

**Governor's FY 2021 Budget:
Article Amendments
2020 – H 7956 & 7676
2020 – H 8119 & 8120**

Staff Presentation to the House Finance Committee
July 29, 2020

Introduction

Debt	GBA Article 4 – Public Debt Management Act
	GBA Article 5 – Capital Development Program
	2020 – H 7676: \$4 million GO for open space
	2020 – H 7959: \$40 million GO for RW Park Zoo
Short Term Borrowing	GBA New Article – Tax Anticipation Notes
Rainy Day Fund	2020 – H 8119: Constitutional change to increase Fund
	2020 – H 8120: Phased implementation of increase

Assembly Role

- Appropriate Pay-Go
 - (Article 1 of 7171)
- Approve General Obligation Bond Referenda
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner)
 - Approve or reject resolution
 - Generally appropriate debt service

Project Considerations

- Does the project need to be done?
- Is the project ready to be done?
 - When will it start?
 - Is it well thought through and ready for funding/financing?
 - What will the operating budget impacts be?
 - Maintenance costs, staff savings?
 - When will it be complete?

Funding Considerations

- Should a project be financed or pay-as-you-go?
 - Rhode Island Capital Plan funds available as pay-go for all or part of project
 - More pay-go equals less future debt service

Funding Considerations

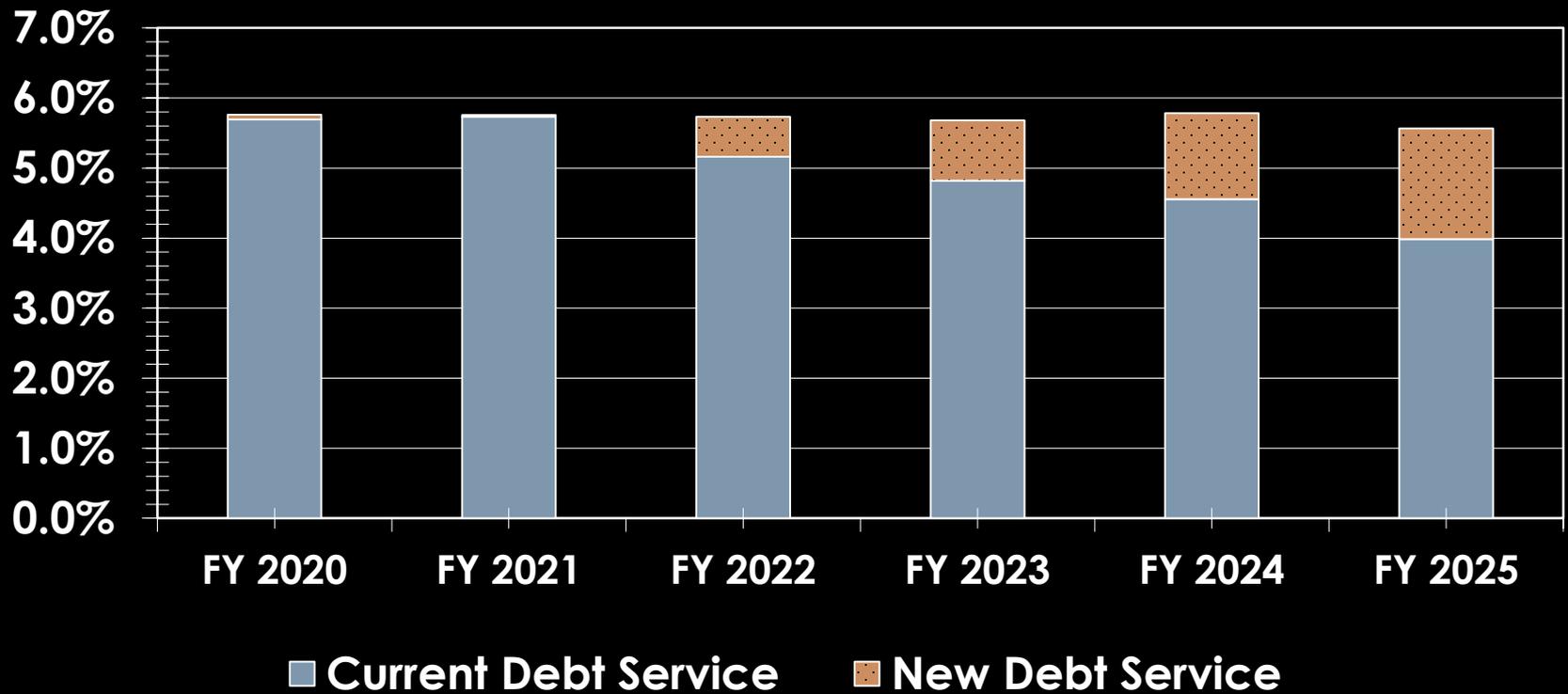
- State's overall debt structure based on Governor's FY 2021 capital budget recommendation
 - Net tax supported debt would decrease by \$19.9 million to \$1,917.2 million
 - Had dropped to \$1.3 billion in FY 2003 after use of tobacco bonds to defease debt
 - Past practice indicates it will be higher as more projects are added

Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service	Pct. of Revenues
2020	\$243.4	5.8%
2021	\$252.7	5.8%
2022	\$261.8	5.8%
2023	\$265.5	5.8%
2024	\$276.0	5.9%
2025	\$267.7	5.6%

\$ in millions

Debt Service as Percent of Useable Revenues



Funding Considerations – Debt Ratios

- Debt as % of personal income
 - Drop from 3.1% in FY 2019 to 2.6% in FY 2025
 - Likely to be higher as projects are added
- Treasurer's January debt capacity letter
 - Update to PFMB Debt Affordability Study
 - Bond capacity for 2020 ballot: \$208.4 million
 - Appears to assume faster issuance schedule than typical
 - Treasurer updated letter on Feb. 11
 - Liability would remain within recommended levels based on projected issuance schedule

Funding Considerations

PFMB Debt Affordability Targets Based on July 25, 2019 Debt Affordability Study

Annual debt service as % of general revenue	7%
Total debt service as % of state personal income	4%
Total annual debt service, pension costs, & OPEB costs as % of general revenue	18%
Total annual debt service, pension costs, & OPEB costs as % of personal income	12%

Funding Considerations

- Treasurer released 2 more updates
 - June update based on results of May REC
 - Governor's proposal would exceed 1 of 4 recommended limits for 1 or 2 years
 - "the recommended liability limits, may be exceeded from time to time due to unforeseen events such as recession, natural disaster or other emergency"
 - July update in response to COVID-19 crisis
 - Treasurer recommends \$200 million more bonding than currently proposed
 - Contain spread of COVID, improve public health, support economic recovery

Funding Considerations

GO Debt Capacity by Ballot	Debt Study 2019	January Letter	February Letter	June Letter	July Letter	July chg. to June
2020	\$176.4	\$208.4	\$387.6	\$387.6	\$587.6	\$200.0
2022	389.6	463.4	440.2	390.8	417.0	26.2
2024	602.8	718.4	614.3	503.5	565.1	61.6
2026	602.8	697.9	645.9	818.4	1,066.6	248.1
2028	602.8	677.5	677.5	485.7	692.8	207.2
2030	-	-	300.0	294.6	493.4	198.9

\$ in millions

- Treasurer's letters assume all general revenues
- OMB & HFAS use useable revenues including certain gas tax for GO when reporting debt ratios

