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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**HOUSE BILL**  
**No. 1678** Session of  
1983

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INTRODUCED BY TRELLO, WILSON, RAPPAPORT, FLICK, AFFLERBACH,  
POTT, MOEHLMANN AND VROON, NOVEMBER 15, 1983

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REFERRED TO COMMITTEE ON FINANCE, NOVEMBER 15, 1983

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AN ACT

1 Amending the act of April 9, 1929 (P.L.343, No.176), entitled  
2 "An act relating to the finances of the State government;  
3 providing for the settlement, assessment, collection, and  
4 lien of taxes, bonus, and all other accounts due the  
5 Commonwealth, the collection and recovery of fees and other  
6 money or property due or belonging to the Commonwealth, or  
7 any agency thereof, including escheated property and the  
8 proceeds of its sale, the custody and disbursement or other  
9 disposition of funds and securities belonging to or in the  
10 possession of the Commonwealth, and the settlement of claims  
11 against the Commonwealth, the resettlement of accounts and  
12 appeals to the courts, refunds of moneys erroneously paid to  
13 the Commonwealth, auditing the accounts of the Commonwealth  
14 and all agencies thereof, of all public officers collecting  
15 moneys payable to the Commonwealth, or any agency thereof,  
16 and all receipts of appropriations from the Commonwealth and  
17 imposing penalties; affecting every department, board,  
18 commission, and officer of the State government, every  
19 political subdivision of the State, and certain officers of  
20 such subdivisions, every person, association, and corporation  
21 required to pay, assess, or collect taxes, or to make returns  
22 or reports under the laws imposing taxes for State purposes,  
23 or to pay license fees or other moneys to the Commonwealth,  
24 or any agency thereof, every State depository and every  
25 debtor or creditor of the Commonwealth," providing additional  
26 powers for the investment of moneys; providing for the  
27 issuance and refinancing of tax anticipation notes; and  
28 further providing for the temporary financing and refinancing  
29 of capital projects prior to the sale of bonds.

30 The General Assembly of the Commonwealth of Pennsylvania  
31 hereby enacts as follows:

1 Section 1. The title of the act of April 9, 1929 (P.L.343,  
2 No.176), known as The Fiscal Code, is amended to read:

3 AN ACT

4 Relating to the finances of the State government; providing for  
5 the settlement, assessment, collection, and lien of taxes,  
6 bonus, and all other accounts due the Commonwealth, the  
7 collection and recovery of fees and other money or property  
8 due or belonging to the Commonwealth, or any agency thereof,  
9 including escheated property and the proceeds of its sale,  
10 the custody and disbursement or other disposition of funds  
11 and securities belonging to or in the possession of the  
12 Commonwealth, and the settlement of claims against the  
13 Commonwealth, the resettlement of accounts and appeals to the  
14 courts, refunds of moneys erroneously paid to the  
15 Commonwealth, auditing the accounts of the Commonwealth and  
16 all agencies thereof, of all public officers collecting  
17 moneys payable to the Commonwealth, or any agency thereof,  
18 and all receipts of appropriations from the Commonwealth,  
19 authorizing the Commonwealth to issue tax anticipation notes  
20 to defray current expenses, implementing the provisions of  
21 section 7(a) of Article VIII of the Constitution of  
22 Pennsylvania authorizing and restricting the incurring of  
23 certain debt and imposing penalties; affecting every  
24 department, board, commission, and officer of the State  
25 government, every political subdivision of the State, and  
26 certain officers of such subdivisions, every person,  
27 association, and corporation required to pay, assess, or  
28 collect taxes, or to make returns or reports under the laws  
29 imposing taxes for State purposes, or to pay license fees or  
30 other moneys to the Commonwealth, or any agency thereof,

every State depository and every debtor or creditor of the Commonwealth.

Section 2. The act is amended by adding articles to read:

ARTICLE XVI-A

TAX ANTICIPATION NOTES

Section 1601-A. Authorization to Borrow.--Whenever the General Assembly has provided revenues for the general purposes of any fiscal period and the Governor, the Auditor General and the State Treasurer determine such revenues will not be sufficient for the current and other expenses payable from the General Fund or such determination is made with regard to the revenues of the Motor License Fund, as a result of which the collectible revenues may not be sufficient to defray the current and other expenses payable from the General Fund or those of the Motor License Fund, the Governor, the Auditor General and the State Treasurer, on behalf of the Commonwealth of Pennsylvania, are hereby authorized and directed during any fiscal period to authorize and direct the borrowing, from time to time, on the credit of the current revenues levied, assessed, collectible and accruing during any current period or on the credit of such revenues of the Motor License Fund, or on the credit of the sum of such revenues of both funds, such sum or sums of money not exceeding in the aggregate one-fifth of the contemplated receipts from the revenues which have been provided for either of said funds, or from the sum of the revenues of both funds, depending upon the fund or funds for which the loans are being made, based upon estimates submitted to the Governor through the Budget Secretary by the Department of Revenue for any current period by the General Assembly, for the general purposes or the purposes of the General Fund or Motor License Fund of any fiscal

1 period: Provided, That the money borrowed at any one time when  
2 added to the outstanding amount of any other such loan made  
3 during such period, shall not exceed one-fifth of the  
4 contemplated revenues for such fund or the contemplated revenues  
5 of the sum of both funds for such fiscal period.

6 Section 1602-A. Notes to Evidence Borrowing.--(a) (1) Any  
7 borrowing authorized hereunder shall be evidenced by notes of  
8 the Commonwealth of Pennsylvania. All of said notes shall mature  
9 not later than the last day of the current fiscal period.

10 (2) The Governor, the Auditor General and the State  
11 Treasurer shall authorize and direct the issuance of notes  
12 authorized hereunder, which authorization and direction may  
13 provide for the subsequent issuance of such notes (hereinafter  
14 designated as "replacement notes") to refund such notes or  
15 replacement notes and may specify such other terms and  
16 conditions with respect to the notes and replacement notes  
17 thereby authorized for issuance as they may determine and  
18 direct.

