

**Summary of the Distressed Municipality Assistance & Accountability Provisions
of
Public Act 17-2, June Special Session**

OFFICE OF POLICY AND MANAGEMENT

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Summary: Distressed Municipality Assistance and Accountability Provisions of PA 17-2, June Special Session

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A. Purpose and Overview:

The purpose of this summary is to describe the assistance and related accountability with respect to distressed municipalities as provided for in Sections 349 to 376 of Public Act 17-2, June Special Session (hereinafter “the Act”).

According to the Act, municipalities experiencing degrees of fiscal distress and in need of technical or other state assistance can seek designation into one of four tiers. Designated Tier I municipalities shall be referred to the current State Municipal Finance Advisory Commission (MFAC), while designated Tier II, III and IV municipalities shall be referred to the Municipal Accountability Review Board (MARB) established in the Act. The process for designation to a tier, the authority and responsibilities of the MFAC and MARB with respect to referred municipalities, the term of the designation, and the assistance available to designated municipalities are described in this summary.

B. Definitions Related to Tiers Criteria:

Municipal Aid: Formula grants, grants, payments in lieu of taxes, reimbursements, payments and other funding provided by the state to municipalities and used to fund general fund budgets, including education budgets.

Fund Balance: The amount that assets and deferred outflow of resources of a municipality’s general fund exceed the liabilities and deferred inflow of resources of the general fund of the municipality as reflected in the municipality’s most recent completed audit.

Fund Balance Percentage: the fund balance in the most recently completed audit divided by the sum of the revenues of the general fund and operating transfers into the general fund in such audit.

Municipal Revenue Increase in Fiscal Year 2018, as a Percent of Revenues: The difference between a municipality’s estimated municipal revenues from state sources and new taxing authority in fiscal year 2018, as reflected in the state aid estimates document created by OPM pursuant to section 4-71b of the statutes, and the amount of such revenues pursuant to the state aid estimates document for fiscal year 2017, divided by this fiscal year 2017 revenue amount.

Equalized Mill Rate: The most recent equalized mill rate as published by OPM in its Municipal Fiscal Indicators document, which rate is derived from the grand levy of a municipality (municipality’s actual mill rate multiplied by its net taxable grand list) divided by the equalized net grand list as determined by the secretary in accordance with section 10-261a of the statutes.

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Designated Tier I Municipalities (Section 360 of the Act)

A. Process and Criteria for Designation:

The chief elected official of a municipality may apply to the Secretary for Tier I designation if any of the following conditions exist:

- (1) The municipality:
 - (a) has no bond rating, or its highest bond rating is A or above (no non-investment grade rating),
 - (b) receives less than 30 percent of its current fiscal year general fund revenues in municipal aid from the state,
 - (c) has a positive fund balance percentage, and
 - (d) has a municipal revenue increase in fiscal year 2018 as a percent of revenues of two percent or more

OR

- (2) The municipality:
 - (a) has no bond rating, or its highest bond rating is A (no non-investment grade rating),
 - (b) receives less than 30% of its current fiscal year general fund revenues in municipal aid, and
 - (c) has a positive fund balance of less than 5 percent

OR

- (3) The municipality:
 - (a) has a highest bond rating of AA or above (no non-investment grade ratings),
 - (b) receives more than 30 percent of its current fiscal year general fund revenues in municipal aid from the state,
 - (c) has an equalized mill rate of less than 30,
 - (d) a positive fund balance, and
 - (e) a municipal revenue increase in fiscal year 2018, as a percent of revenues of two percent or more.

B. Referral to MFAC:

The Secretary shall refer any municipality requesting Tier I designation to the MFAC. The MFAC, established under Section 7-394b, shall work with any municipality referred to it to improve its fiscal condition. The commission may require the chief executive officer of the municipality to: (A) provide information and appear before the commission to discuss the financial condition of the municipality and the implementation of remedial measures to improve its financial condition and (B) submit a written report to the commission on implementation of the recommendations of the commission and other remedial measures. In addition, designated municipalities shall submit a three-year financial plan to MFAC for its review and approval.

