

Governor's FY 2016 Budget: Articles

Staff Presentation to the House Finance Committee
April 28, 2015

Introduction

- Article 1, Section 15 – Clean Water Finance Agency transfer
- Article 1, Section 17 – RIHEBC transfer
- Article 8 – Municipalities
- Article 9 – School Building Authority Capital Fund
 - Governor requested amendment
- Article 24 – RI Infrastructure Bank
 - Governor requested amendment

Article 9 - School Building Authority Capital Fund

- Creates a School Building Authority within the Department
- Creates a 2nd housing aid program
- Establishes new School Building Capital Fund
 - Administered by RIHEBC
- *Amendment requested on April 15*

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Article 9 - Housing Aid Overview

- Under existing housing aid program:
 - State reimburses cities and towns for a share of school capital projects
 - Includes principal and interest
 - State's share is based on a district's wealth versus aggregate state wealth
 - Minimum state share is 35%
 - 21 minimum share communities for FY 2015

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Article 9 - Housing Aid Overview

- Bonuses available
 - 4.0% for projects where at least 75% of costs are energy conservation, asbestos removal, and/or handicapped access
 - 2.0% for each regionalized grade for regional districts and an additional 4% for renovation projects

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Article 9 - Housing Aid Overview

- Current Housing Aid Program
 - \$70.9 million recommended for FY 2016
 - \$3.0 million more than enacted
 - Districts must finance through RI Health and Educational Building Corporation (RIHEBC) to receive aid on interest payments
 - Reimbursement begins once the project is completed

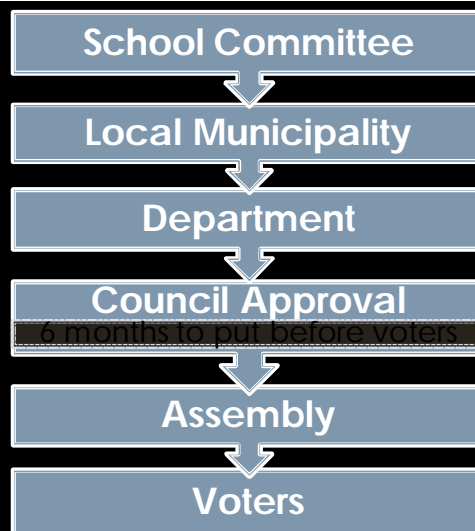
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Article 9 - Housing Aid Overview

- Districts complete multi-phased necessity of school construction application
- Council on Elementary and Secondary Education reviews and certifies the need for the local request
 - This certifies the project for reimbursement

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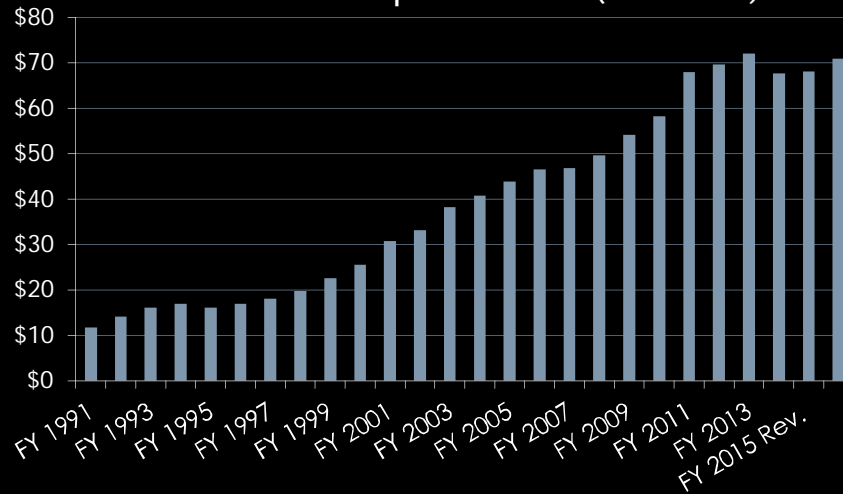
Article 9 - Housing Aid Overview



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Article 9 - Housing Aid Overview

Historical Expenditures (in millions)



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Article 9 - School Building Authority Capital Fund