19 (3) Such notes shall be offered for sale by the Governor,  
20 the Auditor General and the State Treasurer to the highest and  
21 best bidder, after due public advertisement and open competitive  
22 bidding, on such terms and conditions as the Governor, the  
23 Auditor General and the State Treasurer shall direct provided  
24 that:

25 (i) When the authorization and direction of the Governor,  
26 the Auditor General and the State Treasurer provide for the  
27 issuance of replacement notes, the Governor, the Auditor General  
28 and the State Treasurer are hereby authorized in the name and on  
29 behalf of the Commonwealth to issue, enter into, or authorize  
30 and direct the State Treasurer to enter into agreements with any

1 banks, trust companies, investment banking firms or other  
2 institutions or persons in the United States having the power to  
3 enter the same (A) to purchase or underwrite an issue or series  
4 of issues of notes, (B) to credit, to enter into any purchase,  
5 loan or credit agreements, draw moneys pursuant to any such  
6 agreements on the terms and conditions set forth therein, and to  
7 issue notes as evidence of borrowings made under any such  
8 agreements, (C) to appoint an issuing and paying agent or agents  
9 with respect to notes, and (D) to do such other acts as may be  
10 necessary or appropriate to provide for the payment when due of  
11 the interest on and principal of such notes; such agreements may  
12 provide for the compensation of any purchasers or underwriters  
13 of notes or replacement notes, by discount in the purchase price  
14 of the notes or by payment of a fixed fee or commission at the  
15 time of issuance thereof, and all other costs and expenses,  
16 including fees for agreements related to the notes, issuing and  
17 paying agent costs and costs and expenses of issuance may be  
18 paid from the proceeds of the notes; or

19 (ii) When in a determination by the Governor, the Auditor  
20 General and the State Treasurer a more favorable interest rate  
21 on the competitive sale of the notes may be obtained by  
22 providing a line or letter of credit or some other suitable  
23 liquidity support for the notes, the Governor, the Auditor  
24 General and the State Treasurer are hereby authorized to enter  
25 into agreements with any banks, trust companies or other  
26 institutions or persons in the United States having the power to  
27 enter the same to credit, to enter into any purchase, loan or  
28 credit agreement, draw moneys pursuant to such agreements and to  
29 issue notes as evidence of borrowings made from such agreements.

30 (4) When the authorization and direction of the Governor,

1 the Auditor General and the State Treasurer provide for the  
2 issuance of replacement notes, the State Treasurer shall, at or  
3 prior to the time of delivery of these notes or replacement  
4 notes, determine the principal amounts, dates of issue, interest  
5 rate or rates (or procedures for establishing such rates from  
6 time to time), rates of discount, denominations and all other  
7 terms and conditions relating to the issuance and shall perform  
8 all acts and things necessary to pay or cause to be paid when  
9 due, all principal of and interest on the notes being refunded  
10 by replacement notes, and to assure that the same may draw upon  
11 any moneys available for that purpose pursuant to any purchase,  
12 loan or credit agreements established with respect thereto, all  
13 subject to the authorization and direction of the Governor, the  
14 Auditor General and the State Treasurer.

15 (b) All notes issued under the authority of this article  
16 shall bear either the signatures of the Governor, the Auditor  
17 General and the State Treasurer, or the facsimile signatures of  
18 the Governor, the Auditor General and the State Treasurer, in  
19 which latter event such notes shall be countersigned by an  
20 officer of the duly designated Loan and Transfer Agent or the  
21 Issuing and Paying Agent of the Commonwealth. All such notes  
22 shall bear a facsimile of the great seal of the Commonwealth.

23 (c) All notes issued under the authority of this article  
24 shall have the qualities and incidents of negotiable instruments  
25 under the Uniform Commercial Code.

26 (d) The current revenues of the General Fund or the current  
27 revenues of the Motor License Fund, or the total current  
28 revenues of both funds respectively proportioned, shall be  
29 pledged for the payment of the principal and interest of such  
30 notes during such fiscal period and shall be payable in lawful

money of the United States. All notes issued under the provisions of this article shall be exempt from taxation for State and local purposes.

Section 1603-A. (a) Payment of Proceeds.--The proceeds derived from the issuance of notes issued for a purpose other than the repayment of a prior issue or issues of notes or negotiation of loans under the provisions of this article shall be paid respectively and proportionally into the General Fund of the State Treasury or into the Motor License Fund, or into both funds, and shall be used for the payment of appropriations made from such funds to defray the current and other expenses of the State government for the current fiscal period, and if the proceeds or part of the proceeds so derived are paid into the Motor License Fund, such fund shall pay its proportionate share of the cost and interest charges involved in said loans.

(b) The proceeds of replacement notes may, at the direction of the State Treasurer, be deposited in trust in a special fund held by a duly authorized Issuing and Paying Agent, and, in such case, shall be applied thereby to the repayment of principal and interest, if any, due on the issue or issues of notes being refunded, and thereafter to the payment of costs and expenses of issuance of said notes.

(c) Any issue of notes, or replacement notes may include as a part of the principal amount thereof an amount equal to the interest to become due thereon, and an amount necessary to pay the costs and expenses of issuance thereof (including the costs associated with any agreements related thereto). Any issue of replacement notes may be in a principal amount sufficient to repay the principal and interest, if any, due on the issue or issues of notes being refunded.

