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LC003777/SUB A/3

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- PUBLIC FINANCE
MANAGEMENT BOARD

Introduced By: Senators DaPonte, Pearson, DiPalma, Lombardi, and Walaska

Date Introduced: January 12, 2016

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

- 1 SECTION 1. Section 42-10.1-2 of the General Laws in Chapter 42-10.1 entitled "Public
2 Finance Management Board" is hereby amended to read as follows:
- 3 **42-10.1-2. Purpose. --** It shall be the purpose and responsibility of the board:
- 4 (1) To advise and assist all state departments, municipal and regional authorities,
5 agencies, boards, commissions, ~~and~~ public and quasi-public corporations and fire district and
6 other special districts having authority to issue revenue or general obligation bonds or GARVEE
7 bonds or notes or other various types of conduit debt or enter into financing leases with respect to
8 issuance of and financial planning related to all those bonds, leases and notes;
- 9 (2) ~~Upon request, to~~ To advise and/or assist any city or town and any municipal or
10 regional agency, authority, board, commission, ~~or~~ public or quasi-public ~~corporation~~ corporations
11 or fire districts or other special districts having authority to issue revenue or general obligation
12 bonds or GARVEE bonds or notes or other various types of conduit debt or enter into financing
13 leases with respect to the issuance and financial planning related to those bonds, leases and notes;
- 14 (3) To collect, maintain, and provide information on all state, municipal and regional
15 authority, agency, board, commission, public or quasi-public corporation and fire district and
16 other special district debt authorization, sold and outstanding, and serve as a statistical center for
17 all state and municipal debt issues;
- 18 (4) To maintain contact with state municipal and regional authority, agency, board,

1 commission, public or quasi-public corporation or fire district and other special district bond
2 issuers, underwriters, credit rating agencies, investors, and others to improve the market for state
3 and local government debt issues;

4 (5) To undertake or commission studies on methods to reduce the costs and improve
5 credit ratings of state and local debt issues;

6 (6) To recommend changes in state laws and local practices to improve the sale and
7 servicing of state and local debts.

8 (7) To annually compile and ascertain the total amount of state, municipal and regional
9 authority, agency, board, commission, public and quasi-public corporation and fire district and
10 other special district debt authorized, sold and unsold, both in the aggregate and for each such
11 body, and no less frequently than every two (2) years and to oversee the undertaking of a debt
12 affordability study, which shall include all appropriate factors necessary to recommend debt
13 limits for the debt capacity of all state, municipal and regional departments, authorities, agencies,
14 boards, commissions, public and quasi-public corporations and/or fire districts and other special
15 districts having authority to issue revenue or general obligation bonds or GARVEE bonds or
16 notes or other various types of conduit debt or enter into financing leases. The board's analysis
17 and debt affordability study shall be a non-binding recommendation that shall, upon completion,
18 be forwarded to the governor and both chambers of the general assembly for their review.
19 Following such review and subject to any revision or amendment to the recommendation
20 incorporated by the general assembly, the general assembly shall vote to ratify the
21 recommendation or adopt the revised or amended recommendation. The board's analysis and
22 recommendation should include, but not be limited to, a benchmark comparison to the current
23 aggregate and comparative individual body debt burdens in other northeastern states.

24 SECTION 2. Chapter 42-10.1 of the General Laws entitled "Public Finance Management
25 Board" is hereby amended by adding thereto the following section:

26 **42-10.1-2.1. Report of debt. --** (a) The board, at any interval, but no less frequently than
27 annually, shall compile the total amount of state, municipal and regional authority, agency, board,
28 commission, public and quasi-public corporation and fire district and other special district debt
29 authorized, sold and unsold, both in the aggregate and for each such body. The board shall
30 undertake to prepare a debt affordability study, which shall include all appropriate factors
31 necessary to recommend debt limits for the debt capacity of all state, municipal and regional
32 departments, authorities, agencies, boards, commissions, public and quasi-public corporations and
33 or fire district and other special district having authority to issue revenue or general obligation
34 bonds or GARVEE bonds or notes or other various types of conduit debt or enter into financing

1 leases. The board shall provide a full copy of the debt affordability study which shall include a
2 recommended debt limit for each body to the governor and both chambers of the general
3 assembly for their review. Following such review and subject to any revision or amendment to
4 the recommendation incorporated by the general assembly, the general assembly shall vote to
5 ratify the recommendation or adopt the revised or amended recommendation. The board's report
6 and recommendation should include, but not be limited to, a benchmark comparison to a
7 comparative of the current aggregate and individual body debt burdens in other northeastern
8 states.

