

Governor's FY 2020 Budget: Articles

Staff Presentation to the House Finance
Committee
March 5, 2019

Introduction

- Article 6
 - URI Memorial Union
 - URI Fraternity Circle Master Plan Implementation
 - URI Combined Health & Counseling Center
 - High Security Center – Department of Corrections
- Governor's Capital Budget

Article 6 - 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 6 - Debt Management Act Joint Resolution

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

Article 6 - Debt Management Act Joint Resolution

Project	Amount	Annual Debt	Source – Terms
<i>URI Revenue Bonds</i>			
Memorial Union	\$51.5	\$3.7	Fees, retail leases – 30 yrs., 6%
Fraternity Circle	2.1	0.2	General Revenues, tuition, fees – 20 yrs. 6%
Health & Counseling Center	26.9	2.0	Fees - 30 yrs., 6%
<i>Subtotal</i>	\$80.5	\$5.9	
<i>Certificates of Participation</i>			
High Security Center	\$45.0	\$4.3	General Revenue - 15 yrs., 5%
Total	\$125.5	\$10.2	

\$ in millions

Article 6, Section 2

- URI Memorial Union
 - Authorizes borrowing \$51.5 million
 - Part of a new \$62.5 million project
 - Renovate and expand the student union
 - Bring up to current code
 - Enhance event and collaborative spaces

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
Revenue Bonds	\$ -	\$3.9	\$17.3	\$24.0	\$6.3	\$51.5
University Funds	3.5	7.5	-	-	-	\$11.0
Total	\$3.5	\$11.4	\$17.3	\$24.0	\$6.3	\$62.5

\$ in millions

Article 6, Section 2

- Annual debt service of \$3.7 million
 - Total cost of \$112.3 million
 - Assumes 30 years and 6% interest
 - Supported by student union fees & retail leases for vendors occupying the space
 - Assumes new leases would also help defray cost of new debt
 - Specific information on assumptions not provided

Article 6, Section 2

- URI Memorial Union
 - Built in 1953, with additions in 1963 & 1991
 - Home to over 180 student groups
 - Retail space is occupied by Dunkin Donuts, RI Credit Union, Total Image Hair Salon, the Campus Store and an optometrist
 - Auxiliary Enterprise – RIGL 16-59-9 requires auxiliary operations to be self-supporting
 - Operating budget of \$5.6 million for FY 2020 and a staff of 32.2 FTEs

Article 6, Section 2

Memorial Union	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$5.5	\$5.7	\$5.4	\$5.6
Personnel	\$3.3	\$3.4	\$3.6	\$3.7
Operating	\$1.4	\$1.5	\$1.4	\$1.5
Debt Service	\$0.3	\$0.3	\$0.3	\$0.3
Expenses	\$5.0	\$5.2	\$5.3	\$5.5
Operating Balance	\$0.5	\$0.5	\$0.1	\$0.1
Debt Service as % of Expenses	6.4%	5.4%	6.1%	5.6%

\$ in millions

Article 6, Section 2

- URI Memorial Union
 - Supported primarily by student fees and retail leases
 - Total FY 2020 revenues of \$5.6 million
 - FY 2020 budget assumes \$350 student fee
 - Up \$12 from FY 2019
 - Every \$10 increase equates to ~ \$130,000 in revenue

Revenues	FY 2019	FY 2020
Student Fees	\$4.5	\$4.6
Leases/Other	0.9	0.9
Total	\$5.4	\$5.6

\$ in millions

Article 6, Sections 2

- Issues
 - How will debt service costs be covered?
 - How much would come from fees?
 - Current fee yield suggests an increase of \$285 or 81% if there are no other revenues assumed
 - What info does RIHEBC require regarding this?
 - What other revenues are assumed?
 - How many new leases?
 - What are operating costs for new building?
 - Assumes \$11.0 million from auxiliary funds
 - Are balances sufficient for schedule presented?

