Governor’s FY 2012 Budget: Articles

Staff Presentation to the House Finance Committee
March 22, 2011
Introduction

● Five Articles today
  ◆ Article 3 – Budget Reserve Fund
  ◆ Article 15 – Land Sales
  ◆ Article 36 – State Leases
  ◆ Article 38 – Retiree Health Care Trust Fund
  ◆ Article 42 – Tax Anticipation Notes
Article 3 – Budget Reserve Fund

- Enacted budget includes $22.0 million to pay back rainy day funds borrowed in FY 2009
- General Laws requires payback the next year – 2010 Assembly allowed 1 yr delay
- This article delays payment from FY 2011 to FY 2013
Article 3 – Budget Reserve Fund

- Uses the $22.0 million to create surplus to be carried into FY 2012
- Structural issue for FY 2013 when funds will have to be appropriated
- Resources available for Rhode Island Capital Plan Fund projects are lower in FY 2011 and FY 2012
Article 15 – Land Sales

- Require proceeds in excess of $1.0 million from land sales to be deposited into the Rhode Island Capital Plan Fund
- Supports the notion that one-time funds be used for one-time expenditure
- Does not appear to have an impact on the FY 2012 budget
- FY 2010 and prior budgets had unachieved revenues from proposed land sales
Article 36 – State Leases

- Current law requires departments to obtain legislative approval before entering into:
  - Long-term lease; five years or more
  - Lease agreements in excess of $0.5 million

- This article repeals the requirement
Article 36 – State Leases

- 28 state leases are in effect:
  - 3 are on a month-to-month basis
  - 3 are over the $0.5 million threshold
  - 10 are over five years

- The article takes effect upon passage
Article 38 – Retiree Health Care Trust Fund

- 2008 Assembly created mechanism to fund OPEB benefits on actuarial basis
- Established a Board to oversee new Trust
- Created a restricted receipt account to pay for required valuations and asset management
- Included annual reporting, valuation and experience study requirement
Article 38 – Retiree Health Care Trust Fund

- Article 38 amends statutes based on Board recommendations
  - Clarifies authority with respect to contributions from quasi-public members of Fund
  - Removes Board’s authority to interpret or decide claims for benefits or resolve disputes
  - Gives Board right to research, question, investigate and make recommendations to Department of Administration
Article 38 – Retiree Health Care Trust Fund

- Article 38 amends statutes based on Board recommendations
  - Delays submission of first annual report from January 2011 to February 2012
  - Changes valuation/experience schedule to every two years
  - Modifies the method of payment of administrative costs from the Fund
Article 38 – Retiree Health Care Trust Fund

- Modifies the method of payment of administrative costs from the Fund
  - Current laws limits to actuarial valuations and a share of investment manager fees (25 basis points of average total investments)
  - Article 38 sets a minimum transfer of $200,000 from trust beginning in FY 2015
  - For FY 2011 – FY 2014 only the actual costs can be paid
  - Other costs could be legal fees and printing
Article 42 – Tax Anticipation Notes

- Allows state to borrow a maximum of $350.0 million during FY 2012 for cash flow purposes in anticipation of tax receipts
- The note must be repaid by June 30, 2012
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