Proposed Debt

New Debt Authority	Original	GBA	Change
November 2020 Bond Referenda			
1: Higher Education	\$117.3	\$117.3	\$-
2: Environment & Recreation	64.0	69.0	5.0
3: Housing & Infrastructure	87.5	310.5	223.0
Total New Referenda	\$268.8	\$496.8	\$228.0
Other Debt Instruments			
Certificates of Participation	\$118.8	\$90.8	\$(28.0)
Motor Fuel Revenue Bonds	64.2	40.0	(24.2)
Total New Debt Authorization	\$451.8	\$627.6	\$175.8
Total Excluding MFB	\$387.6	\$587.6	\$200.0

\$ in millions

Article 4 - Debt Management Act Joint Resolution

- Enacted in 1994
- Subsequently amended to increase Assembly's approval role
- Ensures that debt with a state tie was not issued without legislative review
- Often referred to as "Kushner"
 - Result of Commission chaired by Rep. Linda Kushner

Article 4 - Debt Management Act Joint Resolution

- Public Debt Management Act
- Certain quasi-public agencies are exempt:
 - Infrastructure Bank
 - Rhode Island Housing & Mortgage Finance Corporation
 - Rhode Island Health & Educational Building Corporation

Article 4 - New Requested Debt

Certificates of Participation	Original	GBA	Change
Enterprise Resource Planning IT	\$54.8	\$38.8	\$(16.0)
Child Welfare IT System	17.0	17.0	-
Eleanor Slater Hospital – Regan Bldg.	12.0	-	(12.0)
Southern Barracks State Police	35.0	35.0	-
Subtotal	\$118.8	\$90.8	\$(28.0)
Motor Fuel Revenue Bonds			
Henderson Bridge & Other	\$64.2	\$40.0	\$(24.2)
Total	\$183.0	\$130.8	\$(52.2)

\$ in millions

Article 4 - New Requested Debt

Certificates of Participation	Original Amount	Annual Debt	Source
Enterprise Resource Planning IT	\$54.8	\$2.9 - \$8.7	General Revenues
Child Welfare IT System	17.0	2.0	
Eleanor Slater Hospital – Regan Bldg.	12.0	1.0	
Southern Barracks State Police	35.0	2.9	
Subtotal	\$118.8		
Motor Fuel Revenue Bonds			
Henderson Bridge & Other	\$64.2	\$2.0 - \$7.3	Gas Tax
Total	\$183.0		

\$ in millions

Article 4 - New Requested Debt

Certificates of Participation	GBA Amount	Annual Debt	Source
Enterprise Resource Planning IT	\$38.8	\$6.2	General Revenues
Child Welfare IT System	17.0	2.0	
Eleanor Slater Hospital – Regan Bldg.	-	-	
Southern Barracks State Police	35.0	2.9	
Subtotal	\$90.8		
Motor Fuel Revenue Bonds			
Henderson Bridge & Other	\$40.0	\$1.0 - \$4.9	Gas Tax
Total	\$130.8		

\$ in millions

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

- FY 2018 Single Audit Report
 - Issued April 2, 2019 by Auditor General
 - Reported major deficiencies around information technology
 - *State has not sufficiently addressed IT security risks*
 - *State does not follow uniform enterprise-wide program change control procedures for the various information technology applications*
 - *Administration should propose an additional dedicated funding source for the Information Technology Investment Fund*

IT Investment Fund

- Information Technology Investment Fund
 - Created by 2011 Assembly for acquiring IT improvements
 - Hardware
 - Software
 - Maintenance
 - Designed to create pool of resources for projects instead of borrowing

IT Investment Fund

- 2011 Assembly dedicated land sale revenue to the Fund
- 2012 Assembly transferred \$9.0 million
 - Prior year surplus funds
- 2014 Assembly
 - \$26.3 million from tobacco refinancing
 - 10% of \$1 surcharge on wireless & land lines
 - Effective, July 1, 2015

IT Investment Fund

- 2017 Assembly allowed \$1.50 DMV surcharge into the Fund through FY 2022
 - For project-related payments, maintenance, and enhancements for Division's new IT system
- 2018 Assembly dedicated surcharges from certified vital records
- 2019 Assembly revised fees & distribution
 - Emergency & First Response phone charges, eff. October 1, 2019

IT Investment Fund

	FY 2019	FY 2020 Rev.	FY 2021
Balance	\$8.5	\$6.3	\$(1.4)
New Receipts	4.5	10.1	10.4
Available Resources	\$12.9	\$16.4	\$9.0
DMV System	\$1.6	\$0.9	\$-
Real ID	1.9	-	-
Tax. System	-	2.9	-
E-Procurement	-	2.0	-
UHIP	-	1.6	-
Other Projects	3.1	10.3	10.6
Total Projects	\$6.7	\$17.7	\$10.6
Balance	\$6.3	\$(1.4)	\$(1.6)

\$ in millions

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

- Administration hired vendor to examine options & strategy for replacing systems
 - Report issued identifies reasons for modernization
 - Errors are occurring from non-integrated systems
 - Decision makers are unable to receive accurate information in a timely manner
 - Maintenance is becoming an issue
 - Employees familiar with systems are eligible or will retire

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

- Replacement is planned as cloud - based system
 - Not a system designed specifically for RI
 - State would purchase a service
 - Conform its business processes to use the system selected
 - Different components will be implemented over time

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

- Article authorizes new debt of \$54.8M
 - Human resources & payroll – decades old
 - Finance: RIFANS/Oracle – 2006
 - Systems nearing end useful lives
 - Grants management – no system
 - Multiple years to implement
 - During implementation \$18.9 million in operating costs to be billed to user agencies
 - Through IT internal service fund – portion paid from non general revenues

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

Original	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Operating	\$1.5	\$3.3	\$3.3	\$2.7	\$2.6	\$2.7	\$2.8	\$18.9
Capital	-	17.9	18.4	17.9	0.6	-	-	54.8
Total	\$1.5	\$21.2	\$21.7	\$20.6	\$3.2	\$2.7	\$2.8	\$73.7

\$ in millions

- FY 2021 funding supports 2 positions & contracted services
- Annual debt service on \$54.8 million
 - Ranges from \$2.9 million to \$8.7 million
 - Assuming 2.75% interest & 7-yr. term
 - Beginning in FY 2022

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

- GBA lowers authorization to \$38.8 million
 - \$16.0 million reduction reflects excluding the replacement of the Finance system as part of this authorization
 - Unclear how that flows through cost projections
 - Is plan to still implement via new debt in future?

