Governor’s FY 2017 Budget: Articles

Staff Presentation to the House Finance Committee
March 17, 2016
Article 5, Question 1

Question 1 allows the state to issue $45.5 million in bonds to support projects related to higher education

- $25.5 million for URI College of Engineering
- $20.0 million for Innovation Campus at a RI Based University
Assembly Role

- Appropriate Pay-Go (Articles 1 & 10)
  - RICAP
  - Federal Funds
  - Other
- Approve General Obligation Bond Referenda
  - Voters approve or reject
  - Debt service automatic
- Approve other debt
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
State’s overall debt structure
- Net tax supported debt would increase by $51.3 million to $1,727.1 million
- 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
Funding Considerations – Debt Ratios

- Debt as a percent of personal income would decrease from 3.6% in FY 2015 to 2.9% into FY 2017
  - Refunding of state debt
- Would then drop to 2.6% in FY 2021, but likely to be higher based on projects being added
Debt Service as Percent of Useable General Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>Current</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016</td>
<td></td>
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<tr>
<td>FY 2017</td>
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<tr>
<td>FY 2018</td>
<td></td>
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<tr>
<td>FY 2019</td>
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<tr>
<td>FY 2020</td>
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<tr>
<td>FY 2021</td>
<td></td>
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</tbody>
</table>
Gov. proposes $257.5 million of new GO bonds for Nov. 2016 ballot
- URI Engineering/Innovative Campus
- Quonset Piers
- Green Economy
- Affordable Housing
- School Construction
- Veterans’ Home
### Bond Referenda – November 2016

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>URI Engineering Phase II (March 17)</td>
<td>$25,500,000</td>
</tr>
<tr>
<td>Innovation Campus (March 17)</td>
<td>20,000,000</td>
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<tr>
<td>Quonset Piers (April 5)</td>
<td>70,000,000</td>
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<tr>
<td>Green Economy (March 9)</td>
<td>35,000,000</td>
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<td>Affordable Housing (March 9)</td>
<td>40,000,000</td>
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<tr>
<td>School Construction (March 31)</td>
<td>40,000,000</td>
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<tr>
<td>Veterans’ Home (March 9)</td>
<td>27,000,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$257,500,000</strong></td>
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<tr>
<td>Project</td>
<td>Annual Debt Service</td>
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<tr>
<td>----------------------------------</td>
<td>---------------------</td>
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<tr>
<td>URI Engineering Phase II</td>
<td>$2.1</td>
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<tr>
<td>Innovation Campus</td>
<td>1.7</td>
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<td>Quonset Piers</td>
<td>5.8</td>
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<tr>
<td>Green Economy</td>
<td>2.9</td>
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<td>Affordable Housing</td>
<td>3.3</td>
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<tr>
<td>School Construction</td>
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<tr>
<td>Veterans’ Home</td>
<td>2.2</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$21.3</strong></td>
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</table>

Data in millions; assumes 5% rate and 20 year bonds
Question 1 – URI Engineering Building Phase II

- $25.5 million for URI Engineering Phase II project on November 2016 ballot
  - Second phase of project to renovate and build additions to College of Engineering complex
  - Annual debt service would be $2.1 million
Voters approved Phase I of this project on November 2014 ballot
Total $125.0 million from GO bonds
Phase I includes razing of Crawford, Kelley, Gilbreth, and Wales Halls, as well as the renovation of Kirk Hall
New 195,000 sq. ft. facility to be constructed adjacent to remaining engineering buildings, which include Bliss and Kirk Halls
Renovations to and construction of an addition to Bliss Hall
Classroom improvements, lab modernization, HVAC, elevator & restroom upgrades, & exterior renovations (20,000 sq. ft.)
21,000 sq. ft. of new teaching space & specialized laboratories
Funding is programmed to begin in FY 2018 and continue to FY 2021
University’s request also included $38.9 million from general obligation bonds for the third phase of this project

- Construction of a new academic and wave tank facility for Ocean Engineering program on the Narragansett Bay Campus

Governor’s capital budget includes $18.0 million for project from private and unidentified University funds
Governor’s 5-year capital plan assumes:

- $70.2 million for URI’s Fine Arts Center on the November 2018 ballot
  - Annual debt service would be $5.8 million
- $60.0 million for the Historic Quadrangle building renovations in November 2020
  - Annual debt service would be $5.0 million
Question 1 – URI Engineering Building Phase II

URI Unrestricted Debt Service
(general revenues, tuition, fees)

*assumes approval of $25.5 M on 2016 ballot, $70.2 M in 2018 & $60.0 M in 2020
<table>
<thead>
<tr>
<th>Ballot</th>
<th>Amount (in millions)</th>
<th>Project</th>
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<tbody>
<tr>
<td>2006</td>
<td>$7.8</td>
<td>RIC DCYF Facilities</td>
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<tr>
<td>2006</td>
<td>$65.0</td>
<td>URI Pharmacy</td>
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<td>2010</td>
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<td>RIC Art Center</td>
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<td>2010</td>
<td>$61.0</td>
<td>URI Chemistry</td>
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<td>2012</td>
<td>$50.0</td>
<td>RIC Academic Buildings</td>
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<td>2014</td>
<td>$125.0</td>
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<td>2016</td>
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<td>URI Engineering Phase II</td>
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<tr>
<td>10-Year Total</td>
<td>$351.3</td>
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Question 1 would allow $20.0 million of bond funds to support construction of one or more innovation campuses

- University/Business collaboration
- Commercialize academic research

Public/Private partnership initiatives recommended in Brookings report

- Academic/Industry initiative
- Collaborations in a physical space
Question 1 - Innovation Campus

- Question 1 would require state to hold competitive selection process
- Selection administered by Commerce Corporation to determine
  - Campus type
  - Campus location
- Other budget documents refer to project:
  - Innovation Center(s), University-Backed Innovation Campuses, Innovation Campuses
Question 1 - Innovation Campus

- Winning proposal must include
  - Rhode Island-based university – preference given to proposals involving state university as sponsor
  - Private and/or federal funds totaling more than state investment
  - One business partner
  - Spur substantial number of new jobs at multiple skill levels
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