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DEVAL L. PATRICK
GOVERNOR

ATTACHMENT D

July 11, 2014

To the Honorable Senate and House of Representatives:

Pursuant to Article LVI, as amended by Article XC, Section 3 of the Amendments to the Constitution, I am returning to you for amendment Sections 28, 56, 57, 58, 59, 119, 120, and 290 of House Bill No. 4001, "An Act Making Appropriations for the Fiscal Year 2015 for the Maintenance of the Departments, Boards, Commissions, Institutions and Certain Activities of the Commonwealth, for Interest, Sinking Fund and Serial Bond Requirements and for Certain Permanent Improvements."

Nearly twenty years ago, the Legislature abolished seven of the twelve county governments, which were then near bankruptcy, with little resulting disruption. The sections that I am returning here attempt to avoid the same outcome for the remaining counties, by annually sending about \$5 million in additional state funds to them through an increase in their share of state deeds excise revenues and in the rents that the state Trial Court pays for the privilege of occupying courthouses still nominally owned by counties. This would be in addition to \$2 million recently made available to three of these remaining county governments in a recent supplemental budget.

I agree that the remaining county governments have significant financial challenges, but I respectfully suggest that the Legislature has selected the wrong remedy. Instead, I propose to enhance the existing powers of the Division of Local Services of the state Department of Revenue to monitor county finances, including giving it

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the power to intervene when the Secretary of Administration and Finance determines it is necessary to ensure responsible spending within existing revenues. This is the same basic approach that we have successfully taken in recent years for several municipalities likewise facing fiscal challenges.

For these reasons, I recommend that Sections 28, 56, 57, 58, 59, 119, 120, and 290 be amended by striking out their text and inserting in place thereof the following text:-

SECTION 1. Subsection (g) of section 28B of chapter 35 of the General Laws, as appearing in the 2012 Official Edition, is hereby amended by striking out the last sentence and inserting in place thereof the following sentence:- The county commissioners shall transmit a copy of the approved budget and any approved supplementary budget to the director of accounts within 15 days after the advisory board's action on it and shall submit any other information related to the county's budget and finances that the director may request.

SECTION 2. Said section 28B of said chapter 35, as so appearing, is hereby further amended by adding the following subsection:-

(j) Nothing in this section shall restrict the oversight authority of the director of accounts, established in section 50.

SECTION 3. Said chapter 35 is hereby further amended by inserting after section 50 the following section:-

Section 50A. (a) Notwithstanding any other general or special law to the contrary, the director of accounts shall report in writing to the commissioner of revenue and the secretary of administration and finance whenever (1) a county fails to submit to the director a balanced budget under section 28B or an audit report, with accompanying financial statements, prepared by a certified public accountant in accordance with generally accepted auditing standards, for the preceding fiscal year by March 31, and (2) the director believes the county is unable to achieve a balanced budget and long-term fiscal stability without additional state oversight. A county is

unable to achieve a balanced budget if the director determines that it cannot meet anticipated operating and capital expenses and other obligations, including debt service, current and anticipated costs of the county's contributory retirement system, and prior-year deficits with the revenues reasonably anticipated to be received and available based on actual receipts from the same sources in prior years. The county commissioners shall provide all information determined by the director to be pertinent to an assessment of the fiscal stability and financial condition of the county. The requested information shall be provided in the form and detail and within the time the director prescribes and may include periodic reports that compare budget to actual revenues and expenditures for the fiscal year, a multiple-year revenue and expenditure analysis and forecast, a balance sheet for the preceding fiscal year, reports on ongoing or anticipated capital projects, debt service schedules, reports of anticipated future costs and unfunded liabilities of the county retirement system and any other information pertinent to county finances. Failure of the county commissioners to submit the annual budget and all supplemental budgets under section 28B, or the annual audit or information requested by the director under this section, within a reasonable time as determined by the director may result in a finding that additional state oversight is warranted.

(b) Upon receipt of the director's report, and after consultation with the commissioner and director, the secretary may determine that additional state oversight is warranted to ensure fiscal stability of the county, and if so, shall notify in writing the county commissioners and advisory board on county expenditures. The secretary may implement appropriate measures to oversee, monitor and improve the financial stability of the county including, but not limited to, the review of any proposed budget before submission to the advisory board; approval of any budget, borrowing authorization, transfer or other county spending authorization in whole or in part before the county may incur liabilities against those authorizations; review of all proposed contracts and obligations with a term in excess of 1 year; reduction or withholding of distributions of deed excise revenue; submission of periodic reports of budgetary and financial information; and implementation of reform measures recommended by audits or other reviews of county operations or finances. After consultation with the commissioner and director, the secretary may designate the

commissioner or director to oversee the implementation of the fiscal stability measures, or may appoint another person to act as the fiscal overseer.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Neal Fentel". The signature is written in a cursive style with a large, sweeping initial "N" and a distinct "F" for the last name.