

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1086 Session of  
2001

INTRODUCED BY MOWERY, GERLACH, ERICKSON, COSTA, M. WHITE, STOUT,  
MUSTO, EARLL, LEMMOND, O'PAKE, THOMPSON AND RHOADES,  
OCTOBER 9, 2001

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, OCTOBER 9, 2001

AN ACT

1 Amending the act of March 1, 1988 (P.L.82, No.16), entitled "An  
2 act providing for the establishment, implementation and  
3 administration of the Pennsylvania Infrastructure Investment  
4 Authority; imposing powers and duties on a board of trustees;  
5 transferring the rights, powers, duties and obligations of  
6 the Water Facilities Loan Board to the Pennsylvania  
7 Infrastructure Investment Authority; providing for the  
8 issuance of notes and bonds; providing for financial  
9 assistance and for a comprehensive water facilities plan;  
10 authorizing a referendum to incur indebtedness; making an  
11 appropriation; and making repeals," establishing the  
12 Municipal Tapping Fee Funding Program; making an  
13 appropriation; and making editorial changes.

14 The General Assembly of the Commonwealth of Pennsylvania  
15 hereby enacts as follows:

16 Section 1. The act of March 1, 1988 (P.L.82, No.16), known  
17 as the Pennsylvania Infrastructure Investment Authority Act, is  
18 amended by adding a chapter heading to read:

19 CHAPTER 1

20 PRELIMINARY PROVISIONS

21 Section 2. Section 1 heading of the act is amended to read:

22 Section [1] 101. Short title.

23 \* \* \*

1       Section 3.   Section 2 heading of the act, amended December  
2   16, 1992 (P.L.1137, No.149), is amended to read:

3   Section [2] 102.   Legislative intent.

4       \* \* \*

5       Section 4.   Section 3 of the act, amended December 16, 1992  
6   (P.L.1137, No.149), is amended to read:

7   Section [3] 103.   Definitions.

8       The following words and phrases when used in this act shall  
9   have the meanings given to them in this section unless the  
10   context clearly indicates otherwise:

11       "Authority."   The Pennsylvania Infrastructure Investment  
12   Authority.

13       "Board."   The board of directors of the authority.

14       "Bonds."   Bonds, notes or other evidences of indebtedness  
15   issued by the authority pursuant to this act.

16       "Borrower."   An individual owner of a housing unit.

17       "Department."   The Department of Environmental [Resources]  
18   Protection of the Commonwealth.

19       "Eligible cost."   The cost of all labor, materials, machinery  
20   and equipment, lands, property, rights and easements, plans and  
21   specifications, surveys or estimates of costs and revenues, pre-  
22   feasibility studies, engineering and legal services, and all  
23   other expenses necessary or incident to the acquisition,  
24   construction, improvement, expansion, extension, repair or  
25   rehabilitation of all or part of a project.

26       "Federal poverty guidelines."   The poverty measure issued  
27   annually by the United State Department of Health and Human  
28   Services as published in the Federal Register based on family  
29   size and household income.

30       "Governmental unit."   Any agency of the Commonwealth or any

1 county, municipality or school district, or any agency,  
2 instrumentality, authority or corporation thereof, or any public  
3 body having local or regional jurisdiction or power.

4 "Housing unit." A single-family residential structure  
5 including a manufactured home on a permanent foundation which is  
6 a permanent residence and is owned and occupied by one or more  
7 individuals.

8 "Loan origination fees." Fees paid by a borrower to a local  
9 lending institution for originating the borrower's loan.

10 "Loan servicing fees." Fees paid to a local lending  
11 institution.

12 "Local lending institution." A bank, savings and loan or  
13 other financial institution authorized by the authority and a  
14 municipality to extend financial assistance under the Municipal  
15 Tapping Fee Funding Program.

16 "Manufactured home." A movable, single-family dwelling unit  
17 designed for long-term occupancy, built on a chassis at a  
18 factory, not less than eight feet wide and 32 feet long, with or  
19 without a permanent foundation, and consisting of a complete  
20 package with major appliances, plumbing and electrical  
21 facilities prepared for appropriate connections.

22 "Program." The Municipal Tapping Fee Funding Program  
23 established under section 501.