Article 6, Section 3

- URI Fraternity Circle Master Plan Implementation
 - Authorizes borrowing \$2.1 million
 - Improvements to fraternity & sorority houses
 - Walkways; site lighting; recreational amenities
 - Annual debt service of \$0.2 million
 - Total cost of \$3.7 million
 - Assumes 20 years and 6% interest
 - Supported by general revenues, tuition & fees
 - 2nd phase of improvements to Fraternity Circle

Article 6, Section 3

- First phase authorized by 2015 Assembly
 - Utilities, storm water mgmt. systems, street/parking lot improvements
 - \$5.4 million from revenue bonds supported by general revenues, tuition & fees
 - Annual debt service of \$0.4 million
 - Final terms were 20 years and 2.6% interest
 - Planned completion in FY 2020

Article 6, Section 3

- URI is planning a new fee for fraternities & sororities with houses on campus
 - Difference would be from general revenues, tuition & fees
 - At least 16 houses would be assessed
 - Suggests need for approx. \$10,000 assessment
 - Could be lower if debt service is lower or if fee is spread among more entities

Article 6, Section 4

- URI Combined Health & Counseling Center
 - Authorizes borrowing \$26.9 million
 - Part of a \$32.9 million project
 - Construct new 49,000 sq. ft. centralized location for physical, mental, & emotional health

	FY 2019	FY 2020	FY 2021	Total
Revenue Bonds	\$-	\$7.8	\$19.1	\$26.9
University Funds	2.2	3.8	-	\$6.0
Total	\$2.2	\$11.7	\$19.1	\$32.9

\$ in millions

Article 6, Section 4

- Annual debt service of \$2.0 million
 - Total cost of \$58.7 million
 - Assumes 30 years and 6% interest
 - To be paid from student fees and billings to insurances
 - FY 2020 budget assumes \$542 student health fee
 - Up \$18 from FY 2019
 - Every \$10 increase equates to ~ \$130,000 in revenue

Health Services Revenue	FY 2019	FY 2020
Student Fees	\$6.9	\$7.1
Insurance Billing	1.2	1.8
Other	0.2	0.2
Total	\$8.2	\$9.1

\$ in millions

Article 6, Section 4

- University Health Services
 - Currently in Potter Building
 - Primary care, emergency services, health education and wellness programs
- Counseling Center
 - Currently in Roosevelt Hall
 - Emergency & referral services, group counseling and outreach

Article 6, Section 4

- Both operations have staffing & medical record responsibilities
 - Operating budget of \$9.1 million for FY 2020 with a staff of 51.3 FTE
- Efficiencies across operations expected
 - Anticipated completion in FY 2021
- Value of these efficiencies not known
 - Will this help defray debt service?

Article 6, Section 4

Health & Counseling	FY 2017	FY 2018	FY 2019	FY 2020
Revenues	\$8.2	\$8.8	\$8.2	\$9.1
Personnel	\$6.0	\$6.0	\$6.5	\$6.6
Operations	\$1.4	\$1.3	\$1.6	\$1.7
Debt Service	\$0.1	\$0.1	\$0.1	\$0.8
Expenses	\$7.4	\$7.4	\$8.2	\$9.1
Operating Balance	\$0.7	\$1.4	-	-
Debt Service as % of Expenses	1.4%	1.5%	1.2%	8.8%

\$ in millions

Article 6, Sections 4

■ Issues

- How will debt service costs be covered?
 - How much would come from fees?
 - Current fee yield suggests an increase of \$154 or 28%
- Are other revenues assumed?
 - What info does RIHEBC require regarding this?
- What are operating costs for new building?
- Assumes \$6.0 million from pay-go aux sources
 - Are balances sufficient for schedule presented?

Article 6, Sections 2-4

URI Unrestricted Debt Service	GO	RIHEBC	ESCO	Total
FY 2014	\$20.2	\$3.2	\$2.4	\$25.8
FY 2015	\$19.2	\$3.2	\$1.7	\$24.0
FY 2016	\$8.5	\$3.0	\$1.7	\$13.3
FY 2017	\$15.5	\$3.4	\$2.0	\$20.9
FY 2018	\$22.8	\$3.0	\$1.8	\$27.6
FY 2019 Rev.	\$29.0	\$3.9	\$2.0	\$34.9
FY 2020 Gov.	\$30.5	\$4.9	\$2.1	\$37.6

