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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

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A N A C T

RELATING TO PUBLIC FINANCE -- PUBLIC CORPORATION DEBT MANAGEMENT

Introduced By: Representatives Quattrocchi, Morgan, McLaughlin, Nardolillo, and  
Roberts

Date Introduced: January 26, 2017

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 35-18-3 of the General Laws in Chapter 35-18 entitled "Public  
2 Corporation Debt Management" is hereby amended to read as follows:

3 **35-18-3. Approval by the general assembly.**

4 (a) No elected or appointed state official may enter into any financing lease or into any  
5 guarantee with any person without the prior approval of the general assembly unless:

6 (1) The governor certifies that federal funds will be available to make all of the payments  
7 which the state is or could be obligated to make under the financing lease or guarantee; or

8 (2) The general assembly has adjourned for the year with the expectation that it will not  
9 meet again until the following year and the governor certifies that action is necessary, because of  
10 events occurring after the general assembly has adjourned, to protect the physical integrity of an  
11 essential public facility, to ensure the continued delivery of essential public services, or to  
12 maintain the credit worthiness of the state in the financial markets.

13 (b) No bonds may be issued or other obligation incurred by any public corporation to  
14 finance, in whole or in part, the construction, acquisition, or improvement of any essential public  
15 facility without the prior approval of the general assembly, unless:

16 (1) The governor certifies that federal funds will be available to make all of the payments  
17 required to be made by the public corporation in connection with the bond or obligation. The  
18 certification shall be transmitted to the speaker of the house and the president of the senate with  
19 copies to the chairpersons of the respective finance committees and fiscal advisors; or

1           (2) The general assembly has adjourned for the year with the expectation that it will not  
2 meet again until the following year and the governor certifies that action is necessary, because of  
3 events occurring after the general assembly has adjourned, to protect the physical integrity of an  
4 essential public facility, to ensure the continued delivery of essential public services, or to  
5 maintain the credit worthiness of the state in the financial markets. The certification shall be  
6 transmitted to the speaker of the house and the president of the senate, with copies to the  
7 chairpersons of the respective finance committees and fiscal advisors.

8           (c) In addition to, and not by way of limitation on, the exemptions provided in  
9 subsections (a) and (b), prior approval by the general assembly shall not be required under this  
10 chapter for bonds or other obligations issued by, or financing leases or guarantee agreements  
11 entered into by:

12           (1) The Rhode Island Industrial Facilities Corporation; provided financing leases, bonds  
13 or other obligations are being issued for an economic development project;

14           (2) The Rhode Island infrastructure bank;

15           (3) The Rhode Island housing and mortgage finance corporation;

16           (4) The Rhode Island student loan authority;

17           (5) Any public corporation to refund any bond or other obligation issued by the public  
18 corporation to finance the acquisition, construction, or improvement of an essential public facility  
19 provided that the governor certifies to the speaker of the house and the president of the senate,  
20 with copies to the chairpersons of the respective finance committees and fiscal advisors that the  
21 refunding shall provide a net benefit to the issuer; provided, however, obligations of the Rhode  
22 Island resource recovery corporation outstanding on July 31, 1999, may be refunded by the  
23 issuance of obligations on or before August 1, 1999;

24           (6) The Narragansett Bay commission;

25           (7) The Rhode Island health and educational building corporation, except bonds or other  
26 obligations issued in connection with the acquisition, construction, or improvement of any facility  
27 used by any state agency, department, board, or commission, including the board of governors for  
28 higher education, to provide services to the public pursuant to the requirements of state or federal  
29 law, and all fixtures for any of those facilities; and

30           (8) The state to refund any financing leases entered into with the authorization of the  
31 general assembly, provided that the governor certifies to the speaker of the house and the  
32 president of the senate, with copies to the chairpersons of the respective finance committees and  
33 fiscal advisors, that the refunding shall provide a net benefit to the state.

34           (d) Nothing contained in this section applies to any loan authorized to be borrowed under

1 Article VI, § 16 or 17 of the Rhode Island Constitution.

2 (e) Nothing in this section is intended to expand in any way the borrowing authority of  
3 any public corporation under its charter.

4 (f) (1) Any certification made by the governor under subsection (a), (b), or (c) of this  
5 section may be relied upon by any person, including without limitation, bond counsel.

6 (2) The certifications shall be transmitted to the speaker of the house and the president of  
7 the senate with copies to the chairpersons of the respective finance committees and fiscal  
8 advisors.

9 (g) Neither the general assembly nor any governmental or quasi-governmental entity  
10 created by it shall issue any bonds, commonly called "moral obligation bonds," not secured by the  
11 full faith and credit of the state as set forth in Article VI, §16 of the Rhode Island Constitution, or  
12 secured by revenues as authorized by Article VI, §17 of the Rhode Island Constitution.

13 ~~(e)~~(h) Except as provided for in this chapter, the requirements of this chapter supersede  
14 any other special or general provision of law, including any provision which purports to exempt  
15 sales or leases between the state and a public corporation from the operation of any law.

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 PUBLIC FINANCE -- PUBLIC CORPORATION DEBT MANAGEMENT

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1           This act would prohibit the general assembly and any governmental or quasi-  
2 governmental entity created by it, from issuing moral obligation bonds not secured by the full  
3 faith and credit of the state or revenues.

4           This act would take effect upon passage.

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