



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
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Memorandum

To: The Honorable Marvin L. Abney
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: May 12, 2016

Subject: Amendment to Article 2 – Relating to Public Finance Management Board (16-H-7454)

The Governor requests that Article 2 entitled “Relating to Public Finance Management Board” be replaced with the attached version. The modifications to the original version of the article are denoted by shading.

The amendments clarify and add some reporting requirements both for the board and public issuers of debt. Section 1 is updated to include a requirement that the Public Finance Management Board ascertain the total amount of debt authorized, sold and unsold no less than every two years, and to oversee the undertaking of a debt affordability study. Each state, municipal and regional department, authority, agency, public and quasi-public corporation that has authority to issue debt will be required to annually provide to the board information on outstanding debt.

The amended article also includes new sections under Chapter 42-10.1 that will require the Board to annually compile and publish a report on the total amount of public debt authorized, sold and unsold and no less than every two years to oversee the undertaking of a debt affordability study. New language is also requested to authorize the Board to issue non-binding, advisory opinions on all aspects of debt management practices.

Finally, the Chapter 45-12 on Indebtedness of Cities and Towns is amended to require the submission of resolutions or ordinances of city and town councils authorizing the issuance of debt to the Office of the General Treasurer, in addition to the General Assembly, and that these submissions shall be accompanied by a report summarizing relevant financial information as promulgated by the Board.

If you have any questions regarding this amendment, please feel free to contact Kelly Rogers of the Office of the General Treasurer (222-5126) or me (222-6300).

TAM: 17-Amend-11
Attachment

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
Michael DiBiase, Director of Administration
Jonathan Womer, Director, Office of Management and Budget
Kelly Rogers, Office of the General Treasurer
Gregory Stack, Supervising Budget Analyst

1 (8) To oversee the undertaking of a debt affordability study no less frequently than every two (2)
2 years, which shall include recommended limits for the debt capacity of state, municipal and regional
3 department, authority, agency, board, commission, and public and quasi-public corporations having
4 authority to issue revenue or general obligation bonds or notes.

5 § 42-10.1-4. Notice of debt issue to board. – (a) Each state, municipal and regional department,
6 authority, agency, board, commission, and public and quasi-public corporation having authority to issue
7 revenue or general obligation bonds or notes shall, no later than thirty (30) days prior to the sale of any
8 such debt issue at public or private sale, give written notice of the proposed sale to the board; and each
9 such issuer shall, within thirty (30) days after such sale, submit to the board a report of final sale.

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

17 (c) Each state, municipal and regional department, authority, agency, board, commission, and
18 public and quasi-public corporation having authority to issue revenue or general obligation bonds or notes
19 shall provide annually, by the end of each fiscal year, the following information for each outstanding debt
20 incurred:

21 (1) the principal amount of the issue outstanding;

22 (2) the amount of proceeds of the issue that remains unspent;

23 (3) the amount of debt authorized by the bond act or other appropriate authorization relevant to
24 the issue that remains authorized but unissued; and

1 (4) a list of the purposes for which the debt has been issued and the amounts expended for each
2 purpose in the prior fiscal year from the proceeds of the issue.

3 (e)(d) Failure of delivery of the above notice or of the time or efficiency thereof shall not affect
4 the validity of the issuance of any debt, bond or note.

5 (d)(e) The board shall submit a report annually on or before September 30th of each year to the
6 director of administration, the speaker of the house, the chairman of the house finance committee, the
7 president of the senate, the chairman of the senate finance committee, and the auditor general on debt
8 issues by cities and towns and other authorities subject to the provision of chapter 45-12, which report
9 shall include the information set forth in division (b) of this section and shall be for the notices of debt
10 issues received during the state's fiscal year next preceding. An electronic transmission of the report shall
11 be considered an acceptable submission.

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

14 § 42-10.1-9. Report of debt affordability and targets. - (a) The board shall compile and
15 publish annually the total amount of public state, regional, municipal, and public and quasi-public
16 corporation debt authorized, sold and unsold.

17 (b) No less frequently than every two (2) years, the board shall oversee the undertaking of a debt
18 affordability study, which shall include recommended limits for the debt capacity of state, municipal and
19 regional department, authority, agency, board, commission, and public and quasi-public corporations
20 having authority to issue revenue or general obligation bonds or notes;

21 § 42-10.1-10. Public Finance Management Board advisory opinions. - The board shall have
22 the authority to offer non-binding, advisory opinions on all aspects of debt management practices of state,
23 municipal, and public and quasi-public corporations.

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

1 § 45-12-3. Statements to accompany bills to general assembly to authorize indebtedness. -

2 (a) Whenever any bill is presented to either house of the general assembly to authorize any city or town
3 to issue bonds or other indebtedness, every such bill shall be accompanied by a resolution or ordinance
4 of the city or town council to the general assembly and the office of the general treasurer stating the
5 purpose for which the proceeds from the sale of the bonds or other indebtedness are to be used.

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

10 SECTION 4. This article shall take effect as of January 1, 2017.