

TURKEYFOOT VALLEY AREA SCHOOL DISTRICT

SECTION: FINANCES

TITLE LOCAL GOVERNMENT UNIT
DEBT ACT – ACT 185

ADOPTED: AUGUST 18, 2014

REVISED:

FORMERLY 8100

626. LOCAL GOVERNMENT UNIT DEBT ACT – ACT 185

1. Act 185, which went into effect on July 12, 1972, sets forth the percentage factors to determine non-electoral borrowing limits.
2. Under Act 185, there is no limit to the amount of debt that can be incurred with voter approval. The Act also removes any interest rate ceiling on municipal borrowing. There is a provision in the Act that all bonds or notes approved by the voters must be issued within seven years.
3. If the Board of School Directors uses a municipal or the State School authority, the factor used is called “lease rental.” The “special purpose” factor is for certain regional services permitting another 100% with the approval of the Commonwealth Court. In a like manner, the Commonwealth Court may approve an additional 50% for emergency use.
4. Act 185 has further maintenance regulatory controls in the General Assembly and through the Department of Community Affairs. Certain areas of Act 185 give the General Assembly “inherent legislative power.” The role of the Department of Community Affairs includes the following:
 - A. Approve all types of bond and note issues, unless authorized by the Commonwealth Court and all new lease rental agreements. This approval must occur before final legal borrowing action can be consummated. However, if the Department of Community Affairs fails to take action on the submitted documents within 20 days approval is considered automatic;
 - B. Approve all computations of net debt limits which must be submitted to it on each occasion that a municipality seeks to incur additional debt.
 - C. Approve any debt as being self-liquidating or subsidized;
 - D. Audit sinking funds;
 - E. Maintain records on municipal indebtedness;
 - F. Generally administer the law.
5. The Department of Community Affairs will clarify the act by administrative policy, declarative opinion, legislative amendment or court decision.
6. The following are advantages of Act 185:
 - A. Offering many of the advantages of authority financing formerly provided under the General Obligation Non-Debt Bond Law;
 - B. The abolition of interest rate limits on municipal borrowing;
 - C. The utilization and/or combination of serial and term bonds;

- D. The relating of non-electoral debt limits to a more responsive and flexible borrowing base;
- E. The provision for one approximately level annual debt service;
- F. The option to sell bonds or notes publicly or privately;
- G. The consolidation of numerous Governmental borrowing provisions into one uniform act.

7. Power to Incur Debt; Limitations. See School Laws of Pennsylvania, Section 631.

Reviewed 6/28/01, 6/19/06

REVIEWED 12/05/00, 10/17/05

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