

Governor's FY 2018 Budget: Articles

Staff Presentation to the House Finance
Committee
March 1, 2017

Introduction

- Article 1, Section 14 – Infrastructure Bank Transfer
- Article 1, Section 15 – NBC Transfer
- Article 16: Debt Management Act
 - Section 3 – State Energy Improvements
 - Section 4 – Confined Aquatic Dredged Material Disposal Cells
- Article 19: Electric Vehicle Rebate Program

Article 1 Transfers

- Require payments to the state's General Fund by June 30, 2018
- Various amounts from quasi-state agencies
 - Similar to last two year's proposals
- Totals \$13.3 million in FY 2018

Article 1, Section 14 – Infrastructure Bank

- Requires transfer of \$1.0 million to general revenues by June 30, 2018
- Uncommitted reserves would be lowered with this transfer
- Prior proposals
 - FY 2017: \$8.0 million
 - FY 2016: \$11.0 million
- Assembly did not concur with proposals

Article 1, Section 15 – NBC

- Requires transfer of \$2.5 million to state general revenues from the Narragansett Bay Commission by June 30, 2018
- Equivalent to FY 2018 debt service on G.O. bonds
- Recent prior proposals
 - FY 2017 - \$1.5 million
 - FY 2016 - \$2.8 million

Article 1, Section 15 – NBC

- NBC testimony in prior years was that the transfers would violate bond covenants
 - Administration indicated during 2016 session that it had not done a review to refute the Commission's position

Article 16 – Debt Management Act Joint Resolution

- Authority to issue new debt
 - IT Improvements – 2/28
 - Energy Improvements in State Facilities – today
 - Confined Aquatic Disposal Cells - today
 - URI Energy Performance Phase III – 3/15
 - URI White Horn Brook Apartments - 3/15

Article 16 – Debt Management Act Joint Resolution

- 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

Article 16 – Debt Management Act Joint Resolution

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

Article 16 - Public Corporation Debt Management Act

Recommended New Debt Authority	Amount	Debt Service	Source
Certificates of Participation			
IT Improvements	\$16.2	\$2.1	Gen. Rev.
<i>Energy Improvements in State Facilities</i>	12.0	1.7	Energy savings
CAD Cells	10.5	1.4	User fees, Gen. Rev.
URI Energy Performance III	11.6	1.1	Energy savings
Subtotal	\$50.3	\$6.3	
Revenue Bonds			
URI White Horn Brook Apts.	\$88.8	\$5.9	Dorm fees, tuition, Gen. Rev.
Total	\$139.1	\$12.1	

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
 - More pay-go equals less future debt service