C. Term of Designation:

According to Section 369 of the Act, designated Tier I municipalities shall retain the designation until, in the fiscal years following designation: (1) there have been no annual operating budget deficits for two consecutive years; (2) the municipality's bond rating has remained unchanged or has improved; (3) the MFAC has approved a three-year financial plan; and (4) its audits have been completed and contain no general fund deficit. After meeting these requirements, the municipality would remain undesignated unless circumstances would render it eligible for a numerically higher tier.

D. Other Features:

A Tier I municipality may issue, in accordance with Section 361 of the Act, general obligation bonds, except to fund a general fund deficiency, supported or backed by the State special capital reserve fund (SCRF).

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Designated Tier II Municipalities (Section 363 of the Act)

A. Process and Criteria for Designation:

The chief elected official of a municipality may apply to the Secretary for Tier II designation if any of the following conditions exist:

- (1) The municipality: (a) has no bond rating, or its highest bond rating is A (no non-investment grade rating), (b) receives (or received) 30 percent or more of its current (or prior) fiscal year general fund revenues in the form of municipal aid from the state, (c) has a positive fund balance percentage of 5 percent or more, (d) has an equalized mill rate of less than 30 and (e) has a municipal revenue increase in fiscal year 2018, as a percent of revenues, of two percent or more

OR

- (2) The municipality: (a) has no bond rating, or its highest bond rating is A (no non-investment grade rating), (b) receives (or received) 30 percent or more of its current (or prior) fiscal year general fund revenues in the form of municipal aid from the state, (c) has an equalized mill rate of less than 30, and (d) has a positive fund balance of less than 5 percent

OR

- (3) The municipality: (a) has a high bond rating of AA or above (no non-investment grade ratings), (b) receives (or received) 30 percent or more of its current (or prior) fiscal year general fund revenues in the form of municipal aid from the state, and (c) has an equalized mill rate of 30 or more

OR

- (4) The municipality: (a) has a high bond rating of AA or above (no non-investment grade ratings) and (b) has a negative fund balance percentage

OR

- (5) The municipality: (a) has a high bond rating of Baa or BBB (no non-investment grade ratings), (b) has a positive fund balance percentage, and (c) has an equalized grand list of less than 30.

B. Referral to Municipal Accountability Review Board (MARB):

The Secretary shall refer any municipality requesting Tier II designation to the MARB (composition of MARB described on page 5). The MARB has the same authority and responsibilities as the MFAC has with respect to Tier I municipalities, in addition to which municipality shall submit monthly reports to MARB and shall only include assumptions as to state revenues and property tax collections as approved by the Board.

C. Term of Designation:

According to Section 369 of the Act, designated Tier II municipalities shall retain the designation until, in the fiscal years following designation: (1) there have been no annual operating budget deficits for two consecutive years; (2) the municipality's bond rating has remained unchanged or has improved; (3) the MARB has approved a three-year financial plan; and (4) its audits have been completed and contain no general fund deficit. After meeting these requirements, the municipality would remain undesignated unless circumstances would render it eligible for a numerically higher tier.

D. Other Features:

A Tier II municipality may issue, in accordance with Section 364 and with MARB approval, general obligation bonds, including to fund a general fund deficiency, supported by the State special capital reserve fund (SCRF).

A designated Tier II municipality is eligible to apply for Municipal Restructuring Funds in accordance with Section 370 of the Act.

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Composition of the Municipal Accountability Review Board for Designated Tier II and III Municipalities; Additional Members for Tier IV Municipalities (Section 367 of the Act)

A. Members:

The Municipal Accountability Review Board (MARB), which is located in the Office of Policy and Management (OPM) for administrative purposes only, shall be comprised of 11 members, appointed as follows:

- Secretary of OPM, or designee, Chairperson
- State Treasurer, or designee, Cochairperson
- Five members appointed by the Governor:
 - a municipal finance director
 - a municipal bond or bankruptcy attorney
 - a town manager
 - a member having significant experience representing organized labor from a list of three recommendations by AFSCME
 - a member having significant experience as a teacher or representing a teacher's organization selected from a list of three joint recommendations by CEA and AFT-CT
- One member appointed by the President Pro Tempore of the Senate, one member appointed by the Speaker of the House of Representatives, one member appointed by the Minority Leader of the Senate and one member appointed by the Minority Leader of the House of Representatives, each of whom shall have experience in business, finance or municipal management