1     Section 1604-A. Security for Notes.--Any borrowing under the  
2 provisions of this article shall be secured by the current  
3 revenues levied and assessed for revenue purposes of every kind  
4 or character accruing to the General Fund or the current  
5 revenues of the Motor License Fund, or the sum of the moneys in  
6 the two funds, respectively proportioned, during the current  
7 fiscal period and except in the case of repayment of outstanding  
8 notes from the proceeds of replacement notes, shall be paid out  
9 of such revenues and so much of such revenues as shall be  
10 necessary for the payment of the principal and interest of such  
11 loans are hereby specifically and respectively appropriated. The  
12 Department of Revenue shall allocate such revenues to said  
13 payments.

14     Section 1605-A. Severability.--The provisions of this  
15 article are severable and if any of its provisions are held  
16 unconstitutional, the decision so holding shall not be construed  
17 to impair any other provision of this article. It is hereby  
18 declared that the legislative intent would have been to adopt  
19 this article had such unconstitutional provision not been  
20 included herein.

## 21                             ARTICLE XVI-B

### 22                     BORROWING FOR CAPITAL FACILITIES

23     Section 1601-B. Short Title.--This article shall be known  
24 and may be cited as the "Capital Facilities Debt Enabling Act."

25     Section 1602-B. Definitions.--As used in this article--  
26 "Acquisition cost" shall include the cost of acquiring any  
27 buildings, structures, facilities, property, real, personal or  
28 mixed, tangible or intangible, or any interest therein,  
29 necessary or desirable in connection with a capital project,  
30 whether the acquisition be by purchase or by condemnation,



1 including the amount of any award or final judgment in any  
2 proceeding to acquire by condemnation such lands, rights of way,  
3 rights of slope, property rights, franchises, easements and  
4 other interests as may be deemed necessary or convenient in  
5 connection with the acquisition or construction of any project,  
6 and costs of options and partial payments thereon and  
7 thereunder.

8 "Capital Project" shall mean and include (i) any building,  
9 structure, facility, or physical public betterment or  
10 improvement; (ii) any land or rights in land; (iii) any  
11 furnishings, machinery, apparatus, or equipment for any public  
12 betterment or improvement; or (iv) any undertaking to construct,  
13 repair, renovate, improve, equip, furnish or acquire any of the  
14 foregoing, provided that the project is designated in a capital  
15 budget as a capital project, has an estimated useful life in  
16 excess of five years and an estimated financial cost in excess  
17 of one hundred thousand dollars (\$100,000); Provided, That the  
18 one hundred thousand dollar (\$100,000) limitation shall not  
19 apply to original equipment and furnishings for previously  
20 authorized public improvement projects and shall include  
21 projects to be financed by the incurring of debt, such projects  
22 being separated into the following categories:

23 (a) "Community College Projects" shall mean and include  
24 projects for a community college of a type which the State  
25 Public School Building Authority is authorized to undertake  
26 under the provisions of the act of July 5, 1947 (P.L.1217,  
27 No.498), known as the "State Public School Building Authority  
28 Act" to the extent that obligations issued to finance these  
29 projects are debt within the meaning of this article.

30 (b) "Highway Projects" shall mean and include projects of a

type which the Department of Transportation is authorized to construct, improve, equip, maintain, acquire or operate.

(c) "Public Improvement Projects" shall mean and include projects of a type which the General State Authority is authorized to construct, improve, equip, furnish, maintain, acquire or operate under the provisions of the act of March 31, 1949 (P.L.372, No.34), known as "The General State Authority Act of one thousand nine hundred forty-nine."

(d) "Transportation Assistance Projects" shall mean and include projects of a type which the Department of Transportation is authorized to construct, improve, equip, furnish, maintain, acquire or operate under the provisions of the act of January 22, 1968 (P.L.42, No.8), known as the "Pennsylvania Urban Mass Transportation Law," and also capital projects which the Department of Transportation is authorized to construct, improve, equip or furnish, under the provisions of the act of February 11, 1976 (P.L.14, No.10), known as the "Pennsylvania Rural and Intercity Common Carrier Surface Transportation Assistance Act," including the acquisition of property therein authorized.

(e) "Other Capital Projects" shall mean and include only that undertaking to equip and furnish those public improvement projects which are specifically enumerated under the heading of "Other Capital Projects" in subsection (d) of section 3 of the act of July 20, 1968 (P.L.560, No.218), known as the "Capital Budget Act for the 1968-1969 Fiscal Year." Upon final completion of said undertaking as authorized by subsection (d) of section 3 of such act, no equipment or furnishing undertaking or any other undertaking or project shall be listed in any capital budget act for the fiscal year 1969-1970 or any fiscal year thereafter

under the heading of "Other Capital Projects" but the same shall be listed in future capital budget acts as a "Capital Project" as defined by this article and under one of the categories enumerated in such definition of this article, provided that the undertaking or project comes within the meaning of "Capital Project" as defined in this article.

(f) "Flood Control Projects" shall mean and include projects of the type which the Water and Power Resources Board is authorized to construct, improve, equip, maintain, acquire or operate under the provisions of the act of August 7, 1936 (P.L.106, No.46), referred to as the Flood Control Law.

(g) "PIDA Projects" shall mean and include projects of the type which the Pennsylvania Industrial Development Authority is authorized to finance under the provisions of the act of May 17, 1956 (P.L.1609, No.537), known as the "Pennsylvania Industrial Development Authority Act."

(h) "Redevelopment Assistance Projects" shall mean and include projects of the type which the Department of Community Affairs is authorized to finance by capital grants under the provisions of the act of May 20, 1949 (P.L.1633, No.493), known as the "Housing and Redevelopment Assistance Law" and Reorganization Plan No. 2 of 1966.

(i) "Site Development Projects" shall mean and include projects of the type which the Department of Commerce is authorized to finance by site development grants under the provisions of the act of May 6, 1968 (P.L.117, No.61), known as the "Site Development Act."

