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Connecticut Governor Calls for Expanded Municipal Oversight System.

NEW YORK — Connecticut Governor Dannel Malloy called on Thursday for an expansion of the state's system for municipal intervention to help avert a crisis in cities struggling with fiscal problems.

The Municipal Accountability Review Board that Malloy plans to introduce in his Feb. 8 budget speech would create four tiers of oversight with increasing levels of review and intervention, based on municipalities' fiscal condition and the amount of state aid they get, the governor said in a statement.

Factors that go into the determination would include bond rating, fund balances and state aid as a percentage of budget, the statement said.

"With this system, the state will be poised to intercede early to put struggling local governments on a path to sustainable fiscal health before they are on the brink of a fiscal crisis," he said.

It would build on the state's existing Municipal Finance Advisory Commission. As part of the state's two-year budget proposal, the plan would have to be passed by the time lawmakers end their session on June 7, though they could be called into a special session.

Such a program could not come soon enough for the capital city itself, Hartford, rated in junk territory at Ba2 with a negative outlook by Moody's Investors Service.

Hartford could need "extraordinary assistance" to avoid insolvency, according to a January report from the Yankee Institute for Public Policy.

The state's other three big cities - Bridgeport, New Haven and Waterbury - have also had to cut services and dip into reserves amid pension pressures and other fiscal challenges, the report found.

Many U.S. states have such programs, but the degree and scope of intervention can vary widely.

By REUTERS

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(Reporting by Hilary Russ; Editing by Tom Brown)