



Senate Finance Committee

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BILL SUMMARY

SENATE BILL 1278, PN 1808 (SENATOR BOSCOLA)

Summary:

Senate Bill 1278 amends Title 53 (Municipalities Generally), of the Pennsylvania Consolidated Statutes, in municipal authorities, further providing for purposes and powers; in indebtedness and borrowing, providing for financial advisors and independent financial advisors; and, in interest rate risk and interest cost management, further providing for qualified interest rate management agreements.

Senate Bill 1278 provides that no authority may enter into a qualified interest rate management agreement after the effective date of the act. This language bans municipal authorities from using “swaps”.

Senate Bill 1278 further provides that, if a local government unit decides to retain, as authorized by law, the services of a financial advisor, it may do so only through a competitive selection process. In addition, a local government shall evaluate the quality, cost and independence of the services provided by its financial advisor not less than quarterly and report the results of the evaluation to the public.

Nothing in this act shall be construed to affect any 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 1278 is the second part of the package of bills, together with Senate Bill 1277, 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.