

# Governor's FY 2017 Budget: Articles

Staff Presentation to the House Finance  
Committee  
March 17, 2016

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# Article 5, Question 1

- Question 1 allows the state to issue \$45.5 million in bonds to support projects related to higher education
  - \$25.5 million for URI College of Engineering
  - \$20.0 million for Innovation Campus at a RI Based University

# Assembly Role

- Appropriate Pay-Go (Articles 1 & 10)
  - RICAP
  - Federal Funds
  - Other
- Approve General Obligation Bond Referenda
  - Voters approve or reject
  - Debt service automatic
- Approve other debt

# 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
  - When will it be complete

# Funding Considerations

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

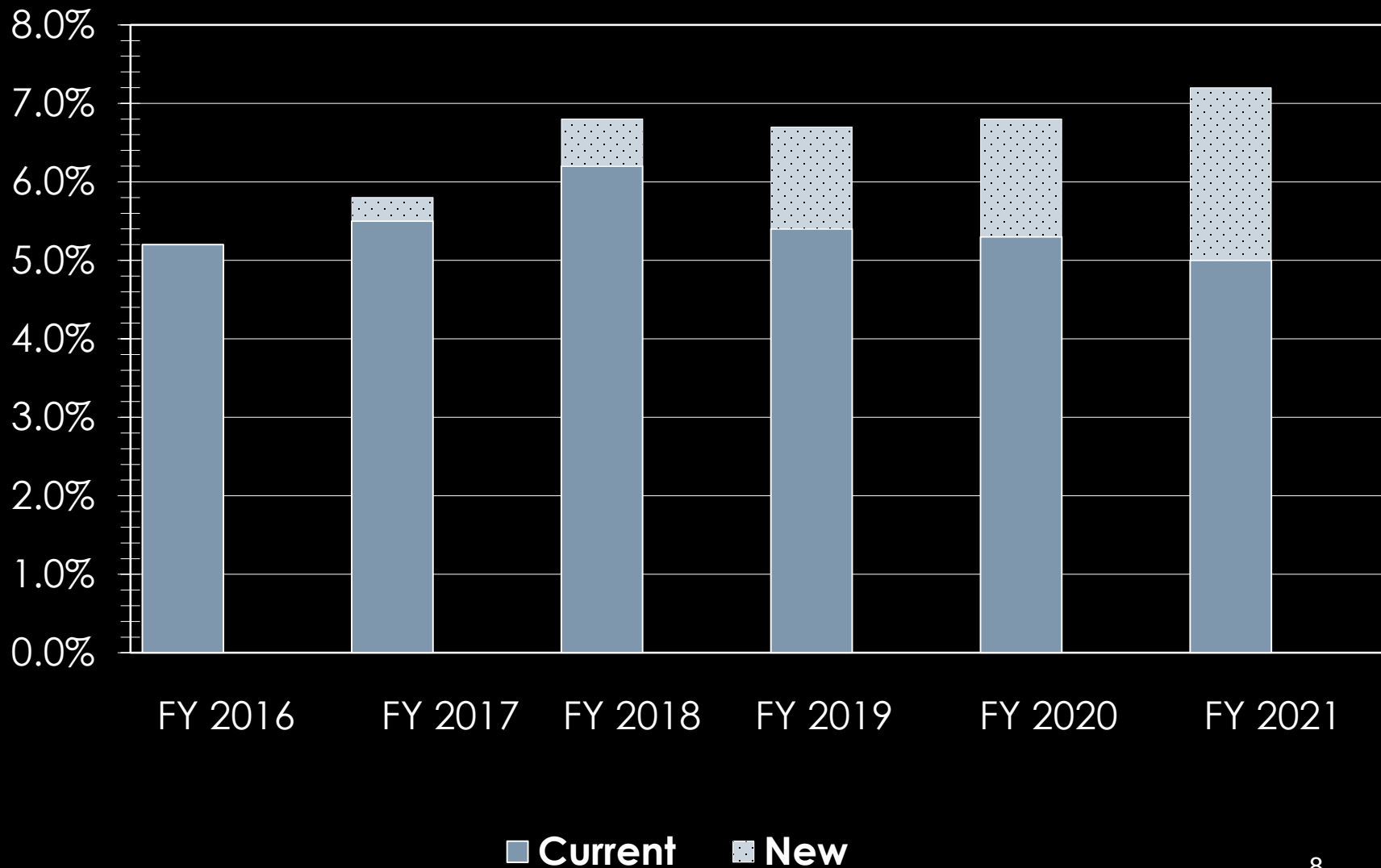
# Funding Considerations

- State's overall debt structure
  - Net tax supported debt would increase by \$51.3 million to \$1,727.1 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 Ratios

