

No. 1990-210

AN ACT

HB 1587

Providing loans to municipalities; creating a loan fund; conferring powers upon the Department of Community Affairs; and transferring an appropriation.

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

Section 1. Short title.

This act shall be known and may be cited as the Local Government Capital Project Loan Fund Act.

Section 2. Definitions.

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

“Department.” The Department of Community Affairs of the Commonwealth.

“Equipment.” Any truck, car, bulldozer, backhoe, grader, highlift, forklift, street sweeper, other mechanized vehicle or data processing equipment, including any computer, terminal, printer, expansion unit, display unit or related component of a data processing system.

“Facilities.” Any structure used to house offices or equipment and the land on which the structure is situated.

“Fund.” The Local Government Capital Project Loan Fund.

“Municipality.” Any borough, town, first class township, second class township, third class city or county, provided that the term shall not include any boroughs, towns, townships, cities or counties which have a population in excess of 12,000.

Section 3. Assistance to municipalities.

(a) Purposes; amounts.—The department is hereby authorized, upon application of a municipality, to make loans to the municipality for the following purposes and in the following amounts:

(1) Purchasing equipment. The amount of a loan made for purchasing equipment shall not exceed \$25,000 for any single piece of equipment or 50% of the total cost of the piece of equipment, whichever is less.

(2) Purchasing, constructing, renovating or rehabilitating facilities. The amount of a loan made for purchasing, constructing, renovating or rehabilitating facilities shall not exceed \$50,000 for any single facility or 50% of the total cost for purchasing, constructing, renovating or rehabilitating the facility, whichever is less.

(b) Terms.—Loans made by the department shall be for a period of not more than ten years. Loans shall be subject to the payment of interest at 2% per annum and shall be subject to such security as shall be determined by the department. The total amount of interest earned by the investment or rein-

vestment of all or any part of the principal of any loan shall be returned to the department and transferred to the fund and shall not be credited as payment of principal or interest on the loan. The minimum amount of any loan shall be \$1,000. The municipality shall comply with the approval requirements of the act of July 12, 1972 (P.L.781, No.185), known as the Local Government Unit Debt Act.

(c) Financial statement.—Every application for a loan under this act shall be accompanied by a financial statement of the municipality and a financial plan to show how the loan will be repaid. Every application shall be accompanied by evidence sufficient to show that all costs, except the amount of the loan, will be met by assets or revenues of the municipality, grants or loans from other sources, or in-kind contributions or services.

(d) Limitations.—Loans under this act shall be used for purchasing equipment and for purchasing, constructing, renovating or rehabilitating facilities and shall not be used for operating expenses or for the refinancing or reduction of any debt or obligation incurred prior to the effective date of this act.

(e) Regulations.—Loans made by the department shall be paid from the fund to municipalities in accordance with rules and regulations promulgated by the department.

(f) Interest.—All payments of interest on loans and the principal thereof shall be deposited by the department in the fund.

Section 4. Local Government Capital Project Loan Fund.

(a) Fund.—There is hereby created a special fund in the Treasury Department, to be known as the Local Government Capital Project Loan Fund, to which shall be credited all appropriations made by the General Assembly, other than appropriations for expenses of administering this act, or grants from other sources to the department as well as repayment of principal and interest on loans made pursuant to this act.

(b) Revolving fund.—The department shall routinely requisition from the fund such amounts as shall be allocated by the department for loans to municipalities pursuant to this act. When and as the amounts so allocated by the department as loans to municipalities are repaid to the department pursuant to the terms of the agreements made and entered into with the department, the department shall pay such amounts into the fund, it being the intent of this act that the fund shall operate as a revolving fund whereby all appropriations and payments made thereto may be applied and reapplied for the purposes of this act.

Section 5. Powers and duties of the department.

In addition to the powers and duties conferred upon the department under other provisions of law, the department shall have the power and duty to:

- (1) Lend money for the purposes authorized by this act over a term of years, but in no case in excess of ten years.
- (2) Accept grants from the Federal Government and any other individual, agency or government for use in the fund.
- (3) Prescribe the form of the application for a loan pursuant to this act.

(4) Advise a municipality regarding the financial ability of the municipality to purchase equipment or to purchase, construct, renovate or rehabilitate facilities.

(5) Assist a municipality in taking advantage of joint purchasing arrangements and of opportunities to purchase surplus equipment from the Commonwealth or other political subdivisions.

(6) Require security for a loan, if determined to be necessary.

(7) Specify priority of liens against any facilities or equipment purchased by a municipality using funds loaned pursuant to this act, if determined to be necessary.

(8) Establish a schedule which provides at least an annual opportunity for municipalities to apply for and receive loans.

Section 6. Ranking of applications.

Whenever the department determines that there will not be enough money in the fund to make loans to all of the municipalities expected to submit eligible applications during an application period, the department shall rank the applications in order of priority to determine which loans shall be made first. A system of ranking shall be established for the purposes of this section by regulation and shall provide for consideration of factors such as whether the municipality has previously received a loan pursuant to this act; the financial condition of the municipality; and the impact of the purchase of equipment or the purchase, construction, renovation or rehabilitation of facilities on the health, safety or welfare of the residents of the municipality.

Section 7. Guidelines and regulations.

(a) *One-year exemption from review.*—In order to facilitate the speedy implementation of this program, the department shall have the power and authority to promulgate, adopt and use guidelines which shall be published in the Pennsylvania Bulletin. The guidelines shall be subject to review pursuant to section 205 of the act of July 31, 1968 (P.L.769, No.240), referred to as the Commonwealth Documents Law, and to sections 204(b) and 301(10) of the act of October 15, 1980 (P.L.950, No.164), known as the Commonwealth Attorneys Act, but shall not be subject to review pursuant to the act of June 25, 1982 (P.L.633, No.181), known as the Regulatory Review Act, and shall be effective for a period not to exceed one year from the effective date of this act.

(b) *Expiration of exemption.*—After the expiration of the one-year period all guidelines shall expire and shall be replaced by regulations which shall have been promulgated, adopted and published as provided by law.

Section 8. Transfer of funds.

The appropriation in the amount of \$500,000 to the Department of Community Affairs for low-interest loans to local governments for purchasing capital equipment or for purchasing, constructing, renovating or rehabilitating facilities in section 211 of the act of July 1, 1990 (P.L.1591, No.7A), known as the General Appropriation Act of 1990, is hereby transferred to the Local Government Capital Project Loan Fund.

Section 9. Expiration.

This act shall expire June 30, 1994.

Section 10. Effective date.

This act shall take effect immediately.

APPROVED—The 19th day of December, A. D. 1990.

ROBERT P. CASEY