

2014 -- S 2585

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT - QUASI-PUBLIC
CORPORATIONS ACCOUNTABILITY AND TRANSPARENCY ACT

Introduced By: Senators Sheehan, DiPalma, Sosnowski, Walaska, and Algieri

Date Introduced: March 04, 2014

Referred To: Senate Government Oversight

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 155

4 QUASI-PUBLIC CORPORATIONS ACCOUNTABILITY AND TRANSPARENCY ACT

5 **42-155-1. Title.** – This chapter shall be known and may be cited as the “Quasi-Public
6 Corporations Accountability and Transparency Act.”

7 **42-155-2. Legislative findings.** -- It is hereby found that:

8 (1) Quasi-public corporations are established and empowered by state law, and would not
9 exist but for their relationship with the state.

10 (2) Quasi-public corporations perform essential government functions and/or provide
11 essential government services.

12 (3) Many quasi-public corporations are granted the public power to collect fees and/or
13 generate other revenue and incur debt.

14 (4) Quasi-public corporations manage significant public resources; however, the majority
15 are exempt from many kinds of public oversight, such as executive and legislative budgetary
16 review required of state agencies and departments.

17 (5) It is essential that quasi-public corporations provide more, not less transparency by
18 making their decisions and budgets especially transparent and open to public scrutiny, and by

1 demonstrating a commitment to protecting the interests of Rhode Island taxpayers by achieving
2 the highest standards of transparent, effective and ethical operation.

3 (6) Quasi-public corporations are governed by independent boards that serve a critical
4 oversight function, and there exists a need to strengthen the ability of board members to carry out
5 this oversight role.

6 (7) Rhode Island citizens rely on their government to provide oversight of quasi-public
7 corporations, with a goal of ensuring that these state entities carry out their government missions
8 effectively, and exemplify a commitment to transparent, accountable and effective government.

9 (8) The general assembly has made comprehensive amendments to the Rhode Island
10 commerce corporation's enabling legislation to enhance transparency and accountability, provide
11 board members with additional tools to exercise crucial oversight, establish increased reporting
12 requirements, and establish regularly scheduled audits of the corporation. All Rhode Island quasi-
13 public corporations should be held to these higher standards of transparency and accountability.

14 **42-155-3. Definitions. --** (a) As used in this chapter, "quasi-public corporation" means
15 any body corporate and politic created or to be created pursuant to the general laws, including,
16 but not limited to, the following:

17 (1) Capital center commission;

18 (2) Rhode Island convention center authority;

19 (3) Rhode Island industrial facilities corporation;

20 (4) Rhode Island industrial-recreational building authority;

21 (5) Rhode Island small business loan fund corporation;

22 (6) Quonset development corporation;

23 (7) Rhode Island airport corporation;

24 (8) I-195 redevelopment district commission;

25 (9) Rhode Island health and educational building corporation;

26 (10) Rhode Island housing and mortgage finance corporation;

27 (11) Rhode Island higher education assistance authority;

28 (12) Rhode Island student loan authority;

29 (13) Narragansett bay commission;

30 (14) Rhode Island clean water finance agency;

31 (15) Rhode Island water resources board;

32 (16) Rhode Island resource recovery corporation;

33 (17) Rhode Island public rail corporation;

34 (18) Rhode Island public transit authority;

- 1 (19) Rhode Island turnpike and bridge authority;
2 (20) Rhode Island tobacco settlement financing corporation; and
3 (21) Any subsidiary of the Rhode Island commerce corporation.
4 (b) Cities, towns, and any corporation created by a city or town pursuant to ordinance,
5 and fire and water districts are not subject to the provisions of this chapter.
6 (c) The Rhode Island commerce corporation, being subject to similar transparency and
7 accountability requirements set forth in chapter 42-64, shall not be subject to the provisions of
8 this chapter.

9 **42-155-4. Role and responsibilities of board members. --** (a) Board members of
10 quasi- public corporations shall:

11 (1) Execute oversight of the corporation, the chief executive, and other management in
12 the effective and ethical management of the corporation;

13 (2) Understand, review and monitor the implementation of fundamental financial and
14 management controls and operational decisions of the corporation;

15 (3) Adopt a code of ethics applicable to each officer, director and employee of the
16 corporation that, at a minimum, includes the standards established in chapter 36-14 ("Code of
17 Ethics");

18 (4) Adopt a mission statement expressing the purpose and goals of the corporation, a
19 description of the stakeholders of the corporation and their reasonable expectations from the
20 corporation and a list of measurements by which performance of the corporation and the
21 achievement of its goals may be evaluated. Each corporation shall at least once every three (3)
22 years publish a self-evaluation based on the stated measurements;

23 (5) Adopt and periodically update an indemnification policy which shall be set forth in
24 the bylaws of the corporation; and

25 (6) Perform each of their duties as board members, including, but not limited to, those
26 imposed by this section, in good faith and with that degree of diligence, care and skill which an
27 ordinarily prudent person in like position would use under similar circumstances, and ultimately
28 apply independent judgment in the best interest of the quasi-public corporation, its mission and
29 the public;

30 (b) Board members of quasi-public corporations shall establish and maintain written
31 policies and procedures for the following:

32 (1) Internal accounting and administrative controls in accordance with the provisions of
33 chapter 35-20, the "Public Corporation Financial Integrity and Accountability Act";

34 (2) Travel, including lodging, meals and incidental expenses; provided, however, that no