"Construction Cost" shall include obligations incurred for (i) labor and to contractors, builders, and materialmen in connection with the construction, fabrication or assembly of any

1 capital project; (ii) for machinery and equipment required for  
2 such construction; (iii) for the restoration of property damaged  
3 or destroyed in connection with such construction; and (iv) for  
4 the payment of any damages incurred by others incident to or  
5 consequent upon such construction, which the Commonwealth or its  
6 agency or authority shall be under legal obligations to pay or  
7 shall desire to pay in settlement of a disputed claim of  
8 liability.

9 "Debt" shall mean the issued and outstanding obligations of  
10 the Commonwealth of Pennsylvania incurred without a vote of the  
11 electorate, or incurred with such vote under a law making such  
12 debt subject to the provisions of section 7(a)(4) of Article  
13 VIII of the Constitution of Pennsylvania and shall include  
14 obligations of its agencies and authorities to the extent that  
15 such obligations are to be repaid from lease rentals or other  
16 charges payable directly or indirectly from revenues of the  
17 Commonwealth. An agency or authority is not an agency or  
18 authority of the Commonwealth if it is organized by action of a  
19 county, city, borough, township or school district. Debt shall  
20 not include (i) that portion of debt which is to be repaid from  
21 charges made to the public for the use of the capital projects  
22 financed, as such portion of debt may be determined by the  
23 Auditor General; (ii) obligations to be repaid from lease  
24 rentals or other charges payable by a school district or other  
25 local taxing authority; or (iii) obligations to be repaid by  
26 agencies or authorities created for the joint benefit of the  
27 Commonwealth and one or more other state governments.

28 "Financial Cost" shall mean and include acquisition cost and  
29 construction cost where applicable as well as an allocated  
30 portion of (i) the fees, expenses and costs of issuing the

1 obligations, the proceeds whereof are used to finance the  
2 project, the fees, expenses and costs of issuing and selling any  
3 notes or replacement notes issued hereunder; (ii) establishing  
4 and maintaining any purchase, loan or credit agreements in  
5 connection with an issue or series of issues of notes, and the  
6 fees and expenses of any fiscal or loan and transfer agent and  
7 bond counsel incurred in connection with the issue of the  
8 obligations; (iii) premiums on insurance (if any) in connection  
9 with any project during construction, taxes and other municipal  
10 or governmental charges, if any, lawfully levied or assessed  
11 during construction, fees and expenses of architects, engineers,  
12 and other professionals for making preliminary studies, reports,  
13 estimates of costs, preparing plans and specifications and  
14 inspecting and reviewing the progress of construction, costs of  
15 obtaining abstracts of title, title insurance or title opinions;  
16 (iv) costs and expenses of preliminary investigations,  
17 preplanning, surveys and reports to determine the proper scope,  
18 feasibility and probable costs of capital projects to be  
19 included in future capital budgets; and (v) costs of  
20 administration including the salaries and expenses of  
21 administrators, reviewing architects and engineers, construction  
22 inspectors, accountants, and legal counsel of the Commonwealth,  
23 its agencies or authorities incurred for the proper planning and  
24 supervision of the capital projects program.

25 "Fund" shall mean, when used without other designation, the  
26 Motor License Fund, the General Fund, or other special funds of  
27 the Commonwealth, but does not include any fund, or account  
28 therein, created by this article.

29 "Funding Bonds" shall mean bonds used to provide funds for  
30 and towards the payment of outstanding notes or to refund other

1 outstanding bonds prior to or at or after the stated maturity  
2 date of the bonds being refunded or of the notes being funded.

3 "Issuing Officials" shall mean the Governor, the Auditor  
4 General and the State Treasurer.

5 "Net Debt" shall mean (i) the aggregate principal amount of  
6 all debt plus (ii) the amount of any past due and unpaid  
7 interest thereon minus (iii) all funds held exclusively for the  
8 payment of such principal and past due interest. Neither accrued  
9 but not yet past due interest nor funds held for the payment of  
10 the interest next falling due (up to the amount of such  
11 interest) shall be included in such computations.

12 "Notes" shall mean and include temporary obligations issued  
13 by the Commonwealth pursuant to this act in anticipation of  
14 bonds and shall include replacement notes.

15 "Obligations" shall mean the notes or bonds of the  
16 Commonwealth, its agencies or authorities issued pursuant to any  
17 debt authorizing act.

18 "Replacement Notes" shall mean and include notes, the net  
19 proceeds of which are used to pay principal, accrued interest  
20 and premium, if any, of previously issued notes or replacement  
21 notes, and which evidence the same temporary borrowing of the  
22 Commonwealth as the notes or replacement notes replaced.

23 "Tax Revenues" shall mean all revenues from Commonwealth  
24 imposed taxes regardless of the fund to which they are  
25 deposited, including revenues from motor vehicle licenses, which  
26 are hereby declared to be taxes, but shall not include revenues  
27 from any other licenses nor from interest, fees, fines or  
28 penalties.

29 Section 1603-B. Procedures for Capital Budget Bill and Debt  
30 Authorizing Legislation.--(a) A capital budget prepared in

1 accordance with this article shall be submitted for each fiscal  
2 year by the Governor to the General Assembly in the form of a  
3 bill and shall thereafter proceed to consideration as provided  
4 in Article III of the Constitution of Pennsylvania.

5 (b) The capital budget bill shall specifically itemize by  
6 brief identifying description and estimated financial cost, the  
7 capital projects to be financed from the proceeds of obligations  
8 of the Commonwealth except where such itemization is contained  
9 in or approved by prior legislation referred to in the capital  
10 budget bill or except where such itemization is included in one  
11 or more supplemental capital budget bills. Such projects shall  
12 be listed in separate categories, as well as according to the  
13 fund to be charged with the repayment of the obligations to be  
14 incurred. The capital budget bill shall state the maximum amount  
15 of such obligations which may be incurred in the ensuing fiscal  
16 year to provide funds for and towards the financial costs of  
17 each category of capital projects, which shall be by the issue  
18 of general obligations of the Commonwealth.