- Article 9 creates:
 - 2nd housing aid program to operate alongside the existing program
 - School Building Authority within Department to manage both programs
 - Intended to elevate existing program
 - Office within Dept. to help municipalities
 - School Building Authority Fund to support school construction projects in new program
 - Through RIHEBC

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Article 9 -School Building Authority Capital Fund

- 4 main roles & duties of Authority:
 - Manage school housing aid programs
 - Ensure districts have asset protection plans
 - Review and make recommendations to Council on:
 - Necessity of school construction project applications
 - Approval of projects from this new fund
 - Develop a project priority system

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Article 9 -School Building Authority Capital Fund

- Council on Elem. & Sec. Ed. to approve projects prior to awards from this fund
 - *Amendment would set annual deadlines for applications and approvals, to be determined by Dept.*
 - Currently rolling applications & approvals
- Exempts projects funded from this fund from requiring Assembly approval
 - required in existing housing aid program

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Article 9 -School Building Authority Capital Fund

- Creates School Building Authority Advisory Board
 - Advise the Authority on best use of funds, statewide priorities, project approval criteria
- 7 members
 - Director of DOA (chair), General Treasurer, member of Governor's staff
 - 4 members of public (appointed by Gov.) with expertise in subject matter

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Article 9 -School Building Authority Capital Fund

- Changes RIHEBC Board
 - Now: 5 members, \$1,500 yearly stipend, 5-year terms, appointed by Gov.
 - Proposed: 7 members, no stipends as of July 1, 2015, appointed by Gov.
 - 5-year terms – no more than 2 terms served
 - Existing members may remain until term ends or successor appointed

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Article 9 -School Building Authority Capital Fund

- Section 4 establishes the School Building Authority Capital Fund
 - Governor recommends \$20 million from debt restructuring to seed new Fund
 - Funding level is not explicit in the article
 - To be transferred to and administered by RIHEBC
 - Provides financing under current housing aid program

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Article 9 -School Building Authority Capital Fund

- School Building Authority Capital Fund
 - Pay-as-you-go program
 - Legislation indicates this is in addition to existing aid program and funding
 - Supporting documents indicate Gov. intent to recommend total \$80 million annually for housing aid
 - To be used for both programs

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Article 9 -School Building Authority Capital Fund

- Resources for the Fund would include:
 - State Appropriation from debt restructuring (\$20 million)
 - Difference between appropriation and cost existing housing aid program
 - Loan repayments (from this Fund)
 - Investment earnings
 - Admin fees levied by RIHEBC

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Article 9 -School Building Authority Capital Fund

- RIHEBC shall use money for:
 - Finance and/or refinance school housing projects
 - Bond reserve funds, insurance, lines of credit and reserves in case of default
 - Subsidy assistance of 1/3 of market rate or other rate set by RIHEBC
 - Operating expenses for School Building Authority

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Article 9 -School Building Authority Capital Fund

- Allows for up to \$500,000 to be loaned to municipality w/out local voter approval
 - *Amendment clarifies this would only be allowed if not forbidden by local charter*
 - Current program requires local voter approval for bonded projects

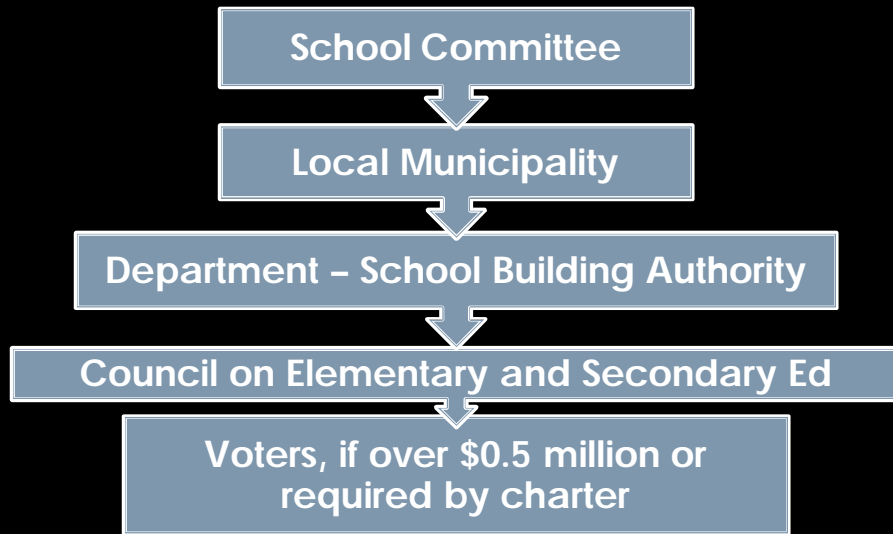
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Article 9 -School Building Authority Capital Fund

