



OFFICE OF MANAGEMENT & BUDGET

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MEMORANDUM

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

The Honorable William J. Conley, Jr.
Chairman, Senate Finance Committee

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

Date: July 2, 2020

Subject: New Article Related to Tax Anticipation Notes (20-H-7171)

The Governor requests that a new article, entitled "Relating to Borrowing in Anticipation of Receipts from Taxes", be included in the FY 2021 Appropriations Act. This article would allow the state to borrow a maximum of \$300.0 million in tax anticipation notes. It also allows the state to offset the cost of borrowing by the interest earned on idle proceeds.

Section 1 authorizes the State to borrow up to \$300.0 million in anticipation of revenues during FY 2021. This borrowing must be consistent with the provision of Section 17 of Article VI of the RI Constitution, which sets provisions and limits on this borrowing. All such borrowing must be repaid by the close of the fiscal year on June 30, 2021.

The cost of said borrowing would depend on the extent of the borrowing and the interest rates at that time. This cost would be offset to some degree by the interest earned on the borrowed amount throughout the fiscal year.

Any obligations entered pursuant to this subsection shall be in such amounts and bear such terms as the General Treasurer, with the advice of the Governor, shall determine, which may include provisions for prepayment at any time with or without premium at the option of the state. Any such forms of obligations entered pursuant to this subsection may also include such other covenants and provisions for protecting the rights, security and remedies of the lenders as may, in the discretion of the General Treasurer, be reasonable, legal and proper.

This section also rescinds the authority provided by the Rhode Island Disaster Emergency Funding Board on March 26, 2020 to borrow up to \$300.0 million for liquidity needs of the state during the COVID-19 crisis upon the issuance of new debt authorized by this article.

Section 2 indicates the article will take effect upon passage.

TAM: 21-Amend 04

NEW ARTICLE

RELATING TO BORROWING IN ANTICIPATION OF RECEIPTS FROM TAXES

SECTION 1. (a) The State of Rhode Island is hereby authorized to borrow during its fiscal year ending June 30, 2021, in anticipation of receipts from taxes and other sources such sum or sums, at such time or times and upon such terms and conditions not inconsistent with the provisions and limitations of Section 17 of Article VI of the constitution of Rhode Island, as the general treasurer, with the advice of the Governor, shall deem for the best interests of the state, provided that the amounts so borrowed shall not exceed three hundred million dollars (\$300,000,000), at any time outstanding. The state is hereby further authorized to give its promissory note or notes or other evidences of indebtedness signed by the general treasurer and counter-signed by the secretary of state for the payment of any sum so borrowed. Any such proceeds shall be invested by the general treasurer until such time as they are needed. The interest income earned from such investments shall be used to pay the interest on the promissory note or notes, or other evidences of indebtedness, and any expense of issuing the promissory note or notes, or other evidences of indebtedness, with the balance remaining at the end of said fiscal year, if any, shall be used toward the payment of long-term debt service of the state, unless prohibited by federal law or regulation.

(b) Notwithstanding any other authority to the contrary, duly authorized borrowing in anticipation of receipts of taxes and other sources during the fiscal year ending June 30, 2021 may be issued in the form of notes or other evidences of indebtedness of the state. In connection therewith, the state, acting through the general treasurer, may enter into agreements with banks, trust companies or other financial institutions within or outside the state or with the United States government and agencies of the United States government, whether in the form of letters or lines of credit, liquidity facilities, insurance or other support arrangements. Any notes or other evidences of indebtedness shall be issued in such amounts and bear such terms as the general treasurer, with the advice of the governor, shall determine, which may include provisions for prepayment at any time with or without premium or other prepayment fee at the option of the state. Such notes may

be sold on a competitive or negotiated basis at a premium or discount, and may bear interest or not and, if interest bearing, may bear interest at one or more fixed rates or at such rate or rates variable from time to time as determined by such index, banking loan rate or other method specified in any agreement relating to the notes or other evidences of indebtedness. Any such agreement may also include such other covenants and provisions for protecting the rights, security and remedies of the noteholders or lenders as may, in the discretion of the general treasurer, be reasonable, legal and proper. The general treasurer may also enter into agreements with firms to facilitate the issuance of the notes or other evidences of indebtedness, including but not limited to trustees, paying agents, underwriters, broker-dealers or placement agents for the underwriting, placement, marketing or remarketing of any such notes or evidences of indebtedness of the state.

(c) To the extent that notes or other evidences of indebtedness are issued pursuant to this Article, the authorization to issue notes in the same amount pursuant to Section 30-15-10 of the Rhode Island General Laws approved by a Resolution of the Disaster Emergency Funding Board adopted on March 26, 2020 shall be reduced and extinguished.

SECTION 2. This article shall take effect upon passage.