

Governor's FY 2019 Budget: Articles

Staff Presentation to the House Finance
Committee
February 8, 2018

Introduction

- Article 1, Section 14 – Neighborhood Opportunities Program
- Article 1 Sec. 16, Article 10 Sec. 6 – Rhode Island Housing Transfers
- Article 10 Section 5, Infrastructure Bank Transfer
- Article 10 Section 12 – Water Resources Board Corporate

Article 1, Sec. 14, Neighborhood Opportunities Program

- Neighborhood Opportunities Program was created by 2001 Assembly
 - Provide gap financing
 - Construction of affordable housing
 - Established operating reserve
 - Cover gap between rent and actual operating cost of each unit

Article 1, Sec. 14, Neighborhood Opportunities Program

- NOP consisted of three components
 - *Family Housing* - for very low income
 - *Permanent Supportive Housing* - for disabled, homeless, or in danger of homelessness
 - *Building Better Communities* - construction and homeownership opportunities
 - Revitalized communities

Article 1, Sec. 14, Neighborhood Opportunities Program

- State support of \$45.5 million from FY 2002 through FY 2011
 - \$10.0 million from general revenues
 - \$9.0 million from RICAP
 - \$26.5 million in debt issued through RIHMFC
 - State paid the debt service
 - Debt has been defeased
- Number of housing units created
 - Approximately 1,250

Article 1, Sec. 14, Neighborhood Opportunities Program

- Section 14 of Article 1 requires:
 - RI Housing to provide amount “as appropriate” from its resources support NOP
 - Agency must also provide report to
 - Chairpersons of both House and Senate Finance Committees
 - Director of Department of Administration
 - Detailing amount of funding provided and number of units created

Article 1, Sec. 14, Neighborhood Opportunities Program

- Article 1 requirement for NOP support first appeared in FY 2012 budget
 - Amount specified in FY 2012 at \$1.5 million
 - FY 2013 – FY 2018 and FY 2019 proposal calls for amount “as appropriate”
- Through FY 2017, RI Housing:
 - Committed \$6.3 million
 - Each year’s commitments are paid out over several years
 - Support of 335 existing units

Article 1, Sec. 14, Neighborhood Opportunities Program

FY	Committed	#of Years	Units Supporting	Expensed	% Exp.
2012	\$1,500,000	10	27	\$1,500,000	100.0%
2013	1,300,000	10	25	598,967	46.1%
2014	1,189,701	4-5	166	1,001,957	84.2%
2015	1,300,000	1-4	86	1,050,771	80.8%
2016	680,435	5	24	37,310	5.5%
2017	291,447	2	7	87,529	30.0%
2018	<i>Awards not yet made</i>				
Total	\$6,261,583		335	\$4,276,534	68.3%

Article 1 & 10 Transfers

- Require payments to the General Fund
 - Various amounts from quasi-state agencies
 - Similar to last three year's proposals
 - Totals \$35.1 million in FY 2018
 - Totals \$8.0 million in FY 2019
- Budgets for quasi-publics are shown in the budget publication program supplements
 - Data shown do not reflect these transfers

Article 1 & 10 Transfers

- No alternative proposals provided
 - Requirement for these to be submitted along with transfer recommendations was added as part of last year's budget
- Governor's budget cover letter expresses hope that revenues improve and these transfers can be avoided
 - Recurring feature of cover letters
 - Last year's legislation was aimed at soliciting more concrete proposals for public hearing

Article 1 & 10 Transfers

Quasi Transfers	FY 18	FY 18 R	Chg.	FY 19	2Yr Chg.
Resource Recovery	\$ -	\$ 3.0	\$3.0	\$3.0	\$6.0
RI Housing	1.0	6.0	5.0	5.0	10.0
Infrastructure Bank	3.5	8.5	5.0	-	5.0
Turnpike & Bridge	-	1.5	1.5	-	1.5
RISLA	-	3.0	3.0	-	3.0
WR Board Corp.	-	1.1	1.1	-	1.1
NBC	5.0	5.0	-	-	-
QDC	1.0	1.0	-	-	-
RIHEBC	6.0	6.0	-	-	-
Total	\$16.5	\$35.1	\$18.6	\$8.0	\$26.6