9 (b) The board shall give notice to any issuer of state, municipal and regional authority,
10 agency, board, commission, public or quasi-public corporation or fire district or other special
11 district debt that their issuance of proposed debt will cause the allowable total debt limit
12 established for any such state, municipal and regional authority, agency, board, commission,,
13 public or quasi-public corporation or fire district or other special district to be exceeded, and that
14 such issuance cannot proceed until that is no longer the case or the allowable total debt limit
15 established for such body is increased and ratified by vote of the general assembly.

16 (c) The board shall provide its initial report and recommendation to the governor and
17 both chambers of the general assembly for their review no later than March 1, 2017. Pending the
18 issuance of that initial report and recommendation, for purposes of §42-10.1-2.1(b) the total debt
19 limit established for each state, municipal and regional authority, agency, board, commission,
20 public or quasi-public corporation or fire district or other special district shall be an amount equal
21 to five percent (5%) above the debt authorized and issued for any such body as of September 1,
22 2016.

23 (d) Tax Anticipation Notes issued by any municipality shall not be considered by the
24 board in determining and recommending a municipalities' debt affordability or debt limit pursuant
25 to this chapter 10.1 of title 42.

26 SECTION 3. Section 42-10.1-4 of the General Laws in Chapter 42-10.1 entitled "Public
27 Finance Management Board" is hereby amended to read as follows:

28 **42-10.1-4. ~~Notice of debt issue to board~~ Notice of debt issue to board. – Subject to**
29 **§42-10.1-2.1. --** (a) Each state, municipal and regional department, authority, agency, board,
30 commission, ~~and~~ public and quasi-public corporation and fire district and other special district
31 having authority to issue revenue or general obligation bonds or GARVEE bonds notes or other
32 various types of conduit debt shall, no later than thirty (30) days prior to the sale of any such debt
33 issue at public or private sale, give written notice of the proposed sale to the board; and each such
34 issuer shall, within thirty (30) days after such sale, submit to the board a report of final sale.

(b) The notice of proposed debt shall include one proposed sale date, the name of the issuer, the nature of the debt issue, and the estimated principal amount thereof, and such further information as may be required by rule of the board and shall be delivered in accordance with procedures to be established by rule of the board; and the notice of final sale shall be made on a form approved by the board and contain all of the information requested on said form. Any issuer which fails to submit the report of proposed debt or report of final sale by the appropriate deadline shall be subject to a per diem fine of two hundred fifty dollars (\$250), which shall be collected and enforced by the office of the general treasurer.

(c) Each state, municipal and regional department, authority, agency, board, commission, public and quasi-public corporation and fire district and other special district having authority to issue revenue or general obligation bonds or GARVEE bonds or notes or other various types of conduit debt shall provide annually, by the end of each fiscal year, the following information for each outstanding debt incurred: (1) The principal amount of the issue outstanding; (2) The amount of proceeds of the issue that remains unspent; (3) The amount of debt authorized by the bond act or other appropriate authorization relevant to the issue that remains authorized but unissued; (4) A list of the purposes for which the debt has been issued and the amounts expended for each purpose in the prior fiscal year from the proceeds of the issue; (5) If no longer necessary for the original purpose of the issue, a list of re-purposing options for the amount of proceeds remaining unspent, if any; and (6) A list of potential additional sources of funds for under funded projects, if any.

~~(e)~~(d) Failure of delivery of the above notice or of the time or efficiency thereof shall not affect the validity of the issuance of any debt, bond or note unless such issuance will result in any issuing body to exceed the debt limit established in accordance with chapter 10.1 of title 42.

~~(d)~~(e) The board shall submit a report annually on or before September 30th of each year to the director of administration, the speaker of the house, the chairman of the house finance committee, the president of the senate, the chairman of the senate finance committee, and the auditor general on debt issues by cities and towns and other authorities, agencies, boards, commissions, public and quasi-public corporations, fire districts and other special districts subject to the ~~provision~~ provisions of chapter ~~45-12~~ 12 of title 45 or 10.1 of title 42, which report shall include the information set forth in division (b) of this section and shall be for the notices of debt issues received during the state's fiscal year next preceding. An electronic transmission of the report shall be considered an acceptable submission.

SECTION 4. Chapter 42-10.1 of the General Laws entitled "Public Finance Management Board" is hereby amended by adding thereto the following sections:

1 **42-10.1-9. Public finance management board approval. --** (a) The board shall compile
2 and publish annually the total amount of public state, regional, municipal, public and quasi-public
3 corporation and fire district and other special district debt authorized, sold and unsold.