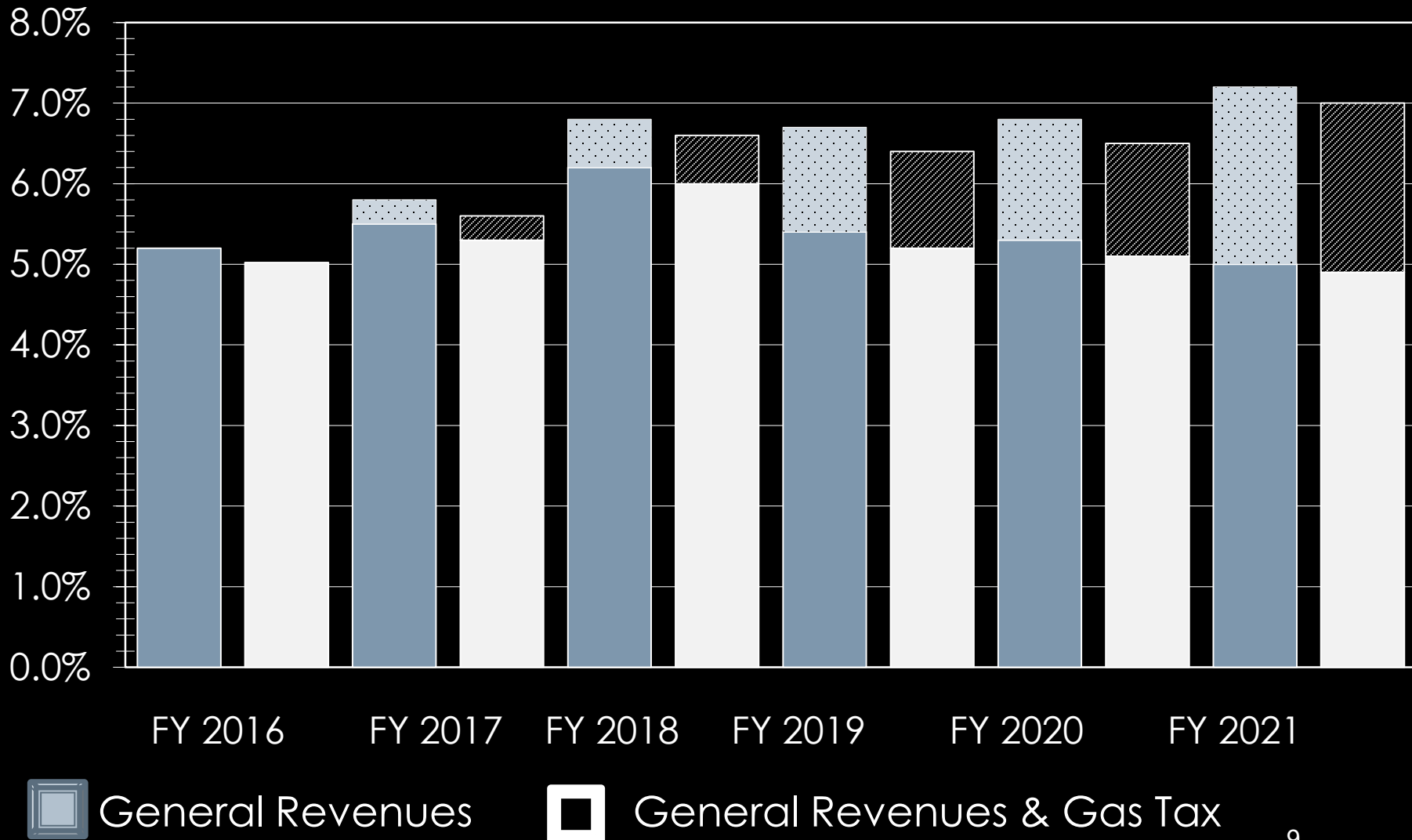
- Debt as a percent of personal income would decrease from 3.6% in FY 2015 to 2.9% into FY 2017
  - Refunding of state debt
- Would then drop to 2.6% in FY 2021, but likely to be higher based on projects being added