\$ in millions

Article 6, Sections 2-4

URI Aux Debt Service	Dorms	Ryan/ Boss	Dining	Parking	Other	Total
FY 2014	\$10.9	\$2.8	\$1.1	\$1.0	\$0.6	\$16.4
FY 2015	\$10.6	\$2.8	\$1.1	\$0.9	\$1.4	\$16.8
FY 2016	\$10.6	\$2.8	\$1.1	\$0.9	\$1.4	\$16.8
FY 2017	\$10.8	\$2.7	\$1.1	\$0.9	\$1.2	\$16.7
FY 2018	\$7.9	\$2.0	\$0.8	\$0.9	\$1.0	\$12.6
FY 2019	\$9.6	\$2.4	\$1.0	\$1.1	\$1.1	\$15.1
FY 2020	\$12.9	\$2.4	\$1.1	\$1.1	\$1.7	\$19.2

\$ in millions

Article 6 - Debt Management Act Joint Resolution

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<i>Subtotal</i>	\$80.5	\$5.9	
<i>Certificates of Participation</i>			
High Security Center	\$45.0	\$4.3	General Revenue - 15 yrs., 5%
Total	\$125.5	\$10.2	

\$ in millions

Article 6, Section 5

- DOC High Security Center
 - Authorizes borrowing \$45.0 million
 - Authorization describes a \$60.0 million project
 - Identifies \$15.0 million coming from RICAP
 - No specific enumeration of that support in budget
 - Single asset protection project for whole Department
 - Conflicting information on out-year savings
 - Original out-year estimates suggest short timeframe now noted as incorrect & timeline is 3yrs
 - Other details provided suggest RICAP is for \$5 million per year from FY 2021-FY 2023

Article 6, Section 5

- DOC High Security Center
 - Annual debt service of \$4.3 million
 - Total cost of \$66.2 million supported by general revenues
 - Assumes 15 years and 5% interest
 - Approved plan includes \$250,000 for feasibility study of all DOC facilities that has not been completed
 - Expected completion April 2019
 - FY 2019 budget included \$1.5 million in OT savings assuming study would produce cost savings

Article 6, Section 5

- Article identifies “age and poor design” as reason for significant upgrades to achieve
 - New housing with operational improvements
 - Potential expansion
 - Improved program space
 - Reduced correctional officer/inmate ratios
 - Energy/maintenance efficiencies
 - Increased officer security

Article 6, Section 5

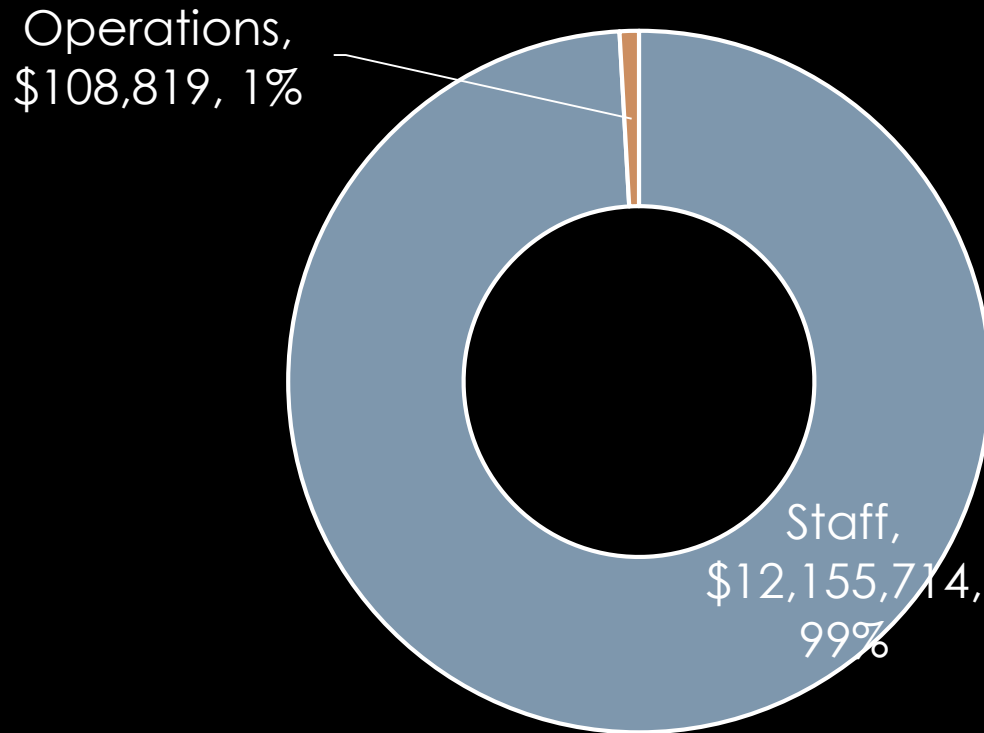
- DOC High Security Center
 - Built in 1981
 - For inmates that require close security
 - Pose a threat to safety, security & orderly operation of other facilities
 - Inmates in protective custody are housed at Intake Center
 - Inmate to staff ratio of 0.85 to 1
- Consistently offered for closure in DOC budget to meet target reductions