24 "Project." The eligible costs associated with the  
25 acquisition, construction, improvement, expansion, extension,  
26 repair or rehabilitation of all or part of any facility or  
27 system, whether publicly or, in the case of paragraph (1) or  
28 (2), privately owned:

29 (1) for the collection, treatment or disposal of  
30 wastewater, including industrial waste;

1 (2) for the supply, treatment, storage or distribution  
2 of drinking water;

3 (3) for the control of storm water, which may include,  
4 but need not be limited to, the transport, storage and the  
5 infiltration of storm water; or

6 (4) for the best management practices to address point  
7 or nonpoint source pollution associated with storm water  
8 runoff or any other innovative techniques identified in the  
9 county-prepared watershed plans pursuant to the act of  
10 October 4, 1978 (P.L.864, No.167), known as the Storm Water  
11 Management Act.

12 "Project permitting fees." Fees charged by local  
13 governmental units for the processing of property lateral permit  
14 applications by a sewer enforcement officer.

15 "Property lateral." The pipe connecting a housing unit to  
16 the street lateral.

17 "Secretary." The Secretary of Environmental [Resources]  
18 Protection of the Commonwealth.

19 "Sewage Enforcement Officer" or "SEO." An official of a  
20 municipality who reviews permit applications, issues permits and  
21 conducts investigations and inspections that are necessary to  
22 implement the provisions of the act of January 24, 1966 (1965  
23 P.L.1535, No.537), known as the Pennsylvania Sewage Facilities  
24 Act, and the regulations promulgated thereunder, including the  
25 individual designated by a municipality as the code enforcement  
26 officer.

27 "Statewide median household income." The median household  
28 income reported for Pennsylvania in the most recently available  
29 Census of Population and Housing, as conducted and reported by  
30 the United States Bureau of the Census. This amount shall be

1 adjusted on the first working day of each calendar year by  
2 multiplying median household income by the following factor:  
3 CPI-U(1)/CPI-U(2), where CPI-U refers to the Consumer Price  
4 Index for all Urban Consumers, as computed and reported by the  
5 United States Bureau of Labor Statistics. The designation (1)  
6 refers to the CPI-U for the year in which the median household  
7 income is calculated and reported and the designation (2) refers  
8 to the most recent CPI-U reported as of December 15 of the year  
9 immediately preceding the year when the adjustment is made.

10 "Storm water." Drainage runoff from the surface of the land  
11 resulting from precipitation or snow or ice melt.

12 "Water Facilities Loan Board." The board established under  
13 32 Pa.C.S. § 7504 (relating to Water Facilities Loan Board).

14 Section 5. The act is amended by adding a chapter heading to  
15 read:

16 CHAPTER 3

17 PENNSYLVANIA INFRASTRUCTURE INVESTMENT

18 AUTHORITY

19 Section 6. Section 4 heading of the act is amended to read:  
20 Section [4] 301. Pennsylvania Infrastructure Investment  
21 Authority; board of directors.

22 \* \* \*

23 Section 7. Section 5 heading and (a), amended December 16,  
24 1992 (P.L.1137, No.149), are amended to read:

25 Section [5] 302. Revenues of authority.

26 (a) Sources of revenues.--The authority may receive money  
27 from sources of revenue, including, but not limited to, the  
28 following:

29 (1) State funds appropriated to the authority.

30 (2) Federal funds appropriated to or granted to the

1 authority.

2 (3) Proceeds from the sale of bonds of the authority  
3 authorized under section [7] 304.

4 (4) Proceeds from the sale of bonds issued on or after  
5 the effective date of this act from the remaining unused  
6 authorization in addition to any other funds that remain  
7 unencumbered on the effective date of this act from the act  
8 of July 12, 1981 (P.L.263, No.88), entitled "An act  
9 authorizing the incurring of indebtedness, with approval of  
10 the electors, of \$300,000,000 for the repair, construction,  
11 reconstruction, rehabilitation, extension and improvement of  
12 community water supply systems, and for the repair,  
13 reconstruction or rehabilitation of flood control facilities,  
14 dams and port facilities and providing the allotment of  
15 proceeds from borrowing hereunder," approved by the  
16 electorate on November 3, 1981.

17 (5) Proceeds from the sale of bonds not to exceed a  
18 total sum of \$150,000,000 issued for site development under  
19 the provisions of Article XVI-B of the act of April 9, 1929  
20 (P.L.343, No.176), known as The Fiscal Code. This paragraph  
21 shall expire on December 31, 1989, except that the board may  
22 fund projects approved prior to December 31, 1989.

