

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2839 Session of
1996

INTRODUCED BY KENNEY, E. Z. TAYLOR AND WOGAN, JULY 1, 1996

REFERRED TO COMMITTEE ON URBAN AFFAIRS, JULY 1, 1996

AN ACT

1 Amending the act of June 5, 1991 (P.L.9, No.6), entitled "An act
2 providing for the financial stability of cities of the first
3 class; establishing an authority empowered to assist cities
4 of the first class in their financial affairs and to issue
5 findings and recommendations to cities of the first class and
6 to the General Assembly; creating the authority and providing
7 for its powers and duties; authorizing each city of the first
8 class and the authority to enter into intergovernmental
9 cooperation agreements and specifying certain terms of such
10 agreements and ordinances whereby cities of the first class
11 enter into such agreements; empowering the authority to incur
12 indebtedness, receive revenues, acquire the obligations of
13 assisted cities, make loans and offer other financial
14 assistance to such cities subject to conditions; establishing
15 procedures for the preparation and review of financial plans
16 of cities of the first class while bonds of the authority are
17 outstanding and providing remedies for failure to adhere to
18 such plans; requiring certain contracts to be consistent with
19 the financial plan; making certain provisions with respect to
20 short-term borrowing by cities of the first class;
21 establishing procedures for handling authority funds, and
22 providing for certain payments to the authority; providing
23 security for bonds and notes issued by the authority;
24 authorizing the creation of a debt service reserve fund and
25 providing for its maintenance; granting to the holders of the
26 authority's indebtedness and to the authority certain
27 remedies in the event of default by the authority or by an
28 assisted city on authorized obligations; authorizing cities
29 of the first class to receive financial assistance from the
30 authority under certain terms and conditions; establishing
31 the method for the appointment and composition of the
32 authority board; prohibiting the authority and assisted
33 cities from filing a petition under Federal bankruptcy
34 statutes; authorizing an appropriation for authority

operating expenses; authorizing cities of the first class to impose an optional sales and use tax; authorizing cities of the first class to impose certain taxes for the authority; authorizing emergency payment deferral; and providing jurisdiction for challenges to this act," adding school districts of the first class; and making repeals.

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

Section 1. Sections 102 and 103 of the act of June 5, 1991 (P.L.9, No.6), known as the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, are amended to read:

Section 102. Purpose and legislative intent.

(a) Policy.--It is hereby declared to be a public policy of the Commonwealth to exercise its retained sovereign powers with regard to taxation, debt issuance and matters of Statewide concern in a manner calculated to foster the fiscal integrity of cities and school districts of the first class to assure that these cities and school districts provide for the health, safety [and], welfare and education of their citizens; pay principal and interest owed on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial planning procedures and budgeting practices. The inability of a city and school district of the first class to provide essential services to its citizens and to educate its children as a result of a fiscal emergency is hereby determined to affect adversely the health, safety and welfare not only of the citizens of that municipality but also of other citizens in this Commonwealth.

(b) Legislative intent.--

(1) It is the intent of the General Assembly to:

(i) provide cities and school districts of the first

1 class with the legal tools with which such cities and
2 school districts can eliminate budget deficits that
3 render them unable to perform essential municipal or
4 educational services;

5 (ii) create an authority that will enable cities and
6 school districts of the first class to access capital
7 markets for deficit elimination and seasonal borrowings
8 to avoid default on existing obligations and chronic cash
9 shortages that will disrupt the delivery of municipal and
10 educational services;

11 (iii) foster sound financial planning and budgetary
12 practices that will address the underlying problems which
13 result in such deficits for cities and school districts
14 of the first class, which [city] shall be charged with
15 the responsibility to exercise efficient and accountable
16 fiscal practices, such as:

17 (A) increased managerial accountability;

18 (B) consolidation or elimination of inefficient
19 city and school district programs;

20 (C) recertification of tax-exempt properties;

21 (D) increased collection of existing tax
22 revenues;

23 (E) privatization of appropriate city and school
24 district services;

25 (F) sale of city assets as appropriate;

26 (G) improvement of procurement practices
27 including competitive bidding procedures; and

28 (H) review of compensation and benefits of city
29 and school district employees; and

30 (iv) exercise its powers consistent with the rights

1 of citizens to home rule and self government.

2 (2) The General Assembly further declares that this
3 legislation is intended to remedy [the] fiscal [emergency]
4 emergencies confronting cities and school districts of the
5 first class through the implementation of sovereign powers of
6 the Commonwealth with respect to taxation, indebtedness and
7 matters of Statewide concern. To safeguard the rights of the
8 citizens to the electoral process and home rule, the General
9 Assembly intends to exercise its power in an appropriate
10 manner with the elected officers of cities of the first class
11 and appointed officials of school districts of the first
12 class.

13 (3) The General Assembly further declares that this
14 legislation is intended to authorize the imposition of a tax
15 or taxes to provide a source of funding for an
16 intergovernmental cooperation authority to enable it to
17 assist cities and school districts of the first class and to
18 incur debt of such authority for such purposes; however, the
19 General Assembly intends that such debt shall not be a debt
20 or liability of the Commonwealth or a city or school district
21 of the first class nor shall debt of the authority payable
22 from and secured by such source of funding create a charge
23 directly or indirectly against revenues of the Commonwealth
24 or a city and school district of the first class.

25 Section 103. Legislative findings.

26 It is hereby determined and declared as a matter of
27 legislative finding:

28 (1) That cities and school districts of the first class
29 have encountered recurring financial difficulties which may
30 affect the performance of necessary municipal services and

1 educational programs to the detriment of the health, safety
2 and general welfare of residents of such cities and school
3 districts.

4 (2) That the financial difficulties have caused cities
5 and school districts of the first class to lose an
6 investment-grade credit rating and direct access to capital
7 markets.

8 (3) That it is critically important that cities and
9 school districts of the first class achieve an investment-
10 grade credit rating and thereafter maintain their credit-
11 worthiness.

12 (4) That, without the ability to enter the capital
13 markets, cities and school districts of the first class may
14 face a fiscal emergency that could render them unable to pay
15 their obligations when due and deliver essential services to
16 their citizens.

17 (5) That, due to the economic and social inter-
18 relationship among all citizens in our economy, the fiscal
19 integrity of cities and school districts of the first class
20 is a matter of concern to residents of the entire
21 Commonwealth, and the financial problems of such cities and
22 school districts have a direct and negative effect on the
23 entire Commonwealth.

24 (6) That, because [cities] citizens of cities and school
25 districts of the first class consume a substantial proportion
26 of the products of Pennsylvania's farms, factories,
27 manufacturing plants and service enterprises, economic
28 difficulties confronting cities and school districts of the
29 first class detrimentally affect the economy of the
30 Commonwealth as a whole and become a matter of Statewide

1 concern.

2 (7) That, because residents of cities and school
3 districts of the first class contribute a substantial
4 proportion of all Commonwealth tax revenues, a disruption of
5 the economic and social life of such cities and school
6 districts may have a significant detrimental effect upon
7 Commonwealth revenues.

8 (8) That cities and school districts of the first class
9 and the Commonwealth have shown a willingness to cooperate in
10 order to address important financial and budgetary concerns.

11 (9) That the financial difficulties of cities and school
12 districts of the first class can best be addressed and
13 resolved by cooperation between governmental entities.

14 (10) That the Constitution of Pennsylvania grants
15 municipalities and school districts authority to cooperate
16 with other governmental entities in the exercise of any
17 function or responsibility.

18 (11) That the Commonwealth retains certain sovereign
19 powers with respect to cities and school districts of the
20 first class, among them the powers to authorize and levy
21 taxes, to authorize the incurring of indebtedness and to
22 provide financial assistance that may be necessary to assist
23 cities in solving their financial problems.

24 (12) That the Commonwealth may attach conditions to
25 grants of authority to incur indebtedness or assistance to
26 cities and school districts of the first class in order to
27 ensure that deficits are eliminated and access to capital
28 markets is achieved and maintained.

29 (13) That such conditions shall be incorporated into
30 intergovernmental cooperation agreements between the

1 Commonwealth or its instrumentalities and cities and school
2 districts of the first class.

3 (14) That cities and school districts of the first class
4 and the Commonwealth will benefit from the creation of an
5 independent authority composed of members experienced in
6 finance and management which may advise such cities and
7 school districts, the General Assembly and the Governor
8 concerning solutions to fiscal problems cities and school
9 districts of the first class may face.

10 (15) That the creation of such an authority with the
11 power to borrow money and issue bonds in order to assist
12 cities and school districts of the first class will allow
13 such cities and school districts to continue to provide the
14 necessary municipal and educational services for their
15 residents and to contribute to the economy of the
16 Commonwealth.

17 (16) That, in order for an authority to effectively
18 assist cities and school districts of the first class in
19 financing their cash flow needs and for cities and school
20 districts of the first class to be able to [costeffectively]
21 cost-effectively finance their cash flow needs during the
22 term of any authority bonds and thereafter, the enactment of
23 certain provisions of law in connection with the issuance of
24 tax and revenue anticipation notes of cities and school
25 districts of the first class is necessary and desirable.

26 (17) That a dedicated source of funding for the
27 authority is necessary in order to address the immediate
28 financial difficulties of cities and school districts of the
29 first class.

30 (18) That the Commonwealth's action in authorizing

1 cities and school districts of the first class to impose
2 taxes for the authority will allow such cities and school
3 districts to continue to provide necessary services for their
4 residents and for cities to continue to provide necessary
5 services for those nonresidents enjoying the benefits of such
6 services.

7 (19) That the levy of a tax within cities and school
8 districts of the first class for the authority should be
9 authorized by the Commonwealth for the benefit of cities and
10 school districts of the first class, with the revenue
11 produced as a result of such levy being Commonwealth-
12 authorized revenues and revenues of a State authority, and
13 not revenues of the city or school district of the first
14 class.

15 (20) That the authority to levy a tax only within cities
16 and school districts of the first class or at a rate that is
17 higher than that imposed outside cities and school districts
18 of the first class is based upon a legitimate classification
19 which the General Assembly deems to be reasonable and just,
20 since the benefit received by taxpayers in cities and school
21 districts of the first class as a result of such levy is
22 determined to be in proportion to the tax burden imposed in
23 such cities and school districts of the first class.

24 (21) That a levy imposed only, or at a higher rate, in
25 cities and school districts of the first class will be used
26 to benefit citizens of cities and school districts of the
27 first class by providing for their health, safety,
28 convenience and welfare.

29 (22) That, if this act is challenged, a prompt, final
30 ruling as to the legality of the authority created by this

1 act and the validity of bonds issued by the authority will be
2 necessary so that the authority will be able to enter capital
3 markets to assist cities and school districts of the first
4 class.

5 Section 2. The definitions of "deficit," "financial ability
6 to pay" and "outstanding" in section 104 of the act are amended
7 and the section is amended by adding a definition to read:

8 Section 104. Definitions.

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

12 * * *

13 "Deficit." Such negative fund balance in any principal
14 operating fund or funds of a city or school district existing or
15 projected to exist as of the close of a fiscal year, as may be
16 more specifically identified, calculated and set forth in an
17 intergovernmental cooperation agreement or financial plan of an
18 assisted city or school district described in section 209.

19 * * *

20 "Financial ability to pay." Financial ability to pay shall
21 mean the reasonable likelihood that the assisted city or school
22 district will receive funds sufficient to pay the cost of any
23 increase in wages or fringe benefits without requiring an
24 increase in the rates of local taxation existing in the fiscal
25 year immediately preceding the fiscal year when such increase is
26 intended to take effect and without causing an adverse effect on
27 the levels of service in the fiscal year when such increase is
28 intended to take effect.

29 * * *

30 "Outstanding." With respect to bonds of the authority, shall

mean all bonds of the authority issued from time to time except:

(1) bonds purchased by the authority [or the city], the city or the school district for cancellation by the authority or otherwise required to be canceled by the authority; and

(2) bonds for the payment of the principal of and interest on which moneys or investments sufficient to make such payments timely have been irrevocably deposited with a fiduciary for obligees of the authority owning such bonds.

* * *

"School district account." A trust fund held for the exclusive benefit of an assisted city as described in section 354(c).

* * *

Section 3. Sections 202, 203, 204, 208, 209, 210 and 211 of the act are amended to read:

Section 202. Governing board.

(a) Composition of board.--The powers and duties of the authority shall be exercised by a governing board composed of five members:

(1) One member shall be appointed by the Governor.

(2) One member shall be appointed by the President pro tempore of the Senate.

(3) One member shall be appointed by the Minority Leader of the Senate.

(4) One member shall be appointed by the Speaker of the House of Representatives.

(5) One member shall be appointed by the Minority Leader of the House of Representatives.