# Debt Service as Percent of Useable General Revenues





# Debt Service as Percent of Useable Revenues



# General Obligation Bonds

- Gov. proposes \$257.5 million of new GO bonds for Nov. 2016 ballot
  - URI Engineering/ Innovative Campus
  - Quonset Piers
  - Green Economy
  - Affordable Housing
  - School Construction
  - Veterans' Home

# Bond Referenda – November 2016

Project	Amount
<i>URI Engineering Phase II (March 17)</i>	<b>\$25,500,000</b>
<i>Innovation Campus (March 17)</i>	<b>20,000,000</b>
Quonset Piers (April 5)	70,000,000
Green Economy (March 9)	35,000,000
Affordable Housing (March 9)	40,000,000
School Construction (March 31)	40,000,000
Veterans' Home (March 9)	27,000,000
<b>Total</b>	<b>\$257,500,000</b>

# Bond Referenda – November 2016

Project	Annual Debt Service	Total Cost
<i>URI Engineering Phase II</i>	<b>\$2.1</b>	<b>\$40.8</b>
<i>Innovation Campus</i>	<b>1.7</b>	<b>32.0</b>
Quonset Piers	5.8	112.1
Green Economy	2.9	56.0
Affordable Housing	3.3	64.1
School Construction	3.3	64.1
Veterans' Home	2.2	43.2
<b>Total</b>	<b>\$21.3</b>	<b>\$412.3</b>

Data in millions; assumes 5% rate and 20 year bonds

# Question 1 – URI Engineering Building Phase II

- \$25.5 million for URI Engineering Phase II project on November 2016 ballot
  - Second phase of project to renovate and build additions to College of Engineering complex
  - Annual debt service would be \$2.1 million

# Question 1 – URI Engineering Building Phase II

- Voters approved Phase I of this project on November 2014 ballot
- Total \$125.0 million from GO bonds
- Phase I includes razing of Crawford, Kelley, Gilbreth, and Wales Halls, as well as the renovation of Kirk Hall
- New 195,000 sq. ft. facility to be constructed adjacent to remaining engineering buildings, which include Bliss and Kirk Halls

# Question 1 – URI Engineering Building Phase II

- Renovations to and construction of an addition to Bliss Hall
- Classroom improvements, lab modernization, HVAC, elevator & restroom upgrades, & exterior renovations (20,000 sq. ft.)
- 21,000 sq. ft. of new teaching space & specialized laboratories
- Funding is programmed to begin in FY 2018 and continue to FY 2021

# Question 1 – URI Engineering Building Phase II

- University's request also included \$38.9 million from general obligation bonds for the third phase of this project
  - Construction of a new academic and wave tank facility for Ocean Engineering program on the Narragansett Bay Campus
- Governor's capital budget includes \$18.0 million for project from private and unidentified University funds

