Governor’s FY 2015 Budget: Articles

Staff Presentation to the House Finance Committee
February 25, 2014

Introduction

- Article 4 – Public Corporation Debt
  - Section 5 – Airport Corporation
- Article 5 – Capital Development Plan
  - Question 3 – Mass Transit Hubs
- Article 21 – Transportation Funding
Assembly Role

- Appropriate Pay-Go (Articles 1 and 10)
- Approve General Obligation Bond Referenda
  - Voters approve or reject
  - Debt service automatic

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

Public Corporation Debt Management Act (Kushner Act)

- 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
Capital Budget

- Includes $200.1 million under Public Corporation Debt Management Act
  - Information Technology
  - Virks Building Renovation
  - Historic Structures Tax Credits (Article 15)
  - T.F. Green Improvements
  - Garrahy Courthouse Parking

Kushner Items

<table>
<thead>
<tr>
<th>Certificate of Participation (COPS)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology (Feb. 26)</td>
<td>$30.0</td>
</tr>
<tr>
<td>Virks Building Renovation (Feb. 26)</td>
<td>13.0</td>
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<tr>
<td>Historic Structures Tax Credits (Feb. 26)</td>
<td>52.1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$95.1</strong></td>
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</table>
Kushner Items

<table>
<thead>
<tr>
<th>Revenue Bonds (in millions)</th>
<th></th>
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<tbody>
<tr>
<td><em>T.F. Green Improvements – including Runway Extension (Feb. 25)</em></td>
<td>$60.0</td>
</tr>
<tr>
<td>Garrahy Courthouse Parking (Feb. 26)</td>
<td>45.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$105.0</strong></td>
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</tbody>
</table>

Rhode Island Airport Corporation

- Seeks to authorize $60.0 million of new revenue bonds
- 2012 Assembly authorized RIAC to issue $174 million
  - Runway extension
  - Other improvements at T.F. Green
Rhode Island Airport Corporation

- Section 5 of Article 4 would replace previous authorization
  - $33.5 million was issued for deicer collection system through Clean Water Finance Agency
  - Remaining amount is extinguished
    - Sunset one year after passage
  - Current authorization would sunset two years after passage

- Reduction to project scope lowered amount of borrowing

- Section 5 provides
  - Aggregate debt of $60.0 million
  - Annual debt service not to exceed $4.6 million
  - Rate not to exceed 6.25%, 30 year maturity
  - Cost of borrowing not to exceed $135 million
  - All debt service paid with RIAC sources
General Obligation Bonds

- Plan relies on $275.0 million of new general obligation bonds for November 2014 ballot
  - Higher Education projects
  - Transportation
  - Water Infrastructure
  - Recreation and Environment
  - Arts - Cultural Economy

Bond Referenda – November 2014

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount (in USD)</th>
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<tbody>
<tr>
<td>Higher Education (Feb. 26)</td>
<td>$125,000,000</td>
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<tr>
<td>Transportation (Feb. 25)</td>
<td>40,000,000</td>
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<tr>
<td>Water Infrastructure (Feb. 27)</td>
<td>35,000,000</td>
</tr>
<tr>
<td>Environment &amp; Recreation (Feb. 27)</td>
<td>40,000,000</td>
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<tr>
<td>Arts (Feb. 26)</td>
<td>35,000,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$275,000,000</strong></td>
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## Bond Referenda – November 2014

<table>
<thead>
<tr>
<th></th>
<th>Annual Debt Service</th>
<th>Total Cost</th>
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<tbody>
<tr>
<td>Higher Education</td>
<td>$10.3</td>
<td>$200.2</td>
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<tr>
<td>Transportation</td>
<td>3.3</td>
<td>64.1</td>
</tr>
<tr>
<td>Water Infrastructure</td>
<td>2.9</td>
<td>56.1</td>
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<tr>
<td>Environment</td>
<td>3.3</td>
<td>64.1</td>
</tr>
<tr>
<td>Arts</td>
<td>2.9</td>
<td>56.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$22.8</strong></td>
<td><strong>$440.6</strong></td>
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</table>

Assumes 5% rate and 20 year maturity
Data in millions

## Mass Transit Hubs – Question 3

- $40 million
  - Average annual debt service $3.3 million
  - Paid from general revenues
  - Total cost of borrowing - $64.1 million
Mass Transit Hubs – Question 3

- Outlays
  - $250,000 from RICAP in FY 2015 for preliminary design work
  - $5.0 million for FY 2016
  - $10.0 million each for FY 2017 and FY 2018
  - $15.0 million for FY 2019

- “Major enhancements and renovations to mass transit hub infrastructure throughout the state”
- No further detail provided in the Governor’s budget documents
Mass Transit Hubs – Question 3

- RIPTA and Statewide Planning have begun preliminary work
- Upgrades to Kennedy plaza
- Additional hub in Providence
  - Garrahy Courthouse parking project
  - Not mentioned in detail provided for that project (Section 4 of Article 4)

Article 21 – Transportation Funding

- Reprograms $100.4 million of DOT resources for statewide infrastructure initiatives
- Funding derived from gasoline taxes
- Gradually made available as debt service payments are shifted to general revenues
**Article 21 – Transportation Funding**

