

Governor's FY 2023 Budget: Articles

Staff Presentation to the House Finance
Committee
February 8, 2022

Introduction

- Article 5 – Capital Development Program
 - Question 1: Higher Ed
- ARPA Capital Funds Project
 - RIC Student Services Center
- Article 4 – Public Debt Management Act
- Article 14 – State Leases
 - EOC, DOC, DHS, URI

Assembly Role

- Appropriate Pay-Go
 - (Articles 1 of 7122 & 7123)
- Approve General Obligation Bond Referenda (Article 5)
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner) (Article 4)
 - Approve or reject resolution
 - Generally appropriate debt service

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
 - Federal stimulus funds add more options
 - More pay-go equals less future debt service

Funding Considerations

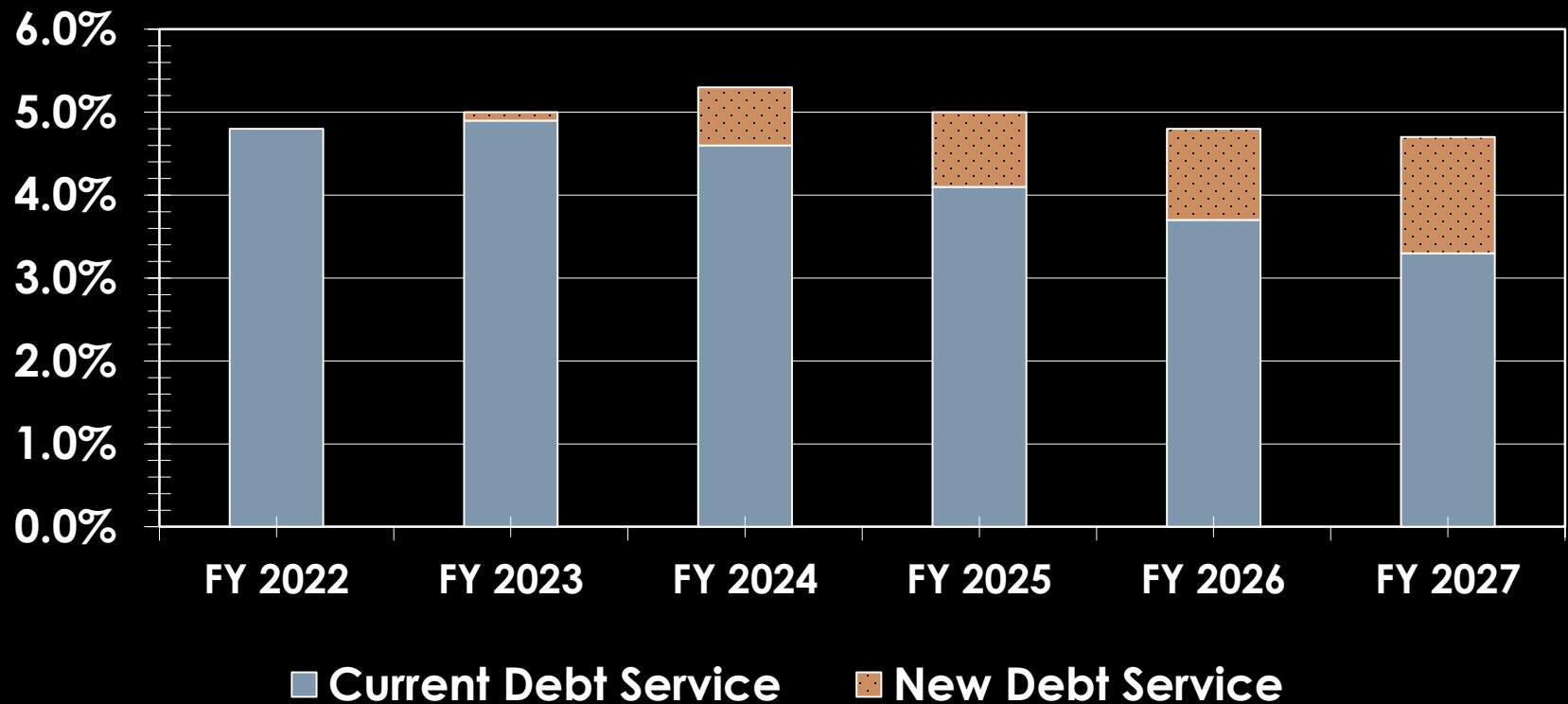
- State's overall debt structure
 - Net tax supported debt would decrease by \$43.9 million to \$1,899.9 million
 - Debt as % of personal income would drop from 2.9% in FY 2021 to 2.3% into FY 2027
 - Past practice indicates it will be higher as more projects are added
 - FY 2024 debt projection in FY 2023 capital budget is over 17% more than FY 2024 projection in the FY 2020 capital budget
 - \$292.3 million more

