

2010 -- H 7728

LC01434

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

A N A C T

RELATING TO TOWNS AND CITIES -- INDEBTEDNESS OF TOWNS AND CITIES

Introduced By: Representative Robert A. Watson

Date Introduced: February 25, 2010

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-12-22.2 of the General Laws in Chapter 45-12 entitled  
2 "Indebtedness of Towns and Cities" is hereby amended to read as follows:

3 **45-12-22.2. Monitoring of financial operations -- Corrective action.** -- (a) The chief  
4 financial officer of each municipality and each school district within the state shall continuously  
5 monitor their financial operations by tracking actual versus budgeted revenue and expense.

6 (b) The chief financial officer of the municipality shall submit a report on a monthly  
7 basis to the municipality's chief executive officer, each member of the city or town council, and  
8 school district committee certifying the status of the municipal budget including the school  
9 department budget or regional school district. The chief financial officer of the municipality shall  
10 also submit a report on a quarterly basis to the division of property valuation [and municipal](#)  
11 [finance](#) certifying the status of the municipal budget. The chief financial officer of the school  
12 department or school district shall certify the status of the school district's budget and shall assist  
13 in the preparation of these reports. The monthly and quarterly reports shall be in a format  
14 prescribed by the division of property valuation, ~~and~~ the state auditor general [and the Rhode](#)  
15 [Island department of education for school district and charter school reports](#). The reports shall  
16 contain a statement as to whether any actual or projected shortfalls in budget line items are  
17 expected to result in a year-end deficit, the projected impact on year-end financial results  
18 including all accruals and encumbrances, and how the municipality and school district plans to  
19 address any such shortfalls.

1 (c) If any reports required under this section project a year-end deficit, the chief financial  
2 officer of the municipality shall submit to the state office of municipal ~~affairs~~ finance a corrective  
3 action plan no later than thirty (30) days after completion of the monthly budget analysis referred  
4 to in subsection (b) above, which provides for the avoidance of a year-end deficit. The plan may  
5 include recommendations as to whether an increase in property taxes and/or spending cuts should  
6 be adopted to eliminate the deficit. The plan shall include a legal opinion by municipal counsel  
7 that the proposed actions under the plan are permissible under federal, state, and local law. The  
8 state office of municipal affairs may rely on the written representations made by the municipality  
9 in the plan and will not be required to perform an audit. In the event that a portion of the deficit  
10 relates to the school district, the chief financial officer of the school district shall submit a deficit  
11 reduction plan to the Rhode Island department of education.

12 (d) If the division of property valuation and municipal finance concludes the plan  
13 required hereunder is insufficient and/or fails to adequately address the financial condition of the  
14 municipality, the division ~~of property valuation~~ can elect to pursue the remedies identified in  
15 section 45-12-22.7.

16 (e) The reports required shall include the financial operations of any departments or  
17 funds of municipal government including the school department or the regional school district,  
18 notwithstanding the status of the entity as a separate legal body. This provision does not eliminate  
19 the additional requirements placed on local and regional school districts by sections 16-2-9(f) and  
20 16-3-11(e)(3).

21 (f) In the event that a city or town forecasts an annual deficit pursuant to its quarterly  
22 report or experiences a cumulative deficit as reported pursuant to 45-10-5 of the Rhode Island  
23 general laws entitled "Filing of Audit Report" the city or town shall hold a public hearing on such  
24 deficit noticed as to date, and time in accordance with section 44-35 of the Rhode Island general  
25 laws relating to municipal fiscal disclosure.

26 (g) For any fiscal period following the reporting of a cumulative deficit and prior to  
27 approval of a budget and tax rate for the new year, the department of revenue, after review of any  
28 requested documentation, must certify that the financial plan for the new fiscal period adequately  
29 addresses the prior your cumulative deficit and results in a balanced budget for the new year.  
30 Such approval must be secured before the city or town council or financial town meeting acts on  
31 a budget and tax levy for that new year.

32 (h) Definitions:

33 (1) Annual deficit-The extent to which expenditures during a period exceed the available  
34 revenues of that period.

1           (2) Cumulative deficit-The sum of all annual deficits accumulated to the accounting date.

2           SECTION 2. Chapter 45-12 of the General Laws entitled "Indebtedness of Towns and  
3           Cities" is hereby amended by adding thereto the following section:

4           **45-12-22.8. Municipal fiscal futures commission.** – There is hereby created the  
5           permanent municipal fiscal futures commission.

6           (1) Purpose: The municipal fiscal futures commission shall periodically monitor the fiscal  
7           health of municipalities in the state by reviewing the financial condition, financial flexibility, and  
8           tax capacity of each city and town in the state.

9           (2) Membership: The commission shall be composed of the director of revenue, or  
10           designee; the chief of the division of municipal finance or designee; the auditor general or  
11           designee; the finance director of a municipality with a population of greater than fifty thousand  
12           (50,000); the financial director of a municipality with a population of less than fifty thousand  
13           (50,000); and a school business manager all to be appointed by the director of revenue, a city or  
14           town mayor or manager to be selected by the Rhode Island league of cities and towns; an  
15           appointee of the speaker; and an appointee of the senate president.

16           (3) Functions and duties: The commission shall review and give guidance to the  
17           department of revenue which shall produce an annual municipal fiscal stress test report. Such  
18           annual report shall score or rank municipalities on their fiscal health in the categories of fiscal  
19           health identified in subdivision 1. Upon review of the report the commission shall make such  
20           recommendations to the governor and general assembly as it considers desirable to assist in  
21           restoring fiscal health to high stress cities and towns. The commission shall meet at least twice a  
22           year.

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24           SECTION 3. This act shall take effect upon passage.  
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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
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1           This act would modify the reports of the municipal financial operation to create a  
2 municipal fiscal futures commission.

3           This act would take effect upon passage.

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