AN ACT

Amending the act of July 10, 1987 (P.L.246, No.47), entitled "An act empowering the Department of Community and Economic Development to assist municipalities in avoiding financial distress; declare certain municipalities as financially distressed; providing for the restructuring of debt of financially distressed municipalities; limiting the ability of financially distressed municipalities to obtain government funding; authorizing municipalities to participate in Federal debt adjustment actions and bankruptcy actions under certain circumstances; authorizing certain taxes; and providing for the disincorporation of municipalities and the establishment of unincorporated service districts," providing for recovery grants for distressed municipalities.

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

Section 1. The act of July 10, 1987 (P.L.246, No.47), known as the Municipalities Financial Recovery Act, is amended by adding a chapter to read:

CHAPTER 5-A

RECOVERY GRANTS FOR DISTRESSED MUNICIPALITIES

Section 501-A. Definitions.

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

"Critical infrastructure." The public and private assets and networks, whether physical or virtual, so vital that their incapacity or destruction would have a debilitating effect on national security, the economy, public health or safety, or any combination thereof.

"Debt obligations." An obligation to pay money, including amounts owed for payments relating to lease rental debt, debt service, bonds, notes, guarantees for bonds or notes, trust indentures, contracts or other agreements.

"Distressed municipality." A municipality which has been determined to be financially distressed under section 203(f).

"Fund." The Distressed Municipalities Recovery Fund established under section 502-A.

"Municipality." A municipality as defined in section 103, other than a city of the first class.


(a) Establishment.--The Commonwealth Financing Authority shall establish a separate account to be known as the Distressed Municipalities Recovery Fund.

(b) Deposit.--Notwithstanding section 2 of the act of June 9, 1936 (1st Sp.Sess., P.L.13, No.4), entitled "An act imposing an emergency State tax on liquor, as herein defined, sold by the Pennsylvania Liquor Control Board; providing for the collection and payment of such tax; and imposing duties upon the Department of Revenue and the Pennsylvania Liquor Control Board," 1/18 of the revenues received by the Commonwealth pursuant to the imposition of the tax imposed under section 2 of the act of June 9, 1936 (1st Sp.Sess., P.L.13, No.4) shall be deposited by the Department of Revenue into the Distressed Municipalities.
Recovery Fund.

Section 503-A. Grants to distressed municipalities.

(a) Distribution.--Money deposited into the fund shall be used by the Commonwealth Financing Authority exclusively for grants to distressed municipalities. Interest earned from the investment or deposit of money accumulated in the fund shall be deposited into the fund for the same use.

(b) Eligible projects.--Grant money shall be used as follows:

(1) To repair or replace critical infrastructure or equipment owned or maintained by the distressed municipality.

(2) To reduce debt obligations.

(3) For costs associated with a transition to shared services with another jurisdiction.

(4) For economic development projects.

(5) For crime prevention and reduction programs and initiatives.

(c) Coordination.--The department shall review applications for grant funding as requested by the Commonwealth Financing Authority and provide recommendations on the priority of projects and project approval.

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