

Governor's FY 2018 Budget: Articles

Staff Presentation to the House Finance
Committee
March 15, 2017

Introduction

- Article 3 – Rhode Island Promise Scholarship
- Article 16
 - Section 5 – Energy Performance Contract – URI Phase III
 - Section 6 – URI- White Horn Brook Apartments
- Article 17 – State Leases

Article 3 – RI Promise Scholarship

- Establishes new RI Promise Scholarship
- 2 years of free tuition & mandatory fees
 - URI, RIC, or CCRI
- Intended to be “last dollar scholarship”
 - Covers tuition remaining after all other sources of aid are exhausted – not loans
 - Room & board and other non-mandatory fees would not be covered
- Cost phased in over 4-years beginning in FY 2018

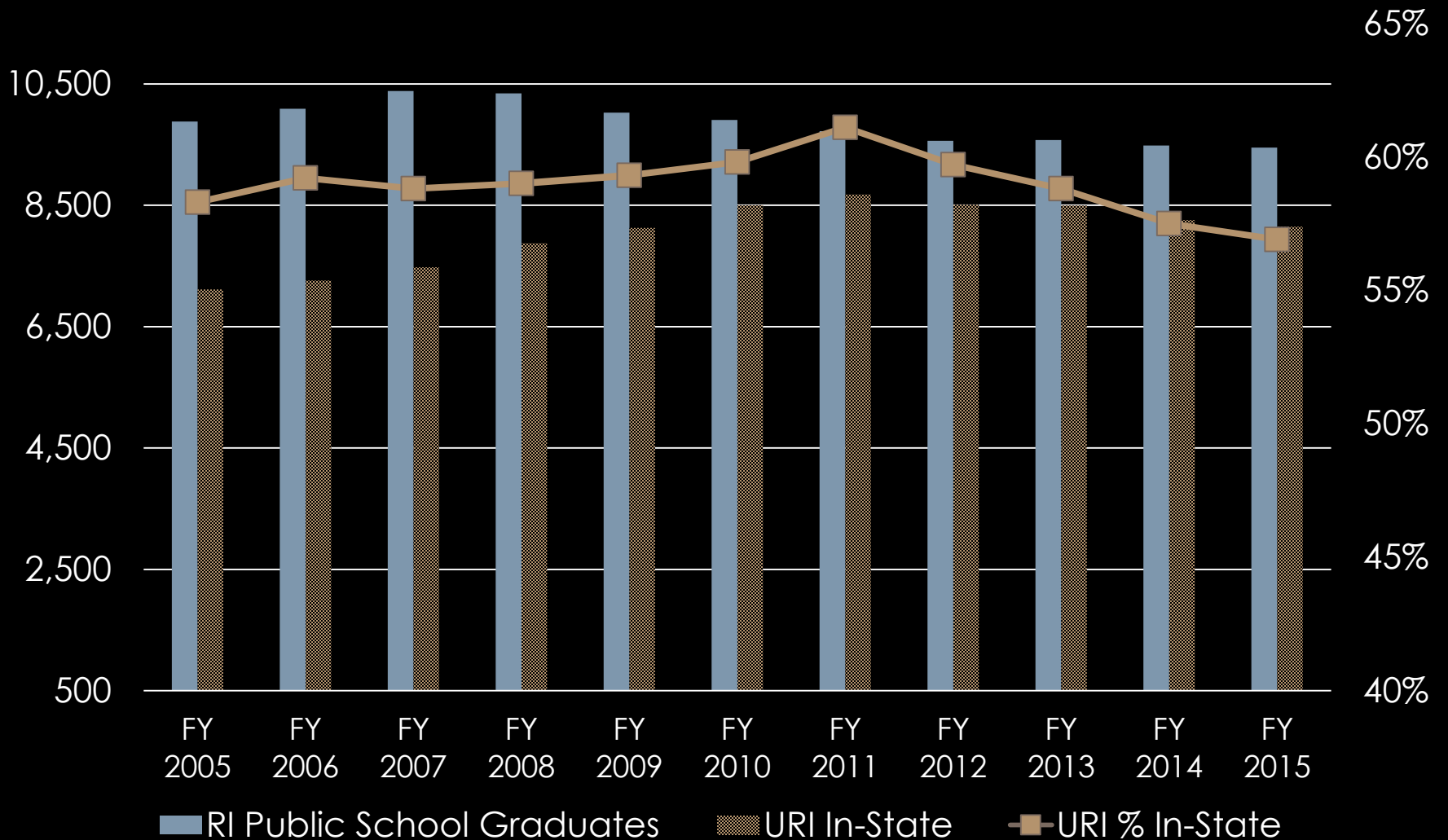
Article 3 – RI Promise Scholarship

- Stated Purpose
 - Increase the number of students enrolled at the state's public higher ed. institutions
 - Increase the number of students who complete degrees on time
 - Currently, less than half of students complete degrees "on-time"
 - 4 years for a bachelor's degree and 2 years for an associate's degree
 - URI - 49%; RIC -14%; CCRI - 5%