Funding Considerations – Debt Service

| Fiscal Year | Net Tax Supported Debt Service | Pct. of Revenues |
|-------------|--------------------------------|------------------|
| 2022 | \$224.9 | 4.8% |
| 2023 | \$236.2 | 5.0% |
| 2024 | 263.6 | 5.4% |
| 2025 | 256.7 | 5.1% |
| 2026 | 256.0 | 5.0% |
| 2027 | 252.5 | 4.8% |

\$ in millions

Debt Service as Percent of Useable Revenues



Higher Ed Unrestricted Debt Service

| | URI | RIC | CCRI | Total |
|--------------|--------|-------|-------|--------|
| FY 2017 | \$20.9 | \$3.6 | \$2.5 | \$27.0 |
| FY 2018 | \$27.7 | \$7.7 | \$2.9 | \$38.2 |
| FY 2019 | \$34.8 | \$7.9 | \$2.7 | \$45.4 |
| FY 2020 | \$41.0 | \$7.8 | \$2.7 | \$51.6 |
| FY 2021 | \$39.6 | \$7.2 | \$2.6 | \$49.4 |
| FY 2022 Rev. | \$36.6 | \$7.7 | \$1.4 | \$45.8 |
| FY 2023 Gov. | \$36.5 | \$7.6 | \$1.7 | \$45.8 |

