



Senate Box 203078
Harrisburg, PA 17120-3078
(717) 787-7680
Fax (717) 772-4524
lgc@palegislature.us
www.lgc.state.pa.us

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SB 982 (Printer's No. 1235) Analysis Date: November 15, 2023

**Amending the Second Class Township Code to provide for irrevocable letters of credit
as an alternative to bonding.**

Prime Sponsor: Senator Dush

A. Synopsis of Bill

Authorizes second class townships to accept irrevocable letters of credit as a form of contract security.

B. Summary and Analysis of Bill

This bill amends Section 3102 (Letting Contracts) of the act of May 1, 1933 (P.L. 103, No. 69), otherwise known as the Second Class Township Code, by permitting a successful bidder to provide an irrevocable letter of credit to a township's board of supervisors to guarantee the performance of a contract. Such letters must meet "suitable reasonable requirements" determined by the board as an alternative to furnishing a bond.

C. Relevant Current Law

Section 3102 of the Second Class Township Code requires successful bidders to furnish a bond to guarantee the work of a contract, without any form of alternative. This contrasts with all the other municipal codes, which permit a governing body to accept irrevocable letters of credit. These letters of credit must meet certain standards as determined by the local government.

D. Background of Bill

Local Government Commission staff reviewed the Second Class Township Code and determined that it was the only municipal code that does not include provisions regarding irrevocable letters of credit. Staff suggested this change to representatives from the Pennsylvania State Association of Township Supervisors and proceeding with language to modernize the code.

E. Effect of Bill

This bill would provide second class townships with flexibility and give successful bidders an alternative to furnishing bonds.

F. Issues, Policy Questions and Stakeholder Feedback

This bill is supported by the Pennsylvania State Association of Township Supervisors.

G. Bill History

This bill was not introduced in any previous session.