 Section [18] 701. Appropriations.

25 * * *

26 Section [19] 702. Severability.

27 * * *

28 Section [20] 703. Repeals.

29 * * *

30 Section [21] 704. Effective date.

1 * * *

2 Section 17. This act shall take effect in 90 days.