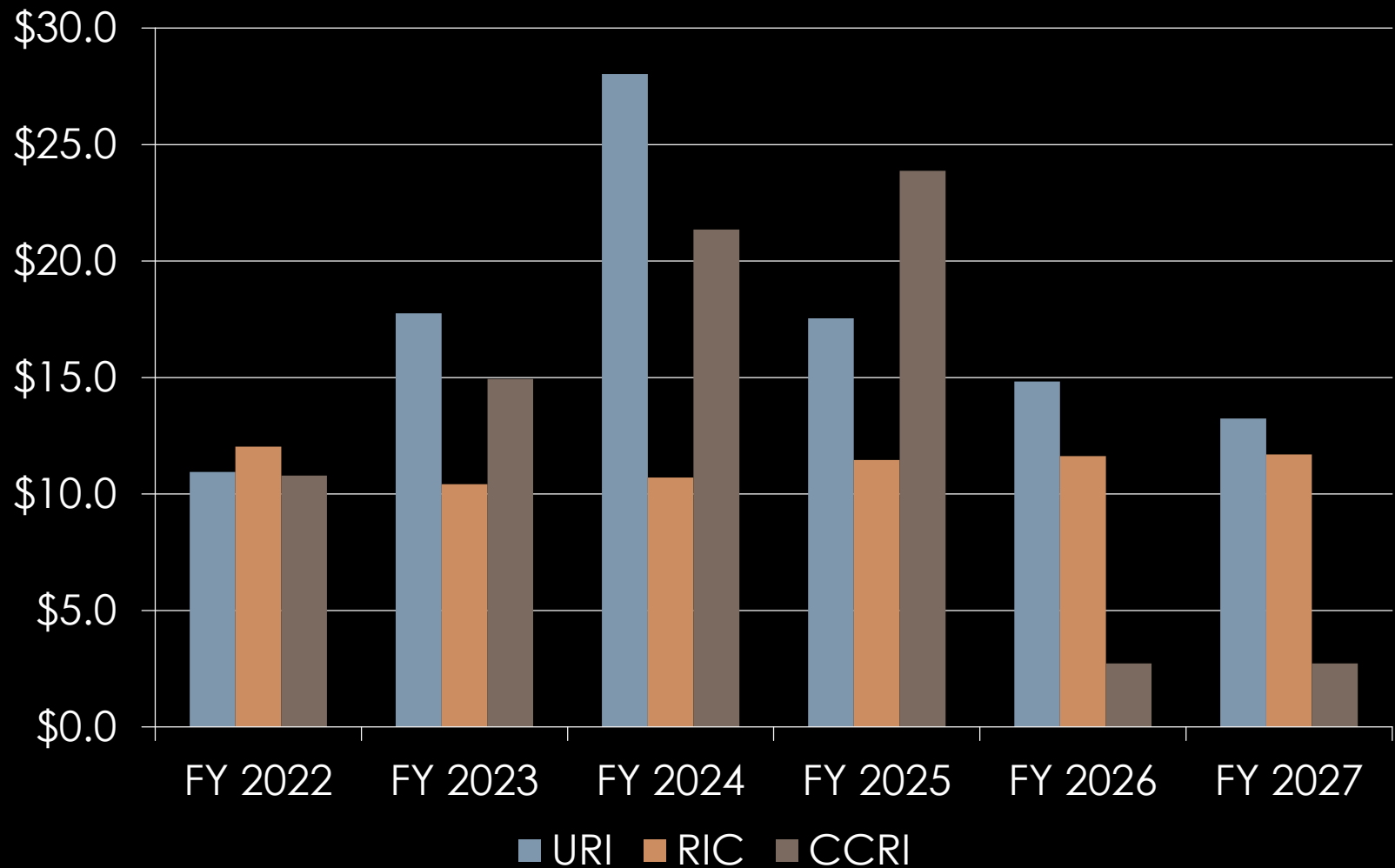
\$ in millions

URI Unrestricted Debt Service

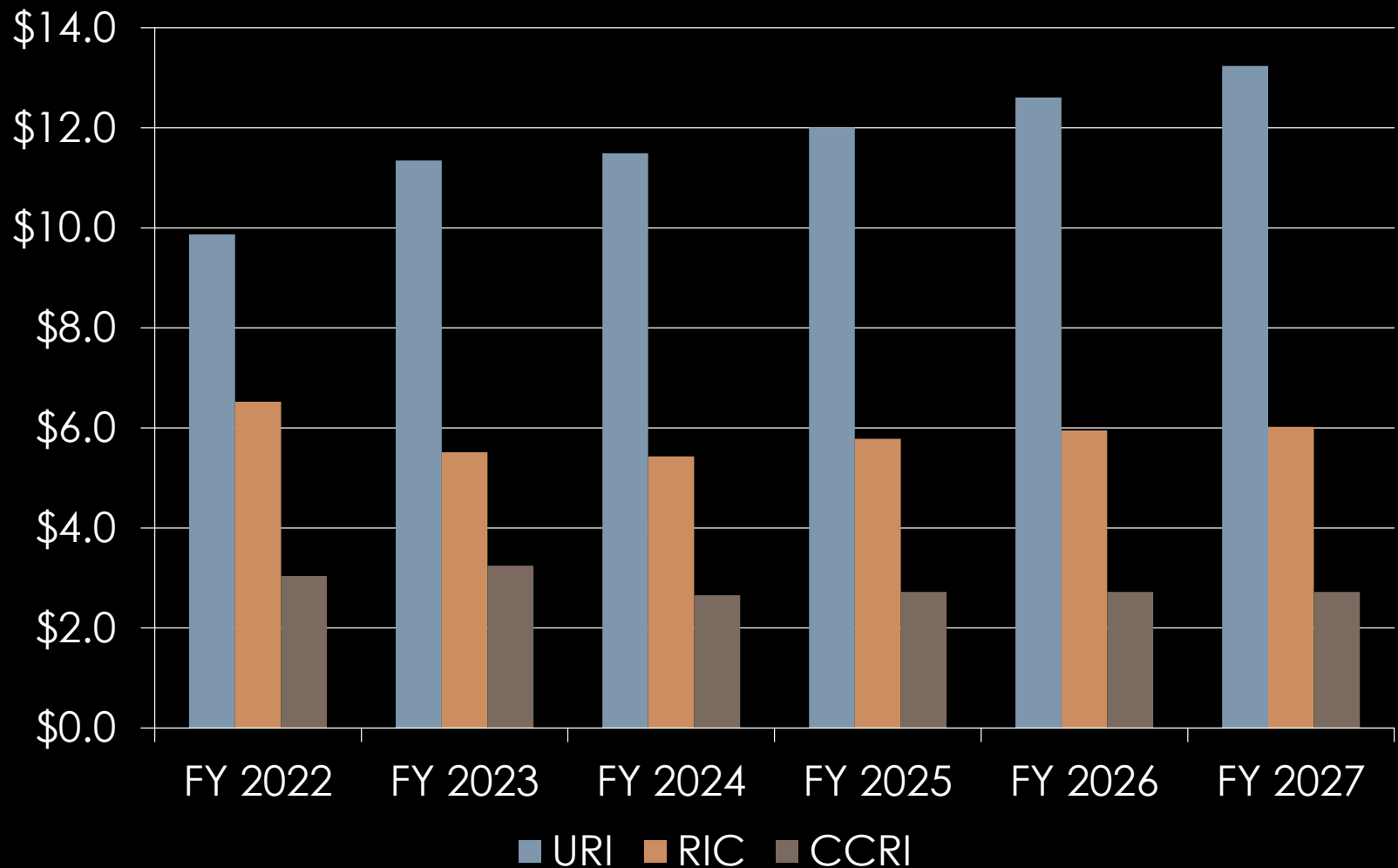
| URI Unrestricted Debt Service | GO | RIHEBC | ESCO | Total |
|--|-----------|---------------|-------------|--------------|
| FY 2017 | \$15.5 | \$3.4 | \$2.0 | \$20.9 |
| FY 2018 | \$22.8 | \$3.1 | \$1.8 | \$27.7 |
| FY 2019 | \$29.0 | \$3.8 | \$2.0 | \$34.8 |
| FY 2020 | \$33.6 | \$4.6 | \$2.9 | \$41.0 |
| FY 2021 | \$31.4 | \$4.9 | \$3.3 | \$39.6 |
| FY 2022 Rev. | \$29.8 | \$4.8 | \$2.0 | \$36.6 |
| FY 2023 Gov. | \$29.0 | \$5.4 | \$2.1 | \$36.5 |

