

Governor's FY 2021 Budget: Articles

Staff Presentation to the House Finance
Committee
February 13, 2020

Introduction

- Article 4 – Debt Management Act
 - Sec. 2: Enterprise Resource Planning IT System
 - Sec. 4: Eleanor Slater Hospital – Regan
 - Sec. 5: DPS - Southern Barracks
 - Sec. 6 & 7: DOT Projects
- Article 5 – Capital Development Program
 - Question 1: Higher Education Facilities

Assembly Role

- Appropriate Pay-Go
 - (Articles 1 of 7170 & 7171)
- Approve General Obligation Bond Referenda
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner)
 - 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
 - More pay-go equals less future debt service

Funding Considerations

- State's overall debt structure
 - Net tax supported debt would decrease by \$19.9 million to \$1,917.2 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

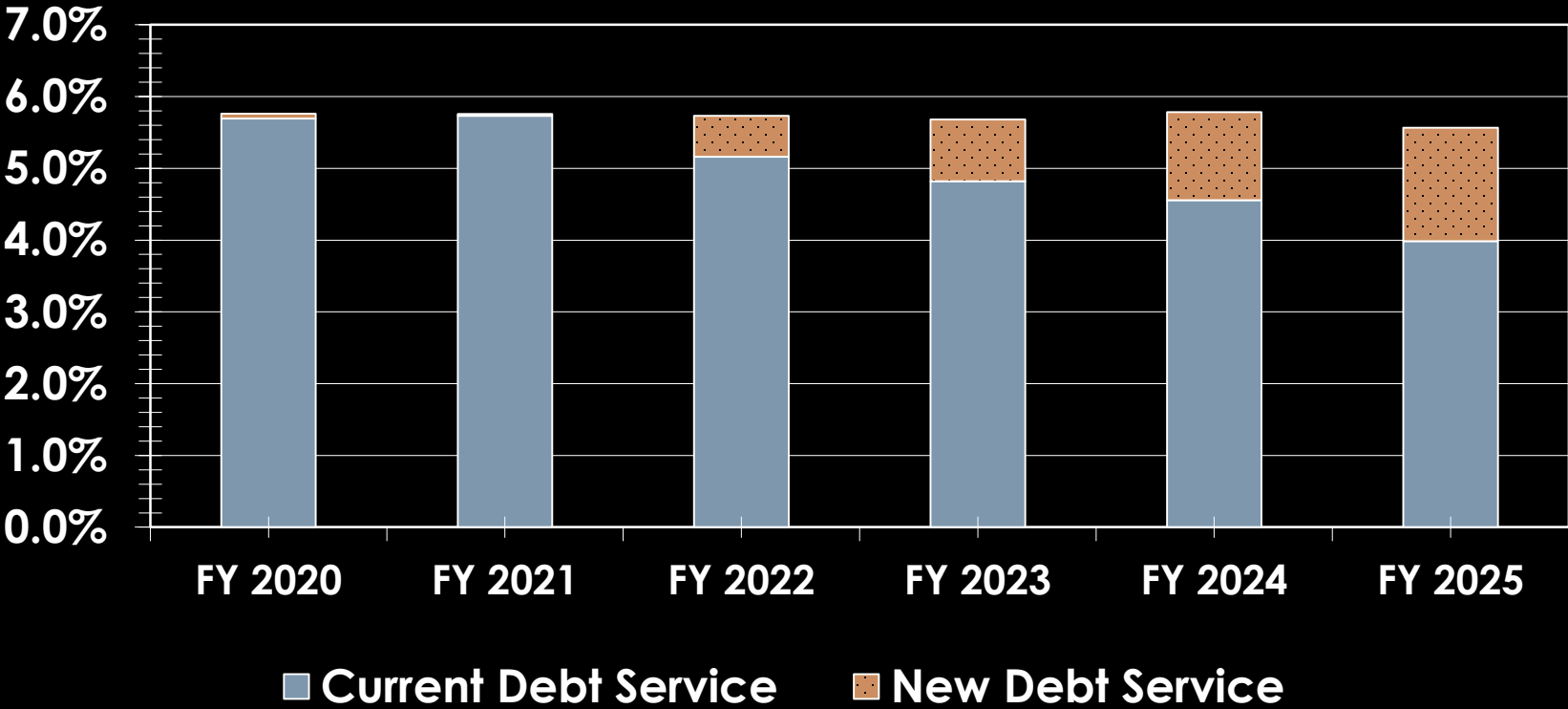
- Debt as % of personal income
 - Drop from 3.1% in FY 2019 to 2.6% in FY 2025
 - Likely to be higher as projects are added
- Treasurer's January debt capacity letter
 - Update to PFMB Debt Affordability Study
 - Bond capacity for 2020 ballot: \$208.3 million
 - Appears to assume faster issuance schedule than typical
 - Treasurer updated letter on Feb. 11
 - Liability would remain within recommended levels based on projected issuance schedule

Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2020	\$243.4	5.8%
2021	\$252.7	5.8%
2022	\$261.8	5.8%
2023	\$265.5	5.8%
2024	\$276.0	5.9%
2025	\$267.7	5.6%

\$ in millions

Debt Service as Percent of Useable Revenues



Article 4 – 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 4 – 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 4 – Debt Management Act Joint Resolution

Debt Type/Project	Amount	Annual Debt	Source
<i>Certificates of Participation</i>			
Enterprise Resource Planning IT	\$54.8	\$2.9 - \$8.7	General Revenues
<i>Child Welfare IT System (topic not covered tonight)</i>	17.0	2.0	
Eleanor Slater Hosp. – Regan	12.0	1.0	
Southern Barracks State Police	35.0	2.9	
Subtotal	\$118.8		
<i>Motor Fuel Revenue Bonds</i>			
Henderson Bridge & Other	\$64.2	\$2.0 - \$7.3	Gas Tax
Total	\$183.0		

\$ in millions

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

- FY 2018 Single Audit Report
 - Issued April 2, 2019 by Auditor General
 - Reported major deficiencies around information technology
 - *State has not sufficiently addressed IT security risks*
 - *State does not follow uniform enterprise-wide program change control procedures for the various information technology applications*
 - *Administration should propose an additional dedicated funding source for the Information Technology Investment Fund*

IT Investment Fund

- Information Technology Investment Fund
 - Created by 2011 Assembly for acquiring IT improvements
 - Hardware
 - Software
 - Maintenance
 - Designed to create pool of resources for projects instead of borrowing

IT Investment Fund

- 2011 Assembly dedicated land sale revenue to the Fund
- 2012 Assembly transferred \$9.0 million
 - Prior year surplus funds
- 2014 Assembly
 - \$26.3 million from tobacco refinancing
 - 10% of \$1 surcharge on wireless & land lines
 - Effective, July 1, 2015

IT Investment Fund

- 2017 Assembly allowed \$1.50 DMV surcharge into the Fund through FY 2022
 - For project-related payments, maintenance, and enhancements for Division's new IT system
- 2018 Assembly dedicated surcharges from certified vital records
- 2019 Assembly revised fees & distribution
 - Emergency & First Response phone charges, eff. October 1, 2019

IT Investment Fund

	FY 2019	FY 2020 Rev.	FY 2021
Balance	\$8.5	\$6.3	\$(1.4)
New Receipts	4.5	10.1	10.4
Available Resources	\$12.9	\$16.4	\$9.0
DMV System	\$1.6	\$0.9	\$-
Real ID	1.9	-	-
Tax. System	-	2.9	-
E-Procurement	-	2.0	-
UHIP	-	1.6	-
Other Projects	3.1	10.3	10.6
Total Projects	\$6.7	\$17.7	\$10.6
Balance	\$6.3	\$(1.4)	\$(1.6)

\$ in millions

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

- Administration hired vendor to examine options & strategy for replacing systems
 - Report issued identifies reasons for modernization
 - Errors are occurring from non-integrated systems
 - Decision makers are unable to receive accurate information in a timely manner
 - Maintenance is becoming an issue
 - Employees familiar with systems are eligible or will retire

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

- Replacement is planned as cloud - based system
 - Not a system designed specifically for RI
 - State would purchase a service
 - Conform its business processes to use the system selected
 - Different components will be implemented over time

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

- Article authorizes new debt of \$54.8M
 - Human resources & payroll – decades old
 - Finance: RIFANS/Oracle – 2006
 - Systems nearing end useful lives
 - Grants management – no system
 - Multiple years to implement
 - During implementation operating costs includes \$18.9 million to be billed to user agencies
 - Through IT internal service fund – portion paid from non general revenues