Additional Members for designated Tier IV Municipalities:

The following would serve as ex-officio, non-voting members for the designated Tier IV municipality they represent:

- The chief elected official, or the chief elected official's designee
- An elected member of the local legislative body, or such member's designee, elected by a majority vote of such body
- The elected municipal treasurer, or other municipal official responsible for the issuance of bonds
- A member of the minority party of the local legislative body as elected by such minority party members

B. Terms:

All members shall serve six-year terms, except two of the Governor's appointments shall be for a term of three years, with subsequent terms to be six years. If there are two or more designated Tier II, II or IV municipalities, the Governor may appoint alternates for his/her appointees, which alternates shall have the same qualifications and have coinciding terms with the member for whom they are serving as an alternate.

C. Other:

MARB members shall serve without compensation, but shall be reimbursed for expenses incurred in the performance of their duties. In regard to Tier III/IV municipalities, the expenses of the board for staff, consultants and other expenses, may, following consultation with the municipality, be charged to the municipality by the MARB and may be paid from the proceeds of any deficit obligation or debt restructuring bonds

According to Section 367(c) of the Act, each municipality referred to the MARB and each of its administrative units, including its board of education, shall supply the MARB with such financial reports, data, audits, statements and any other records or documentation as the MARB may require to perform its functions.

The Attorney General, Secretary, or the MFAC or MARB, may apply to the courts to require that a municipality and its officials carry out MFAC or MARB determinations under the Act (Section 373)

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Designated Tier III Municipalities (Sections 366 and 367 of the Act)

A. Process and Criteria for Designation:

The chief elected official of a municipality*, or its legislative body by majority vote, may apply to the Secretary for Tier III designation if any of the following conditions exist:

- (1) The municipality has at least one bond rating that is below investment grade
- OR**
- (2) The municipality: (a) has no bond rating or its highest bond rating is A, Baa or BBB and it has either: (A) a negative fund balance percentage **OR** (B) has an equalized mill rate of 30 or more and receives/received 30 percent or more of its current/prior fiscal year general fund revenues in the form of municipal aid from the state.

***NOTE:** Prior to the submission of the request by the local chief elected official, the legislative body shall be notified and given 30 days to approve or reject the request. If the legislative body does not act in that 30 day period, the local chief elected official's request shall be deemed approved.

B. Other Means of Designation as a Tier III Municipality:

The Secretary of OPM shall designate a municipality as Tier III if it:

- (1) meets either condition (1) or (2) in the first section above and the Secretary, based on reports and findings of the MFAC, finds that the municipality's fiscal condition warrants such designation;
- (2) issues refunding bonds which: (I) have a term of more than 25 years; (II) do not achieve net present value savings; and (III) have annual debt service payments related to any existing and funded debt in any year that are greater than the first full year of debt service payments following the refunding; or
- (3) issues a deficit obligation or has issued a deficit obligation in the five years preceding July 1, 2017**

According to Section 366(c), no municipality, notwithstanding any other provision of Section 366, shall be designated as a Tier III municipality prior to April 1, 2018 except in accordance with the application process described in part A above, unless it has a population of 120,000 or more and has a bond rating of Caa1 or less.**

**** NOTE:** According to Section 355 of the Act, notwithstanding provisions of other sections of the Act, including Section 366, any municipality that issues a deficit obligation or has issued such an obligation in the five years preceding July 1, 2017 shall be designated a Tier III municipality.