Article 6, Section 5

- High Security demographics on March 4
 - 84 sentenced offenders; 1 awaiting trial
 - 54 are in a security risk group
 - 40 gang affiliation
 - 8 management problem
 - 7 of these are in the Residential Treatment Unit
 - 4 escape risk
 - 42 (50%) w/ sentences between 5 & 10 years
 - Average time at High Security is 370 days
 - Range between 11 days and 17 ½ years

Article 6, Section 5

High Security Costs: FY 2019 Enacted



Article 6, Section 5

Facility	Capacity Total/Operating		Avg. Pop.	% of Total Cap.	Annual Cost/ Inmate
Minimum	710	708	278	39%	\$88,482
Medium	1186	1126	1,024	86%	\$58,943
Intake	1148	1118	842	73%	\$63,997
Maximum	466	411	412	88%	\$77,626
High Security	166	138	88	53%	\$183,411
Women's*	213	173	144	45%	\$118,538

*Based on FY 2018 data from DOC; *Excludes empty 100 bed facility*

Article 6, Section 5

- High Security can have up to 166 inmates
 - Per inmate costs include direct costs of staffing facility as well as a inmate related costs budgeted elsewhere
 - Food, medical, utilities, maintenance, programs, support staff
 - Does not include top admin staff or capital expenses
 - Published references to \$240k costs inaccurate
 - Underlying DOC calculations have been corrected

Fiscal Year	Cost	Number of Inmates	Cost Per Inmate
2016	\$14,700,834	96	\$153,134
2017	\$15,645,235	93	\$168,228
2018	\$16,140,137	88	\$183,411