23 (6) Proceeds from the sale of any Commonwealth general  
24 obligation bonds issued under sections [16 and 17] 313 and  
25 314.

26 (7) Proceeds from the sale of any Commonwealth general  
27 obligation bonds issued under section 12 of the act of March  
28 16, 1992 (P.L.10, No.5), known as the Small Water Systems  
29 Assistance Act.

30 (8) Proceeds from the sale of authority assets.

1           (9) Repayment of loan principal.

2           (10) Payment of interest on loans made by the authority.

3           (11) Interest earned on the investments of authority  
4 moneys.

5           \* \* \*

6           Section 8. The headings of sections 6, 7, 8 and 9 of the act  
7 are amended to read:

8           Section [6] 303. Powers and duties of authority.

9           \* \* \*

10          Section [7] 304. Specific power to issue bonds.

11          \* \* \*

12          Section [8] 305. Covenants and express conditions on  
13 obligations.

14          \* \* \*

15          Section [9] 306. Nature and effect of pledges.

16          \* \* \*

17          Section 9. Section 10 heading and (f) of the act are amended  
18 to read:

19          Section [10] 307. Financial assistance.

20          \* \* \*

21          (f) Loans.--Subject to any agreements with the holders of  
22 bonds, the board shall have the power to set terms applicable to  
23 loans in any manner it deems appropriate, subject to the  
24 provisions of this subsection. The board may consider such  
25 factors as it deems relevant, including current market interest  
26 rates, the financial and economic distress of the area which the  
27 project serves, and the necessity to maintain the authority  
28 funds in a financially sound manner. Loans may be made based on  
29 the ability to repay the loan from future revenue to be derived  
30 from the project, by a mortgage or other property lien, or on

1 any other fiscal matters which the authority deems appropriate.  
2 The board shall have the power to defer principal on loans for  
3 up to five years. In the event of a default on the repayment of  
4 a loan, the board may apply to the court of common pleas of the  
5 county where the project is located for the appointment of a  
6 receiver to assume operation and supervision of the facility  
7 under the supervision of the court. The minimum rate of interest  
8 to be paid on any loan made pursuant to this act shall be 1%.

9 The maximum rate of interest shall not exceed the following:

10 (1) For projects in counties whose unemployment rate  
11 exceeds the Statewide unemployment rate by 40% or more, 1%  
12 for the first five years and 25% of the bond issue rate for  
13 the remainder of the loan.

14 (2) For projects in counties whose unemployment rate  
15 exceeds the Statewide unemployment rate, but exceeds it by  
16 less than 40%, 30% of the bond issue rate for the first five  
17 years and 60% of the bond issue rate for the remainder of the  
18 loan.

19 (3) For all other projects, 60% of the bond issue rate  
20 for the first five years and 75% of the bond issue rate for  
21 the remainder of the loan.

22 (4) For projects located within municipalities for which  
23 unemployment rates exist which would qualify the project for  
24 lower interest rates than if the relevant county unemployment  
25 rate were used, the unemployment rate of that municipality  
26 may be used in determining the interest rate on the loan.

27 For purposes of this subsection, the phrase "unemployment rate  
28 of the county" shall mean the average unemployment rate for the  
29 county in the most recent calendar year for which data has been  
30 finalized. For the projects which serve multiple counties, the



1 highest unemployment rate of the counties involved shall be  
2 used. The unemployment data utilized shall be data reported by  
3 the Department of Labor and Industry. For purposes of this  
4 subsection, the phrase "bond interest rate" shall be the rate of  
5 interest paid by the Commonwealth immediately preceding the date  
6 of the loan for the bonds issued under sections [16 and 17] 313  
7 and 314.

8 \* \* \*

9 Section 10. The headings of sections 11 and 12 of the act  
10 are amended to read:

11 Section [11] 308. Comprehensive water facilities plan.

12 \* \* \*

13 Section [12] 309. Audits.

14 \* \* \*

15 Section 11. Section 13 of the act is amended to read:

16 Section [13] 310. Annual report.

17 The board shall provide the General Assembly with an annual  
18 report detailing all projects funded under section [10] 307.

