

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1170 Session of
2004

INTRODUCED BY MOWERY, BOSCOLA, EARLL, ERICKSON, FERLO, GORDNER,
KITCHEN, LEMMOND, MADIGAN, MUSTO, O'PAKE, ORIE, PILEGGI,
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M. WHITE, WONDERLING AND WOZNIAK, JUNE 22, 2004

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, JUNE 22, 2004

AN ACT

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

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

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

19 CHAPTER 1

20 PRELIMINARY PROVISIONS

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

22 Section [1] 101. Short title.

1 * * *

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

4 Section [2] 102. Legislative intent.

5 * * *

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

8 Section [3] 103. 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 "Authority." The Pennsylvania Infrastructure Investment
13 Authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

wastewater, including industrial waste;

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

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

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

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

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

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

"Storm water." Drainage runoff from the surface of the land

1 resulting from precipitation or snow or ice melt.

2 "Water Facilities Loan Board." The board established under
3 32 Pa.C.S. § 7504 (relating to Water Facilities Loan Board).

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

6 CHAPTER 3

7 PENNSYLVANIA INFRASTRUCTURE INVESTMENT

8 AUTHORITY

9 Section 6. Section 4 heading of the act is amended to read:

10 Section [4] 301. Pennsylvania Infrastructure Investment

11 Authority; board of directors.

12 * * *

13 Section 7. Section 5 heading and (a), amended December 16,
14 1992 (P.L.1137, No.149), are amended to read:

15 Section [5] 302. Revenues of authority.

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

19 (1) State funds appropriated to the authority.

20 (2) Federal funds appropriated to or granted to the
21 authority.

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

24 (4) Proceeds from the sale of bonds issued on or after
25 the effective date of this act from the remaining unused
26 authorization in addition to any other funds that remain
27 unencumbered on the effective date of this act from the act
28 of July 12, 1981 (P.L.263, No.88), entitled "An act
29 authorizing the incurring of indebtedness, with approval of
30 the electors, of \$300,000,000 for the repair, construction,

1 reconstruction, rehabilitation, extension and improvement of
2 community water supply systems, and for the repair,
3 reconstruction or rehabilitation of flood control facilities,
4 dams and port facilities and providing the allotment of
5 proceeds from borrowing hereunder," approved by the
6 electorate on November 3, 1981.

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

13 (6) Proceeds from the sale of any Commonwealth general
14 obligation bonds issued under sections [16 and 17] 313 and
15 314.

16 (7) Proceeds from the sale of any Commonwealth general
17 obligation bonds issued under section 12 of the act of March
18 16, 1992 (P.L.10, No.5), known as the Small Water Systems
19 Assistance Act.

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

21 (9) Repayment of loan principal.

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

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

25 * * *

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

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

29 * * *

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

1 * * *

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

4 * * *

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

6 * * *

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

9 Section [10] 307. Financial assistance.

10 * * *

11 (f) Loans.--Subject to any agreements with the holders of
12 bonds, the board shall have the power to set terms applicable to
13 loans in any manner it deems appropriate, subject to the
14 provisions of this subsection. The board may consider such
15 factors as it deems relevant, including current market interest
16 rates, the financial and economic distress of the area which the
17 project serves, and the necessity to maintain the authority
18 funds in a financially sound manner. Loans may be made based on
19 the ability to repay the loan from future revenue to be derived
20 from the project, by a mortgage or other property lien, or on
21 any other fiscal matters which the authority deems appropriate.
22 The board shall have the power to defer principal on loans for
23 up to five years. In the event of a default on the repayment of
24 a loan, the board may apply to the court of common pleas of the
25 county where the project is located for the appointment of a
26 receiver to assume operation and supervision of the facility
27 under the supervision of the court. The minimum rate of interest
28 to be paid on any loan made pursuant to this act shall be 1%.
29 The maximum rate of interest shall not exceed the following:

30 (1) For projects in counties whose unemployment rate

exceeds the Statewide unemployment rate by 40% or more, 1% for the first five years and 25% of the bond issue rate for the remainder of the loan.

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

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

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

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

* * *

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

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

2 * * *

3 Section [12] 309. Audits.

4 * * *

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

6 Section [13] 310. Annual report.

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

9 Section 12. Section 14 heading of the act is amended to
10 read:

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

12 * * *

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

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

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

21 (b) Board of directors to serve as Water Facilities Loan
22 Board.--For purposes of satisfying all outstanding obligations
23 of the Water Facilities Loan Board and for purposes of
24 collecting loan and interest repayments, the board established
25 in section [4] 301 shall constitute the membership of the Water
26 Facilities Loan Board.

27 (c) Transfer of function.--All remaining unencumbered funds,
28 rights, powers, duties, obligations, liabilities, records and
29 equipment of the Water Facilities Loan Board are transferred to
30 the authority.

