

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT - PUBLIC FINANCE
MANAGEMENT BOARD

Introduced By: Senator Daniel DaPonte

Date Introduced: February 16, 2017

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 42-10.1-2, 42-10.1-4 and 42-10.1-10 of the General Laws in
2 Chapter 42-10.1 entitled "Public Finance Management Board" are hereby amended to read as
3 follows:

4 **42-10.1-2. Purpose. [Effective January 1, 2017.]**

5 It shall be the purpose and responsibility of the board:

6 (1) To advise and assist all state departments, municipal and regional authorities,
7 agencies, boards, commissions, public and quasi-public corporations, and fire districts and other
8 special districts having authority to issue revenue or general obligation bonds or GARVEE bonds
9 or notes or other various types of conduit debt or enter into financing leases with respect to
10 issuance of, and financial planning related to, all those bonds, leases, and notes;

11 (2) To advise and/or assist any city or town and any municipal or regional agency,
12 authority, board, commission, public or quasi-public corporations, or fire districts or other special
13 districts having authority to issue revenue or general obligation bonds or GARVEE bonds or
14 notes or other various types of conduit debt or enter into financing leases with respect to the
15 issuance of, and financial planning related to, those bonds, leases, and notes;

16 (3) To collect, maintain, and provide information on all state, municipal and regional
17 authority, agency, board, commission, public or quasi-public corporation, and fire district and
18 other special district debt authorization, sold and outstanding, and serve as a statistical center for

1 all state and municipal debt issues;

2 (4) To maintain contact with state, municipal and regional authority, agency, board,
3 commission, public or quasi-public corporation, fire district and other special district bond
4 issuers, underwriters, credit-rating agencies, investors, and others to improve the market for state
5 and local government debt issues;

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

8 (6) To recommend changes in state laws and local practices to improve the sale and
9 servicing of state and local debts;

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

26 (8) To oversee the undertaking of a debt affordability study no less frequently than every
27 two (2) years that shall include recommended limits for the debt capacity of each state, municipal
28 and regional authority, agency, board, commission, public and quasi-public corporation and fire
29 district and other special district having authority to issue revenue or general obligation bonds or
30 GARVEE bonds or notes or other types of conduit debt or enter into financing leases.

31 **42-10.1-4. Notice of debt issue to board. [Effective January 1, 2017.]**

32 (a) Subject to the provisions of §42-10.1-2.1, Each each state, municipal and regional
33 department, authority, agency, board, commission, public and quasi-public corporation, and fire
34 district and other special district having authority to issue revenue or general obligation bonds or

1 GARVEE bonds or notes or other various types of conduit debt shall, no later than thirty (30)
2 days prior to the sale of any such debt issue at public or private sale, give written notice of the
3 proposed sale to the board; and each such issuer shall, within thirty (30) days after closing, submit
4 to the board a report of final sale.

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

13 (c) Each state, municipal and regional authority, agency, board, commission, public and
14 quasi-public corporation, and fire district and other special district having authority to issue
15 revenue or general obligation bonds or GARVEE bonds or notes or various types of conduit debt
16 or enter into financing leases shall provide annually, within ninety (90) days after the end of each
17 fiscal year, the following information for each outstanding debt incurred as of the end of such
18 year:

- 19 (1) The principal amount of the issue outstanding;
20 (2) The amount of proceeds of the issue that remains unspent;
21 (3) The amount of debt authorized by the bond act or other appropriate authorization
22 relevant to the issue that remains authorized but unissued; and
23 (4) A list of the purposes for which the debt has been issued and the amounts expended
24 for each purpose in the prior fiscal year from the proceeds of the issue.

25 (5) If no longer necessary for the original purpose of the issue, a list of re-purposing
26 options for the amount of proceeds remaining unspent, if any; and

27 (6) A list of potential additional sources of funds for under funded projects, if any.

28 (d) Failure of delivery of the above notice or of the time or efficiency thereof shall not
29 affect the validity of the issuance of any debt, bonds, notes, or leases unless such issuance will
30 result in any issuing body to exceed the debt limit established in accordance with chapter 10.1 of
31 title 42.

32 (e) The board shall submit a report annually, on or before September 30th of each year, to
33 the director of administration, the speaker of the house, the chair of the house finance committee,
34 the president of the senate, the chair of the senate finance committee, and the auditor general on

1 debt issues by cities and towns and other authorities, agencies, boards, commissions, public and
2 quasi-public corporations, fire districts, and other special districts subject to the provisions of
3 chapter 12 of title 45 or chapter 10.1 of title 42, which report shall include the information set
4 forth in subsection (b) and shall be for the notices of debt issues received during the state's fiscal
5 year next preceding. An electronic transmission of the report shall be considered an acceptable
6 submission.

7 **42-10.1-10. Public finance management board advisory opinions. [Effective January**
8 **1, 2017.]**

9 The board shall have the authority to offer non-binding, advisory opinions on all aspects
10 of debt management practices of all state, municipal and regional departments, authorities,
11 agencies, boards, commissions, and public and quasi-public corporations and fire districts and
12 other special districts.