4 (b) No less frequently than every two (2) years, the board shall oversee the undertaking of
5 a debt affordability study, which shall include all appropriate factors necessary to recommend
6 debt limits for the debt capacity of all state, municipal and regional departments, authorities,
7 agencies, boards, commissions, public and quasi-public corporations and or fire districts and
8 other special districts having authority to issue revenue or general obligation bonds or GARVEE
9 bonds or notes or other various types of conduit debt or enter into financing leases;

10 (c) Notwithstanding any provision of general law, special law, public corporation
11 municipal or district charter to the contrary, no public corporation, body corporate and politic,
12 instrumentality, authority or agency created by statute, city or town, any municipal and regional
13 department, authority, agency, board, commission, fire, sewer or regional school district shall
14 incur an obligation to borrow money or enter into any financing lease in any amount that will
15 cause its aggregate total debt to be an amount that exceeds the debt limit established in
16 accordance with chapter 42-10.1 until:

17 (1) Such time as the proposed debt will not cause such body to exceed the allowable total
18 debt limit established for such body in accordance with chapter 42-10.1;

19 (2) In accordance with chapter 42-10.1 the general assembly approves said borrowing by
20 special statutory authority;

21 (3) The total debt limit established for such body in accordance with chapter 42-10.1 is
22 increased by a vote of the general assembly to an amount that would permit said borrowing; or

23 (4) Subject to the total debt limit established in accordance with chapter 42-10.1, the
24 general assembly grants approval as provided for in the Public Corporation Debt Management
25 Act, §35-18-3;

26 (d) During those times when the General Assembly is not in session, the board, by a vote,
27 shall be vested with the authority to approve categories of debt deemed by the board to be
28 especially low-risk and time sensitive but only if the debt sought to be approved does not exceed
29 the requesting body's total debt limit established in accordance with chapter 42-10.1 by more than
30 one-half a percent (0.5%). The authority conferred herein shall not be exercised by the board
31 while the General Assembly is in session.

32 (e) Subject to the total debt limit established in accordance with this chapter 42-10.1, any
33 proposed debt issuance, which is not considered by the board within ninety (90) days after it is
34 submitted, shall be considered recommended to the general assembly for approval for the

1 purposes of this section.

2 (f) In addition to, and not by way of limitation on, the exemptions provided in
3 subsections (c)(1) through (c)(4) above, prior approval by the Board shall not be required under
4 this chapter for conduit obligations issued by the Rhode Island Student Loan Authority or the
5 Rhode Island health and education building corporation for non-profit corporations or by the
6 Rhode Island industrial facilities corporation so long as such conduit obligations will not cause
7 such bodies to exceed the total debt limit established in accordance with this chapter 42-10.1.

8 (g) Prior approval of the Board shall be required for any insurance of the payment of
9 mortgage loans by the Rhode Island industrial-recreational building authority pledging the faith
10 and credit of the state pursuant to §42-34-3.

11 **42-10.1-10. Public finance management board advisory options. --** The board shall
12 have the authority to offer non-binding, advisory opinions on all aspects of debt management
13 practices of all state, municipal and regional departments, authorities, agencies, boards,
14 commissions, public and quasi-public corporations and/or fire districts and other special districts.

15 SECTION 5. Section 45-12-3 of the General Laws in Chapter 45-12 entitled
16 "Indebtedness of Towns and Cities" is hereby amended to read as follows:

17 **45-12-3. Statements to accompany bills to general assembly to authorize**
18 **indebtedness. –** (a) Whenever any bill is presented to either house of the general assembly to
19 authorize any city or town or related department, authority, agency, board, commission, public or
20 quasi-public corporation or fire district or other special district to issue revenue or general
21 obligation bonds or financing leases or notes other indebtedness, every such bill shall be
22 accompanied by a resolution or ordinance of the city or town council to the general assembly and
23 the office of the general treasurer stating the purpose for which the proceeds from the sale of the
24 bonds or other indebtedness are to be used.

25 (b) Legislation authorizing any city or town to issue bonds or other indebtedness that is
26 transmitted to the general assembly and the Office of the General Treasurer shall be accompanied
27 by a report summarizing relevant financial information, as determined by the rules and
28 regulations promulgated by the board.

29 SECTION 6. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T
RELATING TO STATE AFFAIRS AND GOVERNMENT -- PUBLIC FINANCE
MANAGEMENT BOARD

- 1 This act expands the purpose and duties of the public finance management board to
- 2 include reporting and advisory opinions related to debt.
- 3 This act would take effect upon passage.

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