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

GBA	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Operating	\$1.5	\$3.3	\$3.3	\$2.7	\$2.6	\$2.7	\$2.8	\$18.9
Capital	-	17.9	18.4	17.9	0.6	-	-	54.8
Total	\$1.5	\$21.2	\$21.7	\$20.6	\$3.2	\$2.7	\$2.8	\$73.7

\$ in millions; items in red unknown

- Finance system capital appears to show up in FY 2024
- Updated long term costs not provided
 - May be similar if debt will be issued in separate proposal

Eleanor Slater Hospital – Regan Building

- 2018 Assembly authorized borrowing \$22.0 million for renovations to Regan
 - Part of \$49.9 million reorganization plan to bring Eleanor Slater Hospital into compliance with federal requirements
 - Proposed May 2018
 - Renovate 3 units for psychiatric patients
 - Upgrade 1 medical unit
 - New IT & data systems
 - New elevators, roof, flooring, masonry, furniture

Eleanor Slater Hospital – Regan Building

- Section 4 of Article 5 authorizes state to borrow another \$12.0 million for Regan building
 - Would bring total to \$61.9 million
 - Regan component originally \$42 million of the total
 - ~ 30% increase over approved plan
 - Provide services to approximately 110 patients
 - Result of formal projections developed in the summer of 2019

Eleanor Slater Hospital – Regan Building

Floor	Purpose	# of Beds	Original Plan	New
1 st	Main entry/kitchen	N/A	\$6.4	\$3.5
2 nd	Medical /staff space	N/A	3.1	3.1
3 rd *	Psychiatric Unit	26	5.3	5.2
4 th /5 th	Psychiatric Unit	52	10.6	10.4
6 th *	Medical Unit	28	3.0	5.0
Other Major Items			6.0	21.2
Design & Contingency			7.6	5.6
Total		106	\$42.0	\$53.9

\$ in millions - 3rd floor was 27 and 6th floor was 26 in original plan

Eleanor Slater Hospital – Regan Building

	Pre-FY 2020	FY 2020	FY 2021	FY 2022	Total
RICAP	\$7.9	\$3.0	\$12.0	\$5.0	\$27.9
COPS Issued	1.8	8.2	12.0	-	22.0
Subtotal	\$9.6	\$ 11.2	\$24.0	\$5.0	\$49.9
New COPS	-	-	12.0	-	12.0
Total	\$9.6	\$11.2	\$36.0	\$5.0	\$61.9

\$ in millions

- Annual debt service is \$1.0 million on new issuance
 - Assuming 2.75% & 15 yr. term

Eleanor Slater Hospital – Regan Building

- Governor's Article 4 amendment deletes the newly requested debt authorization
 - Uncertainty as to the resolution of current issues at Eleanor Slater Hospital
 - Ability to bill Medicaid and/or Medicare
 - Level of care needed by the patients
 - Hospital or nursing homes?
 - What next plan is for hospital?

GARVEE Debt

- Financing mechanism
 - GARVEE program approved by Congress
 - Allows states to borrow funds backed and repaid by annual allocation of Federal Highway Administration construction funds
- State issued GARVEE
 - 2003 – \$710 million for 5 major projects
 - 2016 - \$300 million for bridge replacement
 - Refinance balance of 2003 issuance
 - 2019 - \$200 million for Interstate 95 North Viaduct

GARVEE

- 2003 Assembly authorized \$710 million for 5 major projects
 - I-195 relocation, Sakonnet River Bridge, Washington Bridge, Freight Rail Improvement, and Route 403
 - 2.0-cent from gasoline tax for state match
 - Refinanced over years – lowered debt
 - Required to transfer full value of 2.0-cent
 - \$5M - \$6M million excess funds with Trustee
 - Reserved to demolish Old Sakonnet River Bridge

GARVEE Debt

FY	2003 & 2006	2019	Total
2020	\$57.5	\$-	\$57.5
2021	\$57.5	\$18.0	\$75.5
2022	\$57.5	\$18.0	\$75.5
2023	\$57.5	\$18.0	\$75.5
2024	\$57.5	\$18.0	\$75.5
2025	\$42.5	\$18.0	\$60.5
2026	\$42.5	\$18.0	\$60.5
2027	\$42.5	\$18.0	\$60.5
2028	\$42.5	\$18.0	\$60.5

FY	2003 & 2006	2019	Total
2029	\$42.5	\$18.0	\$60.5
2030	\$42.5	\$18.0	\$60.5
2031	\$42.5	\$18.0	\$60.5
2032	\$ -	\$18.0	\$18.0
2033	\$ -	\$18.0	\$18.0
2034	\$ -	\$18.0	\$18.0
2035	\$ -	\$18.0	\$18.0

\$ in millions

Gasoline Tax

- 2014 Assembly indexed gas tax to CPI , every other year
 - Adjusted twice since

Disposition	FY 2015	FY 2016	FY 2018	FY 2020
Department of Transportation	18.25	19.25	19.25	20.25
RI Public Transit Authority	9.75	9.75	9.75	9.75
Turnpike & Bridge	3.5	3.5	3.5	3.5
DHS/Elderly Transportation	1.0	1.0	1.0	1.0
UST Fund	0.5	0.5	0.5	0.5
Total (in cents)	33.0	34.0	34.0	35.0

Art. 4 – Sec. 6 & 7 – DOT Projects

- Authorization to issue new debt of \$64.2 million through revenue bonds
 - Match federal funds DOT received for Henderson Bridge & other projects
- Debt service supported by gas tax
 - Extend use of 2.0-cent for debt to FY 2036
- Debt from 2003 project is lower
 - \$38.2 million outstanding from 2003 authorization

Art. 4 – Sec. 6 & 7 – DOT Projects

- GBA lowers authorization by \$24.2 million to \$40.0 million
 - Based on projected decrease in gas tax revenue
 - Lowers amount of debt that can be issued because of coverage requirements
 - GBA for Article 5 adds \$30 million referendum for matching funds to account for this reduction and other needs

Gasoline Tax

Fiscal Year	Per Penny Yield*	2-Cent MFR
2011	\$4.210	\$8.420
2012	\$4.206	\$8.412
2013	\$4.137	\$8.275
2014	\$4.236	\$8.473
2015	\$4.396	\$8.793
2016	\$4.479	\$8.958
2017	\$4.417	\$8.835
2018	\$4.493	\$8.986
2019	\$4.637	\$9.274

* In millions

Gasoline Tax Debt

FY	2003	Art. 4 Original	Total
2020	\$5.4	\$-	\$5.4
2021	\$5.4	\$-	\$5.4
2022	\$5.4	\$2.0	\$7.3
2023	\$5.4	\$2.0	\$7.3
2024	\$5.4	\$2.0	\$7.3
2025	\$4.9	\$2.4	\$7.3
2026	\$4.9	\$2.4	\$7.3
2027	\$1.6	\$5.7	\$7.3
2028 - 2036		\$7.3	\$7.3

\$ in millions

Gasoline Tax Debt

FY	2003	Art. 4 GBA	Total
2020	\$5.4	\$ -	\$5.4
2021	\$5.4	\$1.0	\$6.4
2022	\$5.4	\$1.2	\$6.6
2023	\$5.4	\$1.2	\$6.6
2024	\$5.4	\$1.2	\$6.6
2025	\$4.9	\$1.2	\$6.6
2026	\$4.9	\$1.2	\$6.6
2027	\$1.6	\$3.3	\$4.9
2028 - 2036		\$4.9	\$4.9

\$ in millions

Art. 4 – Sec. 6 & 7 – DOT Projects

- Henderson Memorial Bridge and Expressway
 - Constructed in 1969
 - Spans Seekonk River between East Prov. and Providence
- East Prov. reduced to 3 lanes
 - 2 westbound and 1 eastbound
 - Based on current and projected future traffic volumes

Art. 4 – Sec. 6 & 7 – DOT Projects

- Providence
 - Waterman Street ramp will be realigned and reduced to 1 lane
 - New Waterfront Drive
- Total project cost is \$88.5 million
 - \$70.0 million for construction

Art. 4 – Sec. 6 & 7 – DOT Projects

- Rehabilitation of I-195 Washington Bridge North
 - Construction of new bridges and other structures
 - Carry traffic from Gano Str. onto I-195 Westbound
 - Carry traffic from Taunton Avenue & Veterans Memorial Parkway
 - Restriping
 - Total project cost of \$70 million
 - Construction \$53.0 million

