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Pennsylvania State Senate Passes Municipal Debt Reform Bills Born of Harrisburg Incinerator Fiasco.

The state Senate Wednesday passed a series of municipal debt reform bills designed to prevent a repeat of the problems created by former Harrisburg Mayor Stephen R. Reed's aggressive use of bond financing for pet projects and budgetary needs.

Reed's actions, executed by municipal authorities that effectively served as rubber stamps for most of his 28 years in office, ultimately left Harrisburg facing a \$300 million-plus debt load that forced the capitol city into state oversight.

Harrisburg's home senator, Rob Teplitz, D-Dauphin County, called the bills the logical conclusion of a forensic audit kicked off in 2010 by a post-Reed Harrisburg Authority.

That audit, and a follow-up investigation by the state Attorney General's office, has resulted in a pending criminal case against Reed.

Teplitz applauded prosecutors for those efforts at accountability, and Gov. Tom Wolf and lawmakers for ongoing fiscal assistance to the Capitol city's recovery through the Act 47 process.

But he said it's just as vital to pass these bills as a preventive measure for other municipalities.

Sen. John Eichelberger, R-Blair County, who helped steer the current package of bills to the Senate floor in his role as former chair of the Senate's Local Government Committee, agreed.

"It was bad practice (in Harrisburg), it was done by people who are still operating in Pennsylvania, and we've got to make sure that something like this doesn't happen anywhere else again."

Each piece of the three bill package passed on a 50-0 vote. The bills, which still require action in the state House, would:

* Clarify that a performance bond or equivalent security must cover 100 percent of the construction cost for any major public works project entered into by local government entities.

Lack of a performance bond caused major issues for Harrisburg's incinerator project when the contractor hired for a major upgrade in 2003 couldn't complete the project, forcing the Harrisburg Authority into subsequent borrowings both to finish the original project, and to make additional fixes when it failed to work.

* Prohibit one government body from charging a fee to another to provide a guarantee of bonds, something both the City of Harrisburg and Dauphin County did in exchange for backing Harrisburg Authority loans on its incinerator upgrades.

Cross-government guarantees could still be extended to solidify a borrowing; but the guarantor would no longer be able to use its backing as a money-maker, thereby driving up the overall costs of

the borrowing.

* Seek to build more transparency throughout the bond process, including clarifications that any proceeds from bond issues or similar borrowings can only be used for the original, specified purposes.

This was also a problem in Harrisburg, state prosecutors allege, when vague administrative fees charged by the Harrisburg authority were used to support Reed's agenda of economic development projects.

* Clarify that no borrowing can include more than one year of "working capital," or funds intended to keep certain revenue-generating enterprises afloat through its start-up period.

This change is intended to prevent repeat refinancings on bad projects that show little chance of becoming self-sufficient.

* Create new enforcement provisions for willful violations of the state's debt act, and adds members of municipal authorities to the list of public officials covered by the state's Ethics Act.

* Beef up state review of local government borrowings by requiring filings with the state Department of Community and Economic Development prior to, instead of after, final votes by local officials.

It was not immediately clear if the municipal debt reform package will be considered in the House before the end of the current legislative session. Only a handful of session days are scheduled between now and the Nov. 8 election.

Steve Miskin, spokesman for the majority House Republicans, could only say that "we will look at the Senate bills and give them due consideration."

Eichelberger, however, said after Wednesday's votes he will try to help close the sale in the House by explaining the package to anyone with questions, highlighting its unanimous passage, and noting that the Wolf Administration and numerous other stakeholders have thoroughly vetted it.

Penn Live

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