

Governor's FY 2015 Budget: Articles

Staff Presentation to the House
Finance Committee
February 25, 2014

Introduction

- Article 4 – Public Corporation Debt
 - ◆ Section 5 – Airport Corporation
- Article 5 – Capital Development Plan
 - ◆ Question 3 – Mass Transit Hubs
- Article 21 – Transportation Funding

Assembly Role

- Appropriate Pay-Go (Articles 1 and 10)
- Approve General Obligation Bond Referenda
 - ◆ Voters approve or reject
 - ◆ Debt service automatic

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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
 - ◆ When will it be complete

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Funding Considerations

- Should a project be financed or pay-go
 - ◆ Rhode Island Capital Plan funds available as pay-go for all or part of project
 - ◆ More pay-go equals less future debt service

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Public Corporation Debt Management Act (Kushner Act)

- 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

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Capital Budget

- Includes \$200.1 million under Public Corporation Debt Management Act
 - ◆ Information Technology
 - ◆ Virks Building Renovation
 - ◆ Historic Structures Tax Credits (Article 15)
 - ◆ T.F. Green Improvements
 - ◆ Garrahy Courthouse Parking

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Kushner Items

Certificate of Participation (COPS)

Information Technology (Feb. 26)	\$30.0
Virks Building Renovation (Feb. 26)	13.0
Historic Structures Tax Credits (Feb. 26)	52.1
Total	\$95.1

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Kushner Items

Revenue Bonds (in millions)

<i>T.F. Green Improvements – including Runway Extension (Feb. 25)</i>	<i>\$60.0</i>
Garrahy Courthouse Parking (Feb. 26)	45.0
Total	\$105.0

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Rhode Island Airport Corporation

- Seeks to authorize \$60.0 million of new revenue bonds
- 2012 Assembly authorized RIAC to issue \$174 million
 - ◆ Runway extension
 - ◆ Other improvements at T.F. Green

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Rhode Island Airport Corporation

- Section 5 of Article 4 would replace previous authorization
 - ◆ \$33.5 million was issued for deicer collection system through Clean Water Finance Agency
 - ◆ Remaining amount is extinguished
 - Sunset one year after passage
 - ◆ Current authorization would sunset two years after passage

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Rhode Island Airport Corporation

- Reduction to project scope lowered amount of borrowing
- Section 5 provides
 - ◆ Aggregate debt of \$60.0 million
 - ◆ Annual debt service not to exceed \$4.6 million
 - ◆ Rate not to exceed 6.25%, 30 year maturity
 - ◆ Cost of borrowing not to exceed \$135 million
 - ◆ All debt service paid with RIAC sources

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General Obligation Bonds

- Plan relies on \$275.0 million of new general obligation bonds for November 2014 ballot
 - Higher Education projects
 - *Transportation*
 - Water Infrastructure
 - Recreation and Environment
 - Arts- Cultural Economy

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Bond Referenda – November 2014

Higher Education (Feb. 26)	\$125,000,000
<i>Transportation (Feb. 25)</i>	<i>40,000,000</i>
Water Infrastructure (Feb. 27)	35,000,000
Environment & Recreation (Feb. 27)	40,000,000
Arts (Feb. 26)	35,000,000
Total	\$275,000,000

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Bond Referenda – November 2014

	Annual Debt Service	Total Cost
Higher Education	\$10.3	\$200.2
<i>Transportation</i>	<i>3.3</i>	<i>64.1</i>
Water Infrastructure	2.9	56.1
Environment	3.3	64.1
Arts	2.9	56.1
Total	\$22.8	\$440.6

Assumes 5% rate and 20 year maturity

Data in millions

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Mass Transit Hubs – Question 3

- \$40 million
 - ◆ Average annual debt service \$3.3 million
 - ◆ Paid from general revenues
 - ◆ Total cost of borrowing - \$64.1 million

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Mass Transit Hubs – Question 3

- Outlays

- ◆ \$250,000 from RICAP in FY 2015 for preliminary design work
- ◆ \$5.0 million for FY 2016
- ◆ \$10.0 million each for FY 2017 and FY 2018
- ◆ \$15.0 million for FY 2019

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Mass Transit Hubs – Question 3