13 SECTION 2. Section 45-12-3 of the General Laws in Chapter 45-12 entitled
14 "Indebtedness of Towns and Cities" is hereby amended to read as follows:

15 **45-12-3. Statements to accompany bills to general assembly to authorize**
16 **indebtedness.**

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

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

28 SECTION 3. Chapter 42-10.1 of the General Laws entitled "Public Finance Management
29 Board" is hereby amended by adding thereto the following sections:

30 **42-10.1-2.1. Report of debt.**

31 (a) The board, at any interval, but no less frequently than annually, shall compile the total
32 amount of state, municipal and regional authority, agency, board, commission, public and quasi-
33 public corporation and fire district and other special district debt authorized, sold and unsold, both
34 in the aggregate and for each such body. The board shall undertake to prepare a debt affordability

1 study, which shall include all appropriate factors necessary to recommend debt limits for the debt
2 capacity of all state, municipal and regional departments, authorities, agencies, boards,
3 commissions, public and quasi-public corporations and or fire districts and other special districts
4 having authority to issue revenue or general obligation bonds or GARVEE bonds or notes or
5 other various types of conduit debt or enter into financing leases. The board shall provide a full
6 copy of the debt affordability study which shall include a recommended debt limit for each body
7 to the governor and both chambers of the general assembly for their review. Following such
8 review and subject to any revision or amendment to the recommendation incorporated by the
9 general assembly, the general assembly shall vote to ratify the recommendation or adopt the
10 revised or amended recommendation. The board's report and recommendation should include, but
11 not be limited to, a benchmark comparison to a comparative of the current aggregate and
12 individual body debt burdens in other northeastern states.

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

20 (c) The board shall provide its initial report and recommendation to the governor and
21 both chambers of the general assembly for their review no later than March 1, 2018. Pending the
22 issuance of that initial report and recommendation, for purposes of §42-10.1-2.1(b) the total debt
23 limit established for each state, municipal and regional authority, agency, board, commission,
24 public or quasi-public corporation or fire district or other special district shall be an amount equal
25 to five percent (5%) above the debt authorized and issued for any such body as of September 1,
26 2017.

27 (d) Tax anticipation notes issued by any municipality shall not be considered by the board
28 in determining and recommending a municipalities' debt affordability or debt limit pursuant to
29 this chapter 10.1 of title 42.

30 **42-10.1-11. Public finance management board approval.**

31 (a) Subject to the provisions of §42-10.1-2.1, the board shall compile and publish
32 annually the total amount of public state, regional, municipal, public and quasi-public corporation
33 and fire district and other special district debt authorized, sold and unsold.

34 (b) No less frequently than every two (2) years, the board shall oversee the undertaking of

1 a debt affordability study, which shall include all appropriate factors necessary to recommend
2 debt limits for the debt capacity of all state, municipal and regional departments, authorities,
3 agencies, boards, commissions, public and quasi-public corporations and/or fire districts and
4 other special districts having authority to issue revenue or general obligation bonds or GARVEE
5 bonds or notes or other various types of conduit debt or enter into financing leases;

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

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

15 (2) In accordance with chapter 10.1 of title 42 the general assembly approves said
16 borrowing by special statutory authority;

17 (3) The total debt limit established for such body in accordance with chapter 10.1 of title
18 42 is increased by a vote of the general assembly to an amount that would permit said borrowing;
19 or

20 (4) Subject to the total debt limit established in accordance with chapter 10.1 of title 42,
21 the general assembly grants approval as provided for in the public corporation debt management
22 act, chapter 18 of title 35;

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

29 (e) Subject to the total debt limit established in accordance with chapter 10.1 of title 42,
30 any proposed debt issuance, which is not considered by the board within ninety (90) days after it
31 is submitted, shall be considered recommended to the general assembly for approval for the
32 purposes of this section.

33 (f) In addition to, and not by way of limitation on, the exemptions provided in
34 subsections (c)(1) through (c)(4) of this section, prior approval by the board shall not be required

1 under this chapter for conduit obligations issued by the Rhode Island health and education
2 building corporation for nonprofit corporations or by the Rhode Island industrial facilities
3 corporation so long as such conduit obligations will not cause such bodies to exceed the total debt
4 limit established in accordance with chapter 10.1 of title 42.

5 (g) Prior approval of the board shall be required for any insurance of the payment of
6 mortgage loans by the Rhode Island industrial-recreational building authority pledging the faith
7 and credit of the state as set forth in §42-34-3.

8 SECTION 4. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO STATE AFFAIRS AND GOVERNMENT - PUBLIC FINANCE
MANAGEMENT BOARD

- 1 This act would amend the provisions of the general law, establishing the public finance
2 management board to include more types of public agencies. The act would also expand the types
3 of financing the board can oversee, including GARVEE bonds and financing leases.
4 This act would take effect upon passage.

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