C. Referral to Municipal Accountability Review Board (MARB); MARB Powers:

The Secretary shall refer any designated Tier III municipality to the MARB. The MARB has the same authority and responsibilities that it has with respect to Tier II municipalities, in addition to which the MARB shall have the following authority and responsibilities regarding designated Tier III municipalities:

- (1) Review and comment on its annual budget prior to its adoption by its legislative body;
- (2) In preparing and adopting its annual budgets, municipalities shall only include assumptions regarding state revenues and property tax revenues and a mill rate as are approved by the MARB;
- (3) Approve, by a majority vote of five or more of its members, the issuance of debt service obligations in accordance with Section 364 that are supported by a State special capital reserve fund (SCRf) and the issuance of refunding bonds (the board, notwithstanding any statutes to the contrary, may approve and authorize the municipality's issuance of bonds with a term or not more than 40 years);
- (4) Review and comment on proposed debt obligations not covered by item (3), above;
- (5) May require that the municipality or its board of education notify the MARB regarding proposed non-collective bargaining contracts over \$50,000 (for municipalities with a population under 70,000) and over \$100,000 (for those with a population of 70,000 or more) 30 days prior to their

Designated Tier III Municipalities—*continued*

execution to enable the MARB to review and provide comments on such contracts. The MARB shall establish policies and procedures, in consultation with the municipality and its board of education, in this regard;

- (6) Have the same opportunity and authority as the legislative body to approve or reject, on not more than two occasions, collective bargaining contracts or amendments of the municipality and its board of education;
- (7) (A) Have the same opportunity and authority as the legislative body to approve or reject, on not more than two occasions, arbitration awards related to the collective bargaining contracts or amendments of the municipality and (B) have the same opportunity and authority as the legislative body of the local school district or municipality to approve or reject, on not more than two occasions, arbitration awards related to the collective bargaining contracts or amendments of the school district, except for those involving a teachers' unit;
- (8) Monitor the municipality's compliance with three-year financial plan and annual budget and recommend any changes necessary to ensure balance in plan and budget;
- (9) Recommend the municipality and its board of education implement measures related to efficiency and productivity of operations as the MARB deems appropriate to reduce costs and improve services, which may include, but not be limited to, use of credit and purchasing cards, vehicles and other property and resources;
- (10) Obtain information on financial needs and condition of municipality and its board of education;
- (11) The MARB, in consultation with the municipality, may retain such staff and hire consultants experienced in municipal finance, municipal law, governmental operations and administration or governmental accounting as it deems necessary (**NOTE:** Section 367 of the Act indicates that, with respect to Tier III and IV municipalities, expenses in this regard may be charged to the municipality by the MARB and be paid from the proceeds of any deficit obligation or debt restructuring bonds);
- (12) Require the municipality and its board of education to apply LEAN practices and participate in efforts to establish common strategies and goals and organize around collective impacts for all stakeholders in order to improve fiscal sustainability and municipal vitality;
- (13) The MARB may consult with federal, state, quasi-public and nongovernmental agencies to accomplish its purposes; and
- (14) Establish such written procedures deemed necessary to carry out its responsibilities and purposes under the act.

D. Term of Designation:

According to Section 371 of the Act, designated Tier III municipalities shall retain the designation until, in the fiscal years following designation: (1) there have been no annual operating budget deficits for three consecutive years; (2) the municipality's bond rating has remained unchanged or has improved, provided it has no bond ratings that are below investment grade; (3) the MARB has approved a three-year financial plan; and (4) its audits have been completed and contain no general fund deficit. The MARB may consider the fiscal year preceding designation in determining the number of consecutive fiscal years in regard to item (1). After meeting these requirements, the municipality would remain undesignated unless it has an annual operating budgetary deficit in its general fund of one percent or more or an operating deficit of any amount in consecutive years or if it has one or more non-investment grade bond ratings.

Designated Tier III Municipalities--*continued*

E. Other Features:

- (1) A designated Tier III municipality may issue, with the MARB's approval and in accordance with Section 364 of the Act, general obligation bonds, including to fund a general fund deficiency, supported by the State special capital reserve fund (SCRF).
- (2) A designated Tier III municipality is eligible to apply for Municipal Restructuring Funds in accordance with Section 370 of the Act.
- (3) A designated Tier III municipality is eligible to enter into a contract with the Secretary of OPM and the State Treasurer for contract assistance in accordance with Section 376 of this Act, or in lieu of such contract assistance the Secretary and the State Treasurer may agree to provide other forms of credit support to the municipality in accordance with that section.
- (4) With respect to collective bargaining negotiations, according to Section 367(d) of the Act, Tier III municipalities with a population of 100,000 or more shall request that the Secretary of OPM designate a staff member and the local legislative body designate one of its members to meet with the parties for the purpose of providing mediation assistance with the negotiations, which assistance may include, but not be limited to, assisting the parties to resolve differences associated with projecting the benefits, savings and costs of proposals made by the parties. Such mediation assistance shall have a duration of no longer than 60 days.