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Gas Tax Revenue</td>
<td>$90.5</td>
<td>$90.4</td>
<td>$90.5</td>
<td>$90.5</td>
<td>$90.5</td>
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<tr>
<td>Carry Forward Balance</td>
<td>-</td>
<td>-</td>
<td>1.3</td>
<td>1.5</td>
<td>3.9</td>
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<tr>
<td>Total Debt Service</td>
<td>47.9</td>
<td>50.6</td>
<td>50.2</td>
<td>41.6</td>
<td>40.6</td>
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<tr>
<td>General Revenue</td>
<td>(19.3)</td>
<td>(29.3)</td>
<td>(39.3)</td>
<td>(43.5)</td>
<td>(42.5)</td>
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<tr>
<td>Build America Bond Savings</td>
<td>(1.9)</td>
<td>(1.9)</td>
<td>(1.9)</td>
<td>(1.9)</td>
<td>(1.9)</td>
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<tr>
<td>Net DOT Funded Debt Service</td>
<td>26.8</td>
<td>19.5</td>
<td>9.1</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Debt Service Change</td>
<td>6.3</td>
<td>2.7</td>
<td>(0.4)</td>
<td>(8.6)</td>
<td>(1.0)</td>
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<tr>
<td>Additional Available Gas Tax</td>
<td>$14.8</td>
<td>$28.4</td>
<td>$41.6</td>
<td>$50.2</td>
<td>$41.6</td>
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**Supporting documents for Article 21 outlines FY 2014 through FY 2019 expenditures as follows:**

- $80.0 million for bridge repair and maintenance
- $13.4 million for heavy equipment replacement
- $7.0 million for drainage improvements
**Article 21 – Transportation Funding**

- Supporting documents program expenditures
- Only amounts for bridges are included in legislation

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</thead>
<tbody>
<tr>
<td>Bridges</td>
<td>$ -</td>
<td>$10.0</td>
<td>$15.0</td>
<td>$15.0</td>
<td>$20.0</td>
<td>$20.0</td>
<td>$80.0</td>
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<tr>
<td>Equipment</td>
<td>1.0</td>
<td>2.4</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>12.4</td>
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<tr>
<td>Drainage</td>
<td>-</td>
<td>0.5</td>
<td>1.0</td>
<td>1.5</td>
<td>2.0</td>
<td>2.0</td>
<td>7.0</td>
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<td><strong>Total</strong></td>
<td><strong>$1.0</strong></td>
<td><strong>$12.9</strong></td>
<td><strong>$18.5</strong></td>
<td><strong>$19.0</strong></td>
<td><strong>$24.5</strong></td>
<td><strong>$24.5</strong></td>
<td><strong>$100.4</strong></td>
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</table>

*In Millions*

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**Article 21 – Transportation Funding**

- Heavy Equipment Replacement
  - Legislation provides DOT spend $1.0 million beginning in FY 2014 and each year thereafter
  - Legislation does not outline increases
    - Sweepers
    - Loaders
    - Tractors
Article 21 – Transportation Funding

- Drainage Preservation
- Catch basin cleaning
  - $0.5 million beginning in FY 2015
  - Supporting documents show annual increases of $0.5 million until reaches $2.0 million annually in FY 2018
  - Increases not included in legislation

Article 21 – Transportation Funding

- Bridge Rehabilitation and Maintenance
  - Statewide program to eliminate current backlog of deficient bridges
  - Aligns with federal benchmark of having less than 10% bridges structurally deficient
  - Approximately 20% are rated as structurally deficient
**Article 21 – Transportation Funding**

- Bridge Rehabilitation
- Legislation requires
  - $5.0 million in FY 2016
  - $15.0 million in FY 2017
  - $20.0 million in FY 2018
  - Must maintain that level of funding thereafter

**Also mandates**

- DOT use $10.0 million in each FY 2015 and FY 2016 from other available funds in the Intermodal Surface Transportation Fund
- These funds are not identified in budget documents
**Article 21 – Transportation Funding**

- **FY 2015 – FY 2019 Bridge Funding**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Gas Tax</th>
<th>Other ISTF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$ -</td>
<td>$10.0</td>
<td>$10.0</td>
</tr>
<tr>
<td>2016</td>
<td>5.0</td>
<td>10.0</td>
<td>15.0</td>
</tr>
<tr>
<td>2017</td>
<td>15.0</td>
<td>-</td>
<td>15.0</td>
</tr>
<tr>
<td>2018</td>
<td>20.0</td>
<td>-</td>
<td>20.0</td>
</tr>
<tr>
<td>2019</td>
<td>20.0</td>
<td>-</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$60.0</strong></td>
<td><strong>$20.0</strong></td>
<td><strong>$80.0</strong></td>
</tr>
</tbody>
</table>

*In Millions*

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- Original intent of freeing up gasoline tax revenues was for the Department to use additional funding for operations and maintenance because of declining gas tax revenues
- Could require more funding be spent than needed
  - Spending floor in the article may fund unnecessary expenditures
Governor’s FY 2015 Budget:
Articles

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