(6) The Secretary of the Budget of the Commonwealth and the Director of Finance of each assisted city and the

1 superintendent of the school district shall serve as ex
2 officio members of the board. The ex officio members may not
3 vote, shall not be counted for purposes of establishing a
4 quorum and may designate in writing a representative of their
5 respective offices to attend meetings of the board on their
6 behalf.

7 (7) All members shall have had experience in finance or
8 management.

9 (8) All members of the board shall be residents of the
10 Commonwealth and, except the Secretary of the Budget, shall
11 either be residents of the assisted city or school district
12 or have their primary places of business or employment in
13 such city or school district.

14 (b) Term.--Appointing authorities shall appoint the initial
15 members of the board within 10 days of the effective date of
16 this act. The term of a board member shall begin on the date of
17 appointment. A member's term shall be coterminous with that of
18 his or her appointing authority; provided that the member's term
19 shall continue until his or her replacement is appointed. Board
20 members shall serve at the pleasure of his or her appointing
21 authority. Whenever a vacancy occurs on the board, whether prior
22 to or on the expiration of a term, the appointing authority who
23 originally appointed the board member whose seat has become
24 vacant shall appoint a successor member within 30 days of the
25 vacancy. A member appointed to fill a vacancy occurring prior to
26 the expiration of a term shall serve the unexpired term.

27 (c) Organization.--The appointee of the Governor shall set a
28 date, time and place for the initial organizational meeting of
29 the board within ten days of the appointment of the initial
30 members of the board. The members shall elect from among

1 themselves a chairperson, vice chairperson, secretary, treasurer
2 and such other officers as they may determine. A member may hold
3 more than one office of the board at any time.

4 (d) Meetings.--The board shall meet as frequently as it
5 deems appropriate but at least once during each quarter of the
6 fiscal year. In addition, a meeting of the board shall be called
7 by the chairperson if a request for a meeting is submitted to
8 the chairperson by at least two members of the board. A majority
9 of the board shall constitute a quorum for the purpose of
10 conducting the business of the board and for all other purposes.
11 All actions of the board shall be taken by a majority of the
12 board unless specific provisions of this act require that action
13 be taken by a qualified majority. The act of July 3, 1986
14 (P.L.388, No.84), known as the Sunshine Act, shall apply to the
15 board.

16 (e) Expenses.--A member shall not receive compensation or
17 remuneration, but shall be entitled to reimbursement for all
18 reasonable and necessary actual expenses.

19 (f) Public officials and party officers.--

20 (1) Except for the Secretary of the Budget of the
21 Commonwealth and the Director of Finance of an assisted city
22 or school district, neither members of the board nor the
23 executive director shall seek or hold a position as any other
24 public official within this Commonwealth or as a party
25 officer while in the service of the authority. Members of the
26 board and the executive director shall not seek election as
27 public officials or party officers for one year after their
28 service with the authority. Members of the authority and the
29 executive director may serve as appointive public officials
30 any time after their periods of service with the authority.

1 (2) Employees of the authority shall not seek or hold
2 other positions as public officials or party officers while
3 in the employ of the authority; provided, however, that the
4 authority may receive the loan of services of persons in
5 other government agencies in accordance with subsection (g),
6 notwithstanding that such persons are public officials.

7 Employees of the authority shall not seek election as public
8 officials or party officers for one year after leaving the
9 employ of the authority.

10 (g) Employees and agents.--The board shall fix and determine
11 the number of employees of the authority and their respective
12 compensation and duties. The board may contract for or receive
13 the loan of services of persons in the employ of other
14 government agencies, and other government agencies shall be
15 authorized to make such employees available. The board shall
16 retain an executive director upon the vote of a qualified
17 majority. The board shall, by the vote of a qualified majority,
18 hire an independent general counsel to the authority, and may
19 engage consultants and contract for other professional services
20 upon the vote of a qualified majority. The board shall, upon the
21 approval of a qualified majority, delegate to the executive
22 director such powers of the board as the board shall deem
23 necessary to carry out the purposes of the authority, subject in
24 every case to the supervision and control of the board.

25 (h) Statutes applying to authority.--The provisions of the
26 following acts shall apply to the authority: The act of June 21,
27 1957 (P.L.390, No.212), referred to as the Right-to-Know Law;
28 the act of July 19, 1957 (P.L.1017, No.451), known as the State
29 Adverse Interest Act; and the act of October 4, 1978 (P.L.883,
30 No.170), referred to as the Public Official and Employee Ethics

1 Law; provided, however, that notwithstanding the provisions of
2 the State Adverse Interest Act, the Secretary of the Budget and
3 the Director of Finance of each assisted city or school district
4 shall, while serving as ex officio members of the board, also
5 serve in their official capacities with respect to the
6 negotiation and execution of intergovernmental cooperation
7 agreements and other agreements between an assisted city and
8 school district and the authority.

9 (i) Limitation on action.--Notwithstanding the provisions of
10 section 706, if any provision of this section is held invalid by
11 a court of competent jurisdiction, the authority shall not
12 borrow further moneys nor issue further bonds, nor shall the
13 authority further disburse to a city or school district proceeds
14 of any issue of bonds authorized theretofore to fund a deficit
15 of a city or school district or to provide other financial
16 assistance to a city or school district; to finance any cash
17 flow deficit of a city or school district; or to purchase any
18 obligations of a city or school district issued to finance cash
19 flow deficits; or to pay the costs of capital projects, but all
20 provisions of outstanding bonds of the authority and all rights
21 and remedies of obligees of the authority under this act shall
22 be and shall remain valid and enforceable.

23 Section 203. Powers and duties.

24 (a) General powers and duties.--The authority is established
25 for the purposes, without limitation, by itself or by agreement
26 in cooperation with others, of assisting cities and school
27 districts in solving their budgetary and financial problems, and
28 helping cities and school districts achieve and maintain access
29 to the capital markets.

30 (b) Specific duties.--The authority shall have the powers

1 and its duties shall be:

2 (1) To assist cities and school districts in achieving
3 financial stability in any manner consistent with the
4 purposes and powers described by this act.

5 (2) To assist cities and school districts in avoiding
6 defaults, eliminating and financing deficits, maintaining
7 sound budgetary practices, and avoiding the interruption of
8 municipal services or educational programs.

9 (3) To borrow money and issue bonds to assist cities and
10 school districts.

11 (4) To negotiate intergovernmental cooperation
12 agreements with cities and school districts containing such
13 terms and conditions as will enable such cities and school
14 districts to eliminate and avoid deficits, maintain sound
15 budgetary practices and avoid interruption of municipal
16 services or educational programs.

17 (5) To make annual reports within 120 days of the close
18 of the authority's fiscal year, commencing with the fiscal
19 year ending June 30, 1992, to the Governor and the General
20 Assembly describing its progress with respect to restoring
21 the financial stability of assisted cities and school
22 districts and achieving balanced budgets for assisted cities
23 and school districts, such reports to be filed with the
24 Governor, the presiding officers of the Senate and the House
25 of Representatives, with the Chairperson and Minority
26 Chairperson of the Appropriations Committee of the Senate and
27 the Chairperson and the Minority Chairperson of the
28 Appropriations Committee of the House of Representatives and
29 with the governing body, mayor and controller of the assisted
30 city.

(6) To comply with the provisions of section 317 concerning the maximum amount of the first series of authority bonds and the date of issuance thereof.

(c) Specific powers.--In addition to the powers and duties set forth elsewhere in this act, the authority shall have the specific powers:

(1) To obtain copies of all reports regarding the revenues, expenditures, budgets, costs, plans, operations, estimates and any other financial or budgetary matters of an assisted city, assisted school district or any corporate entity.

(2) To obtain additional reports on the above matters in such form as are deemed necessary by the authority.

(3) To make factual findings concerning an assisted city's or school district's budgetary and fiscal affairs.

(4) To make recommendations to an assisted city or school district concerning its budgetary and fiscal affairs.

(5) To make recommendations to the Governor and the General Assembly regarding legislation or resolutions that affect Commonwealth aid or mandates to an assisted city or school district, or that concern an assisted city's or school district's taxing powers or relate to an assisted city's or school district's fiscal stability.

(6) To provide financial assistance, including loans and grants, to assist cities or school districts upon such terms and conditions as may be approved by a qualified majority of the board or as may be specified by the General Assembly to eliminate or prevent deficits of a city or school district.

(7) Subject to any limitations in agreements with obligees of the authority, to enter into and amend as shall

1 be necessary from time to time intergovernmental cooperation
2 agreements with a city or school district provided that such
3 agreements and amendments are approved by a qualified
4 majority of the board.

5 (8) To exercise, while any bonds issued by the authority
6 to assist the city or school district remain outstanding,
7 powers of review concerning the budgetary and fiscal affairs
8 of that city or school district consistent with this act and
9 the city's or school district's home rule charter or other
10 optional plan of government.

11 (9) To receive revenues from any source, directly or by
12 assignment, pledge or otherwise.

13 (10) To sue and be sued, implead and be impleaded,
14 complain and defend in all courts.

15 (11) To adopt, use and alter at will a corporate seal.

16 (12) To make bylaws for the management and regulation of
17 its affairs and adopt rules, regulations and policies in
18 connection with the performance of its functions and duties
19 which, notwithstanding any other provision of law to the
20 contrary, shall not be subject to review pursuant to the act
21 of June 25, 1982 (P.L.633, No.181), known as the Regulatory
22 Review Act.

23 (13) To make and enter into contracts and other
24 instruments necessary or convenient for the conduct of its
25 business and the exercise of the powers of the authority.

26 (14) To appoint officers, agents, employees and servants
27 and to prescribe their duties and to fix their compensation
28 as set forth in section 202(g).

29 (15) To retain counsel and auditors to render such
30 professional services as the authority deems appropriate. The

1 authority shall not be considered either an executive agency
2 or an independent agency for the purpose of the act of
3 October 15, 1980 (P.L.950, No.164), known as the Commonwealth
4 Attorneys Act, but shall possess the same status for such
5 purpose as the Auditor General, State Treasurer and the
6 Pennsylvania Public Utility Commission; except that the
7 provisions of section 204(b) and (f) of the Commonwealth
8 Attorneys Act shall not apply to the authority;
9 notwithstanding the provisions of section 221(1) of the act
10 of October 5, 1980 (P.L.693, No.142), known as the JARA
11 Continuation Act of 1980, the authority, through its legal
12 counsel, shall defend actions brought against the authority,
13 or its members, officers, officials and employees when acting
14 within the scope of their official duties.

15 (16) To cooperate with any Federal agency or government
16 agency.

17 (17) To acquire, by gift or otherwise, purchase, hold,
18 receive, lease, sublease and use any franchise, license,
19 property, real, personal or mixed, tangible or intangible or
20 any interest therein. However, the authority shall be
21 absolutely limited in its power to acquire real property
22 under this act to real property that will be used only for
23 the office space in which the authority will conduct its
24 daily business.

25 (18) To sell, transfer, convey and dispose of any
26 property, real, personal or mixed, tangible or intangible or
27 any interest therein.

28 (19) To enter into contracts for group insurance and to
29 contribute to retirement plans for the benefit of its
30 employees and to enroll its employees in an existing

1 retirement system of a government agency.

2 (20) To accept from, purchase or borrow equipment,
3 supplies, services or other things necessary or convenient to
4 the work of the authority from other government agencies, and
5 all government agencies are authorized to sell, lend or grant
6 to the authority such equipment, supplies, services or other
7 things necessary or convenient to the work of the authority.

8 (21) To borrow money for the purpose of assisting a city
9 or school district, or in anticipation of the receipt of
10 income of the authority or of an assisted city or school
11 district and to evidence the same; make and issue bonds of
12 the authority; secure the payment of such bonds or any part
13 thereof, by pledge of or security interest in all or any of
14 its revenues, receipts, accounts, tangible personal property
15 and contract rights; make such agreements with the purchasers
16 or holders of such bonds or with other obligees of the
17 authority in connection with any bonds, whether issued or to
18 be issued, as the authority shall deem advisable, which
19 agreements shall constitute contracts with such holders or
20 purchasers; obtain such credit enhancement or liquidity
21 facilities in connection with any bonds as the authority
22 shall determine to be advantageous; and, in general, provide
23 for the security for said bonds and the rights of the holders
24 thereof.

25 (22) To lend, grant, or otherwise transfer or pledge for
26 the benefit of an assisted city or school district such
27 assets, including proceeds of bonds, as the authority deems
28 appropriate, to be used by such a city or school district as
29 capital or operating funds as provided in an
30 intergovernmental cooperation agreement, to refinance or

1 secure debt of an assisted city or school district, or for
2 other purposes consistent with this act.