\$ in millions

RICAP for Higher Education - by Fiscal Year - Governor



RICAP for Higher Education Asset Protection Only



New Requested Debt – GO

November 2022

| Ballot # | Project | Amount | Annual Debt |
|----------|---|----------------|---------------|
| 1 | Higher Education Total | \$62.0 | \$5.0 |
| | <i>URI Narragansett Bay Campus</i> | <i>50.0</i> | <i>4.0</i> |
| | <i>CCRI Renovations & Modernization</i> | <i>12.0</i> | <i>1.0</i> |
| 2 | Rhode Island School Buildings | 250.0 | 20.1 |
| 3 | Environment and Recreation | 38.0 | 3.0 |
| | Total | \$350.0 | \$28.1 |

\$ in millions; annual debt assumes 5% rate and 20 year term

Article 5, Question 1

- URI Narragansett Bay Campus Phase II
 - \$50 million
 - Annual debt service \$4.0 million
 - Total cost - \$80.2 million
 - Assumes 5% and 20-year term
 - Supported by general revenues
 - 2018 ballot - \$45 million for Phase I
 - Programmed through FY 2024
 - Pier and Marine Operations Facilities

Article 5, Question 1

- URI Narragansett Bay Campus Project
 - URI request for \$150 million for Phase II
 - Replacing Horn Laboratories
 - New Ocean Technology Research and Education Center
 - Deferred Maintenance
 - Governor's recommendation does not specify aspects to be funded
 - "to fund repairs and construct new facilities on URI Narragansett Bay Campus"

Article 5, Question 1

- CCRI Renovation & Modernization Phase II - \$12.0 million
 - Academic and student support spaces
 - Renovation, modernization, and upgrades
 - Across all four campuses FY 2024
 - Annual debt service \$1.0 million
 - Total cost - \$19.3 million
 - Assumes 5% and 20-year term
 - Supported by general revenues
- CCRI capital request was \$159.0 million
 - Three new phases of renovations

Article 5, Question 1

- Voters approved \$12.0 million in 2021 for phase I
- Total project cost \$40 million
 - Includes \$28.0 million from RICAP funds
- Programmed through FY 2025

| Categories of Projects |
|---|
| Modernize classrooms, labs, & student support space |
| Upgrade student services & common areas |
| Upgrade Infrastructure |
| Expand technology |
| Improve energy efficiency |
| ADA improvements |
| Upgrade traffic flow |
| Upgrade campus parking |

ARPA Capital Projects Fund

- Governor recommends \$35.0 million for RIC Student Services Center
 - Create one-stop student services facility
 - Bursar, financial aid, records, student customer service functions, health & counseling services, academic advising & support
 - Conveniently located and easily identifiable
 - RIC's capital budget request was for \$35 million from GO bonds to go on November 2022 ballot
 - Allowable use of ARPA Capital Projects Fund