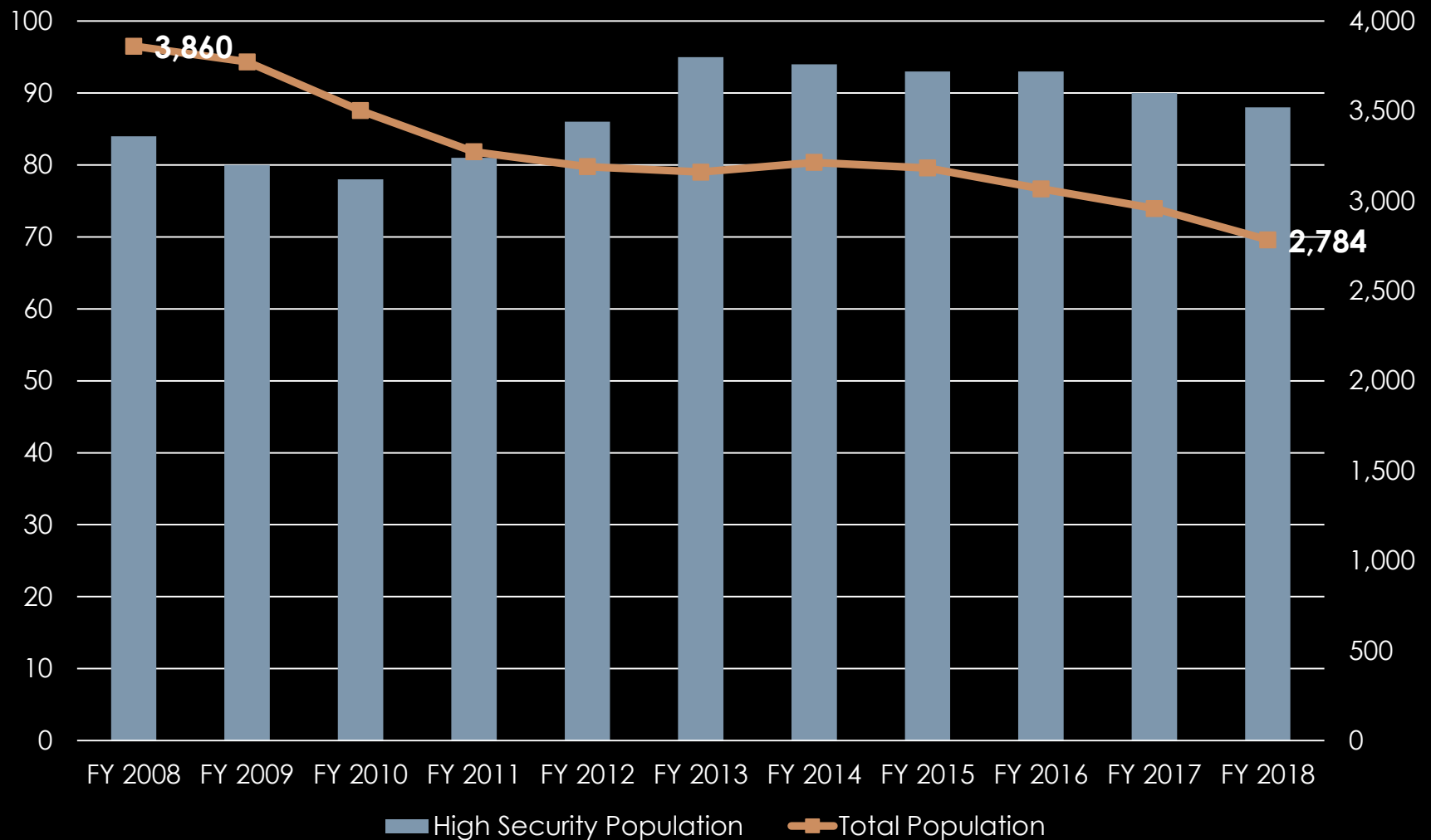
Article 6, Section 5

- High Security direct costs
 - These are the costs that are variable by facility and impacted by design and staffing patterns

Fiscal Year	Cost	Number of Inmates	Cost Per Inmate
2016	\$11,844,295	96	\$123,378
2017	\$13,601,210	93	\$146,250
2018	\$13,719,697	88	\$155,906
2019 E	\$12,264,533	85*	\$142,611
2019 R	\$14,196,047	85*	\$165,070

*Avg. through Feb.; current number is 86;

Article 6, Section 5



Article 6, Section 5

- DOC High Security Center
 - Governor's budget includes savings of \$5.1 million which assumes
 - Moving 50 inmates to out-of-state facilities
 - Price based on MA equivalent of High Security
 - \$65,506
 - Moving 36 inmates to buildings with lower security classifications within DOC
 - Transferring High Security staff among those other buildings
 - Reduced overtime costs in other facilities

Article 6, Section 5

Budget Assumptions	Value	# of Inmates	Cost per Inmate
High Security FY 2020 Request	\$14,971,585	86	\$174,088
<i>Transfers and Placements</i>			
Transferred Staff OT Savings	(\$9,822,937)	36	n/a
Out of State Placements	3,275,300	50	\$60,179
Per Diem Savings	(266,350)		
Annual Savings	(\$6,813,987)	86	(\$79,232)
Oct. 1 Savings Gov.'s Budget	(\$5,110,491)	86	(\$59,424)

Article 6, Section 5

- RIGL 12-19-23
 - Unless otherwise provided, every person... sentenced to imprisonment shall be... imprisoned in the [ACI]
- RIGL 13-11-2
 - New England Interstate Corrections Compact
 - States may cooperatively use facilities & programs for programmatic and economic outcomes
- RIGL 13-11-3
 - Allows DOC director to contract with other states to secure similar transfer agreements

Article 6, Section 5

- Interstate transfer agreements are usually reciprocal
 - Currently 43 RI inmates are in other states & ACI houses 35 inmates from other states
 - If 1 for 1 exchange, no payments are made
 - Payment only occurs when not a 1 for 1 exchange
 - Generally per inmate/ per day charge set by receiving facility based on the cost to house the offender
 - There is precedent for other states negotiating similar arrangements

Article 6, Section 5

Facility	Feb. 2019 Pop.	% of Total Capacity	Empty Beds
Medium	948	80%	238
Maximum	390	84%	76
High Security	86	52%	80
Minimum	213	30%	297
Intake	820	71%	328

Article 6, Section 5

- Issues - changing assumptions
 - Capital budget programs most \$\$ in FY 2020 with smaller amounts through FY 2023
 - Out-year estimates originally suggested shorter time frame
 - Newer info suggest 36 months
 - How does this tie in with feasibility study?