19 (c) On or before March 31, 1969 and in each succeeding year,  
20 the Governor shall submit a capital budget bill for the ensuing  
21 fiscal year.

22 (d) At the time the Governor submits the capital budget  
23 bill, or a supplement thereto as aforesaid, he shall, to the  
24 extent the debt to be incurred is not within the limits of  
25 legislation then in force authorizing the incurring of debt,  
26 submit additional bills for each category of capital projects,  
27 authorizing the incurring of debt to provide funds for and  
28 towards the payment of the financial costs of capital projects  
29 in such category which have been specifically itemized in a  
30 capital budget for the same or any prior year.

1     (e) Each debt authorizing bill shall state the category of  
2 capital projects to be financed by the debt so authorized, but  
3 need not enumerate the capital projects to be financed, shall  
4 authorize the incurring of debt in not less than the amount of  
5 the financial cost of all capital projects in such category not  
6 covered by a previous debt authorization, including any overall  
7 allowance for contingencies, shall state the estimated useful  
8 lives of the capital projects to be financed in such detail as  
9 may be requisite where capital projects of varying useful lives  
10 are to be combined for financing purposes, and shall state the  
11 maximum term of the debt to be incurred.

12     Section 1604-B. Certificates of the Auditor General.--(a) On  
13 or before each March 1 and September 1, the Auditor General  
14 shall certify to the Governor and the General Assembly the  
15 average annual tax revenues deposited in all funds in the five  
16 fiscal years ended next preceding the date of such certificate  
17 determined by adding the total of such revenues so deposited and  
18 dividing the sum by five. At the time of each such  
19 certification, the Auditor General shall also certify as  
20 separate items (i) the amount of outstanding net debt as of the  
21 end of the preceding fiscal year; (ii) the amount of such net  
22 debt as of the date of such certificate; (iii) the difference  
23 between the limitation upon all net debt outstanding as provided  
24 in section 7(a)(4) of Article VIII of the Constitution of  
25 Pennsylvania and item (ii) above; (iv) the amount of such debt  
26 scheduled to be repaid during the remainder of the fiscal year  
27 in which such certificate is issued; (v) the amount of debt  
28 authorized by law to be issued, but not yet incurred; and (vi)  
29 the amount of outstanding obligations excluded from outstanding  
30 debt as self-sustaining pursuant to section 7(c)(1), (2), and



1 (3) of Article VIII of the Constitution of Pennsylvania.

2 (b) From time to time, as required in connection with the  
3 sale of or settlement for obligations of the Commonwealth, the  
4 Auditor General shall issue certificates containing items (ii)  
5 and (iii) of subsection (a) as of the dates determined by the  
6 Governor to be relevant to such sales or settlements.

7 (c) In making such certificates, the Auditor General shall  
8 be entitled to rely as to any of items (i) through (v) of  
9 subsection (a) upon any certificate furnished by the State  
10 Treasurer in respect of outstanding Commonwealth general  
11 obligation bonds, and upon any certificate furnished by the  
12 Department of Revenue, or by the appropriate bank or trust  
13 company acting as fiscal agent or trustee, in respect of the  
14 outstanding obligations of any authority.

15 Section 1605-B. Constitutional Limitations; Authorizations;  
16 Issuing Officials.--Within the limitation set forth in section  
17 7(a)(4) of Article VIII of the Constitution of Pennsylvania, the  
18 issuing officials are hereby authorized and directed to borrow  
19 from time to time on the credit of the Commonwealth and subject  
20 to the conditions and limitations of this act, such moneys as  
21 may be necessary to carry out the purposes of debt authorizing  
22 acts passed in accordance with the provisions of this article.

23 Section 1606-B. Temporary Financing Authorizing.--(a)  
24 Pending the issuance of bonds of the Commonwealth as hereinafter  
25 authorized, the issuing officials are hereby authorized in  
26 accordance with the provisions hereof and on the credit of the  
27 Commonwealth to make temporary borrowings not to exceed three  
28 years in anticipation of the issue of bonds in order to provide  
29 funds in such amounts as may from time to time be deemed  
30 advisable to carry out the purposes of any debt authorizing acts

1 prior to the issue of bonds. In order to provide for and in  
2 connection with such temporary borrowings the issuing officials  
3 are hereby authorized in the name and on behalf of the  
4 Commonwealth to enter into any purchase, loan or credit  
5 agreement or agreements or other agreement or agreements with  
6 any banks or trust companies or other lending institutions,  
7 investment banking firms or persons in the United States having  
8 power to enter into the same, which agreements may contain such  
9 provisions, not inconsistent with the provisions of this article  
10 as may be authorized by the issuing officials.

11 (b) All temporary borrowings made under the authorization of  
12 this section shall be evidenced by notes of the Commonwealth,  
13 which shall be issued from time to time for such amounts not  
14 exceeding in the aggregate the applicable statutory and  
15 constitutional debt limitation in such form and in such  
16 denominations, and subject to such terms and conditions of sale  
17 and issue, prepayment or redemption and maturity, rate or rates  
18 of interest, and time of payment of interests, as the issuing  
19 officials shall authorize and direct and in accordance with the  
20 applicable debt authorizing act. Such authorization and  
21 direction may provide for the subsequent issuance of replacement  
22 notes, to refund outstanding notes or replacement notes which  
23 replacement notes shall, upon issuance thereof, evidence such  
24 borrowing, and may specify such other terms and conditions with  
25 respect to the notes and replacement notes thereby authorized  
26 for issuance as such issuing officials may determine and direct.