3 (23) To enter into agreements with an assisted city or
4 school district that receives funds or other financial
5 assistance from the authority pursuant to which such city or
6 school district may pledge assets, rights, revenues and
7 receipts, including tax revenues, to secure the repayment of
8 such funds or assistance by such city or school district if
9 such security is required by the authority.

10 (24) To invest any funds held by the authority as set
11 forth in section 311(b).

12 (25) To receive and hold assets, moneys and funds from
13 any source, including, but not limited to, appropriations,
14 grants, gifts and such tax revenues as may be allocated or
15 directed to it by law for the purposes of securing authority
16 indebtedness and providing assistance to cities or school
17 districts in accordance with this act.

18 (26) To procure such insurance, guarantees and sureties
19 containing such coverages, including, without limitation,
20 contracts insuring or guaranteeing the timely payment in full
21 of principal, interest and premium, if any, on bonds of the
22 authority, or providing liquidity for purchase of bonds of
23 the authority, in such amounts, from such insurers, sureties,
24 guarantors, or other parties as the authority may determine
25 to be necessary or desirable for its purposes.

26 (27) To pledge the credit of the authority in the manner
27 provided in section 304.

28 (28) To do all acts and things necessary or convenient
29 for the promotion of its purposes and the general welfare of
30 the authority and to carry out the powers granted to it by

1 this act or any other acts.

2 (d) Intergovernmental cooperation agreements.--The authority
3 shall have the power and its duty shall be to enter into and to
4 implement fully such intergovernmental cooperation agreements
5 with cities and school districts as are approved by a qualified
6 majority of the board. No bonds may be issued by the authority
7 until an intergovernmental cooperation agreement has been
8 approved by a qualified majority of the board, except that the
9 authority, at anytime during the first 45 days after the
10 effective date of this act, may enter into an interim financing
11 arrangement in anticipation of the initial bond issue without an
12 intergovernmental cooperation agreement in effect. Such
13 agreements, including, but not limited to, the initial
14 agreements described in section 209(a) may include such
15 definitions and procedures as may be necessary to implement the
16 financial planning process set forth in sections 209 and 210.
17 Intergovernmental cooperation agreements as well as other
18 service agreements to provide assistance to a city or school
19 district shall not be deemed to create debt of the city or
20 school district. Intergovernmental cooperation agreements shall
21 contain such terms and be negotiated in such manner as the
22 authority and an assisted city and school district shall
23 determine consistent with this act and the Constitution of
24 Pennsylvania.

25 (1) A city may enter into an intergovernmental
26 cooperation agreement in which it, consistent with this act,
27 covenants to cooperate or agree in the exercise of any
28 function, power or responsibility with, or delegate or
29 transfer any function, power or responsibility to, the
30 authority upon the adoption by the governing body of such

1 city of an ordinance authorizing and approving the
2 intergovernmental cooperation agreement.

3 (2) An ordinance that authorizes a city or a resolution
4 that authorizes a school district to enter into an
5 intergovernmental cooperation agreement with the authority
6 shall specify:

7 (i) the purpose and objectives of the agreement;

8 (ii) the conditions of the agreement; and

9 (iii) the term of the agreement, including
10 provisions relating to its termination. Except for
11 assistance provided through an interim financing
12 arrangement, as provided for in this subsection, or
13 assistance necessary to enable a city or school district
14 to pay principal of or interest on its outstanding bonds,
15 or lease payments securing bonds of other government
16 agencies, as provided for in section 209(a), no
17 assistance shall be provided by the authority to a city
18 or school district unless an intergovernmental
19 cooperation agreement is in effect.

20 (e) Limitation.--Notwithstanding any purpose or general or
21 specific power granted by this act or any other act, whether
22 express or implied:

23 (1) The authority shall have no power to pledge the
24 credit or taxing powers of the Commonwealth or any other
25 government agency, including an assisted city or school
26 district, except the credit of the authority created by this
27 act, nor shall any of the bonds of the authority be deemed a
28 debt or liability of the Commonwealth or of any other
29 government agency, including a city or school district.

30 (2) Neither the Commonwealth nor any government agency,

1 including a city or school district, except the authority
2 created by this act, shall be liable for the payment of the
3 principal, interest or premium on any such bonds.

4 (3) Notwithstanding any provision of this or any other
5 law to the contrary, or of any implication that may be drawn
6 therefrom, the Commonwealth and all other government
7 agencies, except the authority but including an assisted city
8 or school district (unless otherwise agreed to by such city
9 or school district pursuant to this act), shall have no legal
10 or moral obligation for the payment of any expenses or
11 obligations of the authority, including, but not limited to,
12 bond principal and interest, the funding or refunding of any
13 reserves, and any administrative or operating expenses
14 whatsoever, other than for the advance of funds for initial
15 operating expenses of the authority contained in section 701
16 to be repaid by the authority as set forth in sections 206(b)
17 and 701.

18 (4) Bonds of the authority shall contain a prominent
19 statement of the limitation set forth in this subsection and
20 shall further recite that obligees of the authority shall
21 have no recourse, either legal or moral, to the Commonwealth
22 or to any other government agency including the city or
23 school district for payment of such bonds.

24 Section 204. Term of existence of authority.

25 The authority shall have continuing existence and succession
26 for a term not exceeding one year after all of its liabilities,
27 including, without limitation, its bonds have been fully paid
28 and discharged. Upon the termination of the existence of the
29 authority, all of its rights and properties, including funds
30 remaining in the debt service reserve fund, shall be paid to the

1 Commonwealth to the extent the Commonwealth has contributed such
2 rights or property; otherwise such rights or property shall pass
3 to and be vested in the assisted city or school district,
4 whichever is appropriate.

5 Section 208. Authority's financial assistance to cities.

6 (a) Loans.--Provided the authority has entered into an
7 intergovernmental cooperation agreement with a city or school
8 district and there is an approved financial plan in effect, the
9 authority may render financial assistance to the city or school
10 district in the form of loans and grants from authority funds
11 including proceeds from bonds, and the city or school district
12 may borrow or receive such funds for any lawful purpose.

13 However, if the authority has not entered into an
14 intergovernmental cooperation agreement with a city or school
15 district or if there is not an approved financial plan in
16 effect, the authority shall not render financial assistance to
17 the city or school district except for any amounts necessary to
18 enable such city or school district to pay principal of or
19 interest on its outstanding bonds, or lease payments securing
20 bonds of other government agencies, as provided for in section
21 209(a). Loans and grants authorized by this section shall be
22 made on such terms and conditions as a qualified majority of the
23 board shall approve.

24 (b) City or school district pledge.--A city or school
25 district may pledge any available source of revenue to secure
26 payments due to the authority under any agreement with the
27 authority, including an intergovernmental cooperation agreement.
28 Any pledge of revenues made by a city or school district for
29 these purposes, including without limitation, a pledge of tax
30 revenues, shall be binding and enforceable upon such city or

1 school district and its governing body for as long as any
2 agreement secured by such pledge remains outstanding. A city or
3 school district shall take no action during the term of such
4 agreement, or so long as bonds secured by payments under such
5 agreement are outstanding, that would transfer for another
6 purpose or reduce pledged revenues, or take any other action
7 which would impair the rights of the authority or obligees of
8 the authority.

9 (c) Additional city or school district appropriations.-- A
10 city that receives a loan or grant from the authority after such
11 city or school district has adopted its operating budget may, at
12 any time during the course of a fiscal year, make additional
13 appropriations to the extent of the proceeds of such loan or
14 grant received or to be received by such city or school district
15 in such fiscal year.

16 Section 209. Financial plan of an assisted city.

17 (a) Requirement of a financial plan.--While any bonds issued
18 by the authority to assist a city remain outstanding, an
19 assisted city or school district shall develop, implement and
20 periodically revise a financial plan as described in this
21 section. The authority shall not provide the net proceeds of the
22 initial bond issue described in section 317 and any subsequent
23 bond issue, other than any amounts necessary to enable such city
24 or school district to pay principal of or interest on its
25 outstanding bonds, or lease payments securing bonds of other
26 government agencies, which payments, in the authority's
27 discretion, may be made directly to the paying agents for such
28 bonds, until the authority and the city or school district have
29 agreed upon such a plan.

30 (b) Elements of plan.--The financial plan shall include:

1 (1) Projected revenues and expenditures of the principal
2 operating fund or funds of the city or school district for
3 five fiscal years consisting of the current fiscal year and
4 the next four fiscal years.

5 (2) Plan components that will:

6 (i) eliminate any projected deficit for the current
7 fiscal year and for subsequent fiscal years;

8 (ii) restore to special fund accounts money from
9 those accounts used for purposes other than those
10 specifically authorized;

11 (iii) balance the current fiscal year budget and
12 subsequent budgets in the financial plan through sound
13 budgetary practices, including, but not limited to,
14 reductions in expenditures, improvements in productivity,
15 increases in revenues, or a combination of these steps;

16 (iv) provide procedures to avoid a fiscal emergency
17 condition in the future; and

18 (v) enhance the ability of the city or school
19 district to regain access to the short-term and long-term
20 credit markets.

21 (c) Standards for formulation of plan.--

22 (1) All projections of revenues and expenditures in a
23 financial plan shall be based on reasonable and appropriate
24 assumptions and methods of estimation, all such assumptions
25 and methods to be consistently applied.

26 (2) All revenue and appropriation estimates shall be on
27 a modified accrual basis in accordance with generally
28 accepted standards. Revenue estimates shall recognize
29 revenues in the accounting period in which they become both
30 measurable and available. Estimates of city-generated or

1 school district revenues shall be based on current or
2 proposed tax rates, historical collection patterns, and
3 generally recognized econometric models. Estimates of
4 revenues to be received from the State government shall be
5 based on historical patterns, currently available levels, or
6 on levels proposed in a budget by the Governor. Estimates of
7 revenues to be received from the Federal Government shall be
8 based on historical patterns, currently available levels, or
9 on levels proposed in a budget by the President or in a
10 congressional budget resolution. Nontax revenues shall be
11 based on current or proposed rates, charges or fees,
12 historical patterns and generally recognized econometric
13 models. Appropriation estimates shall include, at a minimum,
14 all obligations incurred during the fiscal year and estimated
15 to be payable during the fiscal year or in the 24-month
16 period following the close of the current fiscal year, and
17 all obligations of prior fiscal years not covered by
18 encumbered funds from prior fiscal years. Any deviations from
19 these standards of estimating revenues and appropriations
20 proposed to be used by a city or school district shall be
21 specifically disclosed and shall be approved by a qualified
22 majority of the board.

23 (3) All cash flow projections shall be based upon
24 reasonable and appropriate assumptions as to sources and uses
25 of cash, including, but not limited to, reasonable and
26 appropriate assumptions as to the timing of receipt and
27 expenditure thereof and shall provide for operations of the
28 assisted city or school district to be conducted within the
29 resources so projected. All estimates shall take due account
30 of the past and anticipated collection, expenditure and

service demand experience of the assisted city or school district and of current and projected economic conditions.

(d) Form of plan.--Each financial plan shall, consistent with the requirements of an assisted city's or school district's home rule charter or optional plan of government:

(1) be in such form and shall contain:

(i) for each of the first two fiscal years covered by the financial plan such information as shall reflect an assisted city's or school district's total expenditures by fund and by lump sum amount for each board, commission, department or office of an assisted city or each principal administrative unit of an assisted school district; and

(ii) for the remaining three fiscal years of the financial plan such information as shall reflect an assisted city's or school district's total expenditures by fund and by lump sum amount for major object classification;

(2) include projections of all revenues and expenditures for five fiscal years, including, but not limited to, projected capital expenditures and short-term and long-term debt incurrence and cash flow forecasts by fund for the first year of the financial plan;

(3) include a schedule of projected capital commitments of the assisted city or school district and proposed sources of funding for such commitments; and

(4) be accompanied by a statement describing, in reasonable detail, the significant assumptions and methods of estimation used in arriving at the projections contained in such plan.

1 (e) Annual submission of plan.--An assisted city or school
2 district shall develop, and the authority shall review and act
3 upon, an initial five-year financial plan for the city or school
4 district as soon as practicable after the effective date of this
5 act. During each subsequent fiscal year while bonds of the
6 authority are outstanding, the mayor or chief executive officer
7 of each assisted city or the superintendent of each assisted
8 school district shall, at least 100 days prior to the beginning
9 of its fiscal year, or on such other date as the authority may
10 approve upon the request of the assisted city or school
11 district, prepare and submit its proposed five-year plan. At the
12 same time the plan is submitted, the mayor or chief executive
13 officer or the superintendent of the school district shall also
14 submit to the authority:

15 (1) the mayor's, or chief executive officer's, or
16 superintendent's proposed annual operating budget, and
17 capital budget, which shall be consistent with the first year
18 of the financial plan, and which shall be prepared in
19 accordance with the assisted city's or school district's home
20 rule charter or other optional plan of government; and

21 (2) a statement by the mayor, or chief executive
22 officer, that such budget:

23 (i) is consistent with the financial plan;

24 (ii) contains funding adequate for debt service
25 payments, legally mandated services and lease payments
26 securing bonds of other government agencies; and

27 (iii) is based upon reasonable and appropriate
28 assumptions and methods of estimation.