Art. 4, Sec. 2 – Enterprise Resource Planning IT System

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total
Operating	\$1.5	\$3.3	\$3.3	2.7	\$2.6	\$2.7	\$2.8	\$18.9
Capital	-	17.9	18.4	17.9	0.6	-	-	54.8
Total	\$1.5	\$21.2	\$21.7	\$20.6	\$3.2	\$2.7	\$2.8	\$73.7

\$ in millions

- FY 2021 funding supports 2 positions & contracted services
- Annual debt service on \$54.8 million
 - Ranges from \$2.9 million to \$8.7 million
 - Assuming 2.75% interest & 7-yr. term
 - Beginning in FY 2022

Art. 4, Sec. 4 – Eleanor Slater Hospital – Regan Building

- 2018 Assembly authorized borrowing \$22.0 million for renovations to Regan
 - Part of \$49.9 million reorganization plan to bring Eleanor Slater Hospital into compliance with federal requirements
 - Proposed May 2018
 - Renovate 3 units for psychiatric patients
 - Upgrade 1 medical unit
 - New IT & data systems
 - New elevators, roof, flooring, masonry, furniture

Art. 4, Sec. 4 – Eleanor Slater Hospital – Regan Building

- Section 4 authorizes state to borrow another \$12.0 million for Regan building
 - Would bring total to \$61.9 million
 - Regan component originally \$42 million of the total
 - ~ 30% increase over approved plan
 - Provide services to approximately 110 patients
 - Result of formal projections developed in the summer of 2019
 - Unclear if these will change again

Art. 4, Sec. 4 – Eleanor Slater Hospital – Regan Building

Floor	Purpose	# of Beds	Original Plan	New
1 st	Main entry/kitchen	N/A	\$6.4	\$3.5
2 nd	Medical /staff space	N/A	3.1	3.1
3 rd *	Psychiatric Unit	26	5.3	5.2
4 th /5 th	Psychiatric Unit	52	10.6	10.4
6 th *	Medical Unit	28	3.0	5.0
Other Major Items			6.0	21.2
Design & Contingency			7.6	5.6
Total		106	\$42.0	\$53.9

\$ in millions - 3rd floor was 27 and 6th floor was 26 in original plan

Art. 4, Sec. 4 – Eleanor Slater Hospital – Regan Building

- Multiple versions of this project over past decade
- Different combinations of new and reused space

5-Year Plan	Total Cost
FY 2021 – FY 2025	\$61.9
FY 2020 – FY 2024	\$49.9
FY 2019 – FY 2023	\$23.8
FY 2018 – FY 2022	\$5.7
FY 2017 – FY 2021	\$1.0
FY 2016 – FY 2020	\$3.2
FY 2015 – FY 2019	\$22.9
FY 2014 – FY 2018	\$38.4
FY 2013 – FY 2017	\$36.1
FY 2012 - FY 2016	\$28.2

\$ in millions

Art. 4, Sec. 4 – Eleanor Slater Hospital – Regan Building

Buildings	Beds	Feb. Census	% of Total Capacity	Bed Plan
Regan	106	38	35.8%	106
Benton	52	47	90.4%	52
Meyer	108	49	45.4%	Close
Pinel	Closed			
Zambarano	189	92	48.7%	189
Total	455	226	49.7%	347

Art. 4, Sec. 4 – Eleanor Slater Hospital – Regan Building

- Timeline assumes emptying building in September 2020
 - Medical & psychiatric patients to Adolph Meyer
 - Move 13 patients who are on ventilators to another licensed facility
 - Pending State Properties Committee approval
 - Plan is contingent upon moving these patients
 - Capital plan assumes \$1.5 million to lease space
 - December 2021 reopen

Art. 4, Sec. 4 – Eleanor Slater Hospital – Regan Building

	Pre-FY 2020	FY 2020	FY 2021	FY 2022	Total
RICAP	\$7.9	\$3.0	\$12.0	\$5.0	\$27.9
COPS Issued	1.8	8.2	12.0	-	22.0
Subtotal	\$9.6	\$ 11.2	\$24.0	\$5.0	\$49.9
New COPS	-	-	12.0	-	12.0
Total	\$9.6	\$11.2	\$36.0	\$5.0	\$61.9