Article 3 – RI Promise Scholarship

- Purpose
 - Not expressly stated in the legislation but administration has identified lowering student debt as another purpose
 - Rhode Island graduates have the 5th highest debt in the country at \$32,920
 - Based on 2015 data from The Institute for College Access and Success for 4-year public and private institutions

Article 3 – RI Promise Scholarship



Article 3 – RI Promise Scholarship

- Beginning with high school graduating class of 2017
 - Covers 2 years at CCRI, or
 - Junior and senior year at RIC or URI
 - Only one 2-year scholarship per student

	FY 2018	FY 2019	FY 2020	FY 2021
URI	-	-	1,134	2,268
RIC	-	-	990	1,980
CCRI	1,461	2,923	2,923	2,923
Total	1,461	2,923	5,047	7,171

Article 3 – RI Promise Scholarship

FY 2018 Undergraduate Tuition & Fees			
Resident	URI	RIC	CCRI
Tuition	\$12,002	\$7,637	\$4,148
Fees	1,790	1,139	416
Total	\$13,792	\$8,776	\$4,564
Avg. Room & Board	\$12,452	\$11,695	NA

Article 3 – RI Promise Scholarship

- Eligibility Requirements
 - Attain high school diploma or equivalent qualification by age 19
 - Enroll & matriculate in fall semester immediately following high school graduation
 - Complete the FAFSA
 - Maintain full-time enrollment & minimum 2.0 GPA (good academic standing)
 - Remain on track to graduate within 2 years from CCRI or 4 years from URI or RIC

Article 3 – RI Promise Scholarship

- Exceptions to eligibility criteria for:
 - “Recipient - student” with approved medical or personal leave of absence
 - Includes students on deferral/deferment
 - “Recipient – student” who is a member of the National Guard or reserve unit of a branch of the U.S. military

Article 3 – RI Promise Scholarship

- Governor requested an amendment
 - Replaces requirement for a recipient to maintain a 2.0 GPA with “good academic standing”
 - Expands definition of “mandatory fees & tuition” to exclude program fees for certain majors and specific course fees
 - Expands definition of “on track to graduate on time” to recognize that certain programs may require additional time beyond 2/4-year limitations in original article

Article 3 – RI Promise Scholarship

- Requires OMB and OPC to oversee apportionment & disbursement of all funds
- Allows for state appropriations not specifically targeted toward actual scholarships
 - Consistent with FY 2018 budget recommendation
- Adds biannual reporting requirement
 - May and November

Article 3 – RI Promise Scholarship



Fiscal Year	Amount
2018	\$10.0
2019	\$13.0
2020	\$18.0
2021	\$30.0
<i>In millions</i>	

FY 2018 Budget	
Preparedness grants to institutions	\$6,000,000
Communications and outreach (OPC)	\$1,000,000
First year of scholarships at CCRI	\$3,000,000
Total	\$10,000,000

Article 3 – RI Promise Scholarship

- Preparedness grants
 - Intended to address issues at each institution for “...appropriate capacity building and necessary adjunct programs...”
 - Article silent on uses
 - Authorizes appropriations in addition to scholarships “to support and advance the Rhode Island Promise Scholarship Program”

Article 3 – RI Promise Scholarship

- URI's \$2.0 million preparedness grants would partially cover unfunded requests
 - 14.0 new faculty positions
 - 1.0 new veterinarian
 - Housekeeper for new welcome center
 - Salaries and benefits for existing staff
 - Student aid and waivers
- Governor's budget is \$4.2 million less than requested from general revenues

Article 3 – RI Promise Scholarship

- RIC's \$2.0 million preparedness grants
 - 15.0 new professional advisors
 - Student experiential learning program
 - Enhancements to math learning center
 - Increase disabilities services capacity
 - Ongoing support for initiative previously funded from expiring federal grants
- Governor's budget is \$1.8 million less than requested from general revenues

