

# Governor's FY 2020 Budget

Staff Presentation to the House Finance  
Committee  
April 24, 2019

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# Introduction

- Governor requested amendments for 3 new articles
  - Public Utilities Reserve Account
  - Student Loans
  - RI Health Benefit Exchange

# Public Utilities Reserve Account

- Established by RIGL 39-1-26
- To provide resources for PUC during investigations and hearing relating to the application and filings made by public utilities including
  - Temporary legal counsel, stenographers, engineers, accountants, economists, and expert witnesses
- Expenditures are billed back to the applicant

# Public Utilities Reserve Account

- Current law limits total amount that can be charged
  - \$750,000 per utility per calendar year & \$250,000 for federal agency proceedings

<b>Annual Billing Cap Per Utility by Proceeding</b>			
<b>Year</b>	<b>State</b>	<b>Federal</b>	<b>Total</b>
Pre-2001	\$160,000	160,000	\$320,000
2001	\$250,000	250,000	\$500,000
2009	\$500,000	500,000	\$1,000,000
2017	\$750,000	250,000	\$1,000,000
2019	<i>No Distinction</i>		\$1,000,000

# Public Utilities Reserve Account

- Removes billing cap distinction between federal and state proceedings
- Allows the Commission to charge utilities up to \$250,000 for investigations and proceedings relating to
  - Widespread utility outages
  - Review of emergency response plans
    - Prompted by the natural gas service outage on Aquidneck Island on January 2019

# Public Utilities Reserve Account

- No general revenue impact
  - Increased cost usually passed to ratepayers
- Past billings based on proceeding type

<b>CY</b>	<b>Billed Utilities</b>	<b>State</b>	<b>Fed.</b>	<b>Total</b>
2018	National Grid Electric	\$742,245	\$297	\$1,335,410
	National Grid Gas	\$480,919	-	
	All Other (8 Utilities)	\$111,949	-	
2017	National Grid Electric	\$622,684	-	\$838,356
	National Grid Gas	\$158,130	-	
	All Other (8 Utilities)	\$57,542	-	

# Student Loans

- Governor requested an amendment to add a new article
  - Student Loan Bill of Rights
    - Standards for student loan servicers
      - Requires registration with DBR
    - Protections for borrowers

# Student Loans

Federal  
Government

Largest  
provider of  
student loans

Contracts w/  
loan servicers  
to manage  
borrowers'  
accounts

Student Loan  
Borrower



# Student Loans

- Workgroup on Student Loan Borrower Protection
  - 2018 – S 2982 requested that OPC form a work group
    - Review how RI can protect student loan borrowers
    - Make recommendations to the Speaker of the House and Senate President
  - Work group met 4 times between September and December
    - Issued report February 2019

# Student Loans

- Report findings
  - 1 in 5 Rhode Islanders have student loan debt
  - Rhode Islanders carry \$4.4 billion in outstanding federal & private loans
    - As of Q4 2016
  - Of 2016 RI Graduates
    - 61% incurred loans w/ average total debt of \$31,217

# Student Loans

- Report findings
  - “Lack of federal regulations in this industry puts borrowers – a captive market – at a disadvantage”
  - No consistent, market-wide federal standards for loan servicing
  - Loan servicers are failing to adequately educate and assist borrowers

# Student Loans

- 6 states & D.C. regulate loan servicers
  - CA, CT, IL, MD, VA, WA, D.C.
  - Legislation varies but common elements are
    - Setting standards for student loan servicing & reporting requirements
    - Licensing requirements for loan servicers
    - Establishing student loan ombudsperson
      - Help borrowers understand their rights
      - Resolve complaints

# Student Loans

- Workgroup recommendations
  - Require servicers to register with DBR
    - DBR primary entity to register & collect fees
  - Set minimum standards for loan servicing
    - Requirements to notify borrowers about loan status, progress towards repayment, & eligibility for loan assistance programs
  - AG's Office & DBR to
    - Investigate potential violations of standards
    - Issue penalties for noncompliance
    - Seek financial restitution for borrowers

# Student Loans

- New Article on Student Loans contains many of workgroup's recommendations
  - Borrower assistance, education & complaints
  - Registration of Student Loan Servicers
  - Other Servicer Responsibilities
    - Reporting & record keeping
  - Examinations & Fines
  - Investigation & Enforcement
  - Does not include ombudsman
    - Borrowers would take complaints to AG's Consumer Protection Unit instead

# Student Loans

- Borrower assistance, education, & complaints
  - AG's Office of Consumer Protection w/ DBR, Treasurer, Commissioner of Postsecondary Ed
    - Receive, review & attempt to resolve borrower complaints
    - Compile & analyze data on complaints
    - Assist borrowers to understand rights & responsibilities
    - Share information on availability of AG consumer protection unit to assist borrowers
    - Meet at least once per quarter to coordinate efforts

# Student Loans

- Registration of Student Loan Servicers
  - Each person/entity that services student education loans issued after July 1, 2019 must register with Department of Business Regulation as a student loan servicer by September 30, 2019
    - Exemption for those that service fewer than 6 loans
  - Annual registration fee of \$1,000
  - DBR may assess \$10,000 fine for noncompliance



# Student Loans

- Other Servicer Responsibilities
  - Must provide annually or upon request
    - Terms of loan
    - Progress towards repayment
    - Eligibility for loan relief
      - Income driven repayment plans, public service loan forgiveness, forbearance, deferment
  - Sets reporting, record keeping, & communication requirements
    - Annual \$55 report filing fee