27 (c) When the authorization and direction of the Governor,  
28 the Auditor General and the State Treasurer provide for the  
29 issuance of replacement notes, the Governor, the Auditor General  
30 and the State Treasurer are hereby authorized in the name and on

1 behalf of the Commonwealth to issue, enter into, or authorize  
2 and direct the State Treasurer to enter into agreements with any  
3 banks, trust companies, investment banking firms or other  
4 institutions or persons in the United States having the power to  
5 enter the same (1) to purchase or underwrite an issue or series  
6 of issues of notes, (2) to credit, to enter into any purchase,  
7 loan or credit agreements, draw moneys pursuant to any such  
8 agreements on the terms and conditions set forth therein, and to  
9 issue notes as evidence of borrowings made under any such  
10 agreements, (3) to appoint as issuing and paying agent or agents  
11 with respect to notes, and (4) to do such other acts as may be  
12 necessary or appropriate to provide for the payment when due, of  
13 the interest on and principal of such notes; such agreements may  
14 provide for the compensation of any purchasers or underwriters  
15 of notes or replacement notes, by discount in the purchase price  
16 of the notes or by payment of a fixed fee or commission at the  
17 time of issuance thereof, and all other costs and expenses,  
18 including fees for agreements related to the notes, issuing and  
19 paying agent costs and costs and expenses of issuance may be  
20 paid from the proceeds of the notes; or

21 (d) When the authorization and direction of the Governor,  
22 the Auditor General and the State Treasurer provide for the  
23 issuance of replacement notes, the State Treasurer shall, at or  
24 prior to the time of delivery of these notes or replacement  
25 notes, determine the principal amounts, dates of issue, interest  
26 rate or rates (or procedures for establishing such rates from  
27 time to time), rates of discount, denominations and all other  
28 terms and conditions relating to the issuance and shall perform  
29 all acts and things necessary to pay or cause to be paid when  
30 due all principal of and interest on the notes being refunded by

1 replacement notes, and to assure that the same may draw upon any  
2 moneys available for that purpose pursuant to any purchase, loan  
3 or credit agreements established with respect thereto, all  
4 subject to the authorization and direction of the Governor, the  
5 Auditor General and the State Treasurer.

6 (e) Outstanding notes evidencing such borrowings may be  
7 funded and retired by the issuance and sale of the bonds of the  
8 Commonwealth as hereinafter authorized; Provided, That such  
9 funding bonds must be issued and sold not later than a date  
10 three years after the date of issuance of the first notes  
11 evidencing such borrowings, to the extent that payment of such  
12 notes has not otherwise been made or provided for by sources  
13 other than proceeds of replacement notes.

14 (f) The proceeds of all such temporary borrowings except  
15 those evidenced by replacement notes shall be paid to the State  
16 Treasurer to be held and disposed of in accordance with the  
17 provisions of section 1610-B. The proceeds of temporary  
18 borrowings evidenced by replacement notes shall be paid to the  
19 State Treasurer to be held and disposed of in accordance with  
20 the provisions of subsection (d).

21 Section 1607-B. Bonds; Issue of Bonds and Notes; Maturity;  
22 Interest, Etc.--(a) As evidence of indebtedness as authorized,  
23 general obligation bonds of the Commonwealth which may be for  
24 one or more purposes shall be issued in accordance with the  
25 provisions hereof at any time, or from time to time, to fund and  
26 retire notes issued pursuant to section 1606-B (hereinafter  
27 referred to as "funding bonds") or to provide moneys necessary  
28 to carry out the purposes of the debt authorizing acts, or both.

29 (b) When bonds are issued from time to time, the bonds of  
30 each issue shall constitute a separate series to be designated

1 by the issuing officials or may be combined for sale as one  
2 series with other general obligation bonds of the Commonwealth.  
3 Each series of bonds shall bear such rate or rates of interest  
4 as may be determined by the issuing officials. Such bonds shall  
5 be issued in such denominations and in such form or forms,  
6 whether coupon or registered as to both principal and interest,  
7 and with or without such provisions for interchangeability, as  
8 the issuing officials may determine. In case interest coupons  
9 are attached, they shall, unless the debt authorizing act  
10 provides otherwise, contain the facsimile signature of the State  
11 Treasurer.

12 (c) Except as set forth in the foregoing provisions of this  
13 section, the terms and conditions of issue, redemption and  
14 maturity, and time of payment of interest, shall be as the  
15 issuing officials shall specify: Provided, That the bonds of any  
16 series shall mature within a period not to exceed the estimated  
17 useful lives of the capital facilities projects as stated in the  
18 debt authorizing act but not later than thirty years from the  
19 date of issuance. The issuing officials shall provide for the  
20 amortization of the bonds in substantial and regular amounts  
21 over the term of the debt, provided that the first retirement of  
22 principal shall be stated to mature prior to the expiration of a  
23 period of time equal to one-tenth of the time from the date of  
24 the first obligation issued to evidence such debt to the date of  
25 the expiration of the term of the debt. Retirements of principal  
26 shall be regular and substantial if made in annual or semiannual  
27 amounts whether by stated serial maturities or by mandatory  
28 sinking fund retirements computed in accordance with either a  
29 level annual debt service plan, as nearly as may be, or upon the  
30 equal annual maturities plan. Where debt is incurred in one

1 issue of bonds to provide funds for and towards the financial  
2 cost of capital projects having estimated useful lives of  
3 varying length, the aggregate of the financial costs shall be  
4 considered as the debt to be incurred for the purpose of fixing  
5 the regular and substantial amounts of principal to be retired,  
6 and the term of the debt shall be to the end of the longest  
7 estimated useful life for the purpose of determining the first  
8 date for the retirement of principal, provided that at the end  
9 of the estimated useful life of each project, the aggregate  
10 principal retirements required to be made at or before that date  
11 shall exceed the aggregate financial cost of all capital  
12 projects having the same or shorter estimated useful lives, or  
13 in each case a proportionate amount if bonds are issued for less  
14 than the full financial cost of all projects being financed in  
15 the same category. The issuing officials are hereby authorized  
16 to carry out the provisions of this act relating to the issuance  
17 of bonds and shall determine all matters in connection therewith  
18 subject to the provisions hereof.

