

SENATE No. 1432

The Commonwealth of Massachusetts

In the Year Two Thousand Nine

An Act Relative to Oversight of Capital Expenditures in the Commonwealth..

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1 (a) The treasurer of the Commonwealth, all quasi-public entities of the
2 Commonwealth and independent authorities of the commonwealth shall make biannual reports
3 on their borrowing practices. These reports shall be submitted to the Secretary of Administration
4 and Finance, the auditor of the commonwealth, the House and Senate chairs of the Committee on
5 Ways and Means, and to the Senate and House chairs of the Committee on Bonding, Capital
6 Expenditures & State Assets. This report shall include all transactions entered into, other than
7 fixed-rate borrowing, during the six month period prior to the report filing deadline. Reports
8 shall be due on the 30th day of April and the 31st day of October in each calendar year. The
9 report shall include all transactions related to derivative financial products. For purposes of this
10 section, derivative financial products shall be defined as financial instruments whose own value
11 is derived from or based upon the value of other assets or on the level of an interest rate index,
12 including, but not limited to a call option on a bond, an interest rate swap, caps, floors, collars,
13 inverse floaters, auction rate securities, or any other financial transaction other than fixed-rate,
14 long term borrowing. This report shall include the terms and conditions of each derivative

15 financial product transaction; the parties involved in negotiating each derivative financial
16 product transaction; copies of all agreements entered into between the parties relative to
17 derivative financial product transactions; the financial impact of each transaction including, but
18 not limited to, the interest rates, fluctuation in interest rates, and payments associated therewith;
19 and a written rationale of the treasurer of the Commonwealth, quasi-public entities of the
20 commonwealth as to how the determination to enter into such a transaction was made. The report
21 shall disclose any and all interactions with legislative agents or registered lobbyists in
22 conjunction with transactions defined in subsection (a); provided further that such report shall
23 also indicate whether the transaction was subject to a negotiated contract or an open bidding
24 process. The report shall be signed under the pains and penalties of perjury by the treasurer, on
25 behalf of the commonwealth; and by the chief financial officers of each quasi-public entity or
26 independent authority of the Commonwealth, and subject to review by the Secretary of
27 Administration and Finance.

28 (b) Prior to any such transaction described in subsection (a) being authorized, the
29 Secretary of Administration and Finance, in consultation with the State Treasurer, shall submit to
30 the clerks of the House of representatives and the Senate, the House and Senate Committees on
31 Ways and Means, and the House and Senate Committees on Bonding, Capital Expenditures &
32 State Assets, a report indicating that the Secretary of Administration and Finance and the
33 treasurer of the commonwealth approve of such transaction and provide written documentation
34 supporting their recommendation.

35 (c) The House and Senate Committees on Bonding, Capital Expenditures & State Assets
36 shall be authorized to hold oversight hearings regarding the capital programs of the
37 commonwealth; any quasi-public entity; or independent authority of the commonwealth;

38 provided further that the House and Senate Committees on Bonding, Capital Expenditures &
39 State Assets shall The House and Senate Committees on Bonding, Capital Expenditures & State
40 Assets shall have the power to summon witnesses, administer oaths, take testimony and compel
41 the production of books, papers, documents and other evidence in connection with the programs
42 authorized pursuant to this act. If the committees shall deem special studies or investigations to
43 be necessary, they may undertake studies or investigations.