- Allows RIHEBC to levy fees on cities, towns and LEAs to pay for expenses
 - Provided that the fees are agreed upon in the financing contracts
 - Fees are not levied in existing program

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Article 9 -School Building Authority Capital Fund



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Article 9 -School Building Authority Capital Fund

- Provides different reimbursement rates for projects funded from new Fund
- Currently:
 - Charters get 30%;
 - Districts get state housing aid share ratio, 35% to 95.7% in FY 2015
- Proposed:
 - All get district's state housing aid share ratio, min. 35% - Charters get same as host district

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Article 9 -School Building Authority Capital Fund

- *Amendment adds asset protection requirements for all school buildings*
 - *Not just buildings aid is sought for*
- Program must encourage districts to reduce excess capacity
- State to take active role to ensure maximum return on investment

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Article 9 -School Building Authority Capital Fund

- Needs assessment not mentioned in proposal
 - Has been discussion about RIHEBC conducting one, paid by RIHEBC
- Last needs assessment was FY 2013
 - Conducted by Dept. of Elementary and Secondary Education
 - Used 2011-2012 school year data

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Article 9 -School Building Authority Capital Fund

- Governor includes 1.0 new position for School Building Authority at Dept.
 - School Construction Coordinator
 - Not funded in the recommendation
- Already several positions at Dept. that work on housing aid
 - Appears intent is to include existing staff into new Authority with new Coordinator

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Article 9 -School Building Authority Capital Fund

- Not clear if Authority would expand as program develops, grows
 - Or exist with current staffing levels
 - Silent on shifting existing staff to Authority
- *Amendment clarifies that admin costs would come from the Fund*
 - Article seems to indicate RIHEBC to fund expenditures of Authority
 - Remains vague on operating costs

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Article 9 -School Building Authority Capital Fund

- RIHEBC to submit annual report
 - To Governor, Speaker of the House, and Senate President
 - Within 90 days of end of fiscal year
 - However, language in Article requires first report be due no later than Jan. 1, 2016
 - Only 6 months into 1st fiscal year of program
- *Amendment requires the Authority to certify Fund distributions*
 - *Include list of communities and projects*

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Article 9 -School Building Authority Capital Fund

- Impact to current program is unclear
- Continues to work as an entitlement
 - May exceed \$80 million/year if high demand and/or approvals for existing aid
- New program subject to appropriation
 - Level of uncertainty from year to year
- Not clear what mechanisms will drive projects to one program or the other

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Article 9 -School Building Authority Capital Fund

- Refunding Savings
 - Municipalities receive 80% of bond refunding proceeds, state receives 20%
 - From July 1, 2013 thru Dec. 31, 2015
 - Article 9 shortens period to June 30, 2015
 - Rate returns to municipalities' school housing aid ratio after this date
 - minimum of 35%

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Article 1, Sections 15 and 17

- Governor's budget requires payments to the state's General Fund by June 30, 2016
 - Various amounts from quasi-state agencies
- Based on reserve balances or related general obligation bond debt
- Totals \$20.1 million in FY 2016

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Article 1, Section 17 - RIHEBC

- \$5.0 million from Rhode Island Health and Education Building Corporation by June 30, 2016
- RIHEBC
 - Issues tax-exempt bonds for non-profit health and education institutions
 - Provides financing for state's school housing aid program