19 Section 12. Section 14 heading of the act is amended to  
20 read:

21 Section [14] 311. Expedited approval of rate relief.

22 \* \* \*

23 Section 13. Sections 15, 16 and 17 of the act are amended to  
24 read:

25 Section [15] 312. Transfer of Water Facilities Loan Board.

26 (a) Removal of members.--All existing members of the Water  
27 Facilities Loan Board shall cease to hold office on the day that  
28 the Governor certifies by publication in the Pennsylvania  
29 Bulletin the existence of a quorum on the board created under  
30 section [4] 301.

1 (b) Board of directors to serve as Water Facilities Loan  
2 Board.--For purposes of satisfying all outstanding obligations  
3 of the Water Facilities Loan Board and for purposes of  
4 collecting loan and interest repayments, the board established  
5 in section [4] 301 shall constitute the membership of the Water  
6 Facilities Loan Board.

7 (c) Transfer of function.--All remaining unencumbered funds,  
8 rights, powers, duties, obligations, liabilities, records and  
9 equipment of the Water Facilities Loan Board are transferred to  
10 the authority.

11 Section [16] 313. Referendum.

12 (a) General rule.--Pursuant to the provisions of section  
13 7(a)(3) of Article VIII of the Constitution of Pennsylvania, the  
14 question of incurring indebtedness of \$300,000,000 for loans for  
15 the acquisition, repair, construction, reconstruction,  
16 rehabilitation, extension, expansion and improvement of water  
17 supply and sewage treatment systems, subject to implementation  
18 through this act, shall be submitted to the electors at the next  
19 primary, municipal or general election following the effective  
20 date of this act.

21 (b) Certification.--The Secretary of the Commonwealth shall  
22 forthwith certify the question to the county boards of  
23 elections.

24 (c) Form of question.--The question shall be in  
25 substantially the following form:

26 Do you favor the incurring of indebtedness by the  
27 Commonwealth of \$300,000,000 for use as loans to acquire,  
28 repair, construct, reconstruct, rehabilitate, extend,  
29 expand and improve water supply and sewage treatment  
30 systems?

1 Section [17] 314. Bonds.

2 (a) Issuance of general obligation bonds.--As evidence of  
3 the indebtedness if authorized under section [16] 313, general  
4 obligation bonds of the Commonwealth shall be issued from time  
5 to time to fund and retire notes issued pursuant to section [16]  
6 313 to carry out the purposes of this act, or both, for such  
7 total amounts, in such form, in such denominations and subject  
8 to such terms and conditions of issue, redemption and maturity,  
9 rate of interest and time of payment of interest as the issuing  
10 officials direct except that the latest stated maturity date  
11 shall not exceed 30 years from the date of the debt first issued  
12 for each series.

13 (b) Execution of bonds.--All bonds and notes issued under  
14 the authority of section [16] 313 shall bear facsimile  
15 signatures of the issuing officials and a facsimile of the great  
16 seal of the Commonwealth and shall be countersigned by a duly  
17 authorized loan and transfer agent of the Commonwealth.

18 (c) Direct obligation of Commonwealth.--All bonds and notes  
19 issued in accordance with section [16] 313 shall be direct  
20 obligations of the Commonwealth, and the full faith and credit  
21 of the Commonwealth are hereby pledged for the payment of the  
22 interest thereon as it becomes due and the payment of the  
23 principal at maturity. The principal of and interest on the  
24 bonds and notes shall be payable in lawful money of the United  
25 States of America.

26 (d) Exemption from taxation.--All bonds and notes issued  
27 under the provisions of this section shall be exempt from  
28 taxation for State and local purposes.

29 (e) Form of bonds.--The bonds may be issued as coupon bonds  
30 or registered as to both principal and interest as the issuing

1 officials may determine. If interest coupons are attached, they  
2 shall contain the facsimile signature of the State Treasurer.

3 (f) Bond amortization.--The issuing officials shall provide  
4 for the amortization of the bonds in substantial and regular  
5 amounts over the term of the debt. The first retirement of  
6 principal shall be stated to mature prior to the expiration of a  
7 period of time equal to one-tenth of the time from the date of  
8 the first obligation issued to evidence the debt to the date of  
9 the expiration of the term of the debt. Retirements of principal  
10 shall be regular and substantial if made in annual or semiannual  
11 amounts, whether by stated serial maturities or by mandatory  
12 sinking fund retirements.