DOT – Projected Debt Payments: Gov. Original

FY	Current	New	Total
2020	\$97.3	\$-	\$97.3
2021	\$117.2	\$-	\$117.2
2022	\$118.7	\$2.0	\$120.7
2023	\$118.3	\$2.0	\$120.2
2024	\$113.2	\$2.0	\$115.1
2025	\$94.4	\$2.4	\$96.8
2026	\$94.0	\$2.4	\$96.4
2027	\$84.4	\$5.7	\$90.2
2028	\$77.0	\$7.3	\$84.2

FY	Current	New	Total
2029	\$77.0	\$7.3	\$84.2
2030	\$77.0	\$7.3	\$84.2
2031	\$67.4	\$7.3	\$74.7
2032	\$24.9	\$7.3	\$32.2
2033	\$21.1	\$7.3	\$28.4
2034	\$19.6	\$7.3	\$27.0
2035	\$18.5	\$7.3	\$25.9
2036	\$-	\$7.3	7.3

\$ in millions

DOT – Projected Debt Payments

FY	Current	New GBA	Total
2020	\$97.3	\$ -	\$97.3
2021	\$117.2	\$1.0	\$118.2
2022	\$118.7	\$1.2	\$119.9
2023	\$118.3	\$1.2	\$119.5
2024	\$113.2	\$1.2	\$114.4
2025	\$94.4	\$1.2	\$95.6
2026	\$94.0	\$1.2	\$95.2
2027	\$84.4	\$3.3	\$87.7
2028	\$77.0	\$4.9	\$81.9

FY	Current	New GBA	Total
2029	\$77.0	\$4.9	\$81.9
2030	\$77.0	\$4.9	\$81.9
2031	\$67.4	\$4.9	\$72.3
2032	\$24.9	\$4.9	\$29.8
2033	\$21.1	\$4.9	\$16.0
2034	\$19.6	\$4.9	\$24.5
2035	\$18.5	\$4.9	\$23.4
2036	\$ -	\$4.9	\$4.9

\$ in millions

Article 5 - Requested Debt – GO November 2020

Ballot Questions Annual Debt Service	Original	GBA	Diff.
Higher Education	\$9.4	\$9.4	\$-
Environment & Recreation	5.1	5.5	0.4
Housing, Cultural, Infrastructure	7.0	24.9	17.9
Total	\$21.6	\$39.9	\$18.3

\$ in millions

- Assumes 5% rate and 20-year term
- Funded from general revenues

New Requested Debt – GO November 2020

Ballot Questions	Article 5	GBA	Change
#1 - Higher Education	\$117.3	\$117.3	\$-
#2 - Environment & Recreation	64.0	69.0	5.0
#3 - Housing, Cultural, Infrastructure	87.5	310.5	223.0
Total	\$268.8	\$496.8	\$228.0

\$ in millions

Article 5, Question 2

2020 Beach, Clean Water & Green Bond	Original	GBA	Change*
State Beaches, Parks, and Campgrounds	\$35.0	\$36.0	1.0
I-195 Park	-	4.0	4.0
Local Recreation Projects	4.0	4.0	-
Natural and Working Land Purchases	3.0	3.0	-
Clean Water & Drinking Water	15.0	15.0	-
Municipal Resiliency	7.0	7.0	-
Total	\$64.0	\$69.0	\$5.0

\$ in millions; *shift from RICAP to debt

Article 5, Question 2

- Beach, Clean Water and Green Bond
 - \$64.0 million for 5 different projects
 - Budgeted in DEM and Infrastructure Bank
 - Invest in recreational and economic facilities
 - Adapt to changing weather conditions
 - Protect coastline and provide clean water and drinking water
 - Support small farmers and forest conservation
 - Protect open space for recreational projects

Article 5, Question 2 Background

2018 Green Economy Bonds	Amount
Coastal Resiliency & Public Access Projects	\$5.0
Clean Water & Drinking Water	7.9
Wastewater Treatment Improvements	5.0
Dam Safety	4.4
Dredging Downtown Providence Rivers	7.0
State Bikeway Development	5.0
Local Recreation Projects	5.0
Access to Farmland	2.0
Local Open Space	2.0
Brownfield Remediation & Economic Development	4.0
Total	\$47.3

\$ in millions

Article 5, Question 2 Background

Project	Years	Amt.	Bal.
Access to Farmland	2012/2014/2018	\$9.5	\$3.6
Brownfields Remediation	2014/2016/2018	14.0	8.3
Coastal Res. & Flood Prevention	2014/2016/2018	8.0	7.6
Local Land	2004/2016/2018	19.0	7.5
Local Recreation Projects	2012/2014/2016/2018	19.5	10.7
Narr. Bay Watershed Rest.	2004/2012	12.5	4.4
Open Space Land	2004/2014/2018	16.0	6.8
State Bikeways	2016/2018	15.0	12.4
State Historic Parks	2012/2016	5.0	2.3
State Recreation	2000/2004	7.0	1.1

Article 5, Question 2 Background

Project	Year	Amt.	Bal.
Dam Repair	2018	4.4	4.4
Dredging Downtown Rivers	2018	7.0	7.0
Roger Williams Park & Zoo	2014	18.0	1.3
Stormwater Pollution Prevention	2016	3.0	2.8
Wastewater Treatment Facility	2018	5.0	5.0
Total		\$ 162.9	\$ 85.1

\$ in millions

- Total approved 2004 -18: \$162.9 million
 - Remaining balance \$85.1 million

Article 5, Question 2

- State Beaches, Parks & Campgrounds
 - \$35.0 million
 - For major capital development projects at state parks, beaches and campgrounds
 - \$1.1 million balance remaining from \$7.0 million in previously approved bonds from 2000 & 2004
 - Included as part of the State Recreational Facilities Improvements project

Article 5, Question 2

- State Recreational Facilities Improvement
 - \$41.2 million total spent
 - 5-year project costs \$48.0 million
- **GBA adds \$1.0 million**
 - Reflects shifting expenditures from RICAP to debt but GBA does not address Article 1 and RICAP amounts

Gov. Rec.	2021	2022	2023	2024	2025	Total	GBA
RICAP	\$2.6	\$2.6	\$2.6	\$2.6	\$2.6	\$13.0	\$12.0*
New Bond	-	8.8	8.8	11.0	6.5	35.0	36.0
Total	\$2.6	\$11.4	\$11.4	\$13.6	\$9.1	\$48.0	\$48.0

\$ in millions *assumed

I-195 Park

- I-195 Redevelopment District Commission oversees infrastructure enhancements
 - Concessions, restrooms & enhanced utilities including wifi
- Governor recommended \$4.0 million from RICAP from FY 2021 – FY 2023
 - Budgeted in Executive Office of Commerce
- **GBA adds \$4.0 million project to ballot**
 - **Represents planned shift from RICAP**

Article 5, Question 3

Housing, Cultural, Infrastructure	Original	GBA	Change
Housing Opportunities	\$25.0	\$65.0	\$40.0
Port of Davisville at Quonset	20.0	31.0	11.0
Industrial Site Development	21.5	56.5	35.0
Early Childhood Care & Ed	15.0	15.0	-
Cultural Arts & Economy Grants	5.0	5.0	-
State Preservation Grants	1.0	1.0	-
Health Laboratory	-	107.0	107.0
Transportation HMA Match	-	30.0	30.0
Total	\$87.5	\$310.5	\$223.0