29 (f) Authority review and approval of plan.--

30 (1) The authority shall promptly review each financial

1 plan, proposed operating budget and capital budget submitted
2 by the assisted city or school district. In conducting [such]
3 the review for an assisted city, the authority shall request
4 from the city controller of the assisted city an opinion or
5 certification prepared in accordance with generally accepted
6 auditing standards, with respect to the reasonableness of the
7 assumptions and estimates in the financial plan. The city
8 controller and other elected officials shall comply with any
9 such request from the authority. Not more than 30 days after
10 submission of a financial plan and proposed operating budget,
11 the authority shall determine whether:

12 (i) the financial plan projects balanced budgets,
13 based upon reasonable assumptions as described in this
14 section, for each year of the plan; and

15 (ii) the proposed operating budget and capital
16 budget are consistent with the proposed financial plan.

17 If the authority determines that these criteria are
18 satisfied, the authority shall approve such financial plan by
19 a qualified majority vote.

20 (2) The authority shall not be bound by any opinions or
21 certifications of the city controller of the assisted city
22 issued pursuant to this subsection.

23 (3) If the authority fails to take any action within 30
24 days on a financial plan, the financial plan as submitted
25 shall be deemed approved. However, if during the 30 days a
26 written request by two members of the authority board for a
27 meeting and vote on the question of approval of the financial
28 plan has been submitted to the chairperson and a meeting and
29 vote does not take place the financial plan shall be deemed
30 disapproved.

(g) Authority disapproval of plan.--

(1) If the authority disapproves the proposed financial plan, the authority shall, when it notifies an assisted city or school district of its decision, state in writing in reasonable detail the reasons for such disapproval, including the amount of any estimated budget imbalance.

(2) The assisted city or school district shall submit a revised financial plan to the authority within 15 days of such disapproval, which revised plan eliminates the budget imbalance. Not more than 15 days after the submission of such revised financial plan, the authority shall determine whether the revised plan satisfies the criteria set forth in subsection (f)(1). If the authority determines that these criteria are satisfied, the authority shall approve such financial plan by a qualified majority vote. If the authority shall not so approve the financial plan, then the authority shall, subject to the occurrence of the events described in section 210(e), certify the assisted city's or school district's noncompliance with the financial plan to the Secretary of the Budget.

(h) Revisions to plan.--

(1) While any bonds of the authority remain outstanding, the plan shall be revised on an annual basis to include the operating budget for the next fiscal year and to extend the plan for an additional fiscal year. In addition, the mayor or chief executive officer of an assisted city or the superintendent of an assisted school district shall, within 90 days of assuming office, propose revisions to the financial plan, or certify to the authority that he or she adopts the existing plan. A city or school district may,

1 during the course of a fiscal year, submit proposed revisions
2 to the financial plan, and shall submit a proposed revision
3 for any amendment to the city's or school district's
4 operating or capital budget.

5 (2) The authority shall review each proposed revision
6 within 20 days of its submission. The authority shall approve
7 the revision if it will not, based on reasonable assumptions,
8 cause the plan to become imbalanced. Proposed revisions shall
9 become part of the financial plan upon the approval of a
10 qualified majority of the authority board, unless some other
11 method of approval is permitted by authority rules and
12 regulations approved by a qualified majority, or pursuant to
13 an agreement with the city or school district contained in an
14 intergovernmental cooperation agreement. If the authority
15 fails to take action within 20 days on a proposed revision,
16 such submission shall be deemed approved unless a written
17 request for a meeting and vote has been made in accordance
18 with section 209(f)(3) in which event if a meeting and vote
19 does not take place, the proposed revision shall be deemed
20 disapproved.

21 (3) If the governing body of an assisted city or school
22 district adopts a budget inconsistent with an approved
23 financial plan, that city or school district shall submit the
24 enacted budget to the authority as a proposed revision to the
25 plan. The authority shall review the proposed revision within
26 30 days of its submission, in accordance with the criteria
27 set forth in subsection (f) and the approval process set
28 forth in paragraph (2).

29 (i) Supplemental reports.--Within 45 days of the end of each
30 fiscal quarter, or monthly if a variation from the financial

1 plan has been determined in accordance with section 210(c), the
2 mayor or chief executive officer of an assisted city or the
3 superintendent of an assisted school district shall provide the
4 authority with reports describing actual or current estimates of
5 revenues and expenditures compared to budgeted revenues and
6 expenditures for such period reflected in its cash flow
7 forecast. Each report required under this section shall indicate
8 any variance between actual or current estimates and budgeted
9 revenues, expenditures and cash for the period covered by such
10 report. An assisted city or school district shall also provide
11 periodic reports on debt service requirements in conformity with
12 section 210(b).

13 (j) Effect of plan upon contracts and collective bargaining
14 agreements.--

15 (1) A contract or collective bargaining agreement in
16 existence in an assisted city or school district prior to the
17 approval by the authority of a financial plan submitted
18 pursuant to this section shall remain effective after
19 approval of such plan until such contract or agreement
20 expires.

21 (2) After the approval by the authority of a financial
22 plan submitted pursuant to this section, an assisted city or
23 school district shall execute contracts and collective
24 bargaining agreements in compliance with such plan. If a city
25 or school district executes a contract or a collective
26 bargaining agreement which is not in compliance with the
27 plan, the contract or agreement shall not be void or voidable
28 solely by reason of such noncompliance, but the city or
29 school district shall submit to the authority a proposed
30 revision to the plan which demonstrates that revenues

1 sufficient to pay the costs of the contract or collective
2 bargaining agreement will be available in the affected fiscal
3 years of the plan.

4 (k) Effect of plan upon certain arbitration awards.--

5 (1) After the approval by the authority of a financial
6 plan submitted pursuant to this section, any determination of
7 a board of arbitration established pursuant to the provisions
8 of the act of June 24, 1968 (P.L.237, No.111), referred to as
9 the Policemen and Firemen Collective Bargaining Act,
10 providing for an increase in wages or fringe benefits of any
11 employee of an assisted city under the plan, in addition to
12 considering any standard or factor required to be considered
13 by applicable law, shall take into consideration and accord
14 substantial weight to:

15 (i) the approved financial plan; and

16 (ii) the financial ability of the assisted city to
17 pay the cost of such increase in wages or fringe benefits
18 without adversely affecting levels of service.

19 (2) Such determination shall be in writing and a copy
20 thereof shall be forwarded to each party to the dispute and
21 the authority. Any determination of the board of arbitration
22 which provides for an increase in wages or fringe benefits of
23 any employee of an assisted city shall state with specificity
24 in writing all factors which the board of arbitration took
25 into account in considering and giving substantial weight to:

26 (i) the approved financial plan of the assisted
27 city; and

28 (ii) the assisted city's financial ability to pay
29 the cost of such increase.

30 (3) (i) Any party to a proceeding before a board of

1 arbitration may appeal to the court of common pleas to
2 review:

3 (A) the consideration of the assisted city's
4 financial plan;

5 (B) the determination as to the assisted city's
6 financial ability to pay; or

7 (C) the failure of the board of arbitration to
8 issue a determination including a detailed writing of
9 all factors which the board of arbitration took into
10 account in considering and giving substantial weight
11 to the assisted city's financial ability to pay and
12 the assisted city's financial plan.

13 (ii) The decision of the board of arbitration shall
14 be vacated and remanded to the board of arbitration if
15 the court finds:

16 (A) that the board of arbitration failed to take
17 into consideration and accord substantial weight to
18 the approved financial plan;

19 (B) that the board of arbitration's
20 determination as to the assisted city's financial
21 ability to pay is not supported by substantial
22 evidence as produced by the parties to the
23 proceedings before the board of arbitration; or

24 (C) that the board of arbitration has failed to
25 state with specificity in writing the factors which
26 it took into account in considering and giving
27 substantial weight to the assisted city's financial
28 ability to pay or the assisted city's approved
29 financial plan.

30 (iii) Such appeal shall be commenced not later than

30 days after the issuance of a final determination by the board of arbitration.

(iv) If, after the exhaustion of all appeals, the final arbitration award is not in compliance with the approved financial plan, the award shall not be void or voidable solely by reason of such noncompliance but the assisted city shall submit to the authority a proposed revision to the plan which demonstrates that revenues sufficient to pay the costs of the award will be available in the affected fiscal years of the plan.

Section 210. Powers and duties of authority with respect to financial plans.

(a) Formulation and approval of plan.--To enhance the security of bonds issued by the authority, to minimize the need for future borrowing by the authority, and to advance the financial recovery of each assisted city or school district, the authority shall require such city to submit a five-year financial plan in accordance with section 209. With regard to the formulation of such plan, the authority shall:

(1) Consult with an assisted city or school district as it prepares the financial plan.

(2) Prescribe the form of the financial plan, insofar as that form is consistent with an assisted city's or school district's home rule charter or other optional plan of government and with this act.

(3) Prescribe the supporting information required in connection with such plan, such information to include at a minimum:

(i) debt service payments due or projected to be due during the relevant fiscal years;

(ii) payments for legally mandated services included in the plan and due or projected to be due during the relevant fiscal years; and

(iii) a statement in reasonable detail of the significant assumptions and methods of estimation used in arriving at the projections in the plan.

(4) Exercise any rights of approval or disapproval, and issue such recommendations as are authorized by this act in accordance with the standards for formulation of the plan set forth in section 209(c).

(b) Authority functions after plan is approved.--After a financial plan has been approved, the authority shall:

(1) Receive and review:

(i) the financial reports submitted by the mayor or chief executive officer of an assisted city or the superintendent of an assisted school district under section 209(i);

(ii) reports concerning the debt service requirements on all bonds, notes of such city or school district and lease payments of such city or school district securing bonds or other government agencies for the following quarter, which reports shall be in such form and contain such information as the authority shall determine, and which shall be issued no later than 60 days prior to the beginning of the quarter to which they pertain, and shall be updated immediately upon each issuance of bonds or notes, by the assisted city or school district or execution of a lease securing bonds of another government agency, after the date of such report to reflect any change in debt service requirements as a

1 result of such issuance; and

2 (iii) any additional information provided by the
3 assisted city or school district concerning changed
4 conditions or unexpected events which may affect the
5 city's or school district's adherence to the financial
6 plan. The reports described in subparagraph (ii) shall be
7 certified by the city controller.

8 (2) Determine, on the basis of information and reports
9 described in subsection (b)(1), whether an assisted city or
10 school district has adhered to the financial plan.

11 (c) Variation from the plan.--If the authority determines,
12 based upon reports submitted by an assisted city or school
13 district under subsection (b) or independent audits,
14 examinations or studies of the assisted city's or school
15 district's finances obtained under subsection (i)(3), that an
16 assisted city's or school district's actual revenues and
17 expenditures vary from those estimated in the financial plan,
18 the authority shall require the city or school district to
19 provide such additional information as the authority deems
20 necessary to explain the variation. The authority shall take no
21 action with respect to an assisted city or school district for
22 departures from the financial plan in a fiscal quarter if:

23 (1) the city or school district provides a written
24 explanation for the variation that the authority deems
25 reasonable;

26 (2) the city or school district proposes remedial action
27 which the authority believes will restore the city's or
28 school district's overall compliance with the financial plan;

29 (3) information provided by the city or school district
30 in the immediately succeeding quarterly financial report

demonstrates that the city or school district is taking such remedial action and otherwise complying with the plan; and

(4) the city or school district submits monthly supplemental reports in accordance with section 209(i) until it regains compliance with the financial plan.

(d) Authority may make recommendations.--The authority may at any time issue recommendations as to how an assisted city or school district may achieve compliance with the financial plan, and shall provide copies of such recommendations to the mayor [or], chief executive officer, superintendent of schools and the governing body of the city and to the officials named in section 203(b)(5).

(e) When Commonwealth shall withhold funds.--

(1) The authority shall certify to the Secretary of the Budget an assisted city's or school district's noncompliance with the financial plan during any period when the authority has determined by the vote of a qualified majority that the city or school district has not adhered to the plan and has not taken acceptable remedial action during the next quarter following such departure from the plan.