\$ in millions

- Annual debt service is \$1.0 million on new issuance
 - Assuming 2.75% & 15 yr. term

Art. 4, Sec. 4 – Eleanor Slater Hospital – Regan Building

Terms	Approved Plan	Updated Plan	Total
Principal	\$22.0	\$12.0	\$34.0
Interest	8.4	2.8	11.2
RICAP	27.9	-	27.9
Total	\$58.3	\$14.8	\$73.1

\$ in millions

Department of Public Safety: Background

- Department of Public Safety
 - Divisions include
 - Central Management
 - E-911
 - Capitol Police
 - Sheriffs
 - Municipal Police Training Academy
 - State Police

Department of Public Safety: Background

- State Police Headquarters
 - Scituate – also houses other DPS operations
 - Completed in 2011
 - \$26.3 million from RICAP
 - 2002 voters approved \$48.1 million bond for division-wide consolidation of facilities
 - Bond language required “more centrally located”
 - \$11.4 million spent but concept abandoned after multiple delays, cost escalation
 - Was over 100k square feet proposal

Department of Public Safety: Background

- 2019 Assembly provided \$0.8 million from RICAP for State Police Master Plan
 - FY 2019 and FY 2020
 - Included an assessment of State Police barracks
 - Total spend as of 02/13: \$0.5 million
 - Expected to conclude end of February 2020

Department of Public Safety: Background

- Department's preliminary findings
 - Some current barracks are not feasible for continued use
 - No longer located along main thoroughfares of the state
 - Environmental health issues
 - Not ADA compliant
 - Inadequate security and technology infrastructure
 - Expensive to maintain

Art. 4, Sec. 5 - Southern Barracks State Police

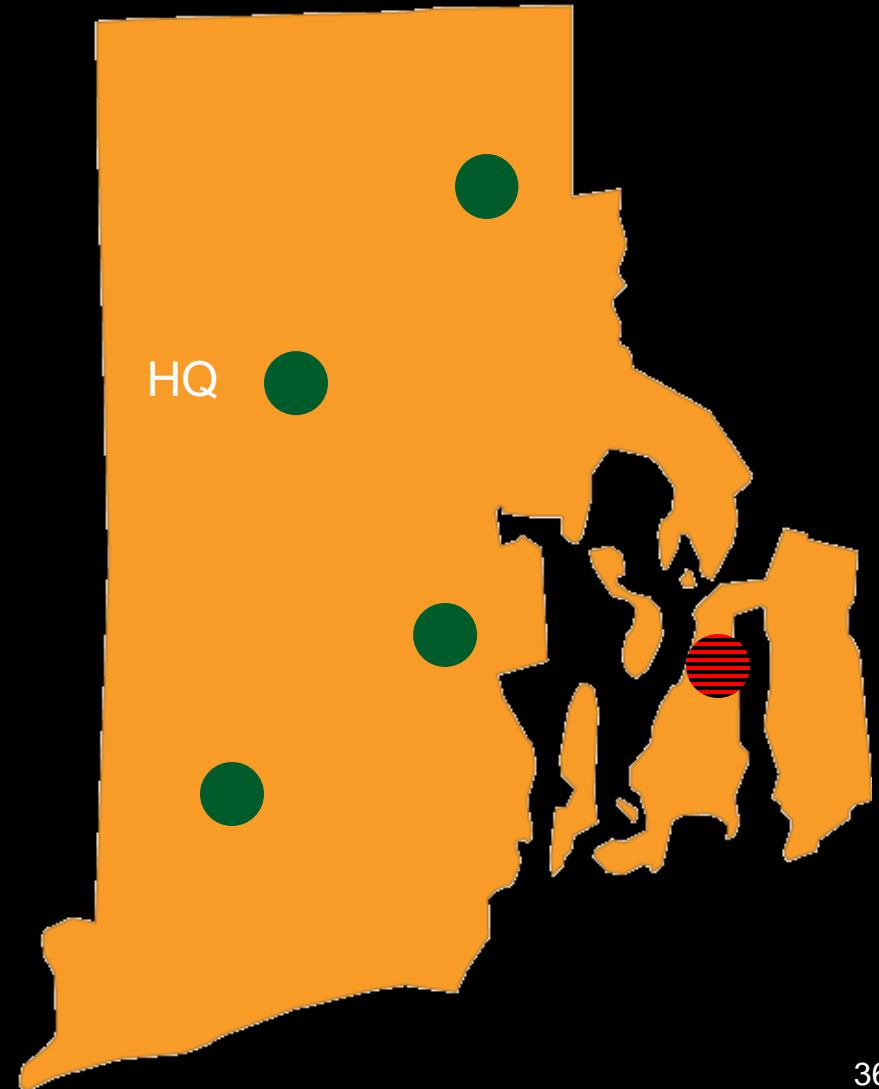
- Governor's proposal
 - *“Consolidation of services provided by the Wickford, Hope Valley, and Portsmouth barracks by constructing one consolidated modern southern barracks at approximately 38,000 square feet to accommodate 80 sworn Division personnel located in a centralized area of the State.”*