Article 3 – RI Promise Scholarship

- CCRI's \$2.0 million preparedness grants
 - 5.0 new positions to implement accelerated study program
 - Expand on-line programs
 - 2.0 new positions to expand co-requisite course models in English and math
 - New technology to enhance student services
- Governor's budget is \$2.4 million less than requested from general revenues

Article 3 – RI Promise Scholarship

Governor's Out-Year Scholarship Costs

FY	URI	RIC	CCRI	Total
2018	-	-	\$2,581,676	\$2,581,676
2019	-	-	\$5,707,916	\$5,707,916
2020	\$8,404,053	\$2,404,044	\$5,707,916	\$16,516,013
2021	\$18,118,994	\$5,734,919	\$5,707,916	\$29,561,829

Article 3 – RI Promise Scholarship

- Cost estimate assumes:
 - One-time 25% increase in enrollment
 - Proxy for tuition increases, attrition, enrollment, etc.
 - Use of funding from phase out of the current Last Dollar Scholarship at RIC & URI
 - Currently funded from tuition savings fees and finite reserve funds
 - \$2.0 million currently for students attending private schools; impact to privates unclear

Article 3 – RI Promise Scholarship

- Risks to estimate:
 - Initiatives/staff funded from “preparedness” grants would be on-going
 - Expected to be covered from revenues generated through increased enrollment
 - Average annual tuition increase between FY 2012 and FY 2018:
 - URI – 2.8%; RIC – 2.7%; CCRI 3.2%
 - Non-general revenue sources are declining

Article 3 – RI Promise Scholarship

	Scholarships	Preparedness Grants	Total
FY 2018	\$2,851,676	\$7,148,324	\$10,000,000
FY 2019	\$5,707,916	\$7,292,084	\$13,000,000
FY 2020	\$16,516,014	\$1,483,986	\$18,000,000
FY 2021	\$29,561,829	\$438,171	\$30,000,000

Article 3 – RI Promise Scholarship

- Minimum enrollment increases to generate \$2.0 million of revenue to replace grants
 - Assumes full tuition & fees realized but likely impact of institutional aid brings down yield
 - No marginal spending impact assumed

	In-state T/F	Students	Total
URI	\$13,792	145	\$1,999,840
RIC	\$8,776	228	\$2,000,928
CCRI*	\$4,564	438	\$1,999,032

**if all are eligible for new program – no \$\$ received*

Article 3 – RI Promise Scholarship

Enrollment Impact on Revenue – Governor Assumptions					
School	25%	FY 2018	FY 2019	FY 2020	FY 2021
URI	227	\$3.1	\$6.2	\$6.2	\$6.2
RIC	198	\$1.7	\$3.4	\$3.4	\$3.4
CCRI	292	\$0	\$0	\$0	\$0

Article 3 – RI Promise Scholarship

- Tuition & fees have increased intermittently
- Art 3 cost assumptions hold them flat
- Enrollment growth may be a proxy for enrollment and cost

FY	URI	RIC	CCRI
2012	0.0%	0.0%	0.0%
2013	9.5%	4.0%	7.5%
2014	0.0%	0.0%	0.0%
2015	0.0%	0.0%	0.0%
2016	2.8%	7.8%	8.0%
2017	0.0%	0.0%	0.0%
2018	7.0%	6.9%	7.0%
7-yr avg.	2.8%	2.7%	3.2%
5-yr avg.	2.0%	2.9%	3.0%
3-yr avg.	3.3%	4.9%	5.0%

Article 3 – RI Promise Scholarship

- Tuition increases have compounding impact
- Lowers actual enrollment growth accounted for in cost estimate
- Impacts projections on new revenue that would come from growth

Adjusted Enrollment Based on Possible Tuition Impacts

School	<i>FY 2019</i>	<i>FY 2020</i>	<i>FY 2021</i>	<i>Growth</i>	<i>Net Growth</i>
URI	2.8%	5.6%	8.4%	25%	16.6%
RIC	2.7%	5.4%	8.1%	25%	16.9%
CCRI	3.2%	6.4%	9.6%	25%	15.4%

Article 3 – RI Promise Scholarship

Enrollment Impact on Revenue – Adjusted

School	16%	<i>FY 2018</i>	<i>FY 2019</i>	<i>FY 2020</i>	<i>FY 2021</i>
URI	145	\$2.0	\$4.0	\$4.0	\$4.0
RIC	126	\$1.1	\$2.2	\$2.2	\$2.2
CCRI	187	\$0	\$0	\$0	\$0