ARPA Capital Projects Fund

- Awaiting feasibility study examining optimization of cost & physical location
 - Option #1: New Building
 - Brand new stand-alone building between Murray Center and Donovan Dining Center
 - Option #2: Henry Barnard School
 - 2a: Renovate/reconfigure HBS for the Student Services Center
 - 2b: Demolish HBS and construct a new building in its place

ARPA - Capital Projects Fund

- American Rescue Plan includes state and local fiscal recovery funds including capital projects
- Capital Projects Fund - \$112.3 million
 - For “critical capital projects directly enabling work, education, and health monitoring, including remote options”

Capital Projects Fund

- To be eligible, project must meet all of the following criteria
 - Invests in capital assets designed to directly enable work, education & health monitoring
 - Designed to address a critical need that resulted from, was made apparent or exacerbated by COVID-19 PHE
 - Designed to address a critical need of the community to be served by it

Capital Projects Fund

- Presumptively eligible projects
 - Broadband infrastructure
 - Digital connectivity technology
 - Multi-purpose community facility projects
 - Construct or improve buildings designed to jointly & directly enable work, education, and health monitoring
 - Community schools that provide academic programming to students, adult education, health monitoring, workforce training, career counseling
 - Libraries
 - Community health centers

Capital Projects Fund

- Project criteria for case-by-case review
 - Directly enables work, education and health monitoring
 - Addresses a critical need that results from or was exacerbated by public health emergency
 - Addresses a critical need in the community to be served by it
- Ineligible projects
 - General infrastructure
 - Highways, bridges, transit systems and ports

Article 4 - Debt Management Act Joint Resolution

- Public Debt Management Act
 - Ensures that debt with a state tie was not issued without legislative review
 - Enacted in 1994
 - Subsequently amended to increase Assembly's approval role
 - Certain quasi-public agencies are exempt
 - Infrastructure Bank
 - RI Housing & Mortgage Finance Corporation
 - RI Health & Educational Building Corporation

New Requested Debt – Revenue Bonds

- \$28.5 million for two projects at URI
- Combined annual debt of \$2.6 million
 - Funded from unrestricted sources

| Article 4 | Facilities Service Sector Upgrades | Utility Infrastructure Phase II |
|--------------|------------------------------------|---------------------------------|
| Project cost | \$13.0 | \$15.5 |
| Terms | 20 years – 6% max | |
| Annual Debt | \$1.2 | \$1.4 |
| Source | General revenues, tuition, fees | |

\$ in millions

Article 4, Section 2

- URI Facilities Service Sector Upgrades
 - Authorizes borrowing \$13.0 million
 - Improve operations and maintenance service sector
 - Demolish automotive garage & grounds building
 - Build new facilities
 - Equipment and furniture storage
 - Automotive garages
 - Workshops

Article 4, Section 3

- URI Utility Infrastructure Phase II
 - Authorizes borrowing of \$15.5 million
 - Replace utility infrastructure
 - Steam/condensate, water, electric distribution systems
 - Sanitary sewer system
 - Storm water management system
 - 2018 Assembly authorized \$6.5 million for Phase I
 - Programmed through FY 2023

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\$ in millions

Article 14 – State Leases

- Joint Resolution requesting General Assembly approval for the state to enter into 5 long-term property leases
 - Executive Office of Commerce
 - Department of Corrections
 - Department of Human Services
 - University of Rhode Island
 - 2 leases

State Leases

- RIGL 37-6-2 requires departments to obtain legislative approval before entering into
 - Leases that are five years or longer and in excess of \$0.5 million
- Requirement adopted by 2006 Assembly

State Leases



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graph LR; A[State Properties approves request from agency] --> B[Agency goes through RFP process]; B --> C[Assembly approval (if required)]; C --> D[State Properties executes lease];
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State
Properties
approves
request from
agency

Agency goes
through RFP
process

Assembly
approval
(if required)

State
Properties
executes
lease

State Leases

- Required information
 - Purpose of the lease or rental agreement
 - Current lease or rental costs
 - Expiration date of any present agreement
 - Range of costs of new agreement
 - Proposed term
 - Location and owner of the desired property