13 (g) Refunding bonds.--The issuing officials are authorized  
14 to provide, by resolution, for the issuance of refunding bonds  
15 for the purpose of refunding any bonds issued under this section  
16 and then outstanding, either by voluntary exchange with the  
17 holders of the outstanding bonds, or to provide funds to redeem  
18 and retire the outstanding bonds with accrued interest, any  
19 premium payable thereon and the costs of issuance and retirement  
20 of bonds, at maturity or at any call date. The issuance of the  
21 refunding bonds, the maturities and other details thereof, the  
22 rights of the holders thereof and the duties of the issuing  
23 officials in respect to the same shall be governed by the  
24 provisions of this section, insofar as they may be applicable.  
25 Refunding bonds may be issued by the issuing officials to refund  
26 bonds originally issued or to refund bonds previously issued for  
27 refunding purposes.

28 (h) Quorum.--Whenever any action is to be taken or decision  
29 made by the Governor, the Auditor General and the State  
30 Treasurer acting as issuing officials and the three officers are

1 not able unanimously to agree, the action or decision of the  
2 Governor and either the Auditor General or State Treasurer shall  
3 be binding and final.

4 (i) Public sale.--Whenever bonds are issued, they shall be  
5 offered for sale at not less than 98% of the principal amount  
6 and accrued interest and shall be sold by the issuing officials  
7 to the highest and best bidder or bidders after due public  
8 advertisement on such terms and conditions and upon such open  
9 competitive bidding as the issuing officials shall direct. The  
10 manner and character of the advertisement and the time of  
11 advertising shall be prescribed by the issuing officials.

12 (j) Private sale.--Any portion of any bond issue so offered  
13 and not sold or subscribed for may be disposed of by private  
14 sale by the issuing officials in such manner and at such prices,  
15 not less than 98% of the principal amount and accrued interest,  
16 as the issuing officials shall direct. No commission shall be  
17 allowed or paid for the sale of any bonds issued under the  
18 authority of this section.

19 (k) Bond series.--When bonds are issued from time to time,  
20 the bonds of each issue shall constitute a separate series to be  
21 designated by the issuing officials or may be combined for sale  
22 as one series with other general obligation bonds of the  
23 Commonwealth.

24 (l) Temporary bonds.--Until permanent bonds can be prepared,  
25 the issuing officials may in their discretion issue, in lieu of  
26 permanent bonds, temporary bonds in such form and with such  
27 privileges as to registration and exchange for permanent bonds  
28 as may be determined by the issuing officials.

29 (m) Disposition and use of proceeds.--The proceeds realized  
30 from the sale of bonds and notes, except funding bonds,

1 refunding bonds and renewal notes, under the provisions of this  
2 section are specifically dedicated to the purposes of the  
3 referendum to be implemented by this act and shall be paid into  
4 the special funds established in the State Treasury in such  
5 amounts as may be specified by the board pursuant to section  
6 [5(c)] 302(c). The proceeds shall be paid by the State Treasurer  
7 periodically to the board to expend them at such times and in  
8 such amounts as may be necessary to satisfy the funding needs of  
9 the board. The proceeds of the sale of funding bonds, refunding  
10 bonds and renewal notes shall be paid to the State Treasurer and  
11 applied to the payment of principal, the accrued interest and  
12 premium, if any, and costs of redemption of the bonds and notes  
13 for which such obligations shall have been issued.

14 (n) Investment of funds.--Pending their application to the  
15 purposes authorized, moneys held or deposited by the State  
16 Treasurer may be invested or reinvested as are other funds in  
17 the custody of the State Treasurer in the manner provided by  
18 law. All earnings received from the investment or deposit of  
19 such funds shall be paid into the State Treasury to the credit  
20 of the funds established by the board in section [5(c)] 302(c)  
21 in such amounts as may be specified by the board pursuant to  
22 that section.

23 (o) Registration of bonds.--The Auditor General shall  
24 prepare the necessary registry book to be kept in the office of  
25 the duly authorized loan and transfer agent of the Commonwealth  
26 for the registration of any bonds, at the request of owners  
27 thereof, according to the terms and conditions of issue directed  
28 by the issuing officials.

29 (p) Expenses of preparation for issue and sale of bonds and  
30 notes.--There is hereby appropriated to the State Treasurer from

1 the proceeds of the bonds and notes issued as much money as may  
2 be necessary for all costs and expenses in connection with the  
3 issue of and sale and registration of the bonds and notes in  
4 connection with this act.