Art. 4, Sec. 5 - Southern Barracks State Police

- Southern Barracks
 - \$35.0 million from Certificates of Participation
 - Estimated total cost \$43.2 million
 - Annual debt service \$2.9 million
 - Assumes interest rate of 2.75 % & 15-year term
 - Final payment occurring in FY 2036
 - 38,000 square feet
 - Expected to hold 80 sworn personnel
 - Current HQ is 55,000 square feet
 - 135 staff

Article 4, Sec. 5 - Southern Barracks State Police

- Current State Police Locations
 - Scituate - HQ
 - Lincoln
 - Hope Valley
 - Wickford
 - Portsmouth
 - Closed since 2012



Article 4, Sec. 5 - Southern Barracks State Police

- Proposed new location
 - Route 95 Exit 7
 - New London Turnpike
 - Near the Park and Ride
 - Pending DOT and FHWA approval
- Wickford & Hope Valley stay open
 - During construction only



Art. 4, Sec. 5 - Southern Barracks State Police

Capacity/Sq. Ft	Current		Proposed	
	Count	Sq. Ft	Count	Sq. Ft
Scituate - HQ	135	55,000	135	55,000
Lincoln	40	11,670	40	11,670
Hope Valley	29	4,160	-	-
Wickford	32	3,544	-	-
Southern	-	-	80	38,000
Total	236	74,374	255	104,670

GARVEE Debt

- Financing mechanism
 - GARVEE program approved by Congress
 - Allows states to borrow funds backed and repaid by annual allocation of Federal Highway Administration construction funds
- State issued GARVEE
 - 2003 – \$710 million for 5 major projects
 - 2016 - \$300 million for bridge replacement
 - Refinance balance of 2003 issuance
 - 2019 - \$200 million for Interstate 95 North Viaduct

GARVEE

- 2003 Assembly authorized \$710 million for 5 major projects
 - I-195 relocation, Sakonnet River Bridge, Washington Bridge, Freight Rail Improvement, and Route 403
 - 2.0-cent from gasoline tax for state match
 - Refinanced over years – lowered debt
 - Required to transfer full value of 2.0-cent
 - \$5M - \$6M million excess funds with Trustee
 - Reserved to demolish Old Sakonnet River Bridge

GARVEE Debt

FY	2003 & 2006	2019	Total
2020	\$57.5	\$-	\$57.5
2021	\$57.5	\$18.0	\$75.5
2022	\$57.5	\$18.0	\$75.5
2023	\$57.5	\$18.0	\$75.5
2024	\$57.5	\$18.0	\$75.5
2025	\$42.5	\$18.0	\$60.5
2026	\$42.5	\$18.0	\$60.5
2027	\$42.5	\$18.0	\$60.5
2028	\$42.5	\$18.0	\$60.5

FY	2003 & 2006	2019	Total
2029	\$42.5	\$18.0	\$60.5
2030	\$42.5	\$18.0	\$60.5
2031	\$42.5	\$18.0	\$60.5
2032	\$-	\$18.0	\$18.0
2033	\$-	\$18.0	\$18.0
2034	\$-	\$18.0	\$18.0
2035	\$-	\$18.0	\$18.0

\$ in millions

Gasoline Tax

- 2014 Assembly indexed gas tax to CPI , every other year
 - Adjusted twice since