19 (d) All bonds issued under the authority of this act, unless  
20 the debt authorizing act provides another method of signature,  
21 shall bear the facsimile signatures of the issuing officials and  
22 a facsimile of the Great Seal of the Commonwealth of  
23 Pennsylvania, and shall be countersigned by an officer of a duly  
24 authorized loan and transfer agent of the Commonwealth. The  
25 action taken by the issuing officials authorizing the issuance  
26 of bonds or notes shall set forth the title and citation of the  
27 debt authorizing acts, and all notes and bonds issued under the  
28 authority of this article shall either contain a similar recital  
29 or refer to the recital of titles and citations set forth in the  
30 action authorizing such issuance, and shall further state that

1 said bonds or notes, as the case may be, are issued in  
2 accordance with the provisions of this article. In any action or  
3 proceeding, involving the validity or enforceability of such  
4 bonds or notes, such recital shall be conclusive as to their  
5 authorization.

6 Section 1608-B. Direct Obligations, Exemption from Taxation,  
7 Means of Payment.--All notes and bonds issued in accordance with  
8 the provisions of this article shall be direct obligations of  
9 the Commonwealth of Pennsylvania, and the full faith and credit  
10 of the Commonwealth are hereby pledged for the payment of the  
11 interest thereon as the same shall become due and the payment of  
12 the principal thereof at maturity. All notes and bonds issued  
13 under the provisions of this article shall be exempt from  
14 taxation for State and local purposes. The principal of and  
15 interest on such notes and bonds shall be payable in lawful  
16 money of the United States of America.

17 Section 1609-B. Sale of Bonds.--(a) Whenever bonds are  
18 issued in accordance with this article, they shall be offered  
19 for sale at not less than ninety-eight per centum of the  
20 principal amount thereof and accrued interest and shall be sold  
21 by the issuing officials to the highest and best bidder or  
22 bidders after due public advertisement on such terms and  
23 conditions and upon such open competitive bidding as the issuing  
24 officials shall direct. The manner and times of advertising  
25 shall be prescribed by the issuing officials.

26 (b) Any portion of any bond issue so offered and not sold or  
27 subscribed for may be disposed of by private sale by the issuing  
28 officials in such manner and at such prices, not less than  
29 ninety-eight per centum of the principal amount thereof and  
30 accrued interest, as the Governor shall direct. No commission

1 shall be allowed or paid for the sale of any bonds issued under  
2 the authority of this article.

3 (c) Until permanent bonds can be prepared, the issuing  
4 officials may in their discretion issue in lieu of such  
5 permanent bonds, temporary bonds in such form and with such  
6 privileges as to the registration and exchange for permanent  
7 bonds as may be determined by the issuing officials.

8 Section 1610-B. Disposition and Use of Proceeds.--(a) The  
9 proceeds of all temporary borrowings made pursuant to the  
10 provisions of section 1606-B, other than the proceeds of  
11 replacement notes, and the proceeds from the sale of bonds,  
12 other than funding bonds, issued pursuant to the provisions of  
13 section 1607-B, shall be paid to the State Treasurer and be held  
14 by him in a separate fund and shall be deposited in such  
15 depositories as may be selected by him to the credit of such  
16 fund, which fund shall be known as the "Capital Facilities  
17 Fund," which shall have such separate accounts therein as may be  
18 deemed desirable by the issuing officials, but not less than one  
19 separate account for each category of capital projects. The  
20 proceeds of replacement notes shall be deposited and applied as  
21 provided in subsection (d) of section 1606-B.

22 (b) The moneys in the Capital Facilities Fund are hereby  
23 specifically dedicated to meeting the financial costs of capital  
24 projects. The moneys shall be paid by the State Treasurer to  
25 those departments, agencies or authorities authorized to expend  
26 same as required by them to pay financial costs at such time as  
27 the department, agency or authority certifies the same to be  
28 legally due and payable.

29 (c) Pending their application to the purposes authorized,  
30 moneys held or deposited by the State Treasurer may be invested



1 and reinvested as are other funds in the custody of the State  
2 Treasurer in the manner provided by law. All earnings received  
3 from the investment or deposit of such funds shall be paid into  
4 the State Treasury to the credit of the account in the Capital  
5 Facilities Fund to which such funds were originally deposited.

6 Section 1611-B. Capital Debt Fund; Investments, Redemption  
7 of Bonds.--(a) All bonds issued under the authority of this  
8 article shall be paid at maturity and all interest due from time  
9 to time after July 1, 1968, on such bonds and on all notes  
10 issued under the provisions of this article shall be paid by the  
11 Board of Finance and Revenue of the Commonwealth from the  
12 Capital Debt Fund. The General Assembly shall appropriate  
13 annually the moneys necessary to pay the aforesaid interest on  
14 said bonds and notes and the principal of said bonds and notes  
15 at maturity for which other provision is not made. All moneys so  
16 appropriated shall be paid into the Capital Debt Fund by the  
17 State Treasurer. All of such moneys so received prior to the  
18 date for disbursement thereof shall be invested by the Board of  
19 Finance and Revenue pending disbursement in such securities as  
20 are provided by law for the investment of surplus moneys of the  
21 Commonwealth.

