Governor’s FY 2018 Budget: Articles

Staff Presentation to the House Finance Committee
March 1, 2017
Introduction

- Article 1, Section 14 – Infrastructure Bank Transfer
- Article 1, Section 15 – NBC Transfer
- Article 16: Debt Management Act
  - Section 3 – State Energy Improvements
  - Section 4 – Confined Aquatic Dredged Material Disposal Cells
- Article 19: Electric Vehicle Rebate Program
Article 1 Transfers

- Require payments to the state’s General Fund by June 30, 2018
- Various amounts from quasi-state agencies
  - Similar to last two year’s proposals
- Totals $13.3 million in FY 2018
Article 1, Section 14 – Infrastructure Bank

- Requires transfer of $1.0 million to general revenues by June 30, 2018
- Uncommitted reserves would be lowered with this transfer
- Prior proposals
  - FY 2017: $8.0 million
  - FY 2016: $11.0 million
- Assembly did not concur with proposals
Requires transfer of $2.5 million to state general revenues from the Narragansett Bay Commission by June 30, 2018

Equivalent to FY 2018 debt service on G.O. bonds

Recent prior proposals

- FY 2017 - $1.5 million
- FY 2016 - $2.8 million
NBC testimony in prior years was that the transfers would violate bond covenants

- Administration indicated during 2016 session that it had not done a review to refute the Commission’s position
Article 16 – Debt Management Act Joint Resolution

- Authority to issue new debt
  - IT Improvements – 2/28
  - Energy Improvements in State Facilities – today
  - Confined Aquatic Disposal Cells - today
  - URI Energy Performance Phase III – 3/15
  - URI White Horn Brook Apartments – 3/15
Article 16 – Debt Management Act Joint Resolution

- 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
Article 16 – Debt Management Act Joint Resolution

- Public Debt Management Act
- Certain quasi-public agencies are exempt:
  - Infrastructure Bank
  - Housing & Mortgage Finance Corporation
  - Health & Educational Building Corporation
# Recommended New Debt Authority

<table>
<thead>
<tr>
<th>Recommended New Debt Authority</th>
<th>Amount</th>
<th>Debt Service</th>
<th>Source</th>
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<tbody>
<tr>
<td><strong>Certificates of Participation</strong></td>
<td></td>
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<tr>
<td>IT Improvements</td>
<td>$16.2</td>
<td>$2.1</td>
<td>Gen. Rev.</td>
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<td><strong>Energy Improvements in State Facilities</strong></td>
<td>12.0</td>
<td>1.7</td>
<td>Energy savings</td>
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<tr>
<td>CAD Cells</td>
<td>10.5</td>
<td>1.4</td>
<td>User fees, Gen. Rev.</td>
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<td>URI Energy Performance III</td>
<td>11.6</td>
<td>1.1</td>
<td>Energy savings</td>
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<td><strong>Subtotal</strong></td>
<td>$50.3</td>
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<td><strong>Revenue Bonds</strong></td>
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<td>URI White Horn Brook Apts.</td>
<td>$88.8</td>
<td>$5.9</td>
<td>Dorm fees, tuition, Gen. Rev.</td>
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<tr>
<td><strong>Total</strong></td>
<td>$139.1</td>
<td>$12.1</td>
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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?
    - What will the operating budget impacts be?
      - Maintenance costs, staff savings?
  - When will it be complete?
Funding Considerations

- Should a project be financed or pay-as-you-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 decrease thru FY 2022 by $414.0 million to $1.5 billion
- 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
- Budget does not assume any new referenda
  - Departure from past practice
Debt as a percent of personal income would decrease from 3.2% in FY 2018 to 2.2% into FY 2022. Likely to be higher based on projects being added. Does not assume any new referenda will go before voters in November 2018 or 2020.
Debt Service as Percent of Useable General Revenues

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Governor issued Executive Order 15-17 in December 2015
- Identified the state as one of the largest energy consumers in RI
  - Total energy expenses of nearly $35 million
- Established “Lead by Example” Program
- OER to coordination with other state entities
  - Decrease energy usage
Borrow $12.0 million

- Use of Certificates of Participation (COPS)
- Use to leverage other funds
  - RGGI, RICAP & funds from National Grid

Make energy improvements (lighting & HVAC) in state facilities:

- Group homes
- Cannon building
- State House
- Other facilities
Debt service = $1.7 million annually
- Assuming 5.0% and 10 years
- Supported with “energy efficiency savings”

Budget also includes $5.0 million RICAP
- $1.0 million annually from FY 2018 – FY 2022
- Shovel ready projects:
  - Numerous state buildings
  - Few group homes

Prior projects like this used 3rd party risk
Article 16, Section 4 – CAD Cells

- Borrow $10.5 million
  - Use of Certificates of Participation
- Construction of a new Confined Aquatic Dredged Material “CAD” Cell
  - Project will include dredging & removal of sediments not suitable for ocean disposal
Providence River and Shipping Channel

- Last dredged in 2003
- Currently has 6 CAD cells
  - Construction completed in 2005
- Reached 75% capacity
- Army Corps of Engineers is planning to dredge river in the fall of 2018
Article 16, Section 4 – CAD Cells

- Project is considered a federal maintenance project
- State is required to pay an up-front cost share of 35% for cell
  - Total state share is $11.0 million
    - $10.5 million borrowed
    - $0.5 million from CRMC’s Dredge Fund
  - Equates to $31.4 million total project
Article 16, Section 4 – CAD Cells

- Annual debt service supported by user fees and general revenues
  - $1.4 million assuming 10 years and 5.0% interest
- Project accounts for cell capacity that the state can sell to private harbors and marinas
Article 19 – Electric Vehicle Rebate program

- Office of Energy Resources currently administers an Electric Vehicle Rebate Program
- Rebates are up to $2,500
  - Based on battery capacity and type of vehicle
  - Through CY 2016, 159 rebates provided
  - Funded with RGGI Fund & environmental settlement funds
Article 19 – Electric Vehicle Rebate Program

- Article 19 creates Electric Vehicle Rebate Program in law
  - Provide incentives for purchase/lease of electric vehicle
  - Promote reduction of greenhouse gas emissions
  - FY 2018 through FY 2022
  - FY 2018 budget includes $250,000 from general revenues
Article 19 – Electric Vehicle Rebate Program

- Office would determine amount of rebates by rules and regulations
- Application process
  - Proof of purchase/lease
  - Cost of vehicle
  - Make and model
  - Proof of residency
Article 19 – Electric Vehicle Rebate Program

- Office must notify any pending applicant when fund ends
- If applicant is denied
  - Can appeal decision to Commissioner of the Office Energy Resources
    - May uphold, reverse or modify Office’s decision
- Article is effective July 1, 2017
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