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Article 24 – Introduction

- Renames Clean Water Finance Agency as RI Infrastructure Bank
 - Changes board composition
- Extends system reliability and least cost procurement by 21 years and electric demand side charge by 20 years
 - Amendment reduces extensions to 12 yrs
- Establishes an Efficient Buildings Fund
- Expands the Property Assessed Clean Energy program to include commercial

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Article 24 – Introduction

- State agencies involved
 - Treasurer
 - Clean Water Finance
 - Office of Energy Resources
 - Commerce Corporation
 - Department of Environmental Management

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Article 24 – Introduction

- Involves various energy related programs
 - Energy Efficiency Programs
 - Electric
 - Gas
 - Property Assessed Clean Energy (PACE)
 - Regional Greenhouse Gas Initiative (RGGI)
 - Renewable Energy Development Fund (REF)
 - Amendment removes financial connection with Infrastructure Bank

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Article 24 – Introduction

Energy Programs	Surcharges	2014 Rev.	Sunset
Demand Side – Electric	\$.00911/kwh	\$70.0M	
Demand Side Gas/Res.	\$0.781/deka	\$10.3	2018
Demand Side Gas/Comm.	\$0637/deka	\$8.4	2018
Regional Greenhouse Gas	Auction	\$10.4M	
Renewable Energy Fund	0.3 mills/kwh	\$2.4M	2017

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Article 24 – Infrastructure Bank

- Clean Water Finance Agency
 - Finances projects: water pollution abatement, drinking water and municipal road and bridge
- Renames CWFA - RI Infrastructure Bank
 - Changes board composition from 5 to 7 members
 - DEM director or Sec. of Commerce, or designees
 - Amendment: maintains current board composition but adds advisory council

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Article 24 – Efficient Buildings Fund

- Establishes an Efficient Buildings Fund
 - Technical, funding & administrative support to public entities
 - Energy efficient & renewable energy upgrades to public buildings & infrastructure
 - Encourages use of project labor agreements and local hiring
 - RI Infrastructure Bank
 - Create loan loss reserve funds as security for debt financing

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Article 24 – Efficient Buildings Fund

- Efficient Buildings Fund would be seeded with
 - \$2.0 million - debt restructuring savings (discretion of Infrastructure Bank)
 - Article does not specify to what fund/program
 - \$3.0 million - Regional Greenhouse Gas Initiative (RGGI)
 - \$2.0 million - Energy Revolving Loan Fund
 - Federal stimulus funds
 - \$10.9 million - Qualified Energy Conservation Bonds
 - Federal stimulus funds

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Article 24 – Efficient Buildings Fund

- Expected to leverage \$21 million in total project costs
 - Using \$3.0 million from Regional Greenhouse Gas Initiative 2014 proceeds and
 - \$2.0 million from the Energy Revolving Loan Fund
 - As loan are paid back, Fund will revolve

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Article 24 – Regional Greenhouse

- A cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide
 - Sale of carbon emission allowances
 - Proceeds are to be used to invest in projects that reduce long-term energy demands and costs
 - 26 auctions through Dec. 24 - \$35.7 million in restricted revenues since inception

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Article 24 – QECCB

- RI Infrastructure Bank
 - Sole issuer of Qualified Energy Con. Bonds
 - American Rec. & Reinvestment Act funds
 - \$10.9 million allocated to Rhode Island
 - Funds have not been used
 - Purposes and uses
 - Reduce energy consumption in publicly owned buildings by at 20%
 - Mass commuting projects
 - Energy facilities , such as wind, solar and biomass

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Article 24 – Efficient Buildings Fund

- Extends energy efficiency surcharges by 20 years from 2018 to 2038
 - Effective August 1, 2015,
 - Gas & electric companies to remit 5.0% of monthly program proceeds to Infrast. Bank
 - To secure debt of Efficient Buildings Fund
- *Amendment:*
 - *Extended by 12 years*
 - *One-time allocation of 2% of 2014 program collections*

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Article 24 – Efficient Buildings Fund

Article allows RI Infrastructure Bank to create loan loss reserves

- Debt issued would be secured by
 - First - immediate energy savings
 - Second – 1st loan loss reserve: RGGI, Energy Revolving Loan & debt restructuring funds
 - Third – 2nd loss reserve: energy Efficiency surcharges
 - 2% of 2014 program collections from electric/gas companies