(2) The authority shall certify to the Secretary of the Budget that an assisted city or school district is not in compliance with the plan if the city or school district:

(i) has no financial plan approved by the authority, or has failed to file a financial plan with the authority; or

(ii) has failed to file mandatory revisions to the plan or reports as required by section 209(h), (i), (j) or (k); and

(iii) has not been compelled to file a financial

1 plan, a mandatory revision to the plan, or a report
2 through a mandamus action authorized under subsection
3 (j).

4 (3) If the authority certifies that an assisted city or
5 school district is not in compliance with the financial plan
6 under paragraph (1) or (2), the Secretary of the Budget shall
7 notify the city or school district that such certification
8 has been made and that each grant, loan, entitlement or
9 payment to the assisted city or school district by the
10 Commonwealth, or any of its agencies, including payment from
11 the city or school district account established pursuant to
12 section 314, shall be suspended pending compliance with the
13 financial plan. Funds withheld shall be held in escrow by the
14 Commonwealth or in the case of the city or school district
15 account, be retained in that city or school district account,
16 until compliance with the plan is restored as set forth in
17 paragraph (4). Funds held in escrow pursuant to this
18 subsection shall not lapse pursuant to section 621 of the act
19 of April 9, 1929 (P.L.177, No.175), known as The
20 Administrative Code of 1929 or any other law.

21 (4) The authority shall, by qualified majority vote,
22 determine when the conditions which caused an assisted city
23 or school district to be certified as not in compliance with
24 the financial plan have ceased to exist, and shall promptly
25 notify the Secretary of the Budget of such vote. The
26 Secretary of the Budget shall thereupon release all funds
27 held in escrow, together with all interest and income earned
28 thereon during the period held in escrow and the
29 disbursements of amounts in the city or school district
30 account shall resume as provided in section 314(c).

(f) Exemptions for an assisted city.--Notwithstanding the provisions of subsection (e), the following shall not be withheld from an assisted city:

(1) funds for capital projects under contract in progress;

(2) funds granted or allocated to an assisted city directly from an agency of the Commonwealth, or from the Federal Government for distribution by the Commonwealth after the declaration of a disaster resulting from a catastrophe;

(3) pension fund payments required by law;

(4) funds administered by the assisted city's Department of Human Services or Department of Health that provide benefits or service to recipients;

(5) funds that the assisted city has pledged to repay bonds or notes issued under the act of October 18, 1972 (P.L.955, No.234), known as The First Class City Revenue Bond Act; and

(6) funds appropriated by the Commonwealth for the court system or correctional programs of the assisted city.

(f.1) Exemptions for an assisted school district.--
Notwithstanding the provisions of subsection (e), the following shall not be withheld from an assisted school district:

(1) Funds for capital projects under contract in progress.

(2) Funds granted or allocated to an assisted school district directly from an agency of the Commonwealth, or from the Federal Government for distribution by the Commonwealth.

(3) Pension fund payments required by law.

(g) Effect of Commonwealth's failure to disburse funds.--The provisions of subsection (e) also shall not apply and an

1 assisted city or school district shall not be found to have
2 departed from the financial plan due to the Commonwealth's
3 failure to pay any money, including payment of Federal funds
4 distributed by or through the Commonwealth, due to the city or
5 school district from moneys appropriated by the General
6 Assembly.

7 (h) Assisted city to determine expenditure of available
8 funds.--Nothing in this act shall be construed to limit the
9 power of an assisted city or school district to determine, from
10 time to time, within available funds of the assisted city or
11 school district, the purposes for which expenditures are to be
12 made by the assisted city or school district and the amounts of
13 such expenditures then permitted under the financial plan of the
14 assisted city or school district.

15 (i) Documents and examinations to be reviewed or undertaken
16 by the authority.--The authority shall:

17 (1) receive from an assisted city or school district,
18 and review, the reports, documents, budgetary and financial
19 planning data and other information prepared by or on behalf
20 of such assisted city or school district and which are to be
21 made available to the authority under this act;

22 (2) receive from a corporate entity or school district
23 and review, the reports, documents, budgetary and financial
24 planning data and other information prepared by or on behalf
25 of a corporate entity or school district and which are to be
26 made available to the authority under this act, as the
27 authority deems necessary to accomplish the purposes of this
28 act;

29 (3) inspect and copy such books, records and information
30 of an assisted city, corporate entity or school district as

1 the authority deems necessary to accomplish the purposes of
2 this act; and

3 (4) conduct or cause to be conducted such independent
4 audits, examinations or studies of a school district or
5 assisted city's finances as the authority deems appropriate.

6 (5) conduct or cause to be conducted such independent
7 audits, examinations or studies of a corporate entity's
8 finances as the authority by a qualified majority of the
9 board deems appropriate.

10 (j) Remedies of authority for failure of an assisted city or
11 school district to file financial plans and reports.--In the
12 event that an assisted city or school district shall fail to
13 file with the authority any financial plan, revision to a
14 financial plan, report or other information required to be filed
15 with the authority pursuant to this act, the authority, in
16 addition to all other rights which the authority may have at law
17 or in equity, shall have the right by mandamus to compel the
18 assisted city or school district and the officers, employees and
19 agents thereof to file with the authority the financial plan,
20 revision to a financial plan, report or other information which
21 the assisted city or school district has failed to file. The
22 authority shall give the assisted city or school district
23 written notice of the failure of the assisted city or school
24 district to file and of the authority's intention to initiate an
25 action under this subsection and shall not initiate such an
26 action earlier than ten days after the giving of such notice.

27 Section 211. Limitation on authority and on assisted cities to
28 file petition for relief under Federal bankruptcy
29 law.

30 (a) Limitation on bankruptcy filing.--Notwithstanding any

1 other provision of law, so long as the authority shall have
2 outstanding any bonds issued pursuant to this act, the authority
3 and any assisted city or school district shall not be authorized
4 to file a petition for relief under 11 U.S.C. Ch. 9 (relating to
5 bankruptcy), or any successor Federal bankruptcy law, and no
6 government agency shall authorize the authority or such city or
7 school district to become a debtor under 11 U.S.C. Ch. 9 or any
8 successor Federal bankruptcy law.

9 (b) Bankruptcy filing approval.--In addition to the
10 limitation set forth in subsection (a), and notwithstanding any
11 other provision of law, no city or school district of the first
12 class shall be authorized to file a petition for relief under 11
13 U.S.C. Ch. 9 or any successor Federal bankruptcy law, unless
14 such petition has first been submitted to, and the filing
15 thereof has been first approved in writing by the Governor. The
16 Governor is hereby designated, in accordance with 11 U.S.C. §
17 109(c)(2) (relating to the debtor status of a municipality), as
18 the organization of the Commonwealth which shall have power to
19 approve or disapprove the filing of any such petition of a
20 political subdivision, and to approve or disapprove any plan of
21 readjustment of the debts of any such political subdivision
22 prepared, filed and submitted with the petition to the court, as
23 provided under 11 U.S.C. Ch. 9.

24 (c) Review of bankruptcy petition.--

25 (1) When any such petition shall be submitted to the
26 Governor for approval, accompanied with a proposed plan of
27 readjustment of the debts of a city or school district, the
28 Governor shall make a careful and thorough investigation of
29 the financial condition of such city or school district, of
30 its assets and liabilities, of its sinking fund, and whether

1 the affairs thereof are managed in a careful, prudent and
2 economic manner in order to ascertain whether the
3 presentation of such petition is justified, or represents an
4 unjust attempt by such city or school district to evade
5 payment of some of its contractual obligations, and, if the
6 Governor believes that such petition should be approved,
7 whether the plan of readjustment submitted will be helpful to
8 the financial condition of the city or school district, and
9 is feasible, and at the same time fair and equitable to all
10 creditors.

11 (2) The Governor shall also, prior to giving its
12 approval, ascertain the amount, if any, of the obligations of
13 any such petitioning city or school district which is held by
14 any agency or agencies of the State government as trust
15 funds, and shall, before approving any such petition and plan
16 of readjustment, consult with and give every such agency an
17 opportunity to be heard and the privilege to examine the
18 findings of the Governor resulting from the investigation
19 hereinbefore required to be made, and shall likewise hear any
20 other creditor of such city or school district, whether
21 resident in or outside of this Commonwealth, who shall apply
22 therefor.

23 (3) The Governor, if it approves a petition, shall,
24 before giving its approval, require such modification in the
25 proposed plan for readjusting the debts as to it appears
26 proper.

27 (d) Effective date.--Subsections (b) and (c) shall take
28 effect on the effective date of this act and shall apply to an
29 assisted city whenever the authority does not have any
30 outstanding bonds issued pursuant to this act.

1 Section 4. Chapter 3 of the act is amended by adding a
2 subchapter heading and a subchapter to read:

3 CHAPTER 3

4 BONDS AND FUNDS OF AUTHORITY

5 SUBCHAPTER A

6 CITIES OF THE FIRST CLASS

7 * * *

8 SUBCHAPTER B

9 SCHOOL DISTRICTS OF THE FIRST CLASS

10 Section 341. Bonds.

11 (a) Authorization.--The bonds of the authority shall be
12 authorized by resolution of the board by vote of a qualified
13 majority and shall be of such series, bear such date or dates,
14 bear or accrue interest at such rate or rates as shall be
15 determined by the board as necessary to issue and sell the
16 authorized bonds, be in such denominations, be in such form,
17 either coupon or fully registered without coupons, or in
18 certificated or book-entry-only form, carry such registration,
19 exchangeability and interchangeability privileges, be payable in
20 such medium of payment and at such place or places, be subject
21 to such terms of redemption, and be entitled to such priorities
22 of payment in the revenues or receipts of the authority, as such
23 resolution or resolutions of the board may provide. The bonds
24 shall be signed by or shall bear the facsimile signatures of
25 such officers as the board shall determine, and coupon bonds
26 shall have attached thereto interest coupons bearing the
27 facsimile signature of the treasurer of the authority, and all
28 bonds shall be authenticated by an authenticating agent, fiscal
29 agent or trustee, all as may be prescribed in such resolution or
30 resolutions. Any such bonds may be issued and delivered

1 notwithstanding that one or more of the officers signing such
2 bonds or the treasurer whose facsimile signature shall be upon
3 the coupon, or any thereof, shall have ceased to be such officer
4 or officers at the time when such bonds shall actually be
5 delivered.

6 (b) Maturity date.--

7 (1) Bonds issued to finance a deficit other than a cash
8 flow deficit or to provide other financial assistance to an
9 assisted school district shall mature at such time or times
10 not exceeding ten years from their respective dates of
11 original issue as the authority shall by resolution
12 determine.

13 (2) Bonds issued to finance the costs of capital
14 projects shall mature at such time or times not exceeding the
15 weighted average useful life of the projects being financed
16 and in no event exceeding 30 years from their respective
17 dates of original issue as the authority shall by resolution
18 determine.

19 (3) Bonds issued in anticipation of income of the
20 authority or to finance a cash flow deficit of a school
21 district shall mature within the fiscal year of the date of
22 issuance thereof, except for bonds issued in anticipation of
23 grants from the Commonwealth, a government agency or Federal
24 agency, which bonds shall mature no later than the time of
25 anticipated receipt of such grant.

26 (4) Bonds issued to purchase obligations of a school
27 district shall mature not more than 30 days after the
28 maturity of the obligations purchased.

29 (c) Sale.--Bonds may be sold at public sale or invited sale
30 for such price or prices and at such rate or rates of interest

as the authority shall determine. Bonds may be sold at private sale by negotiation at such price or prices and at such rate or rates of interest as the authority shall determine, but only if the authority makes a written public explanation of the circumstances and justification for the private sale by negotiation. Pending the preparation of the definitive bonds, interim receipts may be issued to the purchaser or purchasers of such bonds and may contain such terms and conditions as the authority may determine.

(d) Negotiable instruments.--Bonds of an authority shall have the qualities of negotiable instruments under 13 Pa.C.S. (relating to commercial code).

(e) Use of proceeds.--The proceeds of an issue of bonds may be used to pay the costs of issuance of such bonds; to pay costs of administration of authority assistance to a school district; to fund reserves for such bonds; to capitalize interest on such bonds for a period not to exceed 12 months; to fund an existing or projected deficit of a school district or to provide for other financial assistance to a school district; to finance any cash flow deficit of a school district or of the authority; or to purchase any obligations of a school district issued to finance cash flow deficits; or to pay the costs of capital projects; provided that the authority shall not issue bonds to finance the costs of a capital project in and for an assisted school district unless it receives the request described in subsection (g) accompanied by a certification that the assisted school district cannot obtain financing for such capital projects at reasonable rates except through the issuance of authority bonds and that the construction or acquisition of such capital projects is a material element of such school district's

approved financial plan and the authority determines by a
qualified majority of the board is:

(1) an emergency capital project which must necessarily
be undertaken as a direct result of an order by a court of
competent jurisdiction or for the repair or replacement of an
existing facility that had been placed in service prior to
the effective date of this act and is owned or occupied by a
school district on the effective date of this act; or

(2) a capital project necessary to achieve savings and
balanced budgets under an approved financial plan.

