

2014 -- S 2198

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO TOWNS AND CITIES - BUDGET COMMISSIONS

Introduced By: Senators Crowley, Picard, Cote, Satchell, and Conley

Date Introduced: January 30, 2014

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 45-9-3 of the General Laws in Chapter 45-9 entitled "Budget  
2 Commissions" is hereby amended to read as follows:

3 **45-9-3. Appointment and duties of fiscal overseer.** -- (a) Upon joint request by a city's  
4 or town's elected chief executive officer and city or town council, which request is approved by  
5 the division of municipal finance and the auditor general, or in absence of such a request, in the  
6 event that the director of revenue, in consultation with the auditor general, makes any two (2) or  
7 more of the findings set forth in subsection (b), the director of revenue may appoint a fiscal  
8 overseer for the city or town to assess the ability of the city or town government to manage the  
9 city's or town's fiscal challenges.

10 (b) The director of revenue may appoint a fiscal overseer if the director finds in his or  
11 her sole discretion that any two (2) of the following events have occurred which are of such a  
12 magnitude that they threaten the fiscal well-being of the city or town, diminishing the city or  
13 town's ability to provide for the public safety or welfare of the citizens of the city or town:

14 (1) The city or town projects a deficit in the municipal budget in the current fiscal year  
15 and again in the upcoming fiscal year;

16 (2) The city or town has not filed its audits with the auditor general by the deadlines  
17 required by law for two (2) successive fiscal years (not including extensions authorized by the  
18 auditor general);

19 (3) The city or town has been downgraded by one of the nationally recognized statistical

1 rating organizations;

2 (4) The city or town is otherwise unable to obtain access to credit markets on reasonable  
3 terms in the sole judgment of the director of revenue.

4 (5) The city or town does not promptly respond to requests made by the director of  
5 revenue, or the auditor general, or the chairpersons of the house and/or senate finance committees  
6 for financial information and operating data necessary to assess the fiscal condition of the city or  
7 town in the sole judgment of the director of revenue.

8 (c) The director of revenue may also appoint a fiscal overseer if a city or town fails to  
9 comply with the requirements of sections 45-12-22.1 -- 45-12-22.5 of the general laws.

10 (d) The fiscal overseer shall without limitation:

11 (1) Recommend to the elected chief executive officer, city or town council and school  
12 committee sound fiscal policies for implementation;

13 (2) Supervise all financial services and activities;

14 (3) Advise the assessors, director of finance, city or town treasurer, purchasing agent and  
15 employees performing similar duties but with different titles;

16 (4) Provide assistance in all matters related to municipal financial affairs;

17 (5) Assist in development and preparation of the municipal budget, all department  
18 budgets and spending plans;

19 (6) Review all proposed contracts and obligations;

20 (7) Monitor the expenditures of all funds;

21 (8) Approve the annual or supplemental municipal budgets of the city or town and all of  
22 its departments; and

23 (9) Report monthly to the director of revenue, the auditor general, the governor and the  
24 chairpersons of the house finance and senate finance committees on the progress made towards  
25 reducing the municipality's deficit and otherwise attaining fiscal stability.

26 (e) All department budgets and requests for municipal budget transfers shall be  
27 submitted to the fiscal overseer for review and approval.

28 (f) The city or town shall annually appropriate amounts sufficient for the proper  
29 administration of the fiscal overseer and staff, as determined in writing by the division of  
30 municipal finance. If the city or town fails to appropriate such amounts, the division of municipal  
31 finance shall direct the general treasurer to deduct the necessary funds from the city's or town's  
32 distribution of state aid and shall expend those funds directly for the benefit of the fiscal overseer  
33 and staff.

34 (g) Within one hundred twenty (120) days of being appointed by the director of revenue,

1 the fiscal overseer shall develop a three (3)-year operating and capital financial plan to achieve  
2 fiscal stability in the city or town. The plan shall include a preliminary analysis of the city's or  
3 town's financial situation and the fiscal overseer's initial recommendations to immediately begin  
4 to address the city's or town's operating and structural deficits. The fiscal overseer shall have the  
5 power to compel operational, performance or forensic audits, or any other similar assessments.  
6 The fiscal overseer shall have the power, at the expense of the city or town, to employ, retain,  
7 supervise such managerial, professional and clerical staff as are necessary to carry out the  
8 responsibility of fiscal overseer, subject to the approval of the division of municipal finance;  
9 provided, however, that the fiscal overseer shall not be subject to chapter 37-2 or chapter 45-55 of  
10 the general laws in employing such staff.

11 (h) Notwithstanding any general law, special law, or regulation to the contrary, any  
12 expenditure incurred by the fiscal overseer pursuant to the powers and duties conferred on  
13 him/her from this chapter which are subject to reimbursement from the city or town shall be  
14 reimbursed by said city or town only if the city or town has a fund balance which is equal to or  
15 greater than twenty percent (20%) of the city or town's unfunded liability.

16 SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF  
A N A C T  
RELATING TO TOWNS AND CITIES - BUDGET COMMISSIONS

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1           This act would require city or towns to reimburse the fiscal overseer for expenditures  
2 necessary to effectuate this chapter only if the city or town has a fund balance equal to or greater  
3 than twenty percent (20%) of the city or town's unfunded liability.

4           This act would take effect upon passage.

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