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HB 2548 (Printer's No. 4339) Analysis

Date: September 3, 2020

**Amending the Municipalities Financial Recovery Act (Act 47) to provide for an
18-month extension to recovery plans**

Prime Sponsor: Representative Freeman

A. Synopsis of Bill

This bill amends the Municipalities Financial Recovery Act, or Act 47, to clarify that all plans are covered by the plan extension provisions of the Fiscal Code.

B. Summary and Analysis of Bill

This legislation creates a new section in Subchapter C.1 Duration of Distressed Status, of Chapter 2 Municipal Fiscal Distress in Act 47 that provides that the recovery plan extension language that was enacted in Section 1604-D.1 of the Fiscal Code applies to any termination date of a recovery plan provided that the extension only applies to a municipality that is currently distressed, and that the clarification of the extension is retroactive to July 1, 2020.

C. Relevant Current Law

Act 23 of 2020 amending the Fiscal Code implemented an emergency plan extension that applied to Act 47 recovery plans. The extension specifically cites the deadlines imposed by section 254 of that Act.

D. Background of Bill

Following the March 2020 disaster declaration by Governor Wolf in response to the Covid-19 pandemic, rapidly shifting economic circumstances have posed an immediate challenge to municipal fiscal operations throughout the Commonwealth. For distressed municipalities, ongoing efforts to achieve recovery objectives are frustrated by these challenges, and current recovery plan deadlines would likely prove arbitrary if enforced against a distressed municipality during this ongoing crisis. The Local Government Commission has

determined that this proposal would grant DCED the necessary flexibility to adapt current recovery schedules in response to the current, and a conceivable future, emergency.

E. Effect of Bill

There are currently 16 distressed municipalities in the Act 47 program. The Fiscal Code provision would allow any distressed municipality to extend its recovery plan by 18 months. The clarification provided by this bill ensures that the extension authorization applies to plan deadlines for exit plans in addition to standard recovery plans. The retroactivity provision intends to clarify that a municipality that relied on the Fiscal Code provision to extend an exit plan prior to the enactment of this bill will be covered by the clarification.

F. Issues, Policy Questions and Stakeholder Feedback

The Local Government Commission received the following feedback on the prior printer's number of the bill:

- The Pennsylvania Municipal League would prefer a longer extension period of two years following the conclusion of the emergency.
- The Pennsylvania State Association of Boroughs and the Pennsylvania State Association of Township Supervisors have no objections to the bill.
- The County Commissioners Association of Pennsylvania does not have a position on the bill.

G. Bill History

This bill has no previous history.