1 Section [16] 313. Referendum.

2 (a) General rule.--Pursuant to the provisions of section
3 7(a)(3) of Article VIII of the Constitution of Pennsylvania, the
4 question of incurring indebtedness of \$300,000,000 for loans for
5 the acquisition, repair, construction, reconstruction,
6 rehabilitation, extension, expansion and improvement of water
7 supply and sewage treatment systems, subject to implementation
8 through this act, shall be submitted to the electors at the next
9 primary, municipal or general election following the effective
10 date of this act.

11 (b) Certification.--The Secretary of the Commonwealth shall
12 forthwith certify the question to the county boards of
13 elections.

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

16 Do you favor the incurring of indebtedness by the
17 Commonwealth of \$300,000,000 for use as loans to acquire,
18 repair, construct, reconstruct, rehabilitate, extend,
19 expand and improve water supply and sewage treatment
20 systems?

21 Section [17] 314. Bonds.

22 (a) Issuance of general obligation bonds.--As evidence of
23 the indebtedness if authorized under section [16] 313, general
24 obligation bonds of the Commonwealth shall be issued from time
25 to time to fund and retire notes issued pursuant to section [16]
26 313 to carry out the purposes of this act, or both, for such
27 total amounts, in such form, in such denominations and subject
28 to such terms and conditions of issue, redemption and maturity,
29 rate of interest and time of payment of interest as the issuing
30 officials direct except that the latest stated maturity date

1 shall not exceed 30 years from the date of the debt first issued
2 for each series.

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

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

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

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

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

1 amounts, whether by stated serial maturities or by mandatory
2 sinking fund retirements.

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

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

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

1 advertising shall be prescribed by the issuing officials.

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

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

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

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

1 applied to the payment of principal, the accrued interest and
2 premium, if any, and costs of redemption of the bonds and notes
3 for which such obligations shall have been issued.

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

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

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

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

26 CHAPTER 5

27 MUNICIPAL CONNECTION FUNDING PROGRAMS

28 Section 501. Establishment of programs.

29 (a) Municipal Connection Funding Program.--There is hereby
30 established the Municipal Connection Funding Program for the

purpose of authorizing financial assistance in the form of grants and guaranteed low-interest loans to homeowners for tapping fees and eligible costs relating to the installation of a water or sewage lateral for homes constructed prior to the installation of a public water distribution system or a public sewage collection system servicing the property or relating to the replacement of water or sewage laterals to housing units as part of an upgrading or reconstruction of a public water distribution system or public sewage collection system.

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

(c) Regulations.--

(1) The authority shall develop regulations as may be necessary for the application for and approval of program funds for loan recipients which at a minimum shall be required to repay program loans to the local lending institution within 15 years from the date of the loan at an annual interest rate not to exceed the maximum rate established for the county in which the residence is located.

This maximum rate shall be determined in accordance with section 307(f). The authority shall develop regulations for the implementation of the guaranteed loan program, which shall include, but not be limited to, procedures for local lending institutions participating in the program under section 507(m) to qualify for reimbursement from the Municipal Connection Funding Guarantee Program when the residential borrower defaults on the loan. The authority shall further develop regulations for the implementation of the grant program.

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

Section 502. Scope.

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

Section 503. Applicant eligibility.

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

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

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

(b) Maximum income allowable.--

(1) Loans may be provided under this program if the applicant's household income does not exceed 200% of the

1 Statewide median household income. Local lending institutions
2 shall comply with regulations of the authority if they seek
3 to participate in the Municipal Connection Funding Loan
4 Guarantee Program pursuant to section 507(m).

5 (2) Grants may be provided under this program to
6 applicants whose household income does not exceed the most
7 recent Federal poverty guidelines for the year in which an
8 application is made. Local lending institutions which receive
9 applications from owner-occupiers who meet the income
10 qualifications for a grant shall refer completed applications
11 for further consideration by the authority, pursuant to
12 regulations adopted under section 501(b).

13 Section 504. Project eligibility.

14 The following conditions shall be satisfied for an eligible
15 project:

16 (1) The owner of the real property into which the
17 lateral is to be installed or replaced must also be the owner
18 and occupant of the housing unit located thereon.

19 (2) The property lateral is located in an area that is
20 served by a public water distribution system or public sewage
21 collection system and the property lateral is required by the
22 municipality or municipal authority to connect to the system.

23 (3) The municipality or municipal authority has
24 established a tapping fee in accordance with 53 Pa.C.S. Ch.
25 56 (relating to municipal authorities).

26 (4) The inspector employed by the municipality or
27 municipal authority which will operate the water distribution
28 or sewage collection system to which the lateral is connected
29 has certified that the property lateral meets all permit
30 requirements under applicable State and municipal laws and

1 regulations.

2 (5) The construction activity to be financed by a loan
3 or grant under the program has not commenced and the tapping
4 fee has not been paid prior to the time of application
5 approval by the local lending institution.

6 Section 505. Eligible costs.

7 Eligible costs shall include:

8 (1) All testing, design, materials and construction
9 costs associated with the property lateral, including a
10 grinder pump, if required.

11 (2) Permit and inspection fees.