Disposition	FY 2015	FY 2016	FY 2018	FY 2020
Department of Transportation	18.25	19.25	19.25	20.25
RI Public Transit Authority	9.75	9.75	9.75	9.75
Turnpike & Bridge	3.5	3.5	3.5	3.5
Department of Human Services	1.0	1.0	1.0	1.0
UST Fund	0.5	0.5	0.5	0.5
Total (in cents)	33.0	34.0	34.0	35.0

Art. 4 – Sec. 6 & 7 – DOT Projects

- Authorization to issue new debt of \$64.2 million through revenue bonds
 - Match federal funds DOT received for Henderson Bridge & other projects
- Debt service supported by gas tax
 - Extend use of 2.0-cent for debt to FY 2036
- Debt from 2003 project is lower
 - \$38.2 million outstanding from 2003 authorization

Gasoline Tax

Fiscal Year	Per Penny Yield*	2-Cent MFR
2011	\$4.210	\$8.420
2012	\$4.206	\$8.412
2013	\$4.137	\$8.275
2014	\$4.236	\$8.473
2015	\$4.396	\$8.793
2016	\$4.479	\$8.958
2017	\$4.417	\$8.835
2018	\$4.493	\$8.986
2019	\$4.637	\$9.274

* In millions

Gasoline Tax Debt

FY	2003	Art. 4	Total
2020	\$5.4	\$-	\$5.4
2021	\$5.4	\$-	\$5.4
2022	\$5.4	\$2.0	\$7.3
2023	\$5.4	\$2.0	\$7.3
2024	\$5.4	\$2.0	\$7.3
2025	\$4.9	\$2.4	\$7.3
2026	\$4.9	\$2.4	\$7.3
2027	\$1.6	\$5.7	\$7.3
2028 - 2036		\$7.3	\$7.3

\$ in millions

Art. 4 – Sec. 6 & 7 – DOT Projects

- Henderson Memorial Bridge and Expressway
 - Constructed in 1969
 - Spans Seekonk River between East Prov. and Providence
- East Prov. reduced to 3 lanes
 - 2 westbound and 1 eastbound
 - Based on current and projected future traffic volumes

Art. 4 – Sec. 6 & 7 – DOT Projects

- Providence
 - Waterman Street ramp will be realigned and reduced to 1 lane
 - New Waterfront Drive
- Total project cost is \$88.5 million
 - \$70.0 million for construction

Art. 4 – Sec. 6 & 7 – DOT Projects

- Rehabilitation of I-195 Washington Bridge North
 - Construction of new bridges and other structures
 - Carry traffic from Gano Str. onto I-195 Westbound
 - Carry traffic from Taunton Avenue & Veterans Memorial Parkway
 - Restriping
 - Total project cost of \$70 million
 - Construction \$53.0 million

DOT – Projected Debt Payments

FY	Current	New	Total
2020	\$97.3	\$-	\$97.3
2021	\$117.2	\$-	\$117.2
2022	\$118.7	\$2.0	\$120.7
2023	\$118.3	\$2.0	\$120.2
2024	\$113.2	\$2.0	\$115.1
2025	\$94.4	\$2.4	\$96.8
2026	\$94.0	\$2.4	\$96.4
2027	\$84.4	\$5.7	\$90.2
2028	\$77.0	\$7.3	\$84.2

FY	Current	New	Total
2029	\$77.0	\$7.3	\$84.2
2030	\$77.0	\$7.3	\$84.2
2031	\$67.4	\$7.3	\$74.7
2032	\$24.9	\$7.3	\$32.2
2033	\$21.1	\$7.3	\$28.4
2034	\$19.6	\$7.3	\$27.0
2035	\$18.5	\$7.3	\$25.9
2036	\$-	\$7.3	7.3

\$ in millions

New Requested Debt – GO November 2020

Ballot Questions	Amount	Annual Debt
Higher Education	\$117.3	\$9.4
Environment & Recreation	64.0	5.1
Housing, Cultural, Infrastructure	87.5	7.0
Total	\$268.8	\$21.6

\$ in millions

- Assumes 5% rate and 20-year term

New Requested Debt - GO

Q1: Higher Education	Amount
URI Fine Arts Center	\$57.3
RIC Clarke Science Building	38.0
CCRI Renovations and Modernization	12.0
Center for Ocean Innovation	10.0
Total	\$117.3

