Staff Presentation to the House Finance Committee
March 2, 2016

Governor’s FY 2017 Budget: Articles

Article 1 - Transfers
   Section 15 – Infrastructure Bank
   Section 16 – Narragansett Bay Commission
   Section 18 – Airport Corporation Board

Introduction

- Article 18 – Renewable Energy Programs
Article 1 Transfers

- Require payments to the state’s General Fund by June 30, 2017
- Various amounts from quasi-state agencies
  - Similar to last year’s proposal
  - Based on reserve balances or related general obligation bond debt
- Totals $16.2 million in FY 2017
  - $9.8 million for the 3 discussed today

Article 1, Section 15 – Infrastructure Bank

- Governor proposes transfer of $8.0 million to general revenues in FY 2017
- FY 2017 debt service cost: $8.4 million
- Last year Gov. proposed $11.0 million
  - $8.9 million for debt service costs plus $2.1 million to balance budget
- The agency has uncommitted reserves that would be lowered with this transfer
**Article 1, Section 16 – Narragansett Bay Commission**

- Requires transfer of $1.5 million to state general revenues in FY 2017
- Reflects payment of FY 2017 debt service on G.O. bonds totaling $10.2 million over next ten years
- Gov. proposed $2.8 million transfer last year – debt service costs
  - NBC testified that this would violate bond covenants
    - Appears no review has been done

**Article 1, Section 18 – Airport Corporation**

- Requires transfer of $275,000 to the state general revenues in FY 2017
- Reflects the advanced payment of all remaining debt service owed on old general obligation bonds
  - FY 2018 through FY 2023
  - FY 2017 payment of $132,581 already assumed
- Have been transferring funding annually to pay this
Article 2 – Public Finance Management Board

Board Membership
- Nine members
  - Five appointed by General Treasurer, including General Treasurer as Chair
  - 2 are from list of 5 from League of Cities and Towns
  - Three appointed by Governor
  - Director of Department of Administration

Board Support
- Treasurer provides clerical and administrative support

Purpose
- “Advise and assist” state & associated entities regarding issuance of and financial planning related to the issuance of bonds
- Upon request, advise or assist municipalities
- Collect and provide information on debt authorization, sold and outstanding
- Recommend changes in laws and practices to improve sale and servicing of state and local debts
Purpose
- Manage the allocation of private tax exempt bond issuance capacity among all issuers in the state
  - Student loan bonds (RISLA)
  - Housing bonds (RIHMFC)

Meetings in the past few years related to this duty

Purpose of Board
- Article 2 requires Board to advise and assist
  - Municipalities
  - Authorities, Board, Commissions
  - Public and Quasi-public corporations
- Currently, advice is given upon request
Notice of Debt Issue
- Written notice of a proposed sale to the Board within 30 days prior to the sale is required
- Notice is required to include one proposed sale date, the name of the issuer, the nature of the debt issue and the estimated principal amount

Article 2 adds requirement for a report of final sale within 30 days after a sale
- Notice of proposed sale is still required
- Institutes a daily fine of $250 for any issuer failing to submit either report by the deadline
- Currently no penalty for failure to submit notice or missed deadline
- Notices are currently submitted but sometimes there are issues with timing
Article 2 – Public Finance Management Board

- **Revenue**
  - 1/40\(^{th}\) of 1% of issued principal amount is deposited as general revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
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<tbody>
<tr>
<td>FY 2011</td>
<td>$203,330</td>
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<tr>
<td>FY 2012</td>
<td>147,825</td>
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<td>FY 2013</td>
<td>154,689</td>
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<td>FY 2014</td>
<td>129,691</td>
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<tr>
<td>FY 2015</td>
<td>87,647</td>
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<tr>
<td>5-Year Average</td>
<td>$144,636</td>
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</tbody>
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- **Revenue**
  - Majority of fees over past 3 years paid by RIHEBC, RI Housing and Infrastructure Bank
  - Board rules and regulations provide exemptions for certain issuances
    - Taxable issues
    - Refundings or refinancings
    - Municipalities that do not seek assistance
Article 2 – Public Finance Management Board

- Governor's budget includes $0.3 million in revenue
  - Assumes Board promulgates new rules that eliminates exemptions
- Funding used for new Office of Debt Management within Treasurer’s Office
  - 1.0 new FTE
  - Technology upgrades
    - Public web portal to track RI’s public debt
    - Upgrades to internal debt management software

Article 18 – Renewable Energy Programs

- Renewable Energy Fund
  - Supported from a surcharge of 0.3 mills per kilowatt-hour
  - Expires December 31, 2017
- Article extends surcharge by 5 yrs – 2022
  - Mirror federal program tax credit extension
  - Collects approximately $2.5 million annually
    - Fund balance - $6 million at end of CY 2015
  - Managed by the Commerce Corporation
    - 10% can be used for administrative costs
Article 18 – Renewable Energy Programs

- Net Metering
  - Allows customers to receive credits for electricity generated but not used
  - Current law - only municipalities and certain public entities are allowed
    - Town of West Warwick installing wind turbines
    - Airport Corporation negotiating with a renewable developer
  - Article extends to residential, commercial, private & public institutions

Article 18 – Renewable Energy Programs

- Article allows 3rd party financing
  - Option for homeowners, businesses, and municipalities
  - Finance costs associated with installation of renewable energy projects with banks and renewable energy companies
  - 26 other states allows third party financing, including Massachusetts
Article 18 – Renewable Energy Programs

- Article exempts net metering renewable energy installation from municipal property tax
  - Systems installed after Dec. 31, 2015
  - City/town can adopt ordinance to not provide exemption
    - Must consult with Office of Energy Resources and Division of Taxation prior to passing ordinance

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