Designated Tier IV Municipality (Section 368 of the Act)

A. Process and Criteria for a Tier III Municipality's Designation as Tier IV

- (1) The chief elected official of a Tier III municipality*, or its legislative body by majority vote, may apply to the Secretary for Tier IV designation. The Secretary may approve such request if the secretary determines the designation is necessary to ensure the fiscal sustainability of the municipality and is in the best interests of the state.

***NOTE:** Prior to the submission of the request by the local chief elected official, the local legislative body shall be notified and given 30 days to approve or reject the request. If the legislative body does not act in that 30 day period, the local chief elected official's request shall be deemed approved.

OR

- (2) The MARB may designate a Tier III municipality as Tier IV based on a finding** that the municipality's fiscal condition warrants such a designation based on the following criteria:
 - (A) the balance in the municipal fund reserve fund;
 - (B) the short and long-term liabilities of the municipality, including, but not limited to, the municipality's ability to meet minimum funding levels required by law, contract or court order;
 - (C) the municipality's initial budgeted revenue compared to actual revenue for the past five years;
 - (D) the budget projections for the following three years;
 - (E) the economic outlook for the municipality; and
 - (F) the municipality's access to capital markets.

****NOTE:** For purposes of making such a finding, the MARB membership shall also include the municipality's chief elected official (as voting member), the municipal treasurer (as nonvoting member) and a member of the legislative body, as selected by such body (as voting member).

The MARB shall submit such finding and recommended designation to the Secretary of OPM, who, after a 30 day notice and public comment period, shall forward the MARB's finding and recommended designation to the Governor and a report of the comments received. Following the receipt of the MARB's finding and recommendation and the report, the Governor may approve or disapprove the MARB's recommended designation. According the Section 368(d) of the Act, no Tier III municipality can be designated as Tier IV by any means other than part (1), above, until April 1, 2018.

B. Referral to Municipal Accountability Review Board (MARB); Additional MARB Powers:

The MARB shall have the same authority and responsibilities as the MARB with respect to designated Tier III municipalities, in addition to which the MARB shall have the following additional or superceding authority and responsibilities with respect to designated Tier IV municipalities:

- (1) To review and approve the municipality's annual budget for the general fund budget and all other budgeted funds. No annual budget, annual tax levy or fee shall become operative until it has been approved by the MARB. If the MARB disapproves any annual budget (not later than May 21st), it will indicate the reasons for the disapproval. If a revised budget is not submitted and approved by the MARB by June 15th, the MARB shall adopt an interim budget and establish a tax rate and user fees to be effective at the start of the new fiscal year. Such interim budget shall remain in effect until the municipality submits and the MARB approves a modified budget.
- (2) Review and approve all bond ordinances and resolutions of the municipality.