\$ in millions

Article 5, Question 3 Housing Opportunities

- Question 3 allows state to issue \$25.0 million from new G.O bonds for Affordable Housing
 - New construction & existing structure redevelopment
- Voters in 2006, 2012, & 2016 approved total G.O. bond issuances of \$115.0 million for Affordable Housing
 - Provided to the Housing Resources Commission

Article 5, Question 3 Housing Opportunities

- 2012 & 2016 bonds specifically for
 - New construction
 - Redevelopment of existing structures
- 2006 bonds allocated as matching funds
 - 80% for developer deferred payment loans for rental units
 - 20% for development of home owner units

Housing Opportunities

FY	G.O. Bond	Total Units	Rental	Ownership
2006	\$50.0	1,226	1,077	149
2012	25.0	748	726	22
2016	40.0	1,120	1,078	42
Total	\$115.0	3,094	2,881	213

\$ in millions

- 2016 funds fully committed as of January
 - 2012 & 2016 more than 95% affordable rental housing

Article 5, Question 3 Housing Opportunities

- FY 2016 Budget - \$3.0 million from debt refinancing proceeds to RI Housing
- Voters in 2016 authorized \$10.0 million for urban revitalization & blight
 - To improve residential & commercial properties, public & community spaces
 - \$10.0 million committed; \$4.0 million for residential development – 152 residential units: 147 rental
 - Also 15 commercial spaces & 7 public facilities

Housing Opportunity

- GBA would add \$40.0 million on ballot for existing affordable housing & expanded abilities
 - To “support community revitalization”
 - Adds ability to purchase property
 - Invest in “local infrastructure or assets”
 - Proposed language broad
 - Does not specify distinct amounts or specific purposes
 - Unclear what the limitations use are

Housing Opportunity

- Supporting documentation shows allocation of \$65 million
 - \$45 million for housing including
 - Existing Affordable Housing Program
 - Pre-development expenses
 - Purchase & rehabilitation
 - Home Repairs & in-law apartments
 - \$20 million for Community Revitalization
 - Grants to locals, non profits & private developers
 - lasting infrastructure such as mixed-use community hubs, dedicated public spaces, and connective streetscapes

Executive Office of Commerce - Quonset

Source	Piers	Infrastructure	Total
G.O. Bonds	\$50.0	\$ -	\$50.0
RICAP	15.0	14.0	29.0
QDC Resources	25.0	-	25.0
Total	\$90.0	\$14.0	\$104.0
Scope	Refurbish, dredge & extend Pier 2	Roadway crossing capacity, utility relocation, new pier construction & dredging	
Timing	FY 2017- FY 2022	FY 2019 – FY 2021	

\$ in millions

Quonset Piers

	Prior	FY 2020	FY 2021	FY 2022	Total
G.O. Bonds	\$21.7	\$22.8	\$5.5	\$ -	\$50.0
Revenue Bonds	-	-	-	20.9	20.9
RICAP	5.0	5.0	5.0	-	15.0
QDC Funds	1.1	1.0	1.0	1.0	4.1
Total	\$27.8	\$28.8	\$11.5	\$21.9	\$90.0

\$ in millions

Quonset - Infrastructure

- Project authorized in FY 2019
 - Add roadway crossing capacity & utility relocation
 - \$14.0 million from RICAP
 - \$4.0 million for FY 2019 & FY 2020
 - \$6.0 million for FY 2021
- Total improvements estimated at \$34.5M
 - Electric Boat to pay the remainder of project costs pursuant to agreement with QDC

Quonset Projects

Pier 2	Prior	FY 2020	FY 2021	FY 2022	Total
G.O. Bonds	\$21.7	\$22.8	\$5.5	\$ -	\$50.0
Revenue Bonds	-	-	-	20.9	20.9
RICAP	5.0	5.0	5.0	-	15.0
QDC Funds	1.1	1.0	1.0	1.0	4.1
<i>Subtotal</i>	<i>\$27.8</i>	<i>\$28.8</i>	<i>\$11.5</i>	<i>\$21.9</i>	<i>\$90.0</i>
Infrastructure					
RICAP	4.0	4.0	6.0	-	\$14.0
RICAP TOTAL	\$9.0	\$9.0	\$11.0	-	\$29.0

\$ in millions

Quonset Point

- GBA adds \$11.0 million in new debt to replace \$5.0 million RICAP funds allotted for rehabilitation of Pier 2 & \$6.0 million for the infrastructure project
- QDC testified this session that Pier project was about \$5 million under its \$90 million budget
 - Recommendation allows all savings to accrue to QDC share of project
 - From \$25 million to \$20 million
 - State share of \$65 million includes more 10% more borrowed funds

Article 5 Question 3 Industrial Sites

- \$21.5 million of new G.O. bonds
 - To prepare sites for development of manufacturing, assembly, distribution & commercial activities that produce jobs
 - Proceeds intended for entities distinct from the state & awarded on a competitive basis
 - \$35.1 million total cost over 20 years assuming 5.0% interest

Site Readiness

- Enacted budget includes \$1.0 million from general revenues for new site readiness program
 - Assist municipalities to develop pad-ready industrial sites
 - Governor had recommended more expansive program including \$1.0 million from RICAP for improvements to land put under state control
 - Similar proposals in prior years

Site Readiness

- Program began Oct. 1, 2019
 - Funding is awarded for 2 categories
 - Site Specific Improvements
 - Land clearing, engineering & environmental studies, infrastructure & building improvements,
 - Municipal assistance
 - Land use & permitting processes, zoning & planning board member or building code official training,
 - Planning and ordinance drafting assistance

	Locals	Companies	Developer	Other
Awards -15	8	7	-	-
Applicants - 22	11	9	1	1

Industrial Reshoring & Site Development

- GBA would add \$35.0 million of new debt, for total of \$56.5 million
 - Adds new uses for funds
 - Targeting “reshoring” jobs & off-shore wind
 - Includes acquiring & assembling land, & developing facilities
 - Previously limited to sites for development of facilities
 - Adds production & processing to eligible activities
 - Specifies ports as an allowable use of funding
 - Repeals “commercial” requirement for job-producing activities

Health Laboratory

- GBA would put \$107.0 million on ballot for new health laboratories & facilities
 - For enhanced public health services
 - Disease prevention & management
 - Testing, monitoring, & investigations
 - Enterprises & efforts to diagnose illness, cure disease, & pursue medical innovations
 - Advance public health
 - Advance bioscience-related economy

Health Laboratory

- Department's FY 2021 capital request included \$111.0 million from new GO bonds
 - New 95,000 sq. ft. facility to house Health Laboratory & Medical Examiner
 - Was requested as part of FY 2018 & FY 2019 budgets
 - Not recommended by Governor
- Project requested by DOH in various forms for more than a decade

Health Lab – Prior DOH Requests

5 Year Plan	Square Footage	Cost
FY 2009 –13	Feasibility only	\$0.2
FY 2010 –14	Not Specified	\$65.0
FY 2011 –15	Not Specified - Study \$ in DOA	\$100.3
FY 2012 – 16	110,000	\$100.3
FY 2013 – 17	Not Specified	\$80.2
FY 2014 –18	Not Specified	\$80.2
FY 2016 – 20	95,000	\$78.0
FY 2017 –21	95,000	\$78.0
FY 2018 – 22	95,000	\$78.0
FY 2019 – 23	93,000	\$111.0
FY 2021 – 25	95,000	\$111.0