Article 3 – RI Promise Scholarship

- Other state college aid programs
 - Last Dollar Scholarship - \$10.1 million
 - Dual Enrollment Program - \$1.8 million
 - RI Wavemaker Fellowship - \$1.6 million
 - Tax credit program for graduates who remain a resident & employed in the state in the fields of:
 - Life, natural or environmental sciences
 - Computer, information or software technology
 - Engineering or industrial design
 - Medicine or medical device technology

Article 16 – Debt Management Act Joint Resolution

- Authority to issue new debt
 - IT Improvements – 2/28
 - Energy Improvements in State Facilities – 3/1
 - Confined Aquatic Disposal Cells – 3/1
 - URI Energy Performance Phase III – today
 - URI White Horn Brook Apartments - today

Article 16 – 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
- Result of Commission chaired by Rep. Linda Kushner

Article 16 – Debt Management Act Joint Resolution

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

Article 16 - Public Corporation Debt Management Act

Recommended New Debt Authority	Amount	Debt Service	Source
Certificates of Participation			
IT Improvements	\$16.2	\$2.1	Gen. Rev.
Energy Improvements in State Facilities	12.0	1.7	Energy savings
CAD Cells	10.5	1.4	User fees, Gen. Rev.
<i>URI Energy Performance III</i>	<i>11.6</i>	<i>1.1</i>	<i>Energy savings</i>
Subtotal	\$50.3	\$6.3	
Revenue Bonds			
<i>URI White Horn Brook Apts.</i>	<i>\$88.8</i>	<i>\$5.9</i>	<i>Dorm fees, tuition, Gen. Rev.</i>
Total	\$139.1	\$12.1	