# Student Loans

- Article prohibits servicers from
  - Defrauding or misleading borrowers
  - Engaging in unfair or deceptive practices
  - Knowingly or recklessly
    - Applying loan payments to outstanding balance
    - Providing inaccurate info to a credit bureau
  - Refusing to communicate w/ authorized rep.
  - Making false statements
  - Failing to properly evaluate for repayment or loan forgiveness before placing borrower in forbearance or default

# Student Loans

- Examinations and Fines
  - Gives DBR authority to conduct examinations of registrants
    - Cost borne by registrant similar to banking, securities, & insurance
      - 150% of salaries and benefits; 100% of travel & transportation
  - Gives DBR power to issue fines for violations
    - No more than \$2,000 per violation
    - Deposited into restricted receipt account

# Student Loans

- Investigation and Enforcement
  - AG may enforce violations under deceptive trade practices statutes
  - Allows borrower to bring private or class action

# Student Loans

Type	Frequency	Amount
Registration Fee	Annual	\$1,000
Report Filing Fee	Annual	\$55
Late Report Fee	Upon violation	\$25
Fines	Upon violation	\$2,000 per violation

- Deposited into restricted receipt account in DBR
  - Transferred to RR account in AG Office
    - “for purpose of administering the provisions of this chapter”

# Student Loans

- No fiscal impact assumed
  - ~ 50 student loan servicers
- Appears plan is to fund lawyer in AG's Consumer Protection Unit
- No current request for FY 2020 allocation or expenditure

<b>Annual Revenue</b>	
Registration Fees	\$50,000
Report Filing Fees	2,750
<b>Total Revenue</b>	<b>\$52,750</b>
State 10% Indirect Cost Recovery	\$5,275
Amount to AG	\$47,475

# Student Loans

State	App. Fee	Investigation Fee	Fine/Penalty
CA	\$300	\$100	None
CT	\$1,000	\$800	
IL	\$1,000	\$800	
MD	None		\$10,000; \$25,000 for repeat violation
RI	\$1,000	150% of staff + expenses	\$2,000 per violation; \$10,000 for failure to register or comply
VA	None		\$2,500 per violation per day
WA	\$1,162	\$69 per person/ per hour	None
D.C.	\$1,100	\$400 per day	

# Student Loans

## House Legislative History

Session	Bill #	Committee	Location of Ombudsman
2016	7081	HEW	Division of Higher Education Assistance, OPC
2017	6056	Corporations	DBR
2018	7881	Finance	Office of Postsecondary Commissioner
2019	5936*	Finance	No ombudsman

\*Essentially the same as GBA



# Student Loans

- Possible changes to GBA identified
  - Add clarifying language to ensure that borrowers consolidating private and federal loans are notified in advance of any impact to eligibility for other relief
    - Public Service Loan Forgiveness for example
  - Correct typos and make technical corrections

# New Article – Health Benefits Exchange

- Affordable Care Act requires exchanges be self-sustaining
- 2015 Assembly adopted health premium assessment
  - Based on premiums sold on exchange
    - Effective, January 2016
  - Limited to amount that would be raised through federally facilitated marketplace

# New Article – Health Benefit Exchange

- U.S. Health and Human Services charges assessment of 3.5% for plans sold on federally-facilitated marketplace
  - Rule change decreases fee to 3.0%
    - Effective January 1, 2020
- Article decouples from federal model
  - Establishes an assessment fee of 3.5% in state statute
    - Effective January 1, 2020

# New Article – Health Benefits Exchange

- Patient Protection and Affordable Care Act of 2010
  - *Also called ACA, Obamacare*
- Goal of decreasing number of uninsured individuals
- Required all individuals to have medical coverage or pay a penalty
  - Certain exemptions allowed

# New Article – Health Benefit Exchange

- States had options for type of marketplace
  - State-based marketplace
  - State-partnership marketplace
  - Federally-facilitated marketplace
- HealthSource RI received \$152 million from federal funds for establishment of exchange

# New Article – Health Benefits Exchange

- Federally-Facilitated Exchange
  - HHS assumes primary responsibilities
  - States may elect to perform or can use federal exchange
    - Reinsurance program
    - Medicaid and CHIP eligibility
- State-Partnership Marketplace
  - Shared responsibilities and manages certain activities
    - Plan management
    - Consumer assistance

# New Article – Health Benefits Exchange

- State-Based Exchange
  - Operates its own health exchange
  - Performs all related activities
- Currently 11 states & DC

Assessment only on plans offered through marketplace

California, Colorado, Idaho, Massachusetts, Minnesota, Rhode Island & Washington

Assessment on plans inside/outside of marketplace

Connecticut, DC and Maryland

State appropriation

New York and Vermont

# New Article – Health Benefits Exchange

<b>FY 2020</b>	<b>Exch. Projected Enrollment</b>	<b>Projected Avg. Mthly Premiums</b>	<b>Annual Premiums</b>	<b>Dental Premiums</b>	<b>Total</b>
Ind. Group	30,193	\$443	\$160.5	\$5.6	\$166.1
Small Group	5,855	\$466	32.7	0.8	33.5
<b>Total</b>					<b>\$199.6</b>
Federal Facilitated Marketplace					
3.5% Equivalent				\$7.0 million	
3.0% Equivalent				\$6.0 million	
<b>Difference –Annualized</b>				<b>\$(1.0) million</b>	



# New Article – Health Benefit Exchange

- Recommended budget assumes receipts of \$6.9 million for FY 2020

<b>Fiscal Year</b>	<b>Assessment Receipts</b>
2020 Projected	\$6,975,000
2019 Projected	\$6,827,000
2018	\$6,099,375
2017	\$5,750,623
2016*	\$2,773,520

*\*FY 2016 reflects half a year of receipts*

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