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Capital Spend	\$45.0	\$5.0	\$5.0	\$5.0	-
Operating Impact - Out Year Forecast*	(\$5.1)	(\$6.8)	(\$6.8)	(\$1.7)	-

\$ in millions - * changed from earlier data

Article 6, Section 5

- Issues – changing assumptions
 - Drop in FY 2024 operating savings not clear
 - Debt service payments begin in FY 2020
 - Savings only exceed payments for 4 years?
 - Other info suggests breakeven savings over long term

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Debt Service	\$1.1	\$4.3	\$4.3	\$4.3	\$4.3
Operating Impact - Out Year Forecast*	(\$5.1)	(\$6.8)	(\$6.8)	(\$1.7)	-

\$ in millions - * changed from earlier data

Article 6, Section 5

- Issues - logistics
 - How long is process to empty the facility?
 - Are the out-of-state placements available?
 - Have inmates been assessed for suitability for lower classification?
 - What will staffing be like during that process?
 - Transportation
 - How will inmates get to out of state facilities?
 - Budget does not account for staff costs to accompany inmates during transfers

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 by \$231.6 million to \$1,686.2 million
 - 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

Funding Considerations – Debt Ratios

- Debt as a percent of personal income would decrease from 3.1% in FY 2018 to 2.3% into FY 2024
- Likely to be higher based on projects being added

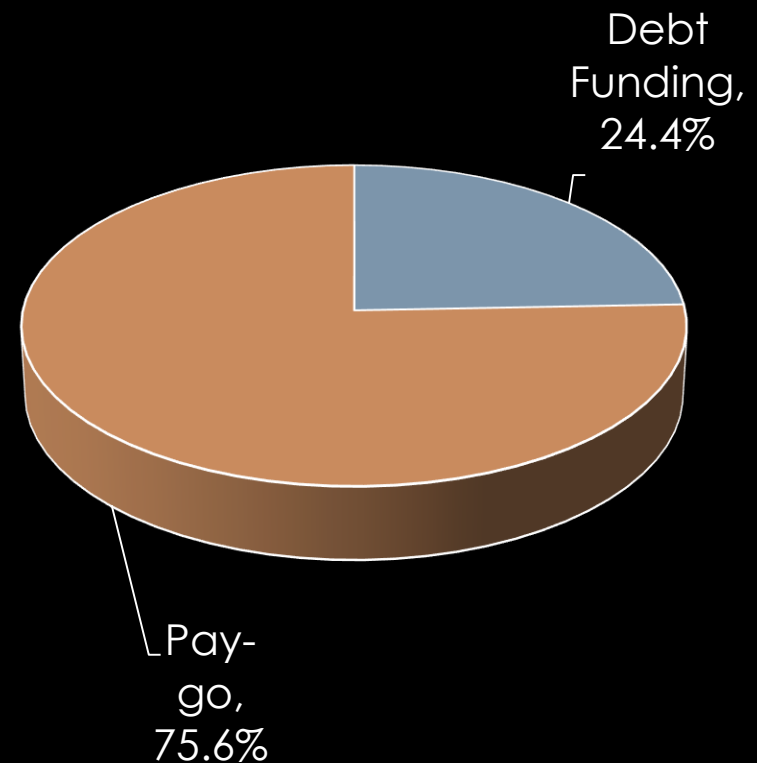
Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2019	\$212.7	5.3%
2020	\$250.7	5.9%
2021	\$270.1	6.3%
2022	\$257.1	5.8%
2023	\$256.4	5.7%
2024	\$262.3	5.7%

*Millions

Capital

- FY 2020 – FY 2024
- \$5.3 billion outlays
 - Average \$1,064.2 million per year
 - \$1,297.0 million from financing
 - \$4,024.2 million from current revenue



Assembly Role

- Appropriate Pay-Go
- Approve General Obligation Bond Referenda
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner)
 - Approve or reject resolution
 - Generally appropriate debt service

