Governor’s FY 2020 Budget

Staff Presentation to the House Finance Committee
April 24, 2019
Governor requested amendments for 3 new articles:
- Public Utilities Reserve Account
- Student Loans
- RI Health Benefit Exchange
Public Utilities Reserve Account

- Established by RIGL 39-1-26
- To provide resources for PUC during investigations and hearing relating to the application and filings made by public utilities including:
  - Temporary legal counsel, stenographers, engineers, accountants, economists, and expert witnesses
- Expenditures are billed back to the applicant
Public Utilities Reserve Account

- Current law limits total amount that can be charged
  - $750,000 per utility per calendar year & $250,000 for federal agency proceedings

<table>
<thead>
<tr>
<th>Year</th>
<th>State</th>
<th>Federal</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-2001</td>
<td>$160,000</td>
<td>160,000</td>
<td>$320,000</td>
</tr>
<tr>
<td>2001</td>
<td>$250,000</td>
<td>250,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>2009</td>
<td>$500,000</td>
<td>500,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2017</td>
<td>$750,000</td>
<td>250,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2019</td>
<td>No Distinction</td>
<td></td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>
Public Utilities Reserve Account

- Removes billing cap distinction between federal and state proceedings
- Allows the Commission to charge utilities up to $250,000 for investigations and proceedings relating to
  - Widespread utility outages
  - Review of emergency response plans
    - Prompted by the natural gas service outage on Aquidneck Island on January 2019
Public Utilities Reserve Account

- No general revenue impact
  - Increased cost usually passed to ratepayers

- Past billings based on proceeding type

<table>
<thead>
<tr>
<th>CY</th>
<th>Billed Utilities</th>
<th>State</th>
<th>Fed.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>National Grid Electric</td>
<td>$742,245</td>
<td>$297</td>
<td>$1,335,410</td>
</tr>
<tr>
<td></td>
<td>National Grid Gas</td>
<td>$480,919</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>All Other (8 Utilities)</td>
<td>$111,949</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>National Grid Electric</td>
<td>$622,684</td>
<td>-</td>
<td>$838,356</td>
</tr>
<tr>
<td></td>
<td>National Grid Gas</td>
<td>$158,130</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>All Other (8 Utilities)</td>
<td>$57,542</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
Governor requested an amendment to add a new article

- **Student Loan Bill of Rights**
  - Standards for student loan servicers
    - Requires registration with DBR
  - Protections for borrowers
Federal Government
Largest provider of student loans

Contracts w/ loan servicers to manage borrowers’ accounts

Student Loan Borrower
Workgroup on Student Loan Borrower Protection

- 2018 – S 2982 requested that OPC form a work group
  - Review how RI can protect student loan borrowers
  - Make recommendations to the Speaker of the House and Senate President
- Work group met 4 times between September and December
  - Issued report February 2019
Report findings

- 1 in 5 Rhode Islanders have student loan debt
- Rhode Islanders carry $4.4 billion in outstanding federal & private loans
  - As of Q4 2016
- Of 2016 RI Graduates
  - 61% incurred loans w/ average total debt of $31,217
Student Loans

- Report findings
  - “Lack of federal regulations in this industry puts borrowers – a captive market – at a disadvantage”
  - No consistent, market-wide federal standards for loan servicing
  - Loan servicers are failing to adequately educate and assist borrowers
Student Loans

- 6 states & D.C. regulate loan servicers
  - CA, CT, IL, MD, VA, WA, D.C.
- Legislation varies but common elements are
  - Setting standards for student loan servicing & reporting requirements
  - Licensing requirements for loan servicers
  - Establishing student loan ombudsperson
    - Help borrowers understand their rights
    - Resolve complaints
Student Loans

- **Workgroup recommendations**
  - Require servicers to register with DBR
    - DBR primary entity to register & collect fees
  - Set minimum standards for loan servicing
    - Requirements to notify borrowers about loan status, progress towards repayment, & eligibility for loan assistance programs
  - **AG’s Office & DBR to**
    - Investigate potential violations of standards
    - Issue penalties for noncompliance
    - Seek financial restitution for borrowers
Student Loans

- New Article on Student Loans contains many of workgroup’s recommendations
  - Borrower assistance, education & complaints
  - Registration of Student Loan Servicers
  - Other Servicer Responsibilities
    - Reporting & record keeping
  - Examinations & Fines
  - Investigation & Enforcement
- Does not include ombudsman
  - Borrowers would take complaints to AG’s Consumer Protection Unit instead
Student Loans