In addition to the requirement of a qualified majority of the
board, the Governor and either the Auditor General or State
Treasurer shall certify that a capital project under paragraph
(2) is a capital project necessary to achieve savings and
balanced budgets under an approved financial plan of an assisted
school district.

(f) Refunding.--Subject to the provisions of the outstanding
bonds, notes, or other obligations issued under this or other
acts and subject to the provisions of this act, the authority
shall have the right and power to refund any outstanding debt of
the authority or a school district, whether such debt represents
principal or interest, in whole or in part, at any time. The
term "refund" and its variations shall mean the issuance and
sale of obligations the proceeds of which are used, or are to be
used, for the payment or redemption of outstanding obligations
upon or prior to maturity. The term of any bonds issued for
refunding purposes shall not extend to a maturity date which
could not have been included in the original issue of bonds
being refunded.

(g) School district request prerequisite.--The authority

1 shall not issue any bonds except bonds to refund its bonds,
2 unless it has received a request from a school district for such
3 issuance executed by the superintendent of the school district
4 and approved by the governing body of the school district by
5 resolution.

6 Section 342. Exemption from taxation.

7 The effectuation of the authorized purposes of the authority
8 shall and will be in all respects for the benefit of the people
9 of this Commonwealth, for the increase of their commerce and
10 prosperity and for the improvements of their health, safety,
11 welfare and living conditions; and, since the authority will, as
12 a public instrumentality of the Commonwealth, be performing
13 essential governmental functions in effectuating such purposes,
14 the authority shall not be required to pay any taxes or
15 assessments upon any property acquired or used or permitted to
16 be used by the authority for such purposes; and the bonds issued
17 by the authority, their transfer and the income therefrom,
18 including any profits made on the sale thereof, shall, at all
19 times, be free from State and local taxation within this
20 Commonwealth. This exemption shall not extend to gift, estate,
21 succession or inheritance taxes or any other taxes not levied
22 directly on the bonds, the transfer thereof, the income
23 therefrom or the realization of profits on the sale thereof.

24 Section 343. Validity of bonds; limitation on actions.

25 (a) Presumption.--Any bond reciting in substance that it has
26 been issued by the authority to accomplish the public purposes
27 of this act shall be conclusively deemed in any suit, action or
28 proceeding involving the validity or enforceability of such
29 bonds or security therefor to have been issued for such
30 purposes.

1 (b) Filing.--The authority may cause a copy of any
2 resolution authorizing the issuance of bonds adopted by it to be
3 filed for public inspection in its office and in the office of
4 the clerk of the governing body of the school district to be
5 assisted and may thereupon cause to be published in a newspaper
6 of general circulation published or circulating in the city a
7 notice stating:

8 (1) The fact and date of such adoption.

9 (2) The places where such resolution has been so filed
10 for public inspection.

11 (3) The date of publication of such notice.

12 (4) That any action or proceeding of any kind or nature
13 in any court questioning the validity or proper authorization
14 of bonds provided for by the resolution, or the validity of
15 any covenants, agreements or contract provided for by such
16 resolution shall be commenced within 10 days after the
17 publication of such notice.

18 If any such notice shall at any time be published and if no
19 action or proceeding questioning the validity or proper
20 authorization of bonds provided for by the resolution referred
21 to in such notice, or the validity of any covenants, agreements
22 or contract provided by such resolution, shall be commenced
23 within 10 days after the publication of such notice, then all
24 residents, taxpayers and owners of property in the city and all
25 other persons whatsoever shall be forever barred and foreclosed
26 from instituting or commencing any action or proceeding in any
27 court, or pleading any defense to any action or proceedings,
28 questioning the validity or proper authorization of such bonds,
29 or the validity of any such covenants, agreements or contracts
30 and said bonds, covenants, agreements and contracts shall be

1 conclusively deemed to be valid and binding obligations in
2 accordance with their terms and tenor.

3 (c) Estoppel.--After issuance of bonds, all such bonds shall
4 be conclusively presumed to be fully authorized and issued by
5 all the laws of this Commonwealth, and any person shall be
6 estopped from questioning their sale, execution or delivery by
7 the authority.

8 Section 344. Provisions of bonds; trust indentures.

9 In connection with the issuance of bonds and in order to
10 secure the payment of such bonds, the authority, in addition to
11 its other powers, shall have the power to:

12 (1) pledge or grant a security interest in all or any
13 part of its gross or net revenues, including the proceeds of
14 any tax levied for the purposes of or made available for use
15 by the authority, to which its right then exists or which may
16 thereafter come into existence;

17 (2) grant a security interest in all or any part of its
18 personal property then owned or thereafter acquired;

19 (3) covenant against pledging or granting a security
20 interest in all or any part of its revenues or all or any
21 part of its personal property to which its right or title
22 exists or may thereafter come into existence, or against
23 permitting or suffering any lien on such revenues or
24 property; covenant with respect to limitations on its right
25 to sell, lease or otherwise dispose of any of its real
26 property; and covenant as to which other or additional debts
27 or obligations may be incurred by it;

28 (4) covenant as to the bonds to be issued and as to the
29 issuance of such bonds, in escrow or otherwise, and as to the
30 use and disposition of the proceeds thereof; provide for the

1 replacement of lost, destroyed or mutilated bonds; covenant
2 against extending the time for the payment of bonds or
3 interest thereon; redeem the bonds, and covenant for their
4 redemption and provide the terms and conditions thereof;

5 (5) covenant as to the amount of revenues to be received
6 in each fiscal year or other period of time by the authority,
7 as well as to the use and disposition to be made thereof,
8 create or authorize the creation of special funds or reserves
9 for debt service or other purposes, and covenant as to the
10 use and disposition of the moneys held in such funds;

11 (6) prescribe the procedure, if any, by which the terms
12 of any contract with bondholders may be amended or abrogated,
13 and the amount of bonds the holders of which must consent
14 thereto, and the manner in which such consent may be given;

15 (7) covenant as to the use of any or all of its real or
16 personal property, to warrant its title, and covenant as to
17 the maintenance of its real and personal property, the
18 replacement thereof, the insurance to be carried thereon and
19 the use and disposition of insurance proceeds;

20 (8) covenant as to the rights, liabilities, powers and
21 duties arising upon the breach by it of any covenant,
22 condition or obligation, provided that the authority shall
23 not be permitted to covenant that upon such breach any or all
24 of its bonds shall become or may be declared due before
25 stated maturity;

26 (9) vest in a trustee or the holders of bonds, or any
27 proportion of them, the right to enforce the payment of the
28 bonds or any covenants securing or relating to the bonds;
29 vest in a trustee the right, in the event of default in
30 payments of interest or on principal of bonds by the

authority, to take possession and use, operate and manage any real or personal property and to collect the revenues and receipts of an authority and to dispose of such moneys in accordance with the agreement of the authority with the trustee; provide for the powers and duties of a trustee and to limit liabilities thereof; and provide the terms and conditions upon which a trustee or the holders of bonds, or any proportion of them, may enforce any covenant or rights securing or relating to the bonds;

(10) enter into interest rate exchange agreements, interest rate cap and floor agreements and other similar agreements which in the judgment of the authority will assist the authority in managing the interest costs of the authority;

(11) obtain letters of credit, bonds insurance and other facilities for credit enhancement and liquidity; and

(12) exercise all or any part or combination of the powers granted in this act, make covenants other than and in addition to the covenants expressly authorized by this act, make such covenants and do any and all such acts and things as may be necessary or convenient or desirable in order to secure its bonds, or, in the absolute discretion of the authority, as will tend to accomplish the purposes of this act, by making the bonds more marketable notwithstanding that such covenants, acts or things may not be specifically enumerated by this act.

Notwithstanding any provision of this act to the contrary, the real property of the authority shall not be mortgaged and shall not be subject to attachment nor levied upon by execution or otherwise. The revenues of the authority and the personal

1 property of the authority shall be pledged or otherwise
2 encumbered only as expressly provided in this section, and,
3 except to the extent necessary to effectuate such pledge or
4 encumbrance, shall not be subject to attachment nor levied upon
5 by execution or otherwise.

6 Section 345. Remedies of obligee of authority.

7 An obligee of the authority shall have the right, in addition
8 to all other rights which may be conferred on such obligees
9 subject only to any contractual restrictions binding upon such
10 obligee:

11 (1) By mandamus, suit, action or proceeding at law or in
12 equity, to compel the authority and the members of its
13 governing board, officers, agents or employees thereof to
14 perform each and every term, provision and covenant contained
15 in any bond or contract of the authority with or for the
16 benefit of such obligee, and to require the carrying out of
17 any or all such covenants and agreements of the authority and
18 the fulfillment of all duties imposed upon the authority by
19 this act.

20 (2) By proceeding in equity, to obtain an injunction
21 against any acts or things which may be unlawful or the
22 violation of any of the rights of such obligee of the
23 authority.

24 (3) To require the authority to account as if it were
25 the trustee of an express trust for the obligees of the
26 authority for any pledged revenues received.

27 Section 346. Validity of pledge.

28 Any pledge of or grant of a security interest in revenues of
29 the authority or personal property of an authority made by the
30 authority shall be valid and binding from the time when the

1 pledge is made; the revenues or other property so pledged and
2 thereafter received by the authority shall immediately be
3 subject to the lien of any such pledge or security interest
4 without any physical delivery thereof or further act, and the
5 lien of any such pledge or security interest shall be valid and
6 binding as against all parties having claims of any kind in
7 tort, contract or otherwise against the authority irrespective
8 of whether such parties have notice thereof. Neither the
9 resolution nor any other instrument of the authority by which a
10 pledge or security interest is created need be recorded or filed
11 to perfect such pledge or security interest.

12 Section 347. Commonwealth pledges.

13 (a) Bondholders.--The Commonwealth does hereby pledge to and
14 agree with each and every obligee of the authority that the
15 Commonwealth will not limit or alter the rights hereby vested in
16 the authority in any manner inconsistent with the obligations of
17 the authority to such obligees until all bonds at any time
18 issued, together with the interest thereon, are fully paid and
19 discharged. The Commonwealth does further pledge to and agree
20 with any Federal agency that, in the event that any Federal
21 agency shall contribute any funds to the authority for
22 assistance to a school district pursuant to this act, that the
23 Commonwealth will not alter or limit the rights and powers of
24 the authority in any manner which would be inconsistent with the
25 due performance of any agreements between the authority, the
26 school district and any such Federal agency.

27 (b) Lessees.--The Commonwealth does hereby pledge to and
28 agree with any person who, as owner thereof, leases or subleases
29 property to or from the authority, that the Commonwealth will
30 not limit or alter the rights and powers hereby vested in the

authority or otherwise created by this act in any manner which impairs the obligations of the authority until all such obligations of the authority under such lease or sublease are fully met and discharged.

(c) Reduction of pledged tax revenues.--If and to the extent that the authority pledges any proceeds of a tax authorized by law to be levied for the authority purposes or made available for use by the authority as security for bonds of the authority, or the school district pledges any proceeds of a tax as security for payment by the school district to the authority, the Commonwealth does hereby pledge to and agree with each and every obligee of the authority acquiring bonds so secured to be issued by the authority that the Commonwealth itself will not, nor will it authorize any government agency levying such tax to, reduce the rate of tax imposed for such authority or school district purposes, or made available for use by the authority, until all bonds so secured by the pledge of the authority, together with the interest thereon, are fully paid or provided for until all payments to the authority so secured by the pledge of the school district have been made or provided for.

Section 348. Resolution and law are contracts with holders of bonds.

Except as otherwise provided in any resolution of the authority authorizing or awarding bonds, the terms of such resolution and any agreement authorized by such resolution and the terms of this act as in effect when such bonds were authorized shall constitute a contract between the authority and the obligees from time to time of the authority, subject to modification by the vote by holders of such percentage of bonds as the resolution authorizing or awarding such bonds shall

1 provide.

2 Section 349. Bonds to be legal investments.

3 Bonds issued pursuant to this act are hereby made securities
4 in which all government agencies, all insurance companies, trust
5 companies, banking associations, banking corporations, savings
6 banks, investment companies, executors, the trustees of any
7 retirement, pension or annuity fund or system of the
8 Commonwealth or of a city, trustees and other fiduciaries may
9 properly and legally invest funds, including capital, deposits
10 or other funds in their control or belonging to them. Such bonds
11 are hereby made securities which may properly and legally be
12 deposited with and received by any government agency for any
13 purpose for which the deposit of bonds or other obligations of
14 the Commonwealth now or may hereafter be authorized by law.

