

MUNICIPAL DEBTS, READJUSTMENT
Act of Jun. 11, 1935, P.L. 323, No. 146
AN ACT

CL. 53

Designating the Department of Internal Affairs as the agency of the Commonwealth to approve or disapprove petitions to courts, and plans for the readjustment of debts of political subdivisions, under the act of Congress relating to the bankruptcy of political subdivisions; and defining the powers and duties of said department in relation thereto.

Section 1. Be it enacted, &c., That no political subdivision of this Commonwealth shall file any petition in any district court of the United States under the Municipal Bankruptcy Act, adopted by the Congress of the United States, approved the twenty-fourth day of May, one thousand nine hundred and thirty-four, Public Act Number two hundred fifty-one, Seventy-third Congress, entitled "An act to amend an act, entitled 'An act to establish a uniform system of bankruptcy throughout the United States,' approved the first day of July, one thousand eight hundred and ninety-eight, and acts amendatory thereof, and supplementary thereto," alleging that it is insolvent or unable to meet its debts as they mature, and expressing its desire to effect a plan of readjustment of its debts, unless such petition has first been submitted to, and the filing thereof has been first approved, in writing, by the State Department of Internal Affairs. Said department is hereby designated, in accordance with said act of Congress, as the agency of the Commonwealth of Pennsylvania which shall have power to approve or disapprove the filing of any such petition of a political subdivision, and to approve or disapprove any plan of readjustment of the debts of any such political subdivision, prepared, filed, and submitted with the petition to the court, as provided in said act of the Congress.

Section 2. When any such petition shall be submitted to the Department of Internal Affairs for approval, accompanied with a proposed plan of readjustment of the debts of a political subdivision, the department shall make a careful and thorough investigation of the financial condition of such political subdivision, of its assets and liabilities, of its sinking fund, and whether the affairs thereof are managed in a careful, prudent, and economic manner in order to ascertain whether the presentation of such petition is justified, or represents an unjust attempt by such political subdivision to evade payment of some of its contractual obligations, and, if the department believes that such petition should be approved, whether the plan of readjustment submitted, will be helpful to the financial condition of the political subdivision, and is feasible, and at the same time fair and equitable to all creditors.

The Department of Internal Affairs shall also, prior to giving its approval, ascertain the amount, if any, of the obligations of any such petitioning political subdivision which is held by any agency or agencies of the State government as

trust funds, and shall, before approving any such petition and plan of readjustment, consult with and give every such agency an opportunity to be heard and the privilege to examine the findings of the department resulting from the investigation hereinbefore required to be made, and shall likewise hear any other creditor of such political subdivision, whether resident within or without this Commonwealth, who shall apply therefor.

The department, if it approves a petition, shall, before giving its approval, require such modification in the proposed plans for readjusting the debts as to it appears proper.

Section 3. This act shall become effective immediately upon its final enactment.