Governor’s FY 2016 Budget: Articles

Staff Presentation to the House Finance Committee
May 6, 2015

Introduction

- Article 14, Section 1
- New Article – State Leases
Art. 14, Sec. 1 – State Budget

- Removes requirement that any surplus revenue be transferred to the Retirement System to pay down unfunded liability for FY 2015
- This requirement adopted as part of the FY 2008 budget by 2007 Assembly

Revised FY 2015 budget includes $13.8 million based on FY 2014 audited closing
  - Revenues were $14.2 million more than assumed in final budget
  - 3% transfer of $0.4 million to “rainy day” fund
  - $13.8 million remaining for transfer to Retirement System
Audited Closing | Transfer to Retirement System
--- | ---
FY 2012* | $12.9 million
FY 2013 | $0.2 million

*Governor Chafee proposed repealing requirement for this transfer; Assembly did not concur and transfer was made.

- One of two laws that force savings into System to improve funding
- Other requires that for any fiscal year in which contribution rates are lower than the prior year, 20% of rate reduction be transferred to System
  - Adopted by 2005 Assembly
  - Governor Chafee proposed removing requirement in FY 2013; Assembly did not concur
Both provisions retained by Assembly when it enacted pension reform in 2011.
This would be 3rd time a Governor proposed legislation to repeal a requirement for funds to go to System to pay down unfunded liability.

Gives OMB Director authority to determine if excess funds can be transferred to Retirement System in other years.
- Determination to be based on current and future deficits
- Parameters are not defined.
New Article – State Leases

- Joint Resolution requesting General Assembly approval for the state to enter into six long-term property leases
  - Department of Environmental Management
  - Department of Children, Youth and Families
  - Public Defender
  - Secretary of State
  - Department of Human Services

State Leases

- 27 state leases are in effect:
  - 3 are on a month-to-month basis
  - 5 set to expire in FY 2015
  - 6 set to expire in FY 2016
  - All current leases total $10.3 million annually
    - Range from $1 to $2.2 million
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

- Requirement adopted by 2006 Assembly

### New Article – State Leases

<table>
<thead>
<tr>
<th>Department</th>
<th>Location</th>
<th>Square Ft</th>
<th>Length</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHS</td>
<td>197-211 Buttonwoods</td>
<td>10,380</td>
<td>5 yrs.</td>
<td>$0.5</td>
</tr>
<tr>
<td></td>
<td>77 Dorrance St.</td>
<td>25,812</td>
<td>5 yrs.</td>
<td>2.0</td>
</tr>
<tr>
<td>DEM</td>
<td>235 Promenade St.</td>
<td>126,184</td>
<td>10 yrs.</td>
<td>25.2</td>
</tr>
<tr>
<td>DCYF</td>
<td>101 Friendship St.</td>
<td>99,500</td>
<td>10 yrs.</td>
<td>24.0</td>
</tr>
<tr>
<td>Pub. Defender</td>
<td>160 Pine St.</td>
<td>19,777</td>
<td>10 yrs.</td>
<td>4.7</td>
</tr>
<tr>
<td>Sec. of State</td>
<td>TDB</td>
<td>12,152</td>
<td>10 yrs.</td>
<td>2.7</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$59.1</strong></td>
</tr>
</tbody>
</table>

*in millions*
New Article – Section 2

- Department of Human Services
  - 197-211 Buttonwoods Avenue, Warwick
  - Used as one of Department’s field office
  - Current lease expires on June 30, 2015
- Lease renewal
  - 5 yr. term for 10,380 square feet
  - Total amount not to exceed $540,901.80
    - Year 1 cost not to exceed $104,941.80 and years 2-5 not to exceed $108,990.00 annually

New Article – Section 3

- Department of Human Services
  - 77 Dorrance Street, Providence
  - Houses Child Support program operations
  - Current lease expires on August 31, 2015
- Lease Renewal
  - 5 yr. term for 25,812 square feet
  - Total amount not to exceed $2.0 million
    - Costs not to exceed $362,658.60 in yr. 1 and yrs. 2-5 not to exceed $401,376.60 annually
New Article – Section 4

- Department of Environmental Management
  - 235 Promenade Street, Providence
  - Department’s headquarters
  - Expires on July 7, 2016
- Lease renewal
  - 10-year term for 126,184 square feet
  - Total amount not to exceed $25.2 million
    - Not to exceed $2,447,969.60 first 5 yrs. and yrs. 6-10 costs not to exceed $2,586,772 annually

New Article – Section 5

- Department of Children, Youth & Families
  - 101 Friendship Street, Providence
  - Headquarters/office space
  - Current lease expires on November 30, 2015
- Lease renewal
  - 10-yr. term for 99,500 square feet
  - Total costs not to exceed $24.0 million
    - Costs not to exceed $2,349,116 in yrs. 1-5 and $2,418,616 in yrs. 6-10
    - Janitorial services & parking
New Article – Section 6

- Office of the Public Defender
  - 160 Pine Street, Providence
  - Headquarters/office space
  - Current lease expires on March 31, 2016
- Lease renewal
  - 10-year term for 19,777
  - Total cost not to exceed $4.7 million
    - Costs not to exceed $454,374.5 yrs. 1-5 and $481,666.76 yrs. 6-10
    - Includes janitorial services and parking

New Article – Section 7

- Secretary of State
  - Currently occupies 12,152 square feet at 148 West River Ave.
  - Lease expires on December 31, 2015
  - Intends to seek requests for proposal
- Lease renewal
  - Providence – site to be determined
  - 10-year term
  - Total cost not to exceed $2.7 million
## New Article – State Leases

<table>
<thead>
<tr>
<th>Department</th>
<th>FY 2016 Gov. Rec.</th>
<th>New Article</th>
<th>Difference</th>
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</thead>
<tbody>
<tr>
<td>DEM</td>
<td>$2,455,360</td>
<td>$2,447,970</td>
<td>($7,390)</td>
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<tr>
<td>DCYF</td>
<td>2,349,116</td>
<td>2,349,116</td>
<td>-</td>
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<tr>
<td>Pub. Defender</td>
<td>440,563</td>
<td>454,375</td>
<td>13,812</td>
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<tr>
<td>Sec. of State</td>
<td>364,679</td>
<td>270,000</td>
<td>(94,679)</td>
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<tr>
<td>DHS</td>
<td>439,356</td>
<td>467,601</td>
<td>38,256</td>
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<td><strong>Total</strong></td>
<td><strong>$6,049,074</strong></td>
<td><strong>$5,989,062</strong></td>
<td><strong>($60,012)</strong></td>
</tr>
</tbody>
</table>

- Article takes effect upon passage

## New Article – State Leases

- Administration and DCYF are considering relocation some staff to state-owned property
  - Pastore Center in Cranston
  - Would lower costs from requested authorization
    - Authorization is maximum amount requested
  - Expects to have issue resolved before lease expires in November 2015
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