Opening Remarks for Chairman W. Curtis Thomas

JOINT PUBLIC HEARINGS ON ACT 47
House Urban Affairs & Local Government Committees
Senate Urban Affairs and Housing & Local Government Committees
Thursday, October 20, 2011, 9:30 A.M., Majority Caucus Room

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Good morning. I am Rep. **W.** Curtis Thomas of the 181st Legislative District, Philadelphia County. I am the Democratic Chairman of the House Urban Affairs Committee.

First, I would like to take this opportunity to thank the four majority chairpersons, Rep. Ross, Rep. Creighton, Senator Earll and Sen. Eichelberger, for convening this series of joint hearings and for the bipartisan and collaborative manner in which you and your staffs have planned and organized them.

The subject of today's hearing is the Municipalities Financial Recovery Act (Act 47 of 1987), which empowers the Pennsylvania Department of Community and Economic Development (DCED) to declare certain municipalities as financially distressed.

Act 47 was enacted in an effort to address the short-term and long-term financial difficulties faced by Pennsylvania municipalities -- counties, cities, boroughs, incorporated towns and townships -- in the 1980's

This was particularly the case in Southwestern Pennsylvania with the decline of the American steel industry and the unemployment that resulted and the effect it had on the fiscal condition of local governments in terms of revenues and expenditures.

When a municipality goes under Act 47 designation, the Department of Community and Economic Development appoints an overseer whose job is to guide the municipality through changes designed to stabilize its financial outlook and thus exit distressed status.

Under the act, there are eleven criteria for determining if a municipality is in distressed status. The criteria range from a municipality maintaining a deficit over a three-year period to missing payroll for thirty days, to a decrease in quantified level of municipal service from the preceding year.

The statute provides ten groups or officials with the authority to seek distressed status. These include the municipality's chief executive, the DCED, a creditor to whom the municipality owes $10,000 or mare, and ten percent of the number of electors of the municipality that voted in the last municipal election.

Regardless of the conditions present or who filed the petition, one thing is clear – the Municipalities Financial Recovery Act is not meant to be a permanent situation. However, in far too many cases, it has been just that.

Across Pennsylvania, twenty-six municipalities have entered Act 47 status since the law's establishment in 1987, but to date only six have exited the program.

The list of municipalities that have filed under Act47 range from tiny Millbourne Borough, Delaware County, to the City of Pittsburgh, the Commonwealth's second largest city.

While Act 47 is designed to help municipalities improve their financial situation and get out from under their fiscal problems, it is possible that there are some aspects of the statute that result in communities staying under the act much longer than necessary.

Some have recommended that the length of time any municipality could remain under the act after a recovery plan has been implemented should be limited.

Others have recommended that the collective bargaining provisions of the act need to be altered, perhaps to resemble those of the Pennsylvania intergovernmental Cooperation Authority Act (PICA).

PICA was enacted for the City of Philadelphia in 1991, when it was experiencing great financial difficulties. By virtue of PICA, the provisions of Act 47 are suspended as they applied to Philadelphia.

Under the PICA law, a collective bargaining agreement could be reached that doesn't comply with a recovery plan, provided the municipality could revise the plan and demonstrate that sufficient revenue can be generated to pay for the agreement costs.

As more than twenty years have passed since its enactment, and as increasing numbers of Pennsylvania's 4,090 municipalities are facing financial difficulties and economic uncertainty, now is a most opportune time to re-examine the Municipalities Financial Recovery Act.

I look forward to hearing the expert testimony that will be afforded the committees during this series of public hearings.