1 reimbursement shall exceed the allowable state employee reimbursement amount per day;
2 (3) Grants, charitable and civic donations and/or contributions; provided, however, that
3 all such grants, donations or contributions shall be voted on by the full board during an open
4 meeting and the vote shall be recorded in the minutes of the meeting, together with:
5 (i) The citation to the specific state statute authorizing the action;
6 (ii) An explanation of how the grant, donation or contribution relates to the corporation's
7 mission;
8 (iii) The identity of each board member or employee of the corporation that will receive
9 any benefit from the grant, donation or contribution including without limitation tickets to events,
10 meals, and golf;
11 (iv) Any disclosure required by chapter 36-14 ("Code of Ethics"); and
12 (v) Each such grant, donation or contribution shall be clearly identified in the financial
13 statements of the corporation.
14 (4) Credit card use; provided, however, that pursuant to § 35-20-10, no credit card shall
15 be used for personal use;
16 (5) Employee reimbursement, including requests by management for business expenses
17 and expenses classified as gifts or entertainment;
18 (6) Personnel, including hiring, dismissing, promoting and compensating employees of
19 the corporation;
20 (7) Marketing expenses; and
21 (8) Lobbyists' expenses.
22 (c) The written policies and procedures required by this section and any additional
23 written policies and procedures that the board may adopt shall be approved by the board during
24 an open meeting and the vote shall be recorded in the minutes of the meeting.
25 (d) No board member shall serve in a paid capacity as an employee or consultant of the
26 corporation.
27 **42-155-5. Executive compensation. --** (a) Each quasi-public corporation shall
28 establish a committee on executive compensation comprised solely of board members which
29 shall:
30 (1) Recommend to the full board the compensation packages of the executive and senior
31 management of the corporation. The compensation package of the executive officer shall be
32 based on a comprehensive and objective analysis of comparable compensation of similar officers
33 of state government, other authorities, quasi-public corporations, and private-sector employees
34 with similar functions and responsibilities. The committee may retain a consultant to assist in the

1 comparability study. When calculating compensation, the committee shall consider the value of
2 the retirement plan in the overall compensation package;

3 (2) Prepare clear written job descriptions and clear written expectations of job
4 performance for the executive officer and senior management;

5 (3) Conduct the job performance review of the executive officer at least annually; and

6 (4) Negotiate the employment contract of the executive officer which shall be approved
7 by the full board during an open meeting.

8 **42-155-6. Transparency requirements established. --** The following shall be public
9 and, available to the public upon request and posted directly or via direct link, on the website of
10 each quasi-public corporation:

11 (1) Job descriptions of the executive director and management;

12 (2) Compensation comparability studies of the executive;

13 (3) Quarterly financial statements;

14 (4) Capital improvement plans;

15 (5) Operating budgets;

16 (6) Strategic plan;

17 (7) Agendas and minutes of the open meetings of the board;

18 (8) Quarterly contracting reports required by § 42-90-1;

19 (9) Regulations adopted by the quasi-public corporation;

20 (10) Enabling legislation;

21 (11) Mission statement;

22 (12) Board members;

23 (13) Organizational chart;

24 (14) By laws of the quasi-public corporation;

25 (15) All reports and audits required by this chapter.

26 **42-155-7. Audit of quasi-public corporations. --** (a) Commencing January 1, 2015, and
27 every five (5) years thereafter, each quasi-public corporation shall be subject to a performance
28 audit conducted in compliance with the generally acceptable governmental auditing standards, by
29 the chief of the bureau of audits or a certified public accounting firm qualified in performance
30 audits. The chief of the bureau of audits shall establish a rotating schedule identifying the year in
31 which each quasi-public corporation shall be audited. The schedule shall be posted on the website
32 of the bureau of audits.

33 (b) If the audit is not directly performed by the chief of the bureau of audits, the selection
34 of the auditor and the scope of the audit shall be subject to the approval of the chief of the bureau

1 of audits.

2 (c) The audit shall be conducted in conformance with §§ 35-7-3(b), (c) and (d).

3 (d) Each quasi-public corporation shall be responsible for costs associated with its own
4 audit in an amount not to exceed fifty thousand dollars (\$50,000).

5 (e) The results of the audit shall be made public upon completion and posted on the
6 websites of the bureau of audits and the quasi-public corporation.

7 **42-155-8. Outside employment.** -- No employee of a quasi-public corporation may
8 accept outside employment which will impair his or her judgment as to duties and responsibilities
9 in the course of employment with the quasi-public corporation. Generally, outside employment is
10 barred if the private employer can benefit from the official actions of the employee of the quasi-
11 public corporation.

12 **42-155-9. Rules and regulations and other statutes.** -- When issuing rules and
13 regulations or any amendments to rules and regulations or when adopting by laws or amendments
14 to by laws each quasi-public corporation shall be subject to the provisions of chapter 42-35 (“The
15 Administrative Procedures Act”).

16 **42-155-10. Severability.** -- If any provision of this chapter or of any rule or regulation
17 made under this chapter, or its application to any person or circumstance is held invalid by a court
18 of competent jurisdiction, the remainder of the chapter, rule, or regulation and the application of
19 the provision to other persons or circumstances shall not be affected by this invalidity. The
20 invalidity of any section or sections or parts of any section or sections shall not affect the validity
21 of the remainder of the chapter.

22 SECTION 2. This act shall take effect on January 1, 2015.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT - QUASI-PUBLIC
CORPORATIONS ACCOUNTABILITY AND TRANSPARENCY ACT

- 1 This act would impose standards of accountability and transparency on quasi-public
- 2 corporations.
- 3 This act would take effect on January 1, 2015.

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