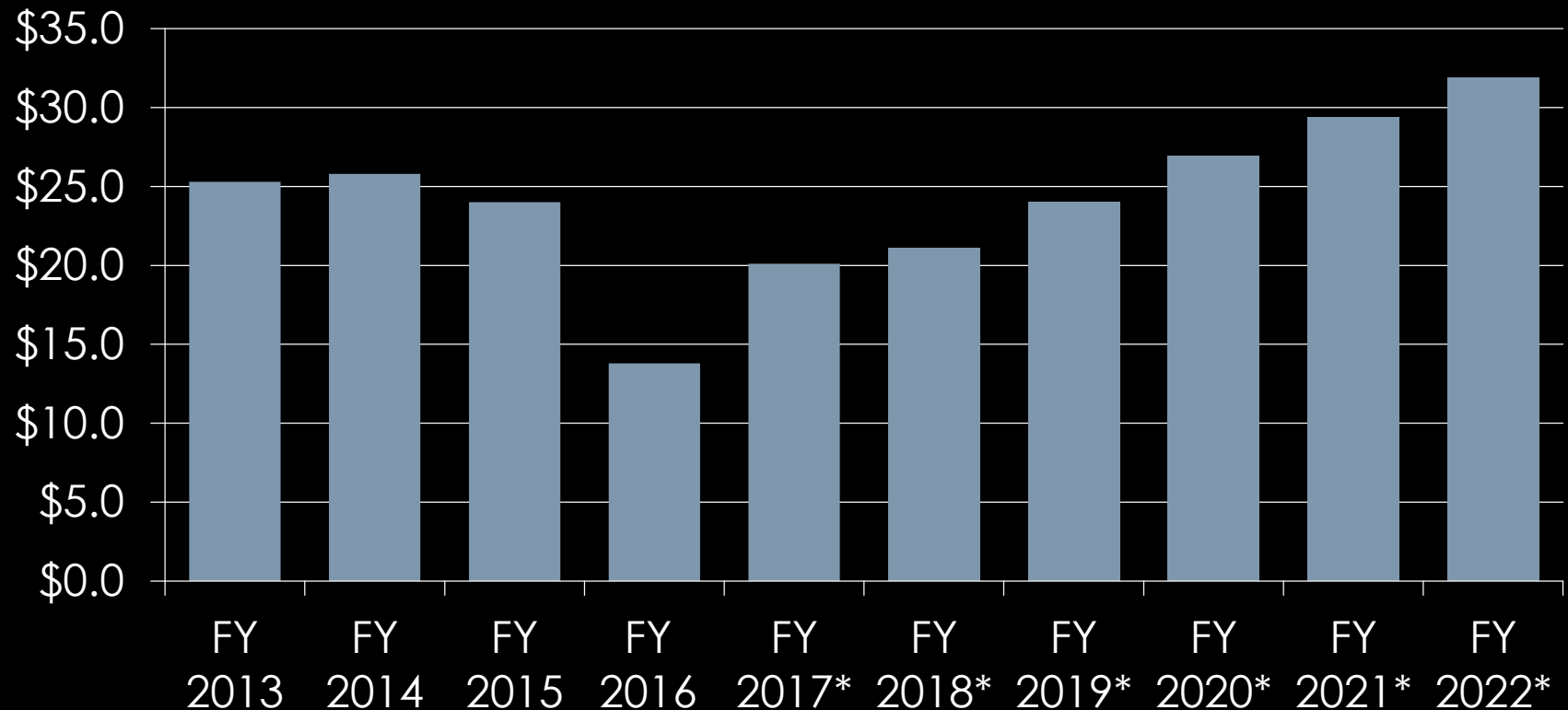


# Question 1 – URI Engineering Building Phase II

- Governor's 5-year capital plan assumes:
  - \$70.2 million for URI's Fine Arts Center on the November 2018 ballot
    - Annual debt service would be \$5.8 million
  - \$60.0 million for the Historic Quadrangle building renovations in November 2020
    - Annual debt service would be \$5.0 million

# Question 1 – URI Engineering Building Phase II

## URI Unrestricted Debt Service (general revenues, tuition, fees)



*\*assumes approval of \$25.5 M on 2016 ballot, \$70.2 M in 2018 & \$60.0 M in 2020*

# Question 1 – URI Engineering Building Phase II

## Higher Education General Obligation Bond Questions (2006 to 2016)

Ballot	Amount (in millions)	Project
2006	\$7.8	RIC DCYF Facilities
2006	\$65.0	URI Pharmacy
2010	\$17.0	RIC Art Center
2010	\$61.0	URI Chemistry
2012	\$50.0	RIC Academic Buildings
2014	\$125.0	URI Engineering Phase I
2016	\$25.5	URI Engineering Phase II
<b>10-Year Total</b>	<b>\$351.3</b>	

# Question 1 - Innovation Campus

- Question 1 would allow \$20.0 million of bond funds to support construction of one or more innovation campuses
  - University/Business collaboration
  - Commercialize academic research
- Public/Private partnership initiatives recommended in Brookings report
  - Academic/Industry initiative
  - Collaborations in a physical space

# Question 1 - Innovation Campus

- Question 1 would require state to hold competitive selection process
- Selection administered by Commerce Corporation to determine
  - Campus type
  - Campus location
- Other budget documents refer to project:
  - Innovation Center(s), University-Backed Innovation Campuses, Innovation Campuses

# Question 1 - Innovation Campus

- Winning proposal must include
  - Rhode Island-based university – preference given to proposals involving state university as sponsor
  - Private and/or federal funds totaling more than state investment
  - One business partner
  - Spur substantial number of new jobs at multiple skill levels

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