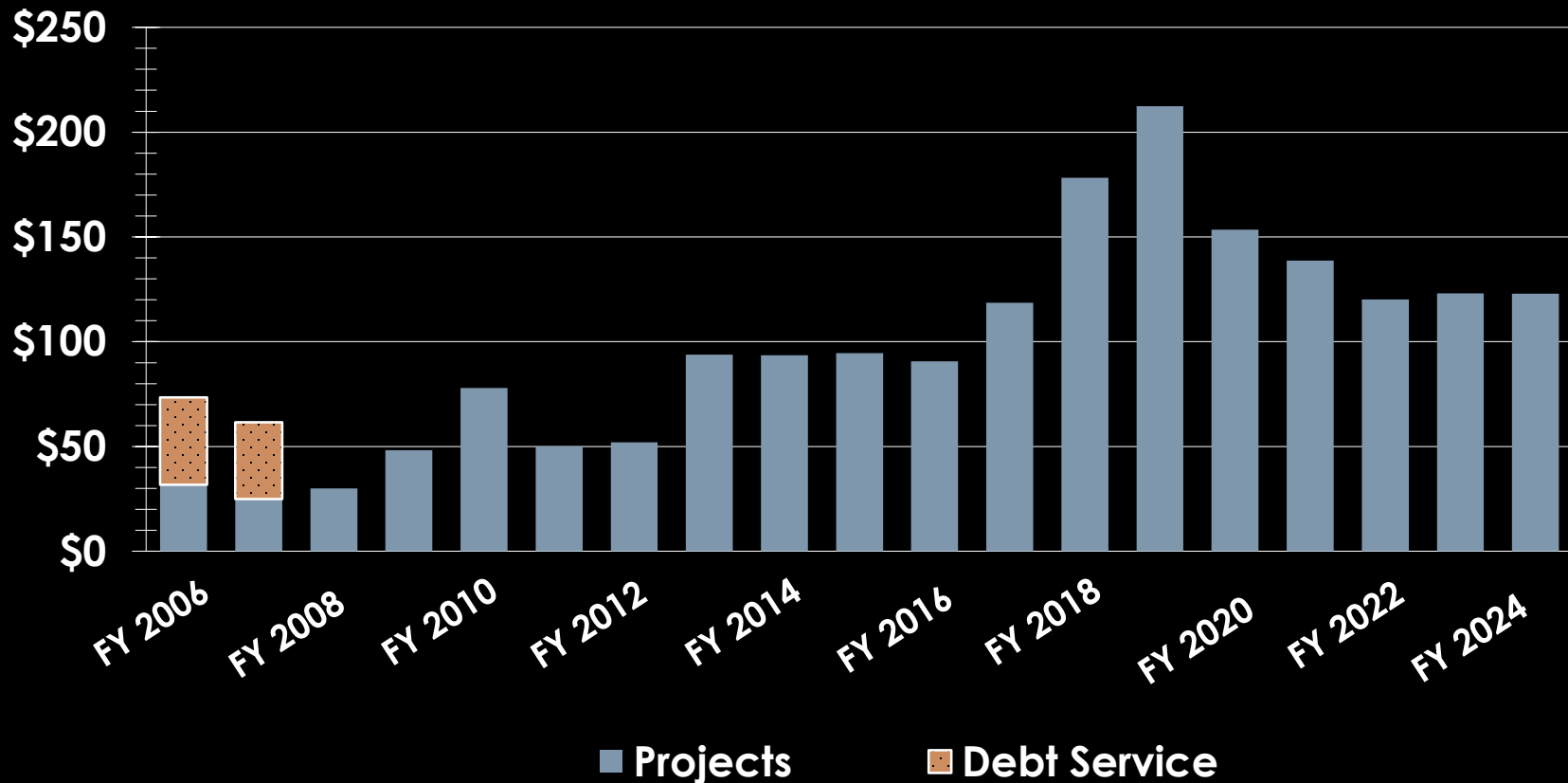
Rhode Island Capital Plan Funds

- 1990 Assembly set up the “rainy day” fund to ensure adequate cash and budget reserves
- Voter referendum in November 1992
- Largest source of state funded pay-go
- State spending limited to 97.0% of general revenues
 - FY 2013 was end of 5-year move from 98.0%

Rhode Island Capital Plan Funds

- Remainder goes to Budget Stabilization & Cash Reserve Account
- When that reaches 5.0%, excess flows to the capital account
- Previously used mostly to pay debt
- Voters amended constitution in 2006 to limit use for projects only
- Dedication of pay-go sources to capital lessens need to issue debt