Article 14 – State Leases

| Entity | Location | Square Ft.* | Term/ Years | Total Cost* | State Prop. Approval |
|----------|-----------------------------------|-------------|-------------|-------------|----------------------|
| EOC | 555 Valley Street, Prov. | 2,983 | 5 | \$0.4 | 4/1/ 2017 |
| DOC | New TBD - Prov. | 5,000 | 10 | 1.1 | N/A |
| DHS | New TBD - Prov. | 7,500 | 10 | 1.7 | |
| URI - CD | 25 West Independence Way Kingston | 4,300 | 10 | 0.8 | 5/24/2002 |
| URI -PT | | 16,400 | 10 | 2.9 | 2/1/2014 |
| Total | | | | \$6.9 | |

\$ in millions; * max value used

Article 14 – Section 2

- Executive Office of Commerce
 - 555 Valley St., Providence
 - Current year lease of \$71,234
 - Entered into 5-year lease April 2017
 - Current lease expires June 30, 2022
 - Option to renew lease for additional 5 years
 - Total amount not to exceed \$76,577 annually
 - Budget includes this

Article 14 – Section 3

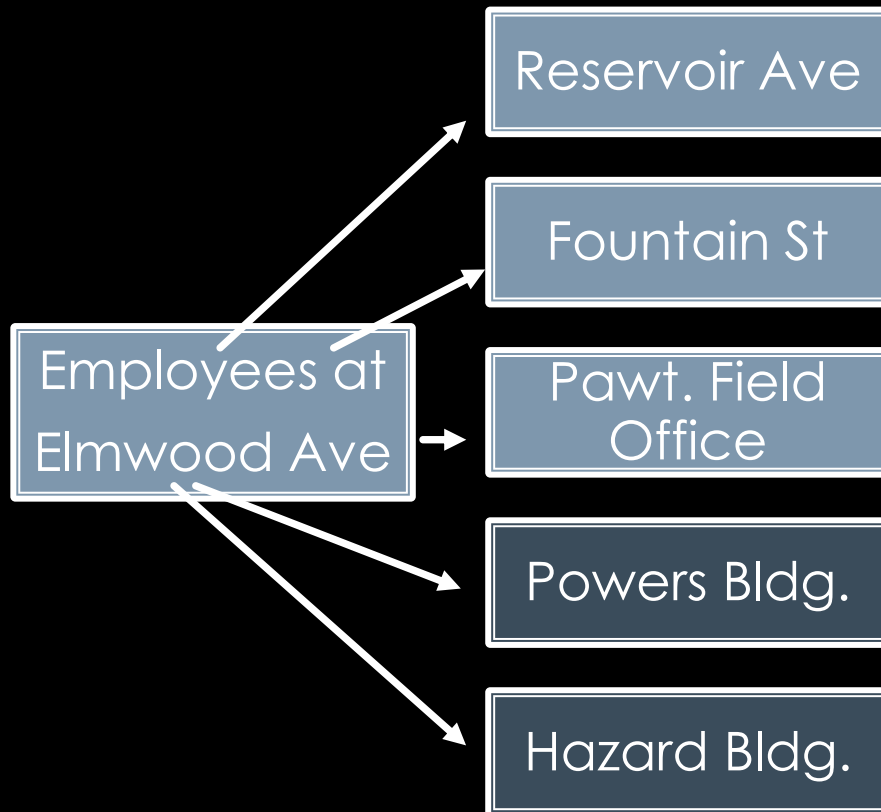
- DOC – Probation & Parole Felony Unit
 - Currently - 49 Pavilion Avenue, Providence
 - Lease expires January 31, 2023
 - 2021 Assembly approved 1.5 year extension
 - Owner does not want to renew
 - 10 year Lease for new space
 - 5,000 square feet
 - Total amount not to exceed \$1.1 million
 - \$110,000 annually
 - FY 2023 budget includes current cost of \$108,690 from general revenues