- Borrower assistance, education, & complaints
  - AG’s Office of Consumer Protection w/ DBR, Treasurer, Commissioner of Postsecondary Ed
    - Receive, review & attempt to resolve borrower complaints
    - Compile & analyze data on complaints
    - Assist borrowers to understand rights & responsibilities
    - Share information on availability of AG consumer protection unit to assist borrowers
    - Meet at least once per quarter to coordinate efforts
Registration of Student Loan Servicers

- Each person/entity that services student education loans issued after July 1, 2019 must register with Department of Business Regulation as a student loan servicer by September 30, 2019
  - Exemption for those that service fewer than 6 loans
- Annual registration fee of $1,000
- DBR may assess $10,000 fine for noncompliance
Other Servicer Responsibilities

- Must provide annually or upon request
  - Terms of loan
  - Progress towards repayment
  - Eligibility for loan relief
    - Income driven repayment plans, public service loan forgiveness, forbearance, deferment

- Sets reporting, record keeping, & communication requirements
  - Annual $55 report filing fee
Article prohibits servicers from
- Defrauding or misleading borrowers
- Engaging in unfair or deceptive practices
- Knowingly or recklessly
  - Applying loan payments to outstanding balance
  - Providing inaccurate info to a credit bureau
- Refusing to communicate w/ authorized rep.
- Making false statements
- Failing to properly evaluate for repayment or loan forgiveness before placing borrower in forbearance or default
Student Loans

- Examinations and Fines
  - Gives DBR authority to conduct examinations of registrants
    - Cost borne by registrant similar to banking, securities, & insurance
      - 150% of salaries and benefits; 100% of travel & transportation
  - Gives DBR power to issue fines for violations
    - No more than $2,000 per violation
    - Deposited into restricted receipt account
Student Loans

- Investigation and Enforcement
  - AG may enforce violations under deceptive trade practices statutes
  - Allows borrower to bring private or class action
Student Loans

<table>
<thead>
<tr>
<th>Type</th>
<th>Frequency</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Fee</td>
<td>Annual</td>
<td>$1,000</td>
</tr>
<tr>
<td>Report Filing Fee</td>
<td>Annual</td>
<td>$55</td>
</tr>
<tr>
<td>Late Report Fee</td>
<td>Upon violation</td>
<td>$25</td>
</tr>
<tr>
<td>Fines</td>
<td>Upon violation</td>
<td>$2,000 per violation</td>
</tr>
</tbody>
</table>

- Deposited into restricted receipt account in DBR
  - Transferred to RR account in AG Office
    - “for purpose of administering the provisions of this chapter”
Student Loans

- No fiscal impact assumed
  - ~ 50 student loan servicers
- Appears plan is to fund lawyer in AG’s Consumer Protection Unit
- No current request for FY 2020 allocation or expenditure

<table>
<thead>
<tr>
<th></th>
<th>Annual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Fees</td>
<td>$50,000</td>
</tr>
<tr>
<td>Report Filing Fees</td>
<td>2,750</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$52,750</strong></td>
</tr>
<tr>
<td>State 10% Indirect Cost Recovery</td>
<td>$5,275</td>
</tr>
<tr>
<td>Amount to AG</td>
<td>$47,475</td>
</tr>
</tbody>
</table>
## Student Loans

<table>
<thead>
<tr>
<th>State</th>
<th>App. Fee</th>
<th>Investigation Fee</th>
<th>Fine/Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>$300</td>
<td>$100</td>
<td>None</td>
</tr>
<tr>
<td>CT</td>
<td>$1,000</td>
<td>$800</td>
<td>None</td>
</tr>
<tr>
<td>IL</td>
<td>$1,000</td>
<td>$800</td>
<td>None</td>
</tr>
<tr>
<td>MD</td>
<td>None</td>
<td>150% of staff + expenses</td>
<td>$10,000; $25,000 for repeat violation</td>
</tr>
<tr>
<td>RI</td>
<td>$1,000</td>
<td>150% of staff + expenses</td>
<td>$2,000 per violation; $10,000 for failure to register or comply</td>
</tr>
<tr>
<td>VA</td>
<td>None</td>
<td>150% of staff + expenses</td>
<td>$2,500 per violation per day</td>
</tr>
<tr>
<td>WA</td>
<td>$1,162</td>
<td>$69 per person/ per hour</td>
<td>None</td>
</tr>
<tr>
<td>D.C.</td>
<td>$1,100</td>
<td>$400 per day</td>
<td>None</td>
</tr>
<tr>
<td>Session</td>
<td>Bill #</td>
<td>Committee</td>
<td>Location of Ombudsman</td>
</tr>
<tr>
<td>---------</td>
<td>---------</td>
<td>-----------</td>
<td>------------------------------------------------------------</td>
</tr>
<tr>
<td>2016</td>
<td>7081</td>
<td>HEW</td>
<td>Division of Higher Education Assistance, OPC</td>
</tr>
<tr>
<td>2017</td>
<td>6056</td>
<td>Corporations</td>
<td>DBR</td>
</tr>
<tr>
<td>2018</td>
<td>7881</td>
<td>Finance</td>
<td>Office of Postsecondary Commissioner</td>
</tr>
<tr>
<td>2019</td>
<td>5936*</td>
<td>Finance</td>
<td>No ombudsman</td>
</tr>
</tbody>
</table>

