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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**SENATE RESOLUTION**

**No. 50**

Session of  
2003

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INTRODUCED BY DENT, EARLL, M. WHITE, ERICKSON, WONDERLING,  
PILEGGI, ORIE, TOMLINSON, RAFFERTY, THOMPSON, KUKOVICH,  
TARTAGLIONE, COSTA, WOZNIAK, MUSTO, O'PAKE, STACK, BOSCOLA  
AND KASUNIC, MARCH 24, 2003

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REFERRED TO FINANCE, MARCH 24, 2003

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A RESOLUTION

1 Urging the President and Congress of the United States to  
2 restructure the requirement in section 149(d) of the Internal  
3 Revenue Code of 1986, either legislatively or by regulation,  
4 to ease the limits on the refinancing of long-term debt and  
5 on the advance refunding of private activity bonds by state  
6 and local governments.

7 WHEREAS, As state and local governments begin working on  
8 their annual budgets, they are faced with weighing the  
9 unpalatable choices of program cuts, tax hikes or both to make  
10 up budget shortfalls as a result of the sluggish economy; and

11 WHEREAS, In 1986 the Congress of the United States added a  
12 limitation to the Internal Revenue Code of 1986 providing that  
13 state and local governments can refinance long-term debt  
14 (municipal bonds) only once so that a flood of tax-exempt  
15 municipal bonds would not deprive the United States Treasury of  
16 tax revenue; and

17 WHEREAS, Many state and local governments refinanced their  
18 long-term debt during the 1990s to take advantage of the lower  
19 interest rates at that time; and

1       WHEREAS, The slowdown in the economy has led to even lower  
2 interest rates and provides the potential for state and local  
3 governments to refinance currently outstanding debt at  
4 historically low-interest rates and may hold the answer  
5 governments are looking for in an attempt to save badly needed  
6 funds; and

7       WHEREAS, By Federal law, those same governments now have only  
8 one opportunity to take advantage of favorable market conditions  
9 and achieve lower borrowing costs; and

10       WHEREAS, Section 149(d) of the Internal Revenue Code of 1986  
11 also prohibits the advance refunding of all private activity  
12 bonds, other than qualified section 501(c)(3) bonds, if the  
13 bonds are to maintain their tax-exempt status; and

14       WHEREAS, Private activity bonds are commonly used by state  
15 agencies and local governments to finance important initiatives  
16 such as housing and redevelopment projects; and

17       WHEREAS, Current economic uncertainties increasingly pinch  
18 state and local government budgets compounded by the increased  
19 and unforeseen burdens of funding safeguards against terrorism;  
20 and

21       WHEREAS, In order to provide state and local governments with  
22 the tools and flexibility they need to face these changing  
23 circumstances, additional opportunities are needed to advance  
24 the refunding of outstanding debt; therefore be it

25       RESOLVED, That the Senate of the Commonwealth of Pennsylvania  
26 urge the President and the Congress of the United States to  
27 restructure the requirement in section 149(d) of the Internal  
28 Revenue Code of 1986, either legislatively or by regulation, to  
29 afford state and local governments the flexibility they need to  
30 take advantage of favorable market conditions by providing

1 additional opportunities to advance the refunding of outstanding  
2 long-term debt; and be it further

3       RESOLVED, That copies of this resolution be transmitted to  
4 the President of the United States, to the presiding officers of  
5 each house of Congress and to each member of Congress from  
6 Pennsylvania.