\$ in millions

Health Laboratory

- Chapin facility (70,000 sq. ft.) built in 1976
 - Office of State Medical Examiners
 - Health laboratories
 - Chemical, physical & microbiologic analyses of environmental samples, clinical specimens, & forensic evidence
- 2014 study identified 5 possible new sites
 - 2 in the Pastore Center
 - 2 in Providence
 - Renovation of Chapin Building

Health Laboratory

- GBA - \$107.0 million health laboratories & facilities
 - 93,000 sq. ft. facility
 - 65,000 sq. ft. for laboratory
 - Similar to current size of space in Chapin
 - 28,000 sq. ft. to enhance bioscience related economy
 - Advance bioscience-related economy
 - Not clear what this means or how it would work
 - Does not specify location
 - Does not include Medical Examiner

Transportation State Match

- GBA would add \$30.0 million to ballot to match federal funds for transportation infrastructure
 - For improvements to state's highways, roads & bridges
 - GO needed because of reduced gas tax backed borrowing capacity limits options for additional match
 - Memo with amendment notes potential decrease in RICAP funding but plan assumes current service RICAP

Highway Improvement Program

- Capital budget includes \$149.0 million from Rhode Island Capital Plan funds in five-year plan
 - Average annual outlay of \$29 million
 - Pay-go funding to match federal funds
 - Previously, used general obligation bonds
 - \$80.0 million every two years
 - Over reliance on debt
 - No new general obligation bonds since 2012

Transportation Improvement Program

- Federal law requires statewide transportation improvement plan covers a period of no less than 4 years
 - Department's plan is known as RhodeWorks
 - Covers a 10 yr. period
- Federal regulations require first 4 years to be fiscally constrained
 - Projects in plan may not exceed anticipated funding

RhodeWorks

- Assembly adopted legislation
 - 2016-H 7409, Substitute A, as amended
 - Allows Department to toll large commercial vehicles
 - Issue \$300 million of new Grant Anticipation Revenue Vehicle (GARVEE) bonds
 - Refinance existing GARVEE

2020 – 7676

- H 7676 would place \$4 million on November ballot for local and non-profit open space & forest conservation
 - For local land acquisition matching grant program
 - Provides 75% matching grants
 - To municipalities, local land trusts & nonprofits to acquire development rights or conservation easements on open space, forests, & urban parklands

2020 – 7676 Background

Bonds	Years	Amount	Remaining Balance
Natural & Working Lands	Governor Proposed for 2020 Ballot	\$3.0	n/a
Local Recreation Projects	2012/2014/2016/2018 & Proposed for 2020	23.5	10.7*
Local Land Acquisition	2004/2016/2018	18.5	7.5
Local Open Space	2004/2014/2018	17.1	6.8
Total		\$62.1	\$25.0

\$ in millions *of \$19.5 million approved

2020 – 7959

- H 7959 would place \$40 million on ballot for Roger Williams Park Zoo
 - For “visitor entrance featuring new ocean-themed exhibits”
 - Additional detail not noted
- In 2014 voters approved \$18 million
 - Infrastructure improvements, tropical rainforest building, education center & reptile house
 - Work finished in FY 2020

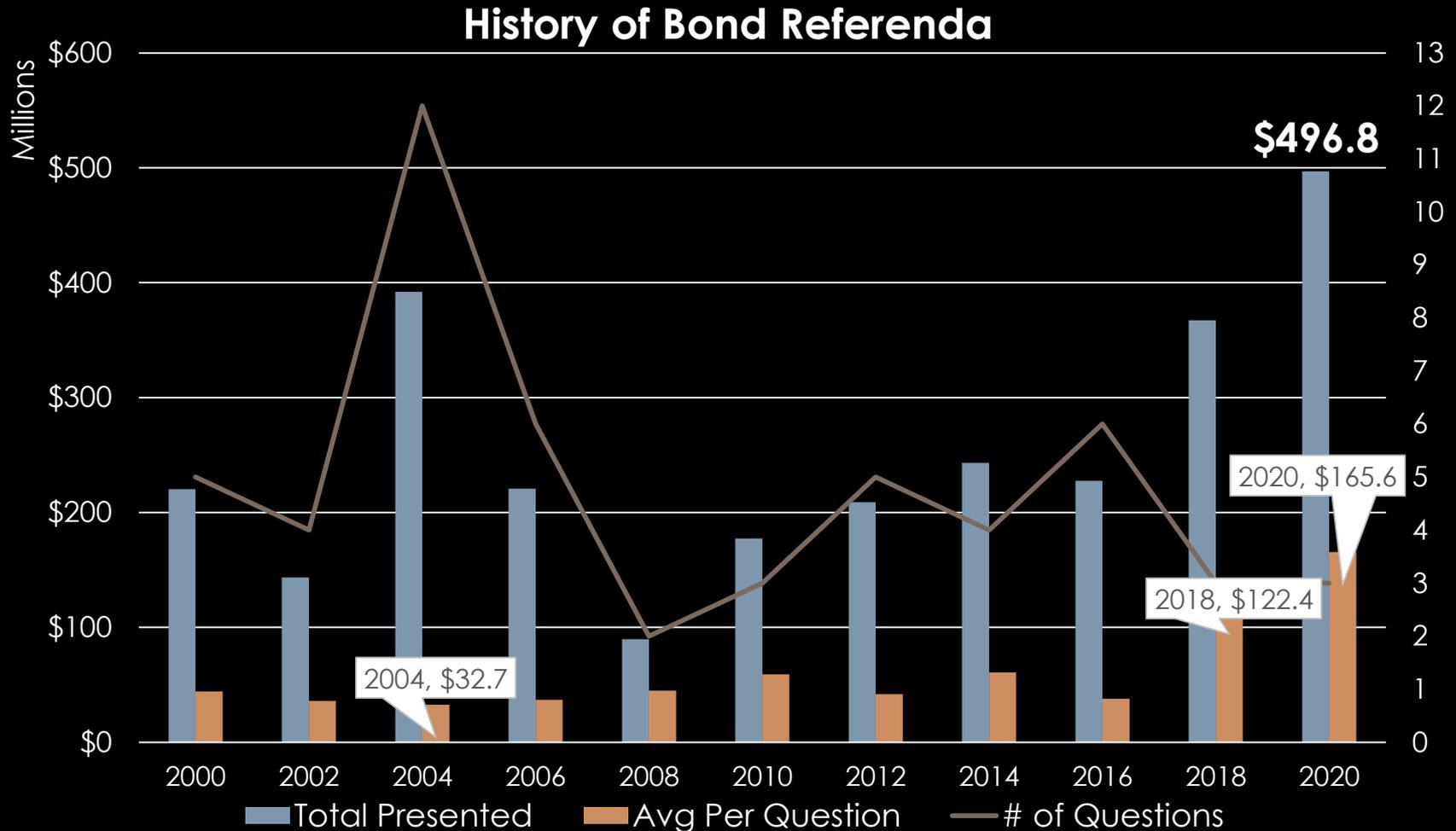
2020 – 7959

- GO bond support for zoo dates back to 1989
 - Total of \$46.5 million

Year	Amount	Projects
1989	\$9.0	Restoration
2000	1.5	Infrastructure improvements
2002	3.0	Restoration
2004	4.0	Elephant & giraffe facilities
2006	11.0	Africa exhibit, veterinary hospital & gardens
2018	18.0	Tropical rainforest building, education center, & reptile house
Total	\$46.5	

