



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1246

PRINTERS NO. 1450

PRIME SPONSOR: Freeman

### COST / (SAVINGS)

FUND	FY 2019/20	FY 2020/21
General Fund	\$0	\$0
Municipalities Financial Recovery Revolving Aid Fund	\$0	\$0
Municipal Funds	\$0	\$0

**SUMMARY:** Provides for the responsibilities of coordinators and receivers appointed to assist financially distressed municipalities by requiring compliance with ethics statutes. This legislation would take effect in 60 days.

**ANALYSIS:** This legislation amends the Municipalities Financial Recovery Act, or "Act 47," by specifying additional ethical compliance requirements for the appointees, recovery coordinators and receivers who work directly with financially distressed municipalities on behalf of the Department of Community and Economic Development (DCED).

A recovery coordinator will be prohibited from engaging in conduct that is prohibited under the Ethics Act (65 Pa.C.S. Ch. 11) and the State Adverse Interests Act (Act 451 of 1957). These acts require covered persons to avoid conflicts of interest, nepotism and self-dealing in contracts. Both recovery coordinators and receivers will be prohibited from using their appointments to obtain any kind of financial compensation from a financially distressed municipality that is not explicitly authorized by the appointee's contract with DCED.

Additionally, recovery coordinators and receivers will be prohibited from receiving any form of compensation or profit from any sale, lease or other financial transaction that involves the distressed municipality, or a municipal authority that is under the direct or indirect control of the municipality. A violation of these prohibitions by a recovery coordinator will constitute grounds for the termination of the coordinator's contract with DCED.

Finally, this legislation clarifies that its ethics requirements do not bar an individual coordinator, receiver or other legal or financial consultant from qualifying for a contract to serve the same municipality under a separate program in Act 47. It is common, for example, for a financial consultant hired by a local government or DCED during the Early Intervention Program to ultimately serve as the recovery coordinator if the municipality later becomes a distressed municipality under the act.

**FISCAL IMPACT:** This legislation would have no adverse fiscal impact on Commonwealth or municipal funds.

**PREPARED BY:** Tim Rodrigo  
House Appropriations Committee (R)

**DATE:** September 20, 2019

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*