Designated Tier IV Municipality--*continued*

- (3) Monitor compliance with the municipality's three-year plan and annual budget and require changes it deems necessary to achieve balance in the plan and budget.
- (4) Approve or reject all collective bargaining agreements, amendments or modification of the municipality or its board of education and to seek and make modifications in any rejected agreements or amendments following the process indicated in the Act.
- (5) Impose binding arbitration with respect to collective bargaining agreements of the municipality and its board of education that are subject to or in binding arbitration. After imposing arbitration, the MARB shall submit, following the process outlined in the Act, the names of three potential arbitrators to the Governor, who shall select one to serve as the single arbitrator. The MARB shall not be limited by the issues raised by or negotiated by the parties or their last best offers in determining the issues subject to binding arbitration. With respect to collective bargaining agreements negotiated pursuant to section 10-153d of the statutes and arbitration awards issued pursuant to section 10-153f of the statutes, these provisions and those in item (4), above, shall not apply until the board has rejected an agreement or award pursuant to subdivision (7) of subsection (b) of section 367 of this act on two occasions.
- (6) Require its approval of proposed municipal budget transfers in excess of \$50,000.
- (7) Require its review, approval, disapproval or modification of the board of education budget on a line-item basis and require approval of board of education budget transfers; The MARB shall develop policies and procedures, in consultation with the board of education, related to the implementation of these powers and those related to budget transfers it item (6), above.
- (8) Appoint a financial manager and delegate to delegate certain powers to the manager (approval powers related to budgets, contracts, collective bargaining agreements and arbitration, budget transfers, and debt issuance, among others, may not be delegated by the MARB to the financial manager and any action of the manager may be overridden by MARB).
- (9) Require review and approval of municipal or board of education contracts over \$50,000 for municipalities with a population over 70,000 and over \$100,000 for those with a population of 70,000 or more; The MARB shall develop policies and procedures, in consultation with municipality and/or board of education, in implementing these procedures.
- (10) Authorize and approve the issuance of State special capital reserve fund (SCRF) bonds by a designated Tier IV under Section 364 of this Act whether or not the municipality is otherwise ineligible for such support under the section.
- (11) Authorize and approve refunding bonds, including for a term of up to 40 years.

C. Term of Designation:

According to Section 371 of the Act, designated Tier IV municipalities shall retain the designation until, in the fiscal years following designation: (1) there have been no annual operating budget deficits for three consecutive years; (2) the municipality's bond rating has remained unchanged or has improved, provided it has no bond ratings that are below investment grade; (3) the MARB has approved a three-year financial plan; and (4) its audits have been completed and contain no general fund deficit. The MARB may consider the fiscal year preceding designation in determining the number of consecutive fiscal years in regard to item (1). After meeting these requirements, the municipality would remain undesignated unless is has an annual operating budgetary deficit in its general fund of one percent or more or an operating deficit of any amount in consecutive years or if it has one or more non-investment grade bond ratings.

Designated Tier IV Municipality--*continued*

D. Other Features:

- (1) A designated Tier IV municipality may issue, with the MARB's approval and in accordance with Section 364 of the Act, general obligation bonds, including to fund a general fund deficiency, supported or backed by the State special capital reserve fund (SCRF).
- (2) A designated Tier IV municipality is eligible to apply for Municipal Restructuring Funds in accordance with Section 370 of the Act.
- (3) A designated Tier IV municipality is eligible to enter into a contract for with the Secretary of OPM and the State Treasurer for contract assistance in accordance with Section 376 of this Act, or in lieu of such contract assistance the Secretary and the State Treasurer may agree to provide other forms of credit support to the municipality in accordance with that section.
- (4) According to Section 372 of the Act, a designated Tier IV municipality shall not enact a property tax levy of more than 3 percent greater than the levy contained in the prior year budget. A Tier IV municipality may apply to the MARB for exceptions to this limit. Factors to be considered by the MARB in this regard include the need to address matters related to the health and welfare of citizens, long-term obligations and court orders or settlements. The secretary shall develop guidelines to assist in the implementation of the levy limit.

Municipal Restructuring Fund (Section 370 of the Act)

A. Eligibility for Funding; Submittal of Plan:

- (1) Any designated tier II, III or IV municipality shall be eligible to receive funding from the Municipal Restructuring Fund, which shall be nonlapsing.
- (2) A designated tier II, III or IV municipality seeking funds shall submit, to the Secretary of OPM, a plan detailing its overall restructuring plan, including local actions to be taken and its proposed use of the funds.
- (3) A municipality may, as part of such plan and in consultation with its board of education, submit a proposed reduction in the minimum budget requirement related to its education budget. The Secretary shall consult with the Commissioner of Education in approving or rejecting any proposed reduction as part of a municipality's proposed restructuring plan.