Article 1 & 10, Sec. 16 & 6,– Rhode Island Housing Transfers

- Rhode Island Housing
 - \$5.0 million transfer by June 30, 2019
 - \$6.0 million transfer by June 30, 2018
 - The FY 2018 enacted budget includes a transfer of \$1.0 million

Article 1 & 10, Sec. 16 & 6,– Rhode Island Housing Transfers

Cash Position	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Cash	\$216.5	\$231.8	\$206.7	\$175.8	\$188.0
Cash from Operations	106.5	125.5	85.5	63.6	58.6
Noncapital financing	(95.5)	(172.7)	(144.5)	(71.7)	(31.9)
Investing Activities	(4.4)	22.4	28.6	20.2	41.4
Ending Cash	\$231.8	\$206.7	\$175.8	\$188.0	\$256.2
<i>\$ in Millions</i>					

Article 1 & 10, Sec. 16 & 6,– Rhode Island Housing Transfers

- Revenue Sources:
 - Net interest
 - Interest on loans
 - Earnings on investments
 - Sale of loans
 - FY 2014 funding model change
 - Sold to Fannie Mae
 - Grants
 - Loan related fees
 - Origination, late, and management

Article 1 & 10, Sec. 16 & 6,– Rhode Island Housing Transfers

- Prior Budget Actions
 - Affordable Housing G.O. Bonds
 - \$50 million – 2006
 - \$25 million - 2012
 - \$40 million 2016
 - FY 2008: Neighborhood Opportunities
 - \$26.0 million transfer back to state to reimburse the state for expenditures made to support program
 - FY 2016: Affordable Housing
 - \$3.0 million general revenues to RI Housing available from debt restructuring

Article 1 & 10, Sec. 16 & 6,– Rhode Island Housing Transfers

- Public Finance Management Board Debt Affordability Study
 - Moody's Investor Service
 - Aa2: Asset to debt 1.02x-1.04x
 - Aa: Cash flow meets stress tests; Strong ability to absorb financial stress
 - Aa: Profitability average above 10% to 15%

Bond Rating	Single Family		Multi Family	
	Asset to Debt	Profit	Asset to Debt	Profit
Aa2	1.19x	17.7%	1.12x	42.1%

Article 10, Section 5 – Infrastructure Bank

- Infrastructure Bank was formerly the Clean Water Finance Agency
 - Wastewater and drinking water projects
 - Municipal Road and Bridge fund
- 2015 Assembly expanded purview
 - Renewable energy and efficiency projects
 - Efficient Buildings Fund
 - Funding and administrative support to public entities for efficient and renewable energy upgrades to public buildings and infrastructure

Article 10, Section 5 – Infrastructure Bank

- Increases transfer to general revenues to \$8.5 million by June 30, 2018
 - The FY 2018 enacted budget includes a transfer of \$3.5 million
- Prior Governor transfer proposals that were not enacted
 - FY 2017: \$8.0 million
 - FY 2016: \$11.0 million

Article 10, Section 5 – Infrastructure Bank

Unrestricted Cash Position	FY 2018
Beginning Cash	\$30.9
Committed Cash*	(32.9)
Ending Cash	(\$2.0)
FY 2018 Enacted Transfer	(3.5)
FY 2018 Proposed Increase	(5.0)
Ending Cash with Transfers	(\$10.5)
<i>\$ in Millions; *IB data</i>	

Article 10, Section 5 – Infrastructure Bank

- Public Finance Management Board Debt Affordability Study
 - Recommendations:
 - Maintain a minimum of 1.2x debt service coverage
 - Maintain asset to liability ratios at a minimum of 1.3x

Fund	Fitch's Bond Rating	Asset/Liability Ratio	Projected Minimum Debt Service Coverage	Largest Borrower
Clean Water	AAA	1.5	1.3x	47.0%
Drinking Water	AAA	1.6	1.5x	30.6%

Article 10, Section 12 – Water Resources Board Corporate

- Transfer \$1.1 million from residual water quality protection surcharge fund to general revenues by June 30, 2018
- Collected by Water Resources Board Corporate
 - 2009 Assembly passed legislation to dissolved the Board Corporate
 - Responsibilities were absorbed by Clean Water Finance Agency now the RI Infrastructure Bank

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