\$ in millions

Referenda Comparisons



New Article - TANS

- RI Constitution allows state to borrow in anticipation of tax receipts
 - Cannot exceed 20% of prior year taxes & 10% of all other receipts

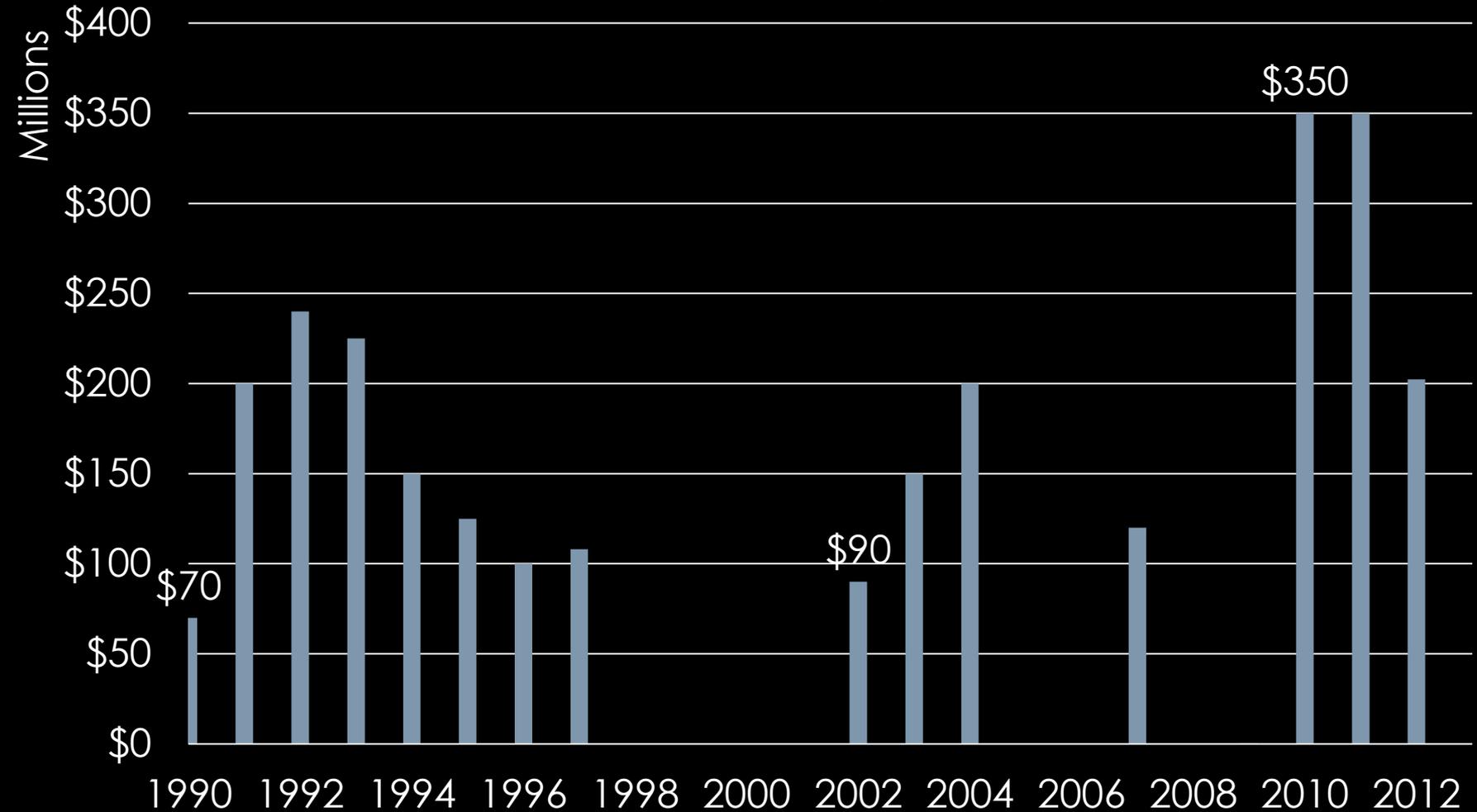
FY 2020	Total	% Allowed	Total Allowed
Tax Receipts	\$3,147.5	20%	\$629.5
All Other	767.1	10%	76.7
Total	\$3,914.6		\$706.2

\$ in millions

- Must be repaid in that fiscal year

New Article - TANS

Amount Borrowed by Fiscal Year



New Article - TANS

- Article authorizes borrowing for FY 2021 in anticipation of revenues
 - Up to \$300 million
 - Must be repaid by June 30, 2021
- Last time state issued tax anticipation notes
 - \$202.4 million for FY 2012
 - Repaid by June 20, 2012

New Article - TANS

- Article also rescinds authority provided by RI Disaster Emergency Funding Board on March 26, 2020
 - Borrowing up to \$300 million for liquidity needs during COVID-19 crisis
- State drew down \$35 million in March and April
 - As of July 15, \$10 million outstanding balance remains

Disaster Emergency Funding Board

Bank of America \$150 million

3/31 Drawn amount	\$25.0
4/30 principal payment	(20.0)
5/1 – 7/1 interest & fee payments	(0.1)
Remaining principal balance 7/15	\$5.0

\$ in millions

Santander Bank \$150 million

4/13 Drawn amount	\$10.0
5/1 principal payment	(5.0)
5/1-7/13 interest & fee payments	(0.1)
Remaining principal balance 7/15	\$5.0