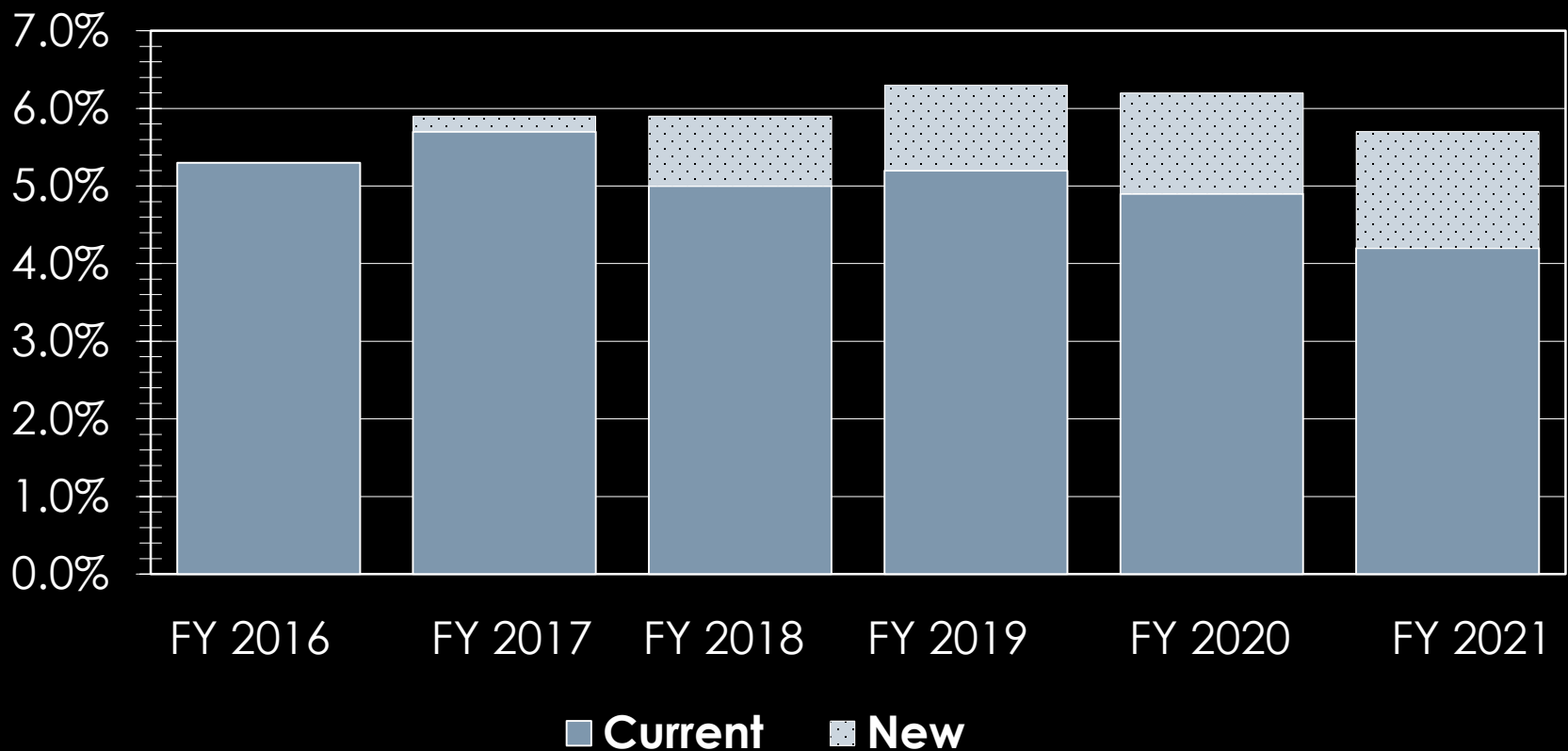
Funding Considerations

- State's overall debt structure
 - Net tax supported debt would decrease thru FY 2022 by \$414.0 million to \$1.5 billion
 - Had dropped to \$1.3 billion in FY 2003 after use of tobacco bonds to defease debt
 - Past practice indicates it will be higher as more projects are added
 - Budget does not assume any new referenda
 - Departure from past practice

Funding Considerations – Debt Ratios

- Debt as a percent of personal income would decrease from 3.2% in FY 2018 to 2.2% into FY 2022
- Likely to be higher based on projects being added
 - Does not assume any new referenda will go before voters in November 2018 or 2020

Debt Service as Percent of Useable General Revenues



Article 16, Section 3 – State Energy Improvements

- Governor issued Executive Order 15-17 in December 2015
 - Identified the state as one of the largest energy consumers in RI
 - Total energy expenses of nearly \$35 million
 - Established “Lead by Example” Program
 - OER to coordination with other state entities
 - Decrease energy usage

Article 16, Section 3 – State Energy Improvements

- Borrow \$12.0 million
 - Use of Certificates of Participation (COPS)
- Use to leverage other funds
 - RGGI, RICAP & funds from National Grid
- Make energy improvements (lighting & HVAC) in state facilities:
 - Group homes
 - Cannon building
 - State House
 - Other facilities

Article 16, Section 3 – State Energy Improvements

- Debt service = \$1.7 million annually
 - Assuming 5.0% and 10 years
 - Supported with “energy efficiency savings”
- Budget also includes \$5.0 million RICAP
 - \$1.0 million annually from FY 2018 – FY 2022
 - Shovel ready projects:
 - Numerous state buildings
 - Few group homes
- Prior projects like this used 3rd party risk

Article 16, Section 4 – CAD Cells

- Borrow \$10.5 million
 - Use of Certificates of Participation
- Construction of a new Confined Aquatic Dredged Material “CAD” Cell
 - Project will include dredging & removal of sediments not suitable for ocean disposal

Article 16, Section 4 – CAD Cells

- Providence River and Shipping Channel
 - Last dredged in 2003
 - Currently has 6 CAD cells
 - Construction completed in 2005
 - Reached 75% capacity
 - Army Corps of Engineers is planning to dredge river in the fall of 2018

Article 16, Section 4 – CAD Cells

- Project is considered a federal maintenance project
- State is required to pay an up-front cost share of 35% for cell
 - Total state share is \$11.0 million
 - \$10.5 million borrowed
 - \$0.5 million from CRMC's Dredge Fund
 - Equates to \$31.4 million total project

Article 16, Section 4 – CAD Cells

- Annual debt service supported by user fees and general revenues
 - \$1.4 million assuming 10 years and 5.0% interest
- Project accounts for cell capacity that the state can sell to private harbors and marinas

Article 19 – Electric Vehicle Rebate program

- Office of Energy Resources currently administers an Electric Vehicle Rebate Program
- Rebates are up to \$2,500
 - Based on battery capacity and type of vehicle
 - Through CY 2016, 159 rebates provided
 - Funded with RGGI Fund & environmental settlement funds

Article 19 – Electric Vehicle Rebate Program

- Article 19 creates Electric Vehicle Rebate Program in law
 - Provide incentives for purchase/lease of electric vehicle
 - Promote reduction of greenhouse gas emissions
 - FY 2018 through FY 2022
 - FY 2018 budget includes \$250,000 from general revenues

Article 19 – Electric Vehicle Rebate Program

- Office would determine amount of rebates by rules and regulations
- Application process
 - Proof of purchase/lease
 - Cost of vehicle
 - Make and model
 - Proof of residency

Article 19 – Electric Vehicle Rebate Program

- Office must notify any pending applicant when fund ends
- If applicant is denied
 - Can appeal decision to Commissioner of the Office Energy Resources
 - May uphold, reverse or modify Office's decision
- Article is effective July 1, 2017

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