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Article 24 – PACE

Property Assessed Clean energy – PACE

- Adopted by 2013 Assembly
- Help qualified homeowners to invest in energy efficiency improvements
- Fixed payment for up to 20 years
- Cost that is financed is on property tax bill
 - If property is sold, financed portion is transferred
- Lien is place until all financial ob. are met
- Municipality - opt to participate to collect costs

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Article 24 – PACE

Property Assessed Clean energy – PACE

- Has been dormant since 2013 creation
- Article expands participants to include commercial – 5 or more housing units
- Infrastructure Bank in lieu of Office of Energy Resources would manage
- Infrastructure Bank to create loan loss reserve in the event of foreclosure
 - Option of using \$2.0 million from debt savings

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Article 24 – Brownfields

New to Requested Amendment

- *Establishes Brownfields Revolving Fund*
 - *Provide financial assistance eligible borrowers:*
 - *Municipalities, individuals or corporations*
 - *Remediate or develop brownfields site*
 - *DEM in consultation with Commerce would develop project priority list*
 - *Infrastructure Bank to determine which projects will receive funding*

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Article 1, Section 15 – Clean Water Finance Agency

- Requires the payment of \$11.0 million to the state General Fund in FY 2016
- Reflects \$8.9 million for the payment of FY 2016 debt service
 - G.O. Bonds totaling \$77.0 million over the next 20 years
- Additional \$2.1 million beyond the debt service

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Article 8 - Municipalities

- Establishes timeline for toll reimbursements to Jamestown and Newport
- Allows locals to issue bonds for specific projects without charter or referendum approval

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Article 8 - Municipalities

- Current law – Jamestown and Newport must reimburse public safety personnel for tolls
 - Crossing toll bridges in course of duty
 - Municipalities then reimbursed by state
 - Municipalities must request reimbursement
 - Jamestown last reimbursed FY 2012
 - Newport last reimbursed FY 1999
 - No time limit on requests

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Article 8 - Municipalities

- Governor's proposal – establish time limit for reimbursement requests
 - Municipality can only request for fiscal year prior
 - Effective July 1, 2015, could request reimbursement for FY 2015 only
 - No fiscal impact

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Article 8 - Municipalities

- 2013 Assembly established Municipal Road and Bridge Revolving Fund for FY 2014
 - For large-scale municipal road and bridge projects
 - Guidelines and initial project review by Dept. of Transportation
 - Fund administered by Clean Water Finance Agency

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Article 8 - Municipalities

Municipality	FY 2014 Requested	FY 2014 Borrowed
East Providence	\$1,215,000	\$1,215,000
Newport	\$4,000,000	\$1,500,000
Warwick	\$1,600,000	\$1,600,000
Burrillville	\$680,000	\$680,000
New Shoreham	\$255,000	\$255,000
Westerly	\$625,000	\$625,000
Pawtucket	\$7,000,000	\$3,500,000
Cumberland	\$500,000	\$500,000
Coventry	\$340,000	\$340,000
Total	\$16,215,000	\$10,215,000

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Article 8 - Municipalities

- 2014 Assembly authorized bond issuance for projects funded from Revolving Fund without charter or referendum approval
 - For Calendar Year 2014

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Article 8 - Municipalities

Municipality	FY 2015 Requested	FY 2015 Borrowed
West Warwick	\$150,515	\$150,515
Bristol	\$500,000	\$500,000
Hopkinton	\$253,000	\$253,000
Pawtucket	\$5,000,000	\$5,000,000
East Greenwich	\$2,000,000	\$2,000,000
Coventry	\$900,000	\$900,000
Total	\$8,803,515	\$8,803,515

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Article 8 - Municipalities

- Governor's proposal – extend authority for FY 2016 for projects funded from:
 - Municipal Road and Bridge Revolving Loan Fund
 - Administered by Infrastructure Bank (*Article 24*)
 - Efficient Buildings Fund
 - Administered by Infrastructure Bank (*Article 24*)
 - School Building Authority Capital Fund
 - Administered by Department of Elementary and Secondary Education (*Article 9*)

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