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

14 (4) Costs relating to the closing of an applicant's
15 loan, such as legal fees, credit reports, title reports,
16 insurance, judgment reports, lien certificates, appraisal
17 fees and loan origination fees.

18 (5) Tapping fees.

19 Section 506. Ineligible costs.

20 Grants and loans awarded under the program may not be used
21 for the costs of acquisition of land or right-of-way for a
22 project.

23 Section 507. Financial assistance terms and conditions.

24 (a) Financial assistance.--Financial assistance under the
25 program shall be in the form of guaranteed loans or grants as
26 further specified in this chapter. The Municipal Connection
27 Funding Loan Guarantee Program shall provide loan guarantees to
28 local lending institutions that make loans for projects
29 consistent with the requirements of this chapter.

30 (1) The interest rate offered on loans shall not be less

1 than 1% per annum or more than the maximum rate established
2 for the county in which the residence is located. This
3 maximum rate shall be determined in accordance with section
4 307(f).

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

8 (3) The minimum amount of a loan shall be \$1,500. The
9 minimum amount of a grant shall be \$500.

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

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

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

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

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

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

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

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

3 (1) Verify that the applicant meets the eligibility
4 criteria of section 503.

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

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

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

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

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

18 (1) The outcome of its review.

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

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

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

22 (i) Funds.--Funds shall be disbursed to the contractor on
23 behalf of the borrower or to the borrower upon completion of
24 construction and final inspection and certification from the
25 municipality or municipal authority that the project has been
26 completed in accordance with all permit requirements and is
27 operable as designed and intended.

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

1 authority gives prior approval to the change.

2 (k) Recordkeeping.--

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

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

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

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

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

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

24 (ii) Certification that the borrower is the owner-
25 occupier of a housing unit, and that either: the housing
26 unit is served or is to be served by a public water
27 distribution system or public sewage collection system
28 owned by a municipality or a municipal authority; or, the
29 owner-occupier is required to replace private water or
30 sewage laterals as part of the upgrading or

1 reconstruction of a public water distribution system or
2 public sewage collection system.

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

5 (iv) A statement describing the amount of the loan,
6 a copy of the local lending institution's commitment
7 letter and applicable credit underwriting that supports
8 the repayment of the loan, and the collateral and
9 guarantees offered to support the loan.

10 (v) Any other information required by regulations
11 adopted by the authority.

12 (2) The authority shall review the application to
13 determine that:

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

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

19 (iii) The project site is located within the local
20 lending institution's service area and within this
21 Commonwealth.

22 (iv) The local lending institution will register the
23 loan with the authority and will comply with the terms
24 and conditions of the regulations adopted by the
25 authority.

26 (v) The borrower and the local lending institution
27 have met all other program requirements established by
28 the authority.

29 (3) Upon being satisfied that all requirements have been
30 met, the authority will notify the local lending institution

1 of its action.

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

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

18 (6) (i) The master guarantee agreement executed by the
19 local lending institution and the authority shall
20 establish a procedure for making a claim against the
21 guarantee.

22 (ii) Prior to making a request for payment of funds
23 from its subaccount on account of a claim against the
24 guarantee, the local lending institution shall first
25 exhaust all of its remedies against the borrower of the
26 loan.

27 (iii) If a claim is made during the first two years
28 of the term of a loan covered by the guarantee, the local
29 lending institution shall be entitled to a payment from
30 its subaccount in an amount not to exceed 50% of the

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

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

23 (v) Within 30 days following the second anniversary
24 of the issuance of a guarantee certificate for a loan
25 covered by a master guarantee agreement, the local
26 lending institution shall provide the authority with a
27 written status report of the loan, including the then-
28 current principal balance of the loan, and an assessment
29 of the continued economic viability of the borrower.

30 Section 508. Funds and accounts.

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

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

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

10 Section 509. Loan servicing.

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

13 (b) Loan servicing fee.--The local lending institution may
14 charge a loan servicing fee to defray the costs that it incurs
15 to service loans under the program. These loan servicing fees
16 shall be charged to and shall be the sole responsibility of
17 program borrowers.

18 Section 510. Program monitoring.

19 The borrower shall submit to the local lending institution
20 receipts for the project in accordance with the schedule and
21 requirements contained in the loan agreement. Failure to provide
22 the receipts in accordance with the schedule shall constitute a
23 violation of the loan agreement.

24 Section 511. Transfer of moneys.

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

29 Section 15. Sections 18, 19, 20 and 21 of the act are
30 repealed.

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

2 CHAPTER 9

3 MISCELLANEOUS PROVISIONS

4 Section 901. Appropriation.

5 The sum of \$5,000,000, or as much as may be necessary, is
6 hereby appropriated to the Pennsylvania Infrastructure Authority
7 for the fiscal year July 1, 2004, to June 30, 2005, to carry out
8 the provisions of Chapter 5.

9 Section 902. Repeal.

10 All acts and parts of acts are repealed insofar as they are
11 inconsistent with this act.

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