

C. Alan Walker, Secretary
Department of Community and Economic Development
Act 47 Hearing – Municipal Fiscal Distress
October 20, 2011

Mr. Chairman and members of the Committee, thank you for the opportunity to provide testimony this morning on the Municipalities Financial Recovery Act, Act 47 of 1987.

As the Secretary of the Department of Community and Economic Development, a number of programs designed to aid local governments falls under my jurisdiction; including the Municipalities Financial Recovery Act, Act 47.

Fred Reddig, Executive Director of the Governor's Center for Local Government Services will be going into more detail with regards to Act 47 and municipal bankruptcy. However, I would like to share with you a brief overview.

Since 1987, the Department has declared 26 municipalities as distressed. Only one has entered Chapter 9, federal bankruptcy – Westfall Township in Pike County. To date six of the designated municipalities have emerged from the program, though eleven of the municipalities have been in the program for ten years or more.

Having spent over 40 years in the private sector, in my experience I have found that those who fail to plan and think strategically, plan to fail and I have always made a point in business to think strategically and we are using that same approach at DCED.

In some cases that is where municipalities have failed and as a result, find themselves in fiscal insolvency. And that is where programs like the Early Intervention Program and Act 47 come in – to work with the municipality to develop a strategic recovery plan.

Generally, Act 47 has been largely successful at stabilizing the deteriorated fiscal conditions that led to distress in designated municipalities. Through extensive technical assistance resources provided by the Coordinator and DCED along with the grant and loan provisions of the Act, municipalities have been able to restore fiscal stability and adequately provide for the health, safety and welfare of their residents.

The Act has resulted in strengthened financial management systems, credit enhancement and fiscal credibility in the marketplace, more effective management structures and in a number of instances service efficiencies through intergovernmental cooperation.

With this being said, that is why hearings like today are so important. It really gives you the opportunity to listen to testimony about what has worked, what has not worked and any gaps that may exist.

We do not know for sure how many municipalities will become insolvent in the future; however, taking into account the current economic downturn, it is likely that other municipalities are becoming more and more at risk.

I apologize that I am unable to stay today, but I look forward to working with you to continue providing our local governments with the support needed to succeed and provide core services to our citizens. Thank you.