\$ in millions

Article 5, Question 1

- URI Fine Arts Center
 - \$57.3 million for second phase of work to the Fine Arts Center
 - Recommendation also includes \$5.0 million of private funding
 - Funds to construct new buildings and renovate interior of performance spaces
 - First phase funded with \$14.9 million from RICAP through FY 2020
 - HVAC and exterior envelope repairs

Article 5, Question 1

- URI Fine Arts Center
 - Annual debt service - \$4.6 million
 - Total cost - \$93.6 million
 - Assuming 5% and 20-year term
 - Supported by general revenues

Article 5, Question 1

- RIC Clarke Science Building
 - \$38.0 million to renovate building
 - Science, technology, and other high demand program facilities
 - Part of Academic Building Renovations Phase III
 - Requested \$95.0 million, included Fogarty Building

Article 5, Question 1

- Prior RIC Academic Building phases approved by voters
 - 2012 - \$50.0 million Phase I - Craig Lee & Gaige, nursing addition for Fogarty Life Sciences Building, repurposing Adams Library
 - 2018 - \$25.0 million Phase II – Horace Mann Hall

Article 5, Question 1

- RIC Clarke Science Building
 - Annual debt service - \$3.0 million
 - Total cost - \$62.1 million
 - Assuming 5% and 20-year term
 - Supported by general revenues

Article 5, Question 1

- CCRI Renovation and Modernization
 - \$12 million GO Bond
 - Annual debt service - \$1.0 million
 - Total cost - \$19.6 million
 - Assuming 5% and 20-year term
 - Supported by general revenues
 - Called “first” phase in Governor’s capital budget book but not in legislation
 - No additional phases contemplated in five-year plan

Article 5, Question 1

- CCRI Renovation and Modernization
 - \$12.0 million bond for campuswide work
 - CCRI requested \$255.4 million for 4 phases of work
 - Recommendation also includes \$28.0 million from Rhode Island Capital Plan funds
 - Funding programmed FY 2022 – FY 2025
 - Comprehensive work
 - Student services spaces, classrooms, laboratories, general repairs, replacing outdated technology, and energy efficiency

Article 5, Question 1

- CCRI Capital Projects
 - Community College has 9 current and proposed projects in Governor's capital plan
 - \$137.4 million total funding; \$76.6 million in five-year period
 - \$115.0 million from RICAP, \$72.8 million of which is in five-year period
 - Reflects 6 projects

Article 5, Question 1

CCRI RICAP Funded Projects	FY 2020 & Prior	FY 2021 – FY 2025	Total
Asset Protection	\$24.4	\$13.0	\$37.4
Data Cabling/Power Infrastructure	0.5	13.2	13.7
Lincoln Infrastructure	-	12.5	12.5
Knight Campus Renewal	16.6	3.5	20.1
Knight Campus Labs	0.8	2.6	3.4
Total	\$42.3	\$44.8	\$87.1

\$ in millions

Article 5, Question 1

- Master Plan Process
 - Goody Clancy engaged in FY 2019 to develop facility master plan
 - \$561,000 from College funds
 - Expected fall 2019, public release February 11
 - Dated January 2020
 - Findings recommended
 - Additional space
 - Upgrades to certain key spaces
 - Infrastructure replacement for building systems i.e. HVAC

Article 5, Question 1

- Center for Ocean Innovation
 - \$10.0 million from GO funds to develop a center
 - Not part of any agency capital request
 - Funds for construction, renovation, or acquisition of facilities as well as infrastructure
 - Also for equipment to support the creation, incubation, exploration, testing, prototyping, piloting, & deployment of undersea & other maritime technologies

Article 5, Question 1

- Center for Ocean Innovation
 - Annual debt service - \$0.8 million
 - Total cost - \$16.3 million
 - Assuming 5% and 20-year term
 - Supported by general revenues
 - DOA assigned as administrator of project
 - Similar to Innovation Campus bond of 2016
 - Joint venture between URI and Commerce
- Pending Long-Term Econ Dev Plan
 - Drafts note Blue Economy
 - Due in December

Governor's FY 2021 Budget: Articles

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February 13, 2020