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

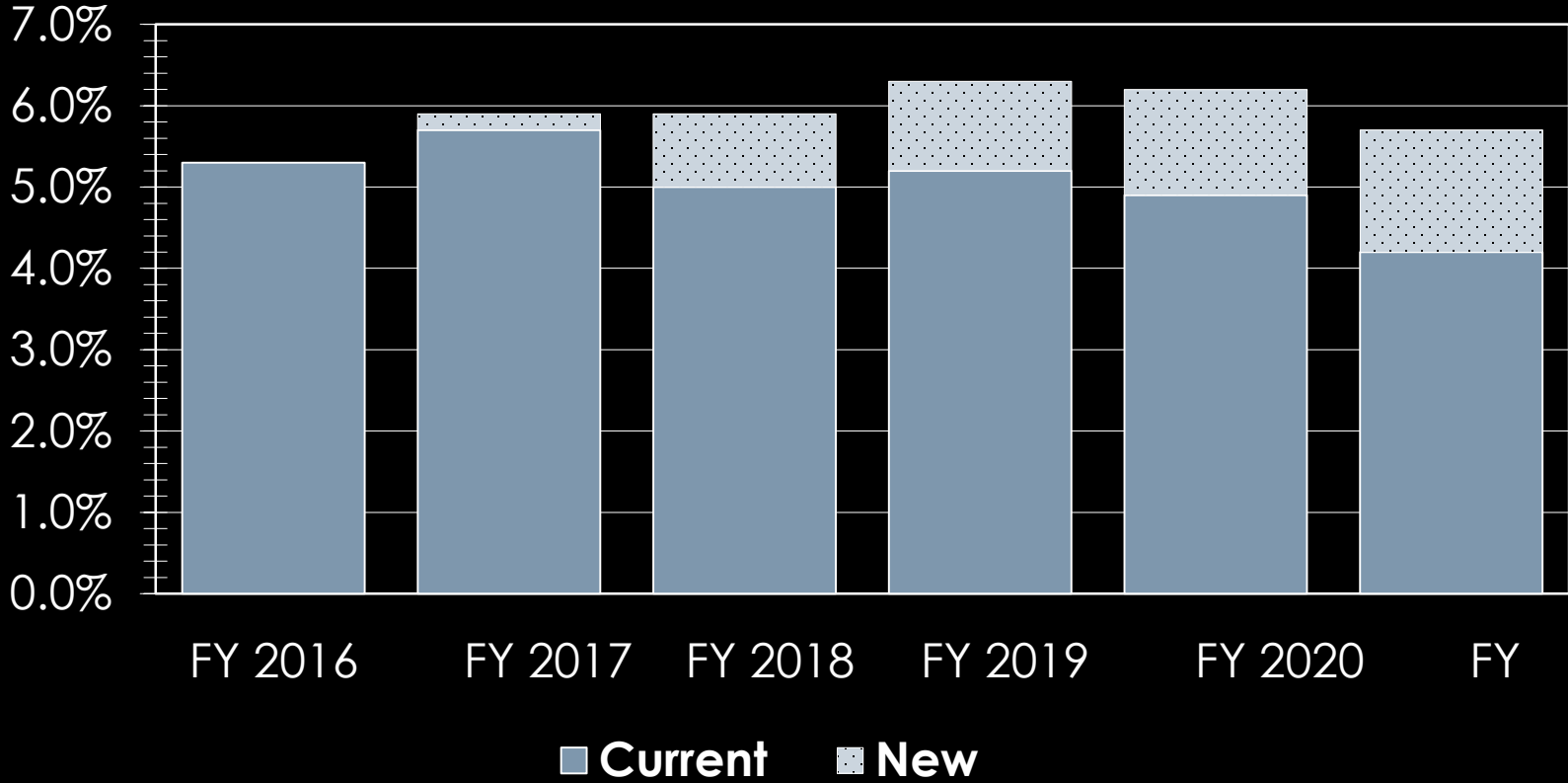
Funding Considerations

- State's overall debt structure
 - Net tax supported debt would decrease thru FY 2022 by \$414.0 million to \$1.5 billion
 - 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
 - Budget does not assume any new referenda
 - Departure from past practice

Funding Considerations – Debt Ratios

- Debt as a percent of personal income would decrease from 3.2% in FY 2018 to 2.2% into FY 2022
- Likely to be higher based on projects being added
 - Does not assume any new referenda will go before voters in November 2018 or 2020

Debt Service as Percent of Useable General Revenues



Article 16, Section 5

- Energy Performance Contract – URI Phase III
 - Authorizes borrowing \$11.6 million
 - LED dimmable lighting
 - Fume hood upgrades
 - HVAC
 - Building weatherization
 - Annual debt service of \$1.1 million
 - Assumes 15 years and 5% interest
 - Supported by energy savings

Article 16, Section 5

- 2006 Assembly approved \$18.1 million for Phase I
 - Memorial Union & athletic complex - 2008
 - Narragansett Bay & Providence Campuses - 2009
 - Housing & Residential Life - 2009
 - Academic & admin building projects - 2010
 - Energy work - 2010
 - Water conservation - 2011

Article 16, Section 5

- 2010 Assembly approved \$12.6 million for Phase II
 - Energy efficient window installation in academic and administrative buildings
 - Replacement of steam & condensate lines, air handlers and air-conditioning units, steam valves, & stairwell lighting
 - Work began in FY 2012 and is anticipated to be completed in June 2018

Article 16, Section 6

- URI White Horn Brook Apartments
 - \$88.8 million from revenue bonds for new 6 story, 500-bed residence hall for 3rd & 4th year students
 - URI's longer-term goal is to provide on-campus housing to over 50% of undergraduate students
 - Keeping with its peer institutions
 - Units are critical to retain upper class students that often seek off campus housing

Article 16, Section 6

- URI White Horn Brook Apartments
 - Construction would begin in FY 2018 with the opening of the facility in May 2019
 - Annual debt - \$5.9 million assuming 30 years & 5.0% interest
 - Legislation indicates approximately 95% would be supported from dorm fees and 5% from tuition and general revenues
 - As drafted, authorization does not limit the amounts

Article 17 – State Leases

- Joint Resolution requesting General Assembly approval for the state to enter into a long-term property lease
- Current law requires departments to obtain legislative approval before entering into leases that are
 - 5 years or more & more than \$0.5 million
- Requirement in 2006

Article 17 – State Leases

- Authorizes Council on Postsecondary Ed. to enter into a lease for additional parking for new Nursing Education Center in Providence
- 400 spaces at no greater than 2 locations
 - Served by intra-city shuttle
- Initial term of 5 years with two optional 2 year extensions

Article 17 – State Leases

- 2014 Assembly authorized Board of Ed. & DOA to enter into a 15-year lease with developer of the South Street Landing property in Providence
 - Use as a joint nursing education center by URI & RIC
 - Shared classrooms, seminar rooms, lecture halls, health labs, computer & media labs, faculty & administrative offices and meeting space

Article 17 – State Leases

- On October 14, 2015, Board of Ed. approved sublease for an 8 level, approx. 744 space garage
 - 200 spaces for URI & RIC
- Institutions indicated need for more parking spaces
- Governor's budget includes:
 - \$0.5 million for this lease
 - \$0.4 million for intra-city shuttle from off-site parking to Center

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