15 Section 350. Right to enforcement of pledge of revenues.

16 The obligees of the authority shall have the right to enforce
17 a pledge of or security interest in revenues of the authority
18 securing payment of bonds of the authority against all
19 government agencies in possession of any such revenues at any
20 time, which revenues may be collected directly from such
21 officials upon notice by such obligees or a trustee for such
22 obligees for application to the payment of such bonds as and
23 when due or for deposits in any sinking, bond or debt service
24 fund established by this act or established by resolution of the
25 authority with such trustee at the times and in the amounts
26 specified in such bonds or the resolution or indenture or trust
27 agreement securing such bonds. Any government agency in
28 possession of any such revenues shall make payment against
29 receipt and shall thereby be discharged from any further
30 liability or responsibility for such revenues. If such payment

1 shall be to a holder of bonds, it shall be made against
2 surrender of such bonds to the payor for delivery to the
3 authority in the case of payment in full, otherwise it shall be
4 made against production of such bonds for notation thereon of
5 the amount of the payment. The provisions of this section with
6 respect to the enforceability and collection of revenues which
7 secure bonds shall supersede any contrary or inconsistent
8 statutory provision or rule of law. This section shall be
9 construed and applied to fulfill the legislative purpose of
10 clarifying and facilitating the financing of the authority of
11 the costs of assisting a school district by assuring to the
12 obligees of the authority the full and immediate benefit of the
13 security for the bonds without delay, diminution or interference
14 based on any statute, decision, ordinance, or administrative
15 rule or practice.

16 Section 351. Funds of authority; sources of revenue.

17 (a) Receipt by treasurer.--All funds of the authority
18 received from any source shall be delivered to or upon the order
19 of the treasurer of the authority, or to such other agent of the
20 authority as the board may designate. Such funds received by the
21 authority shall be promptly deposited in a bank or banks in this
22 Commonwealth as chosen by a qualified majority of the board. The
23 moneys in such account or accounts may be paid by the treasurer
24 of the authority or other designated agent of the authority on
25 warrant of the treasurer of the authority, or by such persons as
26 the board may authorize to make such warrants. All such deposits
27 of moneys may, if required by the authority, be secured by
28 obligations of the United States or of the Commonwealth of a
29 market value equal at all times to the amount of the deposit and
30 all banks and trust companies are authorized to give such

1 security for such deposits, provided, that no moneys deposited
2 in a debt service reserve fund may be secured by a deposit of
3 obligations issued by or obligations guaranteed by an assisted
4 school district.

5 (b) Investment of funds.--Subject to the provisions of any
6 agreements with obligees of the authority, all funds of the
7 authority, including the proceeds of bonds, which are not
8 required for immediate use may be invested in obligations of an
9 assisted school district, or in obligations of the Federal
10 Government or of the Commonwealth, or obligations which are
11 legal investments for Commonwealth funds. However, no moneys may
12 be invested in obligations issued by or obligations guaranteed
13 by an assisted school district without the approval of a
14 qualified majority of the board and, in any case, no moneys held
15 in a debt service reserve fund may be invested in obligations
16 issued by or obligations guaranteed by an assisted school
17 district.

18 (c) Pledges from school district.--To further secure
19 repayment of obligations of an assisted school district to the
20 authority, such school district is authorized to pledge or
21 direct, and the authority is authorized to receive directly from
22 the collector of such taxes or revenues, school district taxes
23 and other revenues otherwise payable to the school district and
24 so directed or pledged.

25 Section 352. Payment of proceeds of tax levied for authority
26 purposes.

27 The proceeds of any tax levied for authority purposes or made
28 available for use by the authority which tax proceeds shall have
29 been pledged by the authority to secure its bonds, and collected
30 by the Department of Revenue shall be transferred by the State

Treasurer at the times provided by law to the bond payment
account established pursuant to section 354, a debt service
reserve fund established under the authority of section 353, to
the authority for payment of operating expenses in the amount
permitted pursuant to section 206 and then to the school
district account established pursuant to section 354, all in the
manner provided in this act, subject to any limitations set
forth in the resolution of the authority authorizing such bonds.
Section 353. Debt service reserve fund.

(a) Authorization.--The authority may establish one or more
debt service reserve funds into which it shall deposit:

(1) The proceeds of any tax levied for authority
purposes or made available for use by the authority in excess
of amounts required to be deposited in the bond payment
account pursuant to section 354.

(2) Proceeds from the sale of bonds, to the extent
provided in the resolution or resolutions authorizing such
bonds.

(3) Any other moneys made available to the authority
from any source for such purpose.

All moneys held in any debt service reserve fund, except as
provided hereafter, shall be used when required, solely for the
payment of the principal of bonds secured in whole or in part by
such fund or of the sinking fund payments, if any, with respect
to such bonds, the purchase or redemption of such bonds, the
payment of interest on such bonds or the payment of any
redemption premium required to be paid when such bonds and notes
are redeemed prior to maturity. Any debt service reserve fund
established pursuant to this section shall be a trust fund held
for the benefit and security of the obligees of the authority

1 whose bonds are secured by such fund. Moneys in a debt service
2 reserve fund shall not be withdrawn from the fund at any time in
3 an amount that would reduce the amount of the fund to less than
4 the minimum reserve fund requirement established for such fund
5 in the resolution of the authority creating such fund, except
6 for withdrawals for the purpose of making payments when due of
7 principal, interest, redemption premiums and sinking fund
8 payments, if any, with respect to such bonds for the payment of
9 which other moneys of the authority are not available. Any
10 income or interest earned by, or increments to, any debt service
11 reserve fund due to the investment thereof may be transferred by
12 the authority to other funds or accounts of the authority to the
13 extent such transfer does not reduce the amount of the debt
14 service reserve fund below the minimum reserve fund requirement
15 established for such fund. Funds transferred to other accounts
16 in accordance with the preceding requirements may be used for
17 whatever purposes the authority deems appropriate so long as
18 such purposes are consistent with this act and the contracts of
19 the authority with obligees of the authority and with assisted
20 cities.

21 (b) Bond limitation.--The authority shall not at any time
22 issue bonds secured in whole or in part by a debt service
23 reserve fund if issuance of such bonds would cause the amount in
24 the debt reserve fund to fall below the minimum reserve
25 requirement for such fund, unless the authority at the time of
26 issuance of such bonds shall deposit in the fund an amount, from
27 the proceeds of the bonds to be issued or from other sources,
28 which when added to the amount already in such fund, will cause
29 the total amount on deposit in such fund to equal or exceed the
30 minimum reserve fund requirement. For the purposes of this

1 section, the term "minimum reserve fund requirement" shall mean
2 that amount defined as the minimum reserve fund requirement in
3 the resolution or resolutions of the authority authorizing the
4 bonds.

5 Section 354. Bond payment account and school district account.

6 (a) Payment of certain tax revenue.--When bonds or payments
7 due to the authority from a school district are secured by and
8 payable from a tax or taxes levied for authority purposes or
9 made available for use by the authority or levied by the
10 assisted school district, which tax has been pledged by the
11 authority to secure payment of such bonds or by the assisted
12 school district to secure payments due to the authority, the
13 proceeds of such taxes shall be paid by the collector or
14 receiver of such taxes directly to the bond payment account, any
15 debt service reserve fund established pursuant to section 353,
16 and the school district account of the authority which are
17 hereby directed to be established by the authority as trust
18 funds with a bank with trust powers or a trust company with a
19 place of business in this Commonwealth selected by the
20 authority. Any payments of authority operating expenses in
21 amounts permitted pursuant to section 206 shall be paid to or on
22 the order of the authority after required payments to the bond
23 payment account and any debt service reserve fund and before any
24 payments to the school district account. Such payments of
25 authority operating expenses shall be no more frequent than
26 monthly and shall be subject to any further limitation set forth
27 in any agreement of the authority with the obligees of the
28 authority.

29 (b) Bond payment account as trust fund.--The bond payment
30 account shall be a trust fund held for the exclusive and equal

1 and ratable benefit of the holders of the bonds of the authority
2 secured by and payable from the proceeds of any tax pledged by
3 the authority or secured by the payments due to the authority
4 from the school district as described in subsection (a). The
5 authority shall establish a payment schedule for the deposit of
6 amounts sufficient to accumulate the interest and principal
7 becoming due on such bonds in each fiscal year of the authority
8 and the first moneys received from such tax or other pledged
9 revenues shall be deposited in the bond payment account until
10 the payment requirement established for the bonds has been met.
11 Any proceeds of such tax or other pledged revenues in excess of
12 the scheduled deposit shall be transferred first to the debt
13 service reserve fund or funds of the authority established under
14 section 353 to cure any deficiency in such fund. Any remaining
15 proceeds shall be paid to the authority in the amount permitted
16 for authority operating expenses pursuant to section 206 and
17 subsection (a) and the excess shall be transferred to the school
18 district account. If at any time, proceeds of the tax are
19 insufficient to meet the scheduled deposit requirement, all
20 proceeds of the tax shall be paid into the bond payment account
21 until all deficiencies have been restored. Income on investments
22 of moneys on deposit in the bond payment account shall be
23 retained in such account and applied when earned to reduce
24 future deposit requirements.

25 (c) Status of school district account.--A school district
26 account shall be a trust fund held for the exclusive benefit of
27 an assisted school district. Any proceeds of the taxes or other
28 revenues pledged to secure the bonds or to secure payments due
29 from the school district to the authority in excess of the
30 payment requirements for the bond payment account and in excess

of any amount required to cure a deficiency in the debt service reserve fund or funds established pursuant to section 353 and in excess of any amount permitted to be paid to the authority for authority operating expenses pursuant to section 206 and subsection (a) shall be deposited in the school district account. Amounts in the school district account shall be invested at the direction of an assisted school district in investments permitted by this act. Subject to any suspension of disbursements pursuant to section 210(e), amounts in the school district account shall be disbursed to an assisted school district not less often than monthly for credit to the school district's general fund for application to the general expenses of government or for deposit in an operating reserve of the school district if such operating reserve is created pursuant to an intergovernmental cooperation agreement.

Section 355. Other funds and accounts.

(a) Authorization.--The authority shall create such other funds and accounts as may be necessary or desirable for its corporate purposes and shall pay into each such fund or account any moneys of the authority available for such purposes or any moneys made available by any other person for the purposes of such fund or account. No other provision of this act shall be construed to prohibit the authority from creating within any fund one or more accounts which may be used or pledged by the authority for a special purpose.

(b) Use of fund money.--Any moneys deposited in any fund created by the authority to be used to pay debt service, including, without limitation, the bond payment account, any sinking fund or debt service reserve fund and all investments and proceeds of investments thereof shall, without further

action or filing, be subjected to a perfected security interest for the obligees of the authority for whom such fund is held until such moneys or investments shall be properly disbursed in accordance with this act and with the terms of the contract of the authority with its obligees.

Section 356. Exchange of bonds for obligations of school district.

(a) Debt exchange.--The bonds of the authority may be issued in exchange for obligations issued by an assisted school district in such manner and from time to time as may be determined by a qualified majority of the board and the authority may pay all expenses, premiums and commissions incident to such exchange which the authority deems necessary or appropriate.

(b) Limitation.--The authority shall not exchange any of its bonds for obligations of a school district unless:

(1) such school district shall have entered into an intergovernmental cooperation agreement with the authority; and

(2) the authority shall have determined that the terms of such exchange will not prejudice the rights of holders of other bonds and notes of such school district.

(c) Authority action.--Upon receipt of the obligations of the school district so exchanged, the authority may hold such obligations and receive all payments of principal and interest thereon, or may deliver all or a portion of such obligations to the school district or its fiscal agent for cancellation without receiving payment of principal or interest on such obligations, in which event the school district or its fiscal agent shall cancel such obligations and the school district shall have no

1 further liability with respect thereto.

2 Section 357. Payment of taxes with authority bonds.

3 If the resolution of the authority authorizing or awarding
4 bonds shall so provide, with the approval of the superintendent
5 of the assisted school district, the authority may issue bonds
6 which shall, upon maturity, at the election of the holder
7 thereof if so provided in such bonds, be receivable at full face
8 value and in lieu of cash in payment of any tax which is pledged
9 as security for such bonds or as security for any agreement
10 between the authority and such school district securing the
11 bonds, any installment of estimated tax so pledged to secure
12 such bonds or payment, or any interest or penalties thereon. Any
13 bonds of the authority so received in payment of any such tax or
14 installment of estimated tax or interest or penalties shall be
15 presented to the authority for tender to the appropriate
16 collector of such taxes.

