



Senate Finance Committee

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BILL SUMMARY

SENATE BILL 1277, PN 1807 (SENATOR BOSCOLA)

Summary:

Senate Bill 1277 amends Title 53 (Municipalities Generally), of the Pennsylvania Consolidated Statutes, in municipal authorities, further providing for purposes and powers; and, in interest rate risk and interest cost management, further providing for qualified interest rate management agreements.

Specifically, Senate Bill 1277 provides that no local government unit may negotiate or enter into a qualified interest rate management agreement. This language bans municipal authorities from using “swaps”.

Senate Bill 1277 also provides that nothing in this act shall be construed to affect and qualified interest rate management agreement entered into by a local government unit prior to the effective date of this section.

Effective Date:

This act shall take effect immediately.

Background:

The Auditor General recently released a report and audit of local governments’ use of risky financial derivatives. Senate Bill 1277 is the first part of the package of bills, together with Senate Bill 1278, to address three of the recommendations made by the Auditor General’s report by banning the use of swaps by all local government units, requiring local governmental units to use a competitive selection process for the hiring of financial advisors and requiring a quarterly evaluation of financial advisors.