5 Section 14. The act is amended by adding a chapter to read:

6 CHAPTER 5

7 MUNICIPAL TAPPING FEE FUNDING PROGRAM

8 Section 501. Establishment of program.

9 There is hereby established the Municipal Tapping Fee Funding  
10 Program for the purpose of authorizing municipalities and  
11 municipal authorities to provide financial assistance in the  
12 form of grants and low-interest loans to homeowners for tapping  
13 fees and eligible costs relating to the installation of a  
14 property lateral for homes constructed prior to the effective  
15 date of this chapter. The authority shall develop policies and  
16 procedures as may be necessary for the application for and  
17 approval of program funds for municipalities and municipal  
18 authorities which at a minimum shall be required to repay  
19 program loans to the authority within 15 years from the date of  
20 the loan at an annual interest rate not to exceed 1%.

21 Section 502. Scope.

22 This chapter applies to financial assistance provided by  
23 municipalities and municipal authorities to owners of single-  
24 family homes, including manufactured homes on a permanent  
25 foundation.

26 Section 503. Applicant eligibility.

27 Eligible applicants shall be owners of single-family homes  
28 and manufactured homes on a permanent foundation if the owner  
29 occupies the home and the home is served by a public sewer  
30 system owned by a municipality or municipal authority. Loans may

be provided under this program if the applicant's household income does not exceed 200% of the Statewide median household income. Grants may be provided under this program to applicants whose household income does not exceed the most recent Federal poverty guidelines for the year in which an application is made.  
Section 504. Project eligibility.

The following conditions shall be satisfied for an eligible project:

(1) The owner of the real property into which the lateral is to be installed must also be the owner of the housing unit located thereon.

(2) The property lateral is located in an area that is served by a sewage collection and treatment system and the property lateral is required by the municipality or municipal authority to connect to the system.

(3) The design and installation of the property lateral is the most cost-effective system available to meet the needs of the unit.

(4) The municipality or municipal authority has established a tapping fee.

(5) The inspector employed by the municipal authority which will operate the collection and treatment system to which the lateral is connected, or the municipal code enforcement officer or the designee of the municipality or the SEO has certified that the property lateral, including piping within the unit, meets all permit requirements under applicable State and municipal laws and regulations.

(6) The construction activity to be financed by a loan or grant under the program has not commenced and the tapping fee has not been paid prior to the time of application



approval by the local lending institution.

Section 505. Eligible costs.

Eligible costs shall include:

(1) All testing, design, materials and construction costs associated with the property lateral, including a grinder pump, if required.

(2) Permit fees.

(3) Interest during construction or financing of the project and allowance for funds used during construction.

(4) Costs relating to the closing of an applicant's loan, such as legal fees, credit reports, title reports, insurance, judgment reports, lien certificates, appraisal fees and loan origination fees.

(5) Tapping fees.

Section 506. Ineligible costs.

Grants and loans awarded under the program may not be used for the costs of acquisition of land or right-of-way for a project.

Section 507. Financial assistance terms and conditions.

(a) Financial assistance.--Financial assistance under the program shall be in the form of loans or grants as follows:

(1) The interest rate offered on loans shall be 1% per annum.

(2) The maximum amount of a loan shall be no greater than 80% of eligible costs and in no case may exceed \$12,000. The maximum amount of a grant shall be \$15,000.

(3) The minimum amount of a loan shall be \$1,500. The minimum amount of a grant shall be \$500.

(4) The maximum term of a loan shall be 15 years.

(5) Loan repayment shall commence no later than 60 days

1 after the date of loan closing.

2 (b) Collateral.--Collateral shall be determined by the local  
3 financial institution under guidance and policies established by  
4 the authority and may include, but are not limited to, a  
5 mortgage on the borrower's property subordinate only to the debt  
6 outstanding at the time of loan approval by the local financial  
7 institution.

8 (c) Repayment.--A loan shall be repaid in full if the  
9 property to which it applies is either sold or transferred to  
10 other than an immediate family member.

11 (d) Fees.--The borrower may be charged fees for delinquent  
12 payment of either principal or interest on a loan if the  
13 potential fees are described in the loan agreement entered into  
14 and agreed to by the borrower and the local lending institution.