\$ in millions

- Coronavirus Relief Funds can cover cost of borrowing

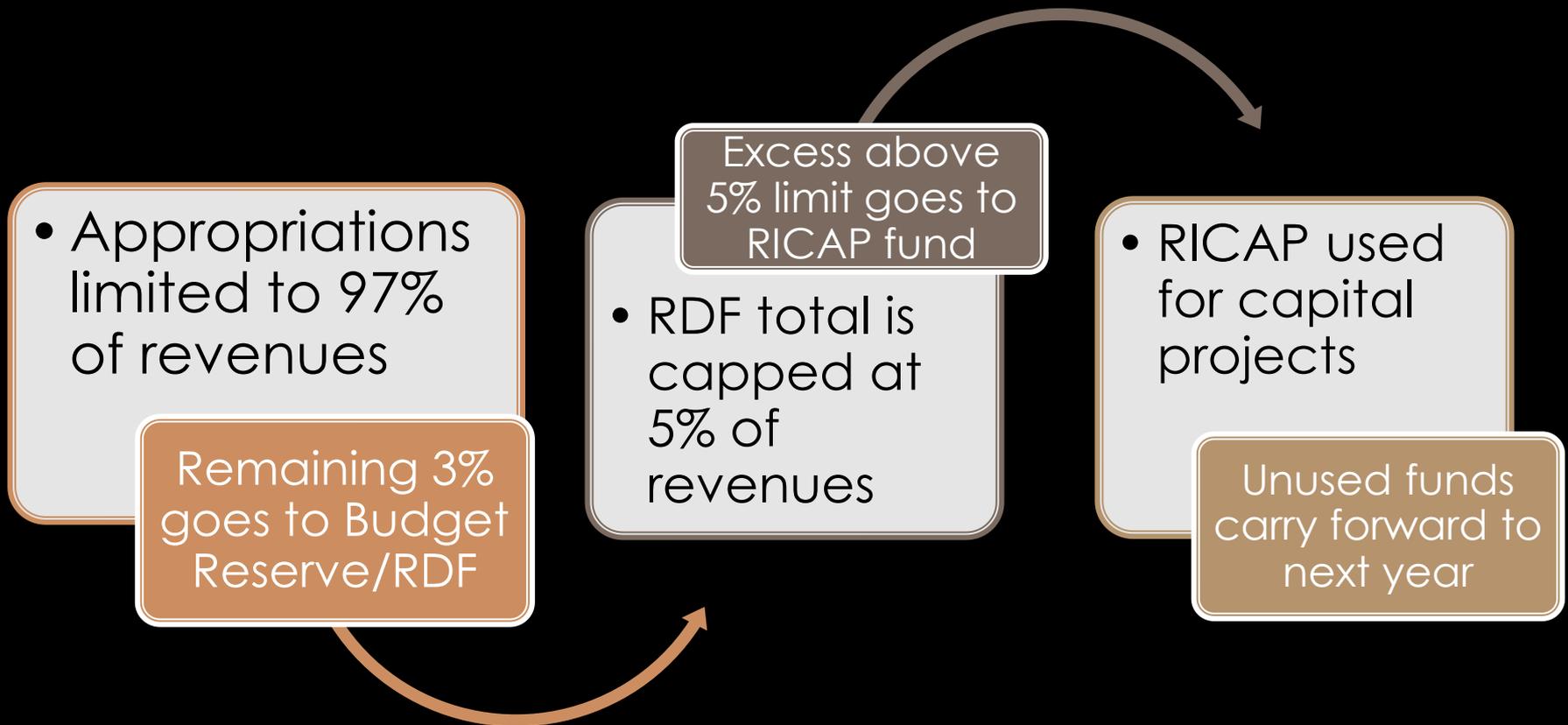
Rainy Day Fund

- Appropriations limited to 97% of the estimated general revenues
 - From all sources including prior year surplus
- Remaining 3% goes into a **budget reserve and cash stabilization account** or “Rainy Day Fund”
 - Can only be used under specific conditions
 - **Current Year Revenue drop in May**
 - Amounts used must be replaced next year
 - Use has implications for RICAP funds

Rhode Island Capital Plan Funds

- When RDF reaches 5.0% of revenues, the excess flows to the capital account
 - Previously used mostly to pay debt
- Voters amended constitution in 2006 to limit use for projects only
 - Dedication of pay-go sources to capital lessens need to issue debt

Rhode Island Capital Plan Funds



General Revenues

FY 2020	7170	Sub A	Diff.
Opening Balance	\$40.8	\$40.8	\$ -
Revenues	4,197.1	3,922.2	(275.0)
Budget Stabilization (RDF)	(126.8)	(118.6)	(8.2)
Total Available Resources	\$4,111.1	\$3,844.4	(266.7)
Expenditures	\$4,086.3	\$3,958.7	\$(127.6)
Difference	24.8	(114.3)	(139.1)
Transfer from RDF	-	120.0	\$120.0
Free Surplus	24.8	5.7	(19.1)
<i>Operating Surplus/(Deficit)</i>	<i>(5.7)</i>	<i>(144.8)</i>	<i>(235.7)</i>
Budget Stabilization (RDF)	\$211.4	\$77.6	\$(133.8)

\$ in millions

Rainy Day Fund – 2006 Change

- 2006 constitutional amendment limited spending from 98% of revenues to 97%
 - Extra 1% allocated to Budget Reserve
 - Increased Budget Reserve cap from 3% of revenues to 5% effective by FY 2013
 - General Laws spelled out gradual change during transition period to avoid one time budget impacts

Rainy Day Fund – 2006

Change

Percent of General Revenues	Transfer to Budget Reserves	Budget Reserve Maximum
FY 2008	2.0%	3.0%
FY 2009	2.2%	3.4%
FY 2010	2.4%	3.8%
FY 2011	2.6%	4.2%
FY 2012	2.8%	4.6%
FY 2013 & after	3.0%	5.0%

Rainy Day Fund

- H 8119 proposes a constitutional amendment for voter approval
 - Reduces limit on how much revenues can be appropriated each year from 97% of revenues to 95%
 - Increases amounts sent to budget reserve from 3% to 5%
 - Doubles budget maximum amount in reserve account (Rainy day fund) from 5% of revenues to 10% in the next decade

Rainy Day Fund

- H 8120 transitions changes in H 8119 over 10 years from FY 2022 - FY 2031
 - From 5% to 10% in 0.5% increments
 - Would double from \$266.1 million to \$532.1 million at the end of the phase in
 - From 97% to 95% in 0.2% increments
 - Means that transfers to budget reserve increased from 3% to 5% in 0.2% increments

H 8019/8020 Changes

Percent of General Revenues	Transfer to Budget Reserves	Budget Reserve Maximum
FY 2022	3.2%	5.5%
FY 2023	3.4%	6.0%
FY 2024	3.6%	6.5%
FY 2025	3.8%	7.0%
FY 2026	4.0%	7.5%
FY 2027	4.2%	8.0%
FY 2028	4.4%	8.5%
FY 2029	4.6%	9.0%
FY 2030	4.8%	9.5%
FY 2031	5.0%	10.0%

H 8019/8020 Changes

Transfer to Budget Reserves	Current Law	Proposed	Change
FY 2022	\$121.7	\$129.8	\$8.1
FY 2023	\$127.8	\$144.9	\$17.0
FY 2024	\$131.2	\$157.4	\$26.2
FY 2025	\$134.5	\$170.3	\$35.9
FY 2026	\$138.4	\$184.5	\$46.1
FY 2027	\$142.4	\$199.3	\$57.0
FY 2028	\$146.5	\$214.9	\$68.4
FY 2029	\$150.8	\$231.2	\$80.4
FY 2030	\$155.1	\$248.2	\$93.1
FY 2031	\$159.6	\$266.1	\$106.4

\$ in millions; values use same revenues as updated debt affordability

H 8019/8020 Change

Budget Reserve Max	Current Law	Proposed	Change
FY 2022	\$202.8	\$223.1	\$20.3
FY 2023	\$213.1	\$255.7	\$42.6
FY 2024	\$218.6	\$284.2	\$65.6
FY 2025	\$224.1	\$313.8	\$89.6
FY 2026	\$230.6	\$345.9	\$115.3
FY 2027	\$237.3	\$379.7	\$142.4
FY 2028	\$244.2	\$415.1	\$170.9
FY 2029	\$251.3	\$452.3	\$201.0
FY 2030	\$258.6	\$491.3	\$232.7
FY 2031	\$266.1	\$532.1	\$266.1

\$ in millions; values use same revenues as updated debt affordability

H 8019/8020 Change

Transfer to RICAP	Current Law	Proposed	Change
FY 2022	\$105.1	\$93.0	\$(12.2)
FY 2023	\$117.6	\$112.3	\$(5.3)
FY 2024	\$125.6	\$128.9	\$ 3.3
FY 2025	\$129.0	\$140.8	\$11.8
FY 2026	\$131.9	\$152.3	\$20.5
FY 2027	\$135.7	\$165.6	\$29.9
FY 2028	\$139.6	\$179.5	\$39.8
FY 2029	\$143.7	\$194.0	\$50.3
FY 2030	\$147.8	\$209.2	\$61.4
FY 2031	\$152.1	\$225.2	\$73.1

\$ in millions; values use same revenues as updated debt affordability

**Governor's FY 2021 Budget:
Article Amendments
2020 – H 7956 & 7676
2020 – H 8119 & 8120**

Staff Presentation to the House Finance Committee
July 29, 2020