- “Major enhancements and renovations to mass transit hub infrastructure throughout the state”
- No further detail provided in the Governor’s budget documents

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Mass Transit Hubs – Question 3

- RIPTA and Statewide Planning have begun preliminary work
- Upgrades to Kennedy plaza
- Additional hub in Providence
 - ◆ Garrahy Courthouse parking project
 - ◆ Not mentioned in detail provided for that project (Section 4 of Article 4)

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Article 21 – Transportation Funding

- Reprograms \$100.4 million of DOT resources for statewide infrastructure initiatives
- Funding derived from gasoline taxes
- Gradually made available as debt service payments are shifted to general revenues

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Article 21 – Transportation Funding

<i>(In Millions)</i>	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Projected Gas Tax Revenue	\$90.5	\$90.4	\$90.5	\$90.5	\$90.5
Carry Forward Balance	-	-	1.3	1.5	3.9
Total Debt Service	47.9	50.6	50.2	41.6	40.6
General Revenue	(19.3)	(29.3)	(39.3)	(43.5)	(42.5)
Build America Bond Savings	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Net DOT Funded Debt Service	26.8	19.5	9.1	-	-
Debt Service Change	6.3	2.7	(0.4)	(8.6)	(1.0)
Additional Available Gas Tax	\$14.8	\$28.4	\$41.6	\$50.2	\$41.6

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Article 21 – Transportation Funding

- Supporting documents for Article 21 outlines FY 2014 through FY 2019 expenditures as follows:
 - ◆ \$80.0 million for bridge repair and maintenance
 - ◆ \$13.4 million for heavy equipment replacement
 - ◆ \$7.0 million for drainage improvements

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Article 21 – Transportation Funding

- Supporting documents program expenditures
- Only amounts for bridges are included in legislation

Project	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total
Bridges	\$ -	\$10.0	\$15.0	\$15.0	\$20.0	\$20.0	\$80.0
Equipment	1.0	2.4	2.5	2.5	2.5	2.5	12.4
Drainage	-	0.5	1.0	1.5	2.0	2.0	7.0
Total	\$1.0	\$12.9	\$18.5	\$19.0	\$24.5	\$24.5	\$100.4

In Millions

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Article 21 – Transportation Funding

- Heavy Equipment Replacement
 - ◆ Legislation provides DOT spend \$1.0 million beginning in FY 2014 and each year thereafter
 - ◆ Legislation does not outline increases
 - Sweepers
 - Loaders
 - Tractors

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Article 21 – Transportation Funding

- Drainage Preservation
- Catch basin cleaning
 - ◆ \$0.5 million beginning in FY 2015
 - ◆ Supporting documents show annual increases of \$0.5 million until reaches \$2.0 million annually in FY 2018
 - ◆ Increases not included in legislation

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Article 21 – Transportation Funding

- Bridge Rehabilitation and Maintenance
 - ◆ Statewide program to eliminate current backlog of deficient bridges
 - ◆ Aligns with federal benchmark of having less than 10% bridges structurally deficient
 - ◆ Approximately 20% are rated as structurally deficient

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Article 21 – Transportation Funding

- Bridge Rehabilitation
- Legislation requires
 - ◆ \$5.0 million in FY 2016
 - ◆ \$15.0 million in FY 2017
 - ◆ \$20.0 million in FY 2018
 - ◆ Must maintain that level of funding thereafter

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Article 21 – Transportation Funding

- Also mandates
 - ◆ DOT use \$10.0 million in each FY 2015 and FY 2016 from other available funds in the Intermodal Surface Transportation Fund
 - ◆ These funds are not identified in budget documents

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Article 21 – Transportation Funding

- FY 2015 – FY 2019 Bridge Funding

Fiscal Year	Gas Tax	Other ISTF	Total
2015	\$ -	\$10.0	\$10.0
2016	5.0	10.0	15.0
2017	15.0	-	15.0
2018	20.0	-	20.0
2019	20.0	-	20.0
Total	\$60.0	\$20.0	\$80.0

In Millions

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Article 21 – Transportation Funding

- Original intent of freeing up gasoline tax revenues was for the Department to use additional funding for operations and maintenance because of declining gas tax revenues
- Could require more funding be spent than needed
 - ◆ Spending floor in the article may fund unnecessary expenditures

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