

Governor's FY 2015 Budget: Articles

Staff Presentation to the House Finance
Committee
February 26, 2014

Introduction

- Article 4
 - Section 2 – Information Technology Improvements
 - Section 3 – Virks Building
 - Section 4 – Garrahy Courthouse Parking Project
- Article 5, Question 1: Higher Education Facilities

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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Article 4

- Act requires all new non-general obligation debt authorizations be approved by Assembly except in certain circumstances
 - Unless Governor certifies that federal funds will be available to make all payments
 - Event after Assembly has adjourned, Governor certifies an action is necessary to protect the physical integrity of an essential public facility

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Article 4

- Public Debt Management Act
- Certain quasi-public agencies are exempt:
 - Clean Water Finance Agency
 - Housing & Mortgage Finance Corporation
 - Health & Educational Building Corporation

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Articles 4 and 15

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

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Kushner Items

Certificate of Participation (COPS)

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

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Kushner Items

Revenue Bonds (in millions)

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

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Article 4, Section 2 – Info. Tech.

- Last 10 years, Assembly has authorized \$94.9 million from Certificates of Participation for information technology projects
- 2012 Assembly authorized \$45.3 million
 - \$25.0 million for an integrated tax system
 - \$20.3 million for wireless classroom in local school districts

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Article 4, Section 2 – Info. Tech.

- 2006 Assembly authorized \$49.6 million for six projects
 - Registry of Motor Vehicles Computer System
 - Taxation Database
 - Court Technology
 - Web licensing capability for Department of Business Regulation
 - State infrastructure (servers, emails)
 - Science and Technology

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Article 4, Section 2 – Info. Tech.

- Project completion varies
 - Four are 100% completed
 - Web licensing capability - final phase
- DMV Computer System
 - Not completed and over budget
 - Expected date is now May 2014

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Article 4, Section 2 – Info. Tech.

- Section 2 would authorize \$30.0 million for information technology projects
 - Backup information lists 13 projects
 - Staff requested details on each project and information that was submitted do not reflect the same projects

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Article 4, Section 2 – Info. Tech.

Proposed language

- Legislation cites projects in the following areas:
 - “budget & grant management & HR information systems, emergency notification system upgrades, RI Veterans Home – automated pharmacy services, content management system, DOH electronic birth records, DEM enterprise permit system, & record digitization upgrades”

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Article 4, Section 2 – Info. Tech.

- Annual debt service \$3.9 million for 10 years
- Issues to consider:
 - Use of Information Technology Investment Fund
 - Federal match opportunities

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Article 4, Section 3 – Virks Building Renovation

- Authorizes \$13.0 million from Certificates of Participation to renovate Virks building in the Pastore Center
 - Structure is four stories with 54,000 sq. ft.
 - Including electrical system, HVAC, roof and fire code
 - Can accommodate 200 – 225 employees
 - Would be occupied by the Executive Office of Health and Human Services

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Article 4, Section 3 – Virks Building Renovation

- Annual debt service \$1.3 million for 15 years
 - Half would be supported by federal funds
- Issues to consider:
 - Pay-go available?
 - Can state get federal match if it is not financed?

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Article 4, Section 5 – Garrahy Courthouse Parking Garage

- Authorization for \$45.0 million
- Construction of 1,250 parking spaces
- 13,800 square feet of retail space

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Article 4, Section 5 – Garrahy Courthouse Parking Garage

- The proposal does not identify financing specifics
- Debt service payments would be supported by parking revenues, which may be state subsidized
- State agreement to lease spaces?
 - Assuming 5.5% interest rate for 20 years, \$3.9 million annually

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Article 4, Section 5 – Garrahy Courthouse Parking Garage

- 2013 Assembly established an 11-member commission to make a comprehensive study and issue findings
- The Commission has not issued its findings
 - Met two times

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Article 4, Section 5 – Garrahy Courthouse Parking Garage

History

- 1999 Parking Garage Study
- Article 39 of 2002-H 7732, Governor's proposal for construction - \$15.0 million for a 927- space garage
- FY 2006 Budget: \$18.0 million to construction a 1,135 space garage – no approval was requested