22 (b) The investment of such moneys and the accumulations  
23 thereon in the Capital Debt Fund shall be devoted to and be used  
24 exclusively for the payment of the interest accruing on such  
25 bonds and notes and for the redemption of such bonds and notes  
26 at maturity or upon the redemption date, if called for prior  
27 redemption. The Board of Finance and Revenue is authorized at  
28 any time to use any of such funds for the purchase and  
29 retirement of all or any part of the bonds issued under the  
30 provisions of this article: Provided, That no purchase shall be

1 made which will reduce the moneys in the Capital Debt Fund below  
2 the amount necessary to pay all principal and interest still to  
3 become due in the fiscal year of such purchase. In the event  
4 that all or any part of said bonds shall be purchased by the  
5 Commonwealth, they shall be cancelled and returned to the State  
6 Treasurer, as cancelled and paid bonds and thereafter all  
7 payments of interest thereon shall cease and the cancelled bonds  
8 and coupons shall be destroyed within two years after  
9 cancellation in the presence of the issuing officials or their  
10 duly authorized representatives. A certificate evidencing the  
11 destruction, satisfactory to the duly authorized loan and  
12 transfer agent of the Commonwealth, shall be furnished to it.  
13 All cancelled bonds and coupons shall be so mutilated as to make  
14 the cancelled bonds and coupons nonnegotiable.

15 Section 1612-B. Funding Bonds.--The issuing officials  
16 subject to the provisions of any bond resolution or trust  
17 indenture are hereby authorized to issue funding bonds for the  
18 purpose of refunding any obligations then outstanding, to  
19 provide funds to redeem and retire such outstanding obligations  
20 with accrued interest and any premium payable thereon, at  
21 maturity or any call date. The issuance of such funding bonds,  
22 the maturities and other details thereof, the rights of the  
23 holders thereof, and the duties of the issuing officials in  
24 respect to the same shall be governed by the foregoing  
25 provisions of this article insofar as the same may be  
26 applicable. Funding bonds may be issued to refund bonds  
27 previously issued for refunding purposes. The proceeds of the  
28 sale of any funding bonds shall be paid to the State Treasurer  
29 and applied to the payment of the principal of, and the accrued  
30 interest and premium, if any, on the bonds or notes for the

1 refunding of which such funding bonds shall have been issued. No  
2 funding bonds shall be issued having a stated maturity date  
3 later than the expiration of the useful life of the capital  
4 projects constructed or acquired from the proceeds of the debt  
5 originally incurred in respect of the bonds or notes being  
6 refunded, nor shall any funding bonds be issued to refund beyond  
7 the same fiscal year any portion of debt required by this  
8 article and the Constitution of Pennsylvania to be retired in  
9 the year of issue of such funding bonds in order to comply with  
10 the retirement in substantial and regular amounts as provided in  
11 subsection (d) of section 1607-B.

12 Section 1613-B. Reporting Requirements.--The State Treasurer  
13 shall determine and report to the Budget Secretary by January  
14 first of each year the amount of money necessary for the payment  
15 of interest on outstanding obligations and the principal of such  
16 obligations, if any, for the following fiscal year and the times  
17 and amounts of such payments.

18 Section 1614-B. Registration of Bonds.--The Auditor General  
19 shall prepare the necessary registry books to be kept in the  
20 office of the duly authorized loan and transfer agent of the  
21 Commonwealth for the registration of any bonds of the  
22 Commonwealth according to the terms and conditions of issue  
23 specified by the issuing officials under subsection (d) of  
24 section 1607-B. All bonds which are issued without interest  
25 coupons attached shall be registered in the registry books kept  
26 by the duly authorized loan and transfer agent of the  
27 Commonwealth.

28 Section 1615-B. Voting Requirements.--Whenever in this  
29 article any action is to be taken or decision made by the  
30 issuing officials, and the three officers shall not be able to

1 agree unanimously, the action or decision of the Governor and  
2 either the Auditor General or State Treasurer shall be binding  
3 and final.

4 Section 1616-B. Appropriation of Moneys.--The moneys  
5 received by the Commonwealth from the issuance and sale of bonds  
6 and notes pursuant to this article and any debt authorizing act  
7 hereafter adopted shall be appropriated by the General Assembly  
8 from the Capital Facilities Fund in the debt authorizing acts  
9 for the purposes set forth therein.

10 Section 1617-B. Constitutional Construction.--The provisions  
11 of this article shall be severable and, if any of the provisions  
12 thereof shall be held unconstitutional, such decisions shall not  
13 affect the validity of any of the remaining provisions of this  
14 article. It is hereby declared as the legislative intent that  
15 this article would have been adopted had such unconstitutional  
16 provisions not been included therein.

17 Section 3. All notes and bonds issued pursuant to the act of  
18 September 29, 1951 (P.L.1646, No.433), entitled, as amended, "An  
19 act authorizing the Commonwealth to negotiate temporary  
20 emergency loans to defray current and other expenses of the  
21 State government during any fiscal period evidenced by tax  
22 anticipation notes, secured by and payable from current revenues  
23 of any current period levied, assessed, collectible and accruing  
24 during such fiscal period and the revenues of the Motor License  
25 Fund; defining the powers and duties of the Governor, the  
26 Auditor General and the State Treasurer in relation thereto;  
27 providing for the payment of interest on and the repayment of  
28 such loans; and making an appropriation," or the act of July 20,  
29 1968 (P.L.550, No.217), known as the Capital Facilities Debt  
30 Enabling Act of 1968, shall continue in full force and effect

1 and all rights, powers and remedies granted shall be exercised  
2 pursuant to Articles XVI-A and XVI-B of The Fiscal Code.

3 Section 4. The following acts are repealed:

4 Act of September 29, 1951 (P.L.1646, No.433), entitled, as  
5 amended, "An act authorizing the Commonwealth to negotiate  
6 temporary emergency loans to defray current and other expenses  
7 of the State government during any fiscal period evidenced by  
8 tax anticipation notes, secured by and payable from current  
9 revenues of any current period levied, assessed, collectible and  
10 accruing during such fiscal period and the revenues of the Motor  
11 License Fund; defining the powers and duties of the Governor,  
12 the Auditor General and the State Treasurer in relation thereto;  
13 providing for the payment of interest on and the repayment of  
14 such loans; and making an appropriation."

15 Act of July 20, 1968 (P.L.550, No.217), known as the Capital  
16 Facilities Debt Enabling Act of 1968.

17 Section 5. This act shall take effect in 30 days.