Rhode Island Capital Plan Funds



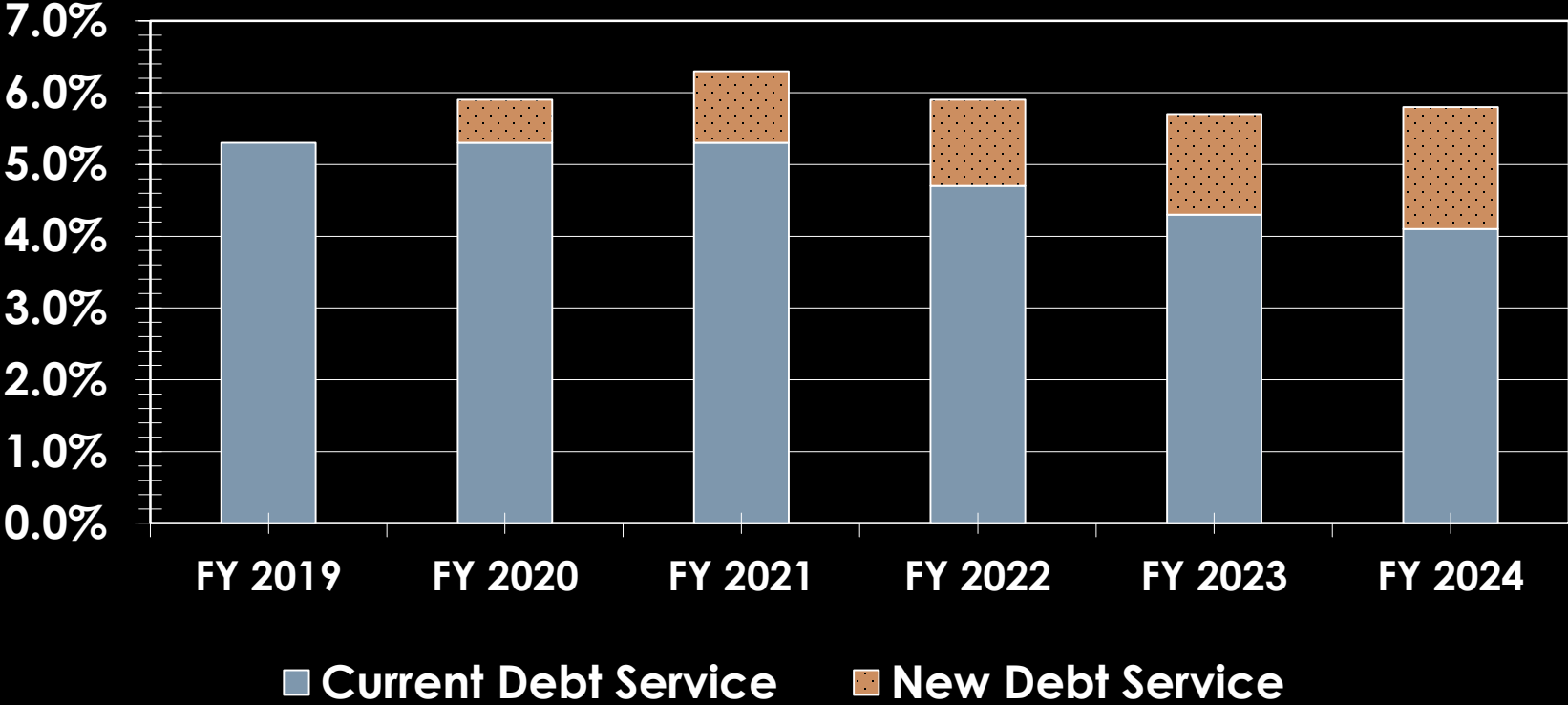
Rhode Island Capital Plan Funds

- Resources in the Fund have grown over time
- Being used for its intended purpose: lowering the state's borrowing needs
 - Annual \$27.2 million is being used in lieu of borrowing to match federal transportation funds

Rhode Island Capital Plan Funds

- \$658.5 million for FY 2020 – FY 2024
- Approximately \$132 million annually
 - 27% for Transportation
 - 20% for Higher Education
- Improvements for state buildings
 - Courts, prisons, hospitals
- State facilities
 - Dams, piers, parks
- Designed to extend the life of facilities
 - Prevent the need for costly replacements

Debt Service as Percent of Useable Revenues



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