15 (e) Documentation.--An applicant shall apply for funding to  
16 a local lending institution by submitting documentation as may  
17 be required to demonstrate compliance with standards of the  
18 local lending institution under guidance and policies of the  
19 authority.

20 (f) Local lending institution.--Upon receipt of a funding  
21 application, the local lending institution shall:

22 (1) Verify that the applicant meets the eligibility  
23 criteria of section 503.

24 (2) Verify that the application is valid and contains  
25 all required documentation.

26 (3) Verify through the municipality or municipal  
27 authority that sufficient funds are available to approve the  
28 application.

29 (4) Perform credit and security checks needed to ensure  
30 that the applicant meets the collateral requirements of the

1 authority.

2 (g) Approval.--A local lending institution may approve an  
3 application for funding under the program only if the conditions  
4 under subsection (k) are satisfied.

5 (h) Completion of review.--Upon completion of its  
6 application review, a local lending institution shall notify the  
7 applicant and the municipality or municipal authority of the  
8 following:

9 (1) The outcome of its review.

10 (2) Whether the applicant is eligible for a grant.

11 (3) Whether the applicant's loan is approved.

12 (4) The amount and terms of the loan.

13 (i) Funds.--Funds shall be disbursed to the contractor on  
14 behalf of the borrower or to the borrower upon completion of  
15 construction and final inspection and certification from the  
16 municipality or municipal authority that the project has been  
17 completed in accordance with all permit requirements and is  
18 operable as designed and intended.

19 (j) Changes.--A change to an approved project which is  
20 inconsistent with the approved design for which the permit was  
21 issued may not be made unless the municipality or municipal  
22 authority gives prior approval to the change.

23 (k) Recordkeeping.--

24 (1) A borrower shall maintain financial records to  
25 substantiate expenditures on an approved project.

26 (2) A local financial institution shall maintain  
27 financial and activity records on a loan application and  
28 approved loan and shall report this information to the  
29 municipality or municipal authority in a form and at those  
30 times as may be requested.

1     (1) Financial assistance documents.--The authority and  
2     municipalities shall develop and adopt financial assistance  
3     documents which, among other things, define the terms and  
4     conditions under which financial assistance must be offered  
5     under the program. These documents shall be used by local  
6     financial institutions participating in the program without  
7     change, except as approved by the authority.

8     Section 508. Funds and accounts.

9     (a) Establishment of funds.--The authority may establish  
10    separate funds, accounts or other financial structures as may be  
11    needed to implement and operate the program.

12    (b) Approval.--The authority may from time to time approve  
13    such funding, including the pledging of the authority's  
14    revenues, as it deems appropriate to finance the program.

15    (c) Liability.--The authority shall not be held liable for  
16    loan offers or approvals made by a local lending institution or  
17    a municipality or municipal authority in the absence of prior  
18    authority-approved funding.

19    Section 509. Loan servicing.

20    (a) Purchase of loans.--A municipality or municipal  
21    authority shall purchase loans originated by a local lending  
22    institution on a schedule agreed to by the municipality or  
23    municipal authority and the local lending institution.

24    (b) Monitoring.--The municipality or municipal authority  
25    shall monitor and service the loans purchased.

26    (c) Loan servicing fee.--The municipality or municipal  
27    authority may charge a loan servicing fee to defray the costs  
28    that it incurs to service loans under the program. These loan  
29    servicing fees shall be charged to and shall be the sole  
30    responsibility of program borrowers.

1 Section 510. Program monitoring.

2 The borrower shall submit to the municipality or municipal  
3 authority receipts for the project in accordance with the  
4 schedule and requirements contained in the loan agreement.

5 Failure to provide the receipts in accordance with the schedule  
6 shall constitute a violation of the loan agreement.

7 Section 15. Sections 18, 19, 20 and 21 of the act are  
8 repealed.

9 Section 16. The act is amended by adding a chapter to read:

10 CHAPTER 9

11 MISCELLANEOUS PROVISIONS

12 Section 901. Appropriation.

13 The sum of \$5,000,000, or as much as may be necessary, is  
14 hereby appropriated to the Pennsylvania Infrastructure Authority  
15 for the fiscal year July 1, 2001, to June 30, 2002, to carry out  
16 the provisions of chapter 5.

17 Section 902. Repeal.

18 All acts and parts of acts are repealed insofar as they are  
19 inconsistent with this act.

20 Section 17. This act shall take effect in 90 days.