Article 14 – Section 4

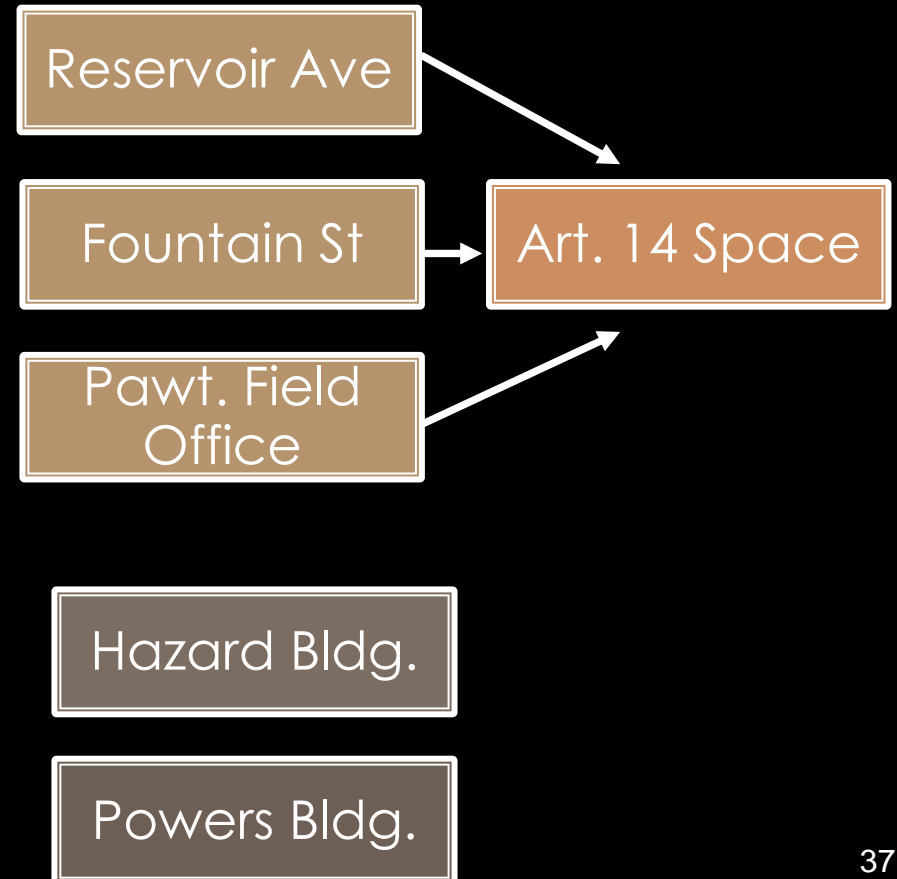
- Department of Human Services
 - Providence Field Office
 - Previously 180 Westminster St. Providence
 - Closed Dec 1, staff moved to 5 other state owned/leased locations
 - Customer-facing staff at Reservoir Ave, Fountain St & Pawtucket Field Office
 - Back-office staff at Powers and future space on Pastore
 - Lease for new space
 - 10 year term for 7,500 square feet
 - Total amount not to exceed \$1.7 million
 - Annual cost \$165,000 does not appear to be funded

Article 14 – Section 4

FY 2022 Enacted



FY 2023 Governor



Article 14 – Section 4

- Unresolved Issues
 - Budget does not appear to include
 - Rent costs or related expenses
 - Timeline unclear
 - RFP has not been released yet
 - Will staff from Powers or Hazard buildings move?
 - DHS currently making renovations to Hazard
 - \$800,000 in budget for that

Article 14 – Section 5

- URI – Communicative Disorders
 - 25 West Independence Way, Kingston
 - Current lease expires on January 31, 2023
 - Lease renewal for same space
 - 10 year term for 4,300 square feet
 - Total amount not to exceed \$0.8 million
 - Not to exceed \$75,869 annually
 - FY 2023 budget includes this amount

Article 14 – Section 6

- URI – Physical Therapy Program
 - 25 West Independence Way, Kingston
 - Current lease expires February 28, 2023
 - Lease renewal for same space
 - 10 year term for 16,400 square feet
 - Total amount not to exceed \$2.9 million
 - Not to exceed \$0.3 million annually
 - FY 2023 budget includes this amount

Article 14 – State Leases

| Annual Cost - All Sources | FY 2022 Enacted | FY 2023 Governor* |
|--|-----------------|-------------------|
| EOC – Headquarters - 555 Valley St. | \$0.1 | \$0.1 |
| DOC – Probation and Parole - TBD | 0.1 | 0.1 |
| DHS – Field Office – TBD Prov. | - | [0.2] |
| URI – Communicative Disorders - Kingston | 0.1 | 0.1 |
| URI – Physical Therapy - Kingston | 0.3 | 0.3 |
| Total All Sources | \$0.6 | \$0.6 |
| General Revenues | \$0.2 | \$0.3 |

\$ in millions; *does not include DHS lease cost of \$0.2 million

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