*Essentially the same as GBA
Student Loans

- Possible changes to GBA identified
  - Add clarifying language to ensure that borrowers consolidating private and federal loans are notified in advance of any impact to eligibility for other relief
    - Public Service Loan Forgiveness for example
  - Correct typos and make technical corrections
Affordable Care Act requires exchanges be self-sustaining

2015 Assembly adopted health premium assessment

- Based on premiums sold on exchange
  - Effective, January 2016
- Limited to amount that would be raised through federally facilitated marketplace
New Article – Health Benefit Exchange

- U.S. Health and Human Services charges assessment of 3.5% for plans sold on federally-facilitated marketplace
  - Rule change decreases fee to 3.0%
    - Effective January 1, 2020
- Article decouples from federal model
  - Establishes an assessment fee of 3.5% in state statute
    - Effective January 1, 2020
New Article – Health Benefits Exchange

- Patient Protection and Affordable Care Act of 2010
  - Also called ACA, Obamacare
- Goal of decreasing number of uninsured individuals
- Required all individuals to have medical coverage or pay a penalty
  - Certain exemptions allowed
New Article – Health Benefit Exchange

- States had options for type of marketplace
  - State-based marketplace
  - State-partnership marketplace
  - Federally-facilitated marketplace
- HealthSource RI received $152 million from federal funds for establishment of exchange
New Article – Health Benefits Exchange

- Federally-Facilitated Exchange
  - HHS assumes primary responsibilities
  - States may elect to perform or can use federal exchange
    - Reinsurance program
    - Medicaid and CHIP eligibility

- State-Partnership Marketplace
  - Shared responsibilities and manages certain activities
    - Plan management
    - Consumer assistance
## New Article – Health Benefits Exchange

- **State-Based Exchange**
  - Operates its own health exchange
  - Performs all related activities
- Currently 11 states & DC

<table>
<thead>
<tr>
<th>Assessment only on plans offered through marketplace</th>
<th>California, Colorado, Idaho, Massachusetts, Minnesota, Rhode Island &amp; Washington</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment on plans inside/outside of marketplace</td>
<td>Connecticut, DC and Maryland</td>
</tr>
<tr>
<td>State appropriation</td>
<td>New York and Vermont</td>
</tr>
</tbody>
</table>
## New Article – Health Benefits Exchange

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ind. Group</td>
<td>30,193</td>
<td>$443</td>
<td>$160.5</td>
<td>$5.6</td>
<td>$166.1</td>
</tr>
<tr>
<td>Small Group</td>
<td>5,855</td>
<td>$466</td>
<td>32.7</td>
<td>0.8</td>
<td>33.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$199.6</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Federal Facilitated Marketplace**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>3.5% Equivalent</td>
<td></td>
<td>$7.0 million</td>
</tr>
<tr>
<td>3.0% Equivalent</td>
<td></td>
<td>$6.0 million</td>
</tr>
<tr>
<td><strong>Difference –Annualized</strong></td>
<td></td>
<td><strong>$(1.0) million</strong></td>
</tr>
</tbody>
</table>
**New Article – Health Benefit Exchange**

- Recommended budget assumes receipts of $6.9 million for FY 2020

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Assessment Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 Projected</td>
<td>$6,975,000</td>
</tr>
<tr>
<td>2019 Projected</td>
<td>$6,827,000</td>
</tr>
<tr>
<td>2018</td>
<td>$6,099,375</td>
</tr>
<tr>
<td>2017</td>
<td>$5,750,623</td>
</tr>
<tr>
<td>2016*</td>
<td>$2,773,520</td>
</tr>
</tbody>
</table>

*FY 2016 reflects half a year of receipts*
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April 24, 2019