17 Section 358. School district payment of authority bonds.

18 An assisted school district shall have the right at any time
19 to deposit funds with the authority in an amount sufficient to
20 pay for the defeasance of all or part of the authority's bonds.
21 The assisted school district depositing funds with the authority
22 pursuant to this section shall have the right to designate to
23 the authority the maturities of bonds or portions thereof
24 subject to defeasance by such deposit. If an assisted school
25 district pays to the authority an amount sufficient to pay for
26 the defeasance of all of the authority's bonds, the assisted
27 school district shall be deemed to have no further obligations
28 under this act.

29 Section 5. Chapter 4 of the act is amended by adding a
30 subchapter heading and a subchapter to read:

1 CHAPTER 4

2 TAX ANTICIPATION NOTES

3 SUBCHAPTER A

4 NOTES OF CITY

5 * * *

6 SUBCHAPTER B

7 NOTES OF SCHOOL DISTRICT

8 Section 441. Tax anticipation notes of school districts of
9 first class.

10 Notwithstanding any other provision of law, each school
11 district shall have the power and authority by determination
12 adopted by a majority of the loan committee, to borrow money
13 from time to time in any fiscal year in anticipation of the
14 receipt of current taxes or current revenues, or both, to
15 evidence the obligation by tax anticipation notes, appropriately
16 designated, and to authorize, issue and sell such notes in the
17 manner, and subject to the limitations provided in this
18 subchapter. Notes issued in anticipation of taxes shall be
19 designated "tax anticipation notes," notes issued in
20 anticipation of other revenues shall be designated "revenue
21 anticipation notes" and notes issued in anticipation of taxes
22 and revenues shall be designated "tax and revenue anticipation
23 notes." Obligations evidenced by tax anticipation notes shall
24 not be deemed to be debt of a school district subject to the
25 limitations of Article 9 of the Constitution of Pennsylvania.
26 The power set forth in this article to borrow from time to time
27 shall include, but not be limited to, the power to make a single
28 authorization and then issue and sell portions of such amount of
29 authorized tax anticipation notes whenever desired during the
30 fiscal year. Negotiations for tax anticipation notes may be

1 commenced not more than 30 days prior to the beginning of a
2 fiscal year, but all tax anticipation notes shall be issued and
3 mature within the same fiscal year.

4 Section 442. Limitation on amount of tax and revenue
5 anticipation notes.

6 No school district shall authorize or issue tax anticipation
7 notes in any one fiscal year which in the aggregate shall exceed
8 85% of:

9 (1) in the case of notes solely payable from and secured
10 by a pledge of taxes, the amount of such taxes levied for the
11 current fiscal year;

12 (2) in the case of notes solely payable from and secured
13 by a pledge of revenues other than tax revenues, the amount
14 of such revenues pledged; or

15 (3) in the case of notes payable from and secured by a
16 pledge of taxes and other revenues, the sum of such taxes
17 levied and such revenues pledged;

18 which, in all cases, are certified, pursuant to section 446 as
19 remaining to be collected or received in such fiscal year during
20 the period when the notes will be outstanding. The certificate
21 shall be as of a date not more than 30 days prior to, and no
22 later than, the date of the adoption of the determination of the
23 loan committee authorizing the issue and sale of the tax
24 anticipation notes. In computing the aggregate amount of tax
25 anticipation notes outstanding at any given time during the
26 fiscal year for the purpose of the limitation imposed by this
27 section, allowance shall be made for such notes as have already
28 been fully paid and for amounts already paid into a sinking fund
29 or trust fund established for payment of such notes, if any.

30 Section 443. Limitation on stated maturity date of tax and

1 revenue anticipation notes; time of payment of
2 interest.

3 No tax anticipation notes shall be stated to mature beyond
4 the last day of the fiscal year in which such tax anticipation
5 notes are issued. Interest on tax anticipation notes from the
6 date thereof shall be payable at the maturity of such notes or
7 payable in installments at such earlier dates and at such annual
8 rate or rates, fixed or variable, as the loan committee by a
9 majority of its members, may determine.

10 Section 444. Other terms of tax and revenue anticipation notes.

11 Tax anticipation notes shall be issued in such denomination,
12 shall be subject to such rights of prior redemption, shall have
13 such privileges of interchange and registration, shall be dated,
14 shall be stated to mature on such dates and in such amounts,
15 shall be in registered or bearer form with or without coupons,
16 in certificated or book-entry only form, shall be payable in
17 such medium of payment and shall be payable at such place or
18 places, all as the loan committee, by a majority of its members,
19 may determine.

20 Section 445. Security for tax and revenue anticipation notes;
21 sinking fund or trust fund.

22 (a) Security.--All tax anticipation notes issued in a single
23 fiscal year shall be equally and ratably secured by the pledge
24 of, security interest in, and a lien and charge on, the taxes or
25 revenues or both of the school district specified in the
26 authorizing determination to be collected or received during the
27 period when the notes will be outstanding. Such pledge, lien and
28 charge shall be fully perfected as against the school district,
29 all creditors thereof, and all third parties in accordance with
30 the terms of such authorizing determination from and after the

1 filing of a financing statement or statements in accordance with
2 13 Pa.C.S. (relating to commercial code). For the purpose of
3 such filing the sinking fund depositary or trustee of a trust
4 fund for note payments, if any, otherwise the fiscal agent or
5 paying agent designated in the notes, may act as the
6 representative of noteholders and in such capacity, execute and
7 file the financing statement and any continuation or termination
8 statements as secured party. The authorizing determination may
9 establish one or more sinking funds or trust funds for payment
10 of notes and provide for periodic or other deposits therein, and
11 may contain such covenants or other provisions as the loan
12 committee, by a majority of its members, shall determine. The
13 amount of any tax anticipation notes issued in compliance with
14 this subchapter shall be general obligations of the school
15 district and, if the same shall not be paid within the fiscal
16 year in which such notes were issued as required by section 443,
17 shall be included in the budget of the school district for the
18 ensuing fiscal year and shall be payable from the taxes and
19 revenues of such ensuing year.

20 (b) Enforcement of notes.--The holder of such tax
21 anticipation notes issued by a school district, or the sinking
22 fund depositary of the applicable sinking fund, or trustee of
23 any trust fund for note payment, if any, shall have the right to
24 enforce such pledge of, security interest in and lien and charge
25 on, the pledged taxes and revenues of the school district
26 against all governmental agencies in possession of any of such
27 taxes and revenues at any time which taxes and revenues may be
28 collected directly from such officials upon notice by such
29 holder or depositary or trustee for application to the payment
30 thereof as and when due or for deposit in the applicable sinking

1 fund or trust fund at the times and in the amounts specified in
2 such tax anticipation notes. Any government agencies in
3 possession of any of such taxes and revenues shall make payment,
4 against receipt therefor, directly to the holder of such tax
5 anticipation notes or to such depositary or trustee upon such
6 notice and shall thereby be discharged from any further
7 liability or responsibility for such taxes and revenues. If such
8 payment shall be to a holder of tax anticipation notes, it shall
9 be made against surrender of the notes to the payor for delivery
10 to the school district in the case of payment in full, otherwise
11 it shall be made against production of the notes for notation
12 thereon of the amount of the payment. The provisions of this
13 paragraph with respect to the enforceability and collection of
14 taxes and revenues which secure tax anticipation notes of a
15 school district shall supersede any contrary or inconsistent
16 statutory provision or rule of law. This chapter shall be
17 construed and applied to fulfill the legislative purpose of
18 clarifying and facilitating temporary borrowings by a school
19 district by assuring to holders of tax anticipation notes the
20 full and immediate benefit of the security therefor without
21 delay, diminishment or interference based on any statute,
22 decision, ordinance or administrative rule or practice.

23 (c) Limitation on previously pledged security.--
24 Notwithstanding the foregoing, no taxes or revenues pledged to
25 secure bonds of the authority or to secure payments due to the
26 authority from a school district pursuant to an agreement with
27 the authority shall be pledged to secure payment of tax
28 anticipation notes unless such pledge is, by its express terms,
29 subordinate in all respects to the pledge of such taxes and
30 revenues to secure the bonds of the authority or payments due to

1 the authority and the written consent of the authority to such
2 subordinated pledge is obtained prior to the issuance of the tax
3 anticipation notes so secured. The holder of such tax
4 anticipation notes so secured by a subordinated pledge described
5 in this subsection shall have no right to enforce such pledge in
6 the manner described in subsection (b) unless all payments due
7 to the authority or due on the bonds of an authority secured by
8 the senior pledge of such taxes and revenues shall have been
9 made or provided for.

10 Section 446. Certification as to taxes and revenues to be
11 collected.

12 Prior to each authorization of tax anticipation notes, the
13 superintendent of the school district shall make an estimate of
14 the moneys to be received during the period when such notes will
15 be outstanding from taxes then levied and assessed, and
16 revenues, including, without limitation, subsidies or
17 reimbursements to be received. Such estimate shall take due
18 account of the past and anticipated collection experience of the
19 school district and of current economic conditions. The estimate
20 shall be certified by the superintendent and the written
21 certificate of the superintendent, dated as of a date not more
22 than 30 days prior to the date of the authorization of the
23 notes, shall be filed with the proceedings authorizing the tax
24 anticipation notes with the fiscal agent, sinking fund
25 depository, trustee or paying agent for the notes or the
26 authority, as provided in section 448.

27 Section 447. Sale of tax anticipation notes.

28 Tax anticipation notes may be sold at public, private, or
29 invited sale and at such price or prices as the loan committee,
30 by a majority of its members, shall determine. At the time of

delivery of each issue, series or subseries of tax anticipation notes, the superintendent of the school district shall certify to the original purchasers thereof that the amount of all such notes to remain outstanding will not exceed the limitations of section 442 calculated, however, from the date of such certificate to the respective maturity dates of all such notes to remain outstanding. Such certificate shall be retained by the school district until all tax anticipation notes issued during the fiscal year shall have been paid in full.

Section 448. Filing of proceedings with authority.

While any bonds of the authority are outstanding, prior to the delivery of tax anticipation notes to the original purchasers thereof, the school district shall file with the authority:

(1) the transcript of proceedings authorizing the issuance of the tax anticipation notes, consisting of the determination authorizing the notes;

(2) the certificate required by section 446 as to the amount of taxes and revenues to be collected during the term of the tax anticipation notes;

(3) the certificate required by section 447; and

(4) a true copy of the accepted proposal for the anticipation notes.

Section 449. Purchase of tax anticipation notes by authority.

Subject to the limitations of this act, the authority is authorized with the approval of a qualified majority of the board to purchase tax anticipation notes of a school district and to assign its rights to receive payment on such notes and the pledge of and security interest in the taxes and revenues of the school district securing such tax anticipation notes.

1 Section 450. Failure to pay principal or interest.

2 If a school district fails to pay principal or interest on
3 any of its tax anticipation notes as the same becomes due and
4 payable whether at the stated maturity date or upon a mandatory
5 or unrevoked call for prior redemption and such failure shall
6 continue for 30 days, the holder thereof shall, subject to the
7 priorities created under this act and the provisions of any
8 outstanding obligations of the school district and to any
9 limitation upon individual rights of action in the determination
10 authorizing the tax anticipation notes, have the right to
11 recover the amount due by action in the court of common pleas.
12 The judgment recovered shall have an appropriate priority upon
13 the moneys next coming into the treasury of the school district.

14 Section 451. Remedies of holders of tax and revenue

15 anticipation notes.

16 A holder of tax and revenue anticipation notes shall have the
17 right, in addition to all other rights which may be conferred on
18 such holder, subject only to any contractual restrictions
19 binding upon such holder:

20 (1) By mandamus, suit, action or proceeding at law or in
21 equity, to compel the school district, the loan committee and
22 the members thereof and the officers, agents or employees
23 thereof to perform each and every term, provision and
24 covenant contained in any note or contract of the school
25 district with or for the benefit of such holder, and to
26 require the carrying out of any or all such covenants and
27 agreements of the school district and the fulfillment of all
28 duties imposed upon the school district by this act.

29 (2) By proceeding in equity, to obtain an injunction
30 against any acts or things which may be unlawful or the

1 violation of any of the rights of such holder of tax and
2 revenue anticipation notes.

3 (3) To require the school district to account as if it
4 were the trustee of an express trust for the holders of tax
5 and revenue anticipation notes for any pledged taxes or
6 revenues received.

7 Section 6. Section 707 of the act is repealed.

8 Section 7. Sections 691, 692, 692.1, 692.2, 693, 694 and 695
9 of the act of March 10, 1949 (P.L.30, No.14), known as the
10 Public School Code of 1949, are repealed insofar as they apply
11 to school districts of the first class.

12 Section 8. This act shall take effect immediately.