

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2294 Session of  
2005

INTRODUCED BY DIVEN, CALTAGIRONE, CREIGHTON, MUSTIO, PISTELLA  
AND W. KELLER, DECEMBER 5, 2005

REFERRED TO COMMITTEE ON STATE GOVERNMENT, DECEMBER 5, 2005

AN ACT

1 Amending the act of July 10, 1987 (P.L.246, No.47), entitled "An  
2 act empowering the Department of Community Affairs to declare  
3 certain municipalities as financially distressed; providing  
4 for the restructuring of debt of financially distressed  
5 municipalities; limiting the ability of financially  
6 distressed municipalities to obtain government funding;  
7 authorizing municipalities to participate in Federal debt  
8 adjustment actions and bankruptcy actions under certain  
9 circumstances; and providing for consolidation or merger of  
10 contiguous municipalities to relieve financial distress,"  
11 further providing for contents of the coordinator's plan.

12 The General Assembly of the Commonwealth of Pennsylvania  
13 hereby enacts as follows:

14 Section 1. Section 241 of the act of July 10, 1987 (P.L.246,  
15 No.47), known as the Municipalities Financial Recovery Act,  
16 amended June 30, 1992 (P.L.336, No.69) and repealed in part  
17 October 13, 1994 (P.L.596, No.90), is amended to read:

18 Section 241. Contents.

19 A plan formulated by the appointed coordinator shall be  
20 consistent with applicable law and shall include any of the  
21 following factors which are relevant to alleviating the  
22 financially distressed status of the municipality:

1           (1) Projections of revenues and expenditures for the  
2           current year and the next two years, both assuming the  
3           continuation of present operations and as impacted by the  
4           measures in the plan.

5           (2) Recommendations which will:

6                 (i) Satisfy judgments, past due accounts payable,  
7                 and past due and payable payroll and fringe benefits.

8                 (ii) Eliminate deficits and deficit funds.

9                 (iii) Restore to special fund accounts money from  
10                those accounts that was used for purposes other than  
11                those specifically authorized.

12                (iv) Balance the budget, avoid future deficits in  
13                funds and maintain current payments of payroll, fringe  
14                benefits and accounts through possible revenue  
15                enhancement recommendations, including tax or fee  
16                changes.

17                (v) Avoid a fiscal emergency condition in the  
18                future.

19                (vi) Enhance the ability of the municipality to  
20                negotiate new general obligation bonds, lease rental  
21                debt, funded debt and tax and revenue anticipation  
22                borrowing.

23                (vii) Consider changes in accounting and automation  
24                procedures for the financial benefit of the municipality.

25                (viii) Propose a reduction of debt due on specific  
26                claims by an amortized or lump-sum payment considered to  
27                be the most reasonable disposition of each claim possible  
28                for the municipality considering the totality of  
29                circumstances.

30           (3) [Possible changes in collective bargaining

1 agreements and permanent and temporary staffing level changes  
2 or changes in organization.] Recommended mandates applicable  
3 to collective bargaining which will:

4 (i) Set broad perimeters limiting a collective  
5 bargaining agreement's financial impact on the  
6 municipality and should not include specific line item  
7 changes.

8 (ii) Set changes in permanent and temporary staffing  
9 levels or changes in organization.

10 (4) Recommended changes in municipal ordinances or  
11 rules.

12 (5) Recommendations for special audits or further  
13 studies.

14 (6) An analysis of whether conditions set forth in  
15 section 261 exist, whether specific exclusive Federal  
16 remedies could help relieve the municipality's financial  
17 distress and whether filing a Federal debt adjustment action  
18 under Subchapter D is deemed to be appropriate.

19 (7) An analysis of whether the economic conditions of  
20 the municipality are so severe that it is reasonable to  
21 conclude that the municipality is no longer viable and should  
22 consolidate or merge with an adjacent municipality or  
23 municipalities.

24 (8) An analysis of whether functional consolidation of  
25 or privatization of existing municipal services is  
26 appropriate and feasible and recommendations for where and  
27 how this could be done.

28 (9) A capital budget which addresses infrastructure  
29 deficiencies.

30 (10) Recommendations for greater use of Commonwealth

- 1 economic and community development programs.
- 2 Section 2. This act shall take effect in 60 days.