It is enacted by the General Assembly as follows:

SECTION 1. Sections 45-12-1 and 45-12-22.4 of the General Laws in Chapter 45-12 entitled "Indebtedness of Towns and Cities" are hereby amended to read as follows:

45-12-1. Payment of indebtedness. – (a) The outstanding notes, bonds, and contracts of cities and towns shall be paid and fulfilled according to their tenor, and all public works now authorized to be prosecuted shall be prosecuted, and all indebtedness now authorized to be incurred on account thereof may be incurred, according to the tenor of the authority therefor. The power and obligation of each city and town to pay its general obligation bonds and notes, whether or not issued pursuant to this chapter, shall be unlimited, and each city and town shall levy ad valorem taxes upon all the taxable property within the city or town for the payment of the general obligation bonds or notes and interest on these bonds or notes, without limitation of rate or amount, except as otherwise provided by or pursuant to law. The faith and credit of each city, and town and district shall be pledged for the payment of the principal, premium and interest coming due within the year on all its general obligation bonds and notes to the extent that moneys for the general obligation bonds and notes are not otherwise provided. If that sum is not appropriated, it shall nevertheless be added to the annual tax levy.
Annual appropriations for payment of financing leases and obligations securing bonds, notes or
certificates ("other financing obligations"), shall also have a first lien on ad valorem taxes and
general fund revenues commencing on the date of each annual appropriation. Amounts
appropriated or added to the tax levy to pay principal of, premium and interest on, general
obligation bonds or notes and payments of other financing obligations shall be applied to the
payment of such obligations. Any municipal or district employee or official who intentionally
violates the provisions of this section shall be personally liable to the city, town or district for any
amounts not expended in accordance with such appropriations. The superior court shall have
jurisdiction to adjudicate claims brought by any city, town or district hereunder and to order such
relief as the court may find appropriate to prevent further violations of this section. Any
municipal or district employee or official who violates the provisions of this section shall be
subject to removal.

(b) Notwithstanding any provision of any other law, including the uniform commercial
code, title 6A of the Rhode Island general laws:

(1) The pledge of ad valorem taxes and general fund revenues to the payment of the
principal, premium and interest on general obligation bonds and notes and payment of other
financing obligations, whether or not issued pursuant to this chapter, is valid and binding, and
deemed continuously perfected from the time the bonds or notes or other financing obligations
are issued:

(2) No filing need be made under the uniform commercial code or otherwise to perfect
the first lien on ad valorem taxes or general fund revenues:

(3) The pledge of ad valorem taxes and general fund revenues is subject to the lien of the
pledge without delivery or segregation, and the first lien on ad valorem taxes and general fund
revenues is valid and binding against all parties having claims of contract or tort or otherwise
against the city or town, whether or not the parties have notice thereof.

(4) The pledge shall be a statutory lien effective by operation of law and shall apply to all
general obligation bonds and notes and other financing obligations of cities, towns and districts
heretofore or hereafter issued and shall not require a security agreement to be effective. Such
pledge shall not constitute a security agreement under Rhode Island law.

(c) The pledge of ad valorem taxes and general fund revenues to the payment of
principal, premium and interest on general obligation bonds and notes, under this section
constitutes a sufficient appropriation for the purposes of any provision for appropriation, and the
ad valorem taxes and general fund revenues may be applied as required by the pledge without
further appropriation; provided, however, that this subsection (c) shall not apply to other
financing obligations which are subject to annual appropriation.

(d) As used in this section, the following words shall have the following meanings:

(1) "Ad valorem taxes" shall mean all ad valorem taxes levied by cities, towns and districts on property, including motor vehicle excise taxes, except for "project revenues" as defined in subdivision 45-33-2-3(5) of the general laws.

(2) "Pledge" shall mean a first lien on, and a grant of a security interest in, ad valorem taxes and general fund revenues.

(3) "General fund revenues" shall mean all taxes, fees, assessments, charges, receipts and other monies (including unrestricted fund balance) derived from any source, to the extent that such monies are deposited or required to be deposited to the general fund of the city, town, or district, and all accounts and rights to receive the ad valorem taxes and general fund revenues and the proceeds thereof.

(e) If any provision of this section or the application thereof shall for any reason be judged invalid, that judgment shall not affect, impair or invalidate the remainder of the law, but shall be confined in its effect to the provisions or application directly involved in the controversy giving rise to the judgment.

45-12-22.4, Deficit financing—Approval required Deficit, pension and other post-employment benefit financing—Approval required. (a) Except as provided in chapter 45-9 of the general laws, no municipality shall sell a long-term bond in order to fund a deficit or to fund pension obligations or other post-employment benefits without prior approval by the state auditor general and director of the state department of revenue.

(b) If any provision of this section or the application thereof shall for any reason be judged invalid, that judgment shall not affect, impair or invalidate the remainder of the law, but shall be confined in its effect to the provisions or application directly involved in the controversy giving rise to the judgment.

SECTION 2. This act shall take effect upon passage and shall apply to general obligation bonds and notes and other financing obligations (as herein defined) issued by cities, towns and districts including those issued prior to the date of enactment.

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This act would enhance capital market access for cities, towns and districts by providing that general obligation bonds, notes and other financing obligations of cities, towns and districts have a lien on ad valorem taxes (as defined in the act) and general fund revenues. It would also require that the state auditor general and the director of the state department of revenue approve the issuance of any bonds to fund pension obligations or other post-employment benefits.

This act would take effect upon passage and shall apply to general obligation bonds and other financing obligations (as herein defined) issued by cities, towns and districts including those issued prior to the date of enactment.