B. Review of Plan, Distribution Decisions and Conditions Related to Funding

- (1) The Secretary shall consult with the MARB in making distribution decisions and in attaching appropriate conditions to the receipt of funds, including the timing of their distribution.
- (2) The distribution of funds shall be based on factors including the plans submitted and the relative fiscal needs of the requesting municipalities. The Secretary may approve all, none or a portion of the funds requested by a municipality.
- (3) In attaching conditions to funding, the Secretary shall consider the ability of the municipality to meet legal and other obligations

NOTE: Section 370(b) indicates that, notwithstanding other provisions of Section 370, in making distributions from the Municipal Restructuring Fund, immediate consideration shall be given to any municipality that shall default on debt obligation by January 1, 2018 without an immediate distribution of the funds.

C. Monitoring the Use and Expenditures of Funds

- (1) The MARB shall assist and report to the Secretary in monitoring the use of the funds and adherence to the conditions attached to the funding.
- (2) In addition to the powers given to the MARB with respect to designated Tier II, III and IV municipalities, any municipality receiving funds shall be required to receive MARB approval of their annual budgets.

D. Guidance

The Secretary shall develop and issue guidance on the:

- (1) administration of the Municipal Restructuring Funds,
- (2) criteria for participation by municipalities and requirements for plan submission, and
- (3) prioritization for the awarding of assistance fund

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Contract Assistance (Section 376 of the Act)

A. Eligibility for Contract Assistance; Description of Contract Assistance:

- (1) The Secretary and the State Treasurer may enter into a contract with any designated Tier III or IV municipality for the provision of contract assistance in accordance with Section 376 of the Act.
- (2) Any such contract assistance shall be limited to an amount equal to:
 - (i) The annual debt service on the outstanding amount of: (A) refunding bonds to be issued by such municipality pursuant to Section 7-370c or (B) any other bonds or notes issued by the municipality, provided that the refunding bonds or other bonds or notes are for payment, funding refunding, redemption, replacement or substitution of bonds, notes or other obligation previously issued by the municipality, plus
 - (ii) Costs of issuance on the refunding bonds and any other costs or expenses, including, but not limited to, any tax payments that result from the refunding of debt.
- (3) The contract for contract assistance may provide that the contract assistance shall be paid directly by the state to the municipality, trustee, paying agent or holder of the refunding bonds, other bonds or notes that are the subject of the contract.

B. Submittal of Certificate; Secretary and State Treasurer Evaluation of Feasibility

- (1) No contract for contract assistance shall be entered by the Secretary and the State Treasurer unless such the designated Tier III or IV municipality files with the Secretary and the State Treasurer a certificate that sets forth the amount of the debt service and costs of issuance expected to be paid on the refunding bonds to be secured by the contract.
- (2) In making any finding or determination for the purpose of entering into or executing any contract for contract assistance on behalf of the State, the Secretary and the State Treasurer may rely upon any reports or estimates of experts, as appropriate, to evaluate the feasibility of any refunding of debt.
- (3) The issuance of the refunding bonds by a municipality under the Act shall, in accordance with the provisions of this Act, require review and approval of the MARB.

C. Full Faith and Credit Obligation of the State

- (1) Any provision of a contract for contract assistance shall constitute a full faith and credit obligation of the State and, further, as part of the contractual obligation of the state to the municipality, trustee paying agent or holder of the refunding bonds, other bonds or notes, the amounts necessary to timely meet the terms of this contractual obligation is deemed appropriated and the State Treasurer shall pay such amounts as they become due.
- (2) Any designated tier III or IV municipality that enters a contract for contract assistance with the state may pledge such contract assistance as security for the refunding bonds the subject of such contract.

D. Other Provisions

- (1) In lieu of contract assistance, the Secretary and State Treasurer may agree to provide other forms of credit support to a designated tier III or IV municipality, including, but not limited to, an assumption of all or a portion of any bonds, notes or other obligation or issuance of state bonds in replacement of bonds, notes or other obligations, provided that such credit support shall not exceed the amount otherwise available to the municipality for contract assistance.
- (2) Nothing in Section 376 of the Act shall limit the total funds available to a distressed municipality.
- (3) The Secretary and the State Treasurer shall not enter a contract for contract assistance with any municipality that files for bankruptcy.