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Article 4, Section 5 – Garrahy Courthouse Parking Garage

History

- 2007 Assembly authorized RI Housing or another agency to establish a request for proposals for a mixed use project assumed land revenues of \$7.5 million
 - Initiative did not materialize & authorization was repealed
- FY 2009 revised budget included proposal similar to 2007
 - Was not approved

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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

<i>Higher Education</i>	<i>\$125,000,000</i>
Transportation (Feb. 25)	40,000,000
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
<i>Higher Education</i>	<i>\$10.3</i>	<i>\$200.2</i>
Transportation	3.3	64.1
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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Article 5, Question 1 – Higher Education Facilities

- Question 1: \$125.0 million for URI engineering project on November 2014 ballot
 - First phase of project to renovate and build additions to College of Engineering complex
 - Annual debt service would be \$10.3 million

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Article 5, Question 1 – Higher Education Facilities

- Phase I
 - Removal of Crawford, Kelley, Gilbreth and Wales Halls
 - Renovate Kirk Building
 - Construct 195,000 sq. ft. new facility adjacent to remaining engineering buildings
 - Bliss and Kirk Halls

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Article 5, Question 1 – Higher Education Facilities

- Governor's capital budget includes \$25.5 million for November 2016 ballot for phase II
 - Renovate Bliss Hall (41,400 sq. ft.)
 - Construct addition to Bliss Hall (21,000 sq. ft.)
- Annual debt service would be \$2.1 million

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Article 5, Question 1 – Higher Education Facilities

- Governor's capital budget does not include the requested phase III
- \$38.9 million requested for 2018 ballot
- Construction of new academic and wave tank facility for Ocean Engineering and Oceanography
 - 45,000 sq. ft. at Narragansett Bay Campus
- Annual debt service would be \$3.2 million

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Article 5, Question 1 – Higher Education Facilities

- Higher education general obligation bond debt service is funded solely from general revenues
- General revenues and tuition and fees are used to pay debt service on revenue bonds
- Governor recommends \$186.0 million from revenue bonds
 - \$11.6 million annual debt service

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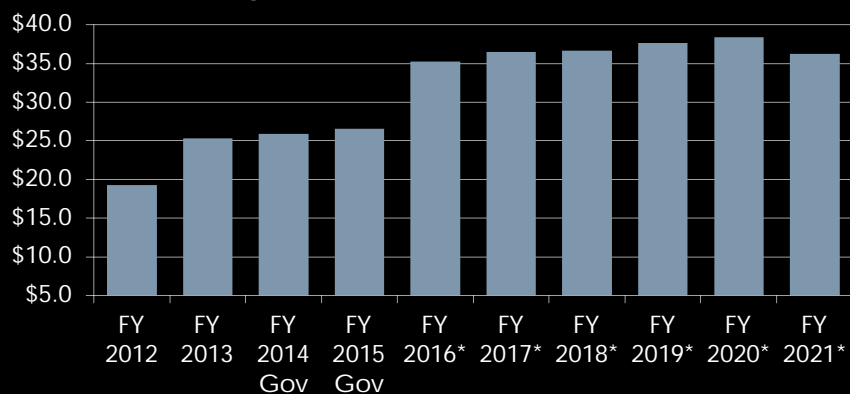
Article 5, Question 1 – Higher Education Facilities

Ballot	Amount (in millions)	Project
2004	\$50.0	URI Biotech
2004	\$50.0	URI/RIC Dorms
2004	\$14.0	URI Pell Library
2006	\$7.8	RIC DCYF Facilities
2006	\$65.0	URI Pharmacy
2010	\$17.0	RIC Art Center
2010	\$61.0	URI Chemistry
2012	\$50.0	RIC Academic Buildings
2014	\$125.0	URI Engineering
10-Year Total	\$439.8	

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Article 5, Question 1 – Higher Education Facilities

URI Unrestricted Debt Service
(general revenues, tuition, fees)



*assumes approval of \$125 M in 2014 and \$25.5 M in 2016

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