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SB 1171 (Printer's No. 1734) Analysis

Date: June 4, 2020

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

Prime Sponsor: Senator Hutchinson

A. Synopsis of Bill

This bill amends the Municipalities Financial Recovery Act, or Act 47, to extend all current recovery and exit plans by 18 months.

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 all recovery plans and exit plans are extended by 18 months from the effective date of this proposal. However, the extension will not take effect unless the recovery coordinator amends the existing recovery plan or exit plan to memorialize the new date of exit and addresses any new recovery objectives related to the Covid-19 emergency.

C. Relevant Current Law

In 2014, the General Assembly adopted a series of revisions to Act 47 that were the result of a Task Force hosted by the Local Government Commission, which, among other things, imposed a new timeline for the Act 47 recovery process. By instituting standardized time limitations for Commonwealth assistance under the Act, the program intended to provide a tangible incentive for municipalities to execute recovery plan objectives and leave the program under a prudent timeline. Under ordinary circumstances, a municipality which has been declared distressed under the Act because of its then-present fiscal or managerial challenges, adopts a five-year recovery plan, which may be succeeded by an optional three-year exit plan focused on transitioning the municipality out of distressed assistance.

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. Most adopted plan deadlines are more than a year in the future, and may not be affected by the adoption of this bill depending upon the duration of the current emergency declaration. Scranton City, however, faces a deadline to terminate its distressed status and exit the program by June, 2020, and Franklin Borough (Cambria County), Chester City, and Johnstown City would become eligible for an extension if the emergency declaration extends into August, October and November of 2020, respectively.

F. Issues, Policy Questions and Stakeholder Feedback

- 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 do not have a position on the bill.

G. Bill History

This bill has no previous history.