

Governor's FY 2021 Budget: Articles

Staff Presentation to the House Finance
Committee
March 4, 2020

Introduction

- Article 1, Section 20 RIHEBC Transfer
- Article 10 - Education
 - Except Sections 7 and 9
- Article 5, Question 3
 - Early Childhood Care & Education

Article 10 Introduction

Article 10 - Education

- RIHEBC support for SBA
- School mental health professionals aid
- Multilingual learner aid
- Universal prekindergarten
- Transition plans
- Governance & data
- Early Childhood Care & Education
Capital Fund

RIHEBC Support for School Building Authority

- 2018 Assembly created restricted receipt account financed by RIHEBC
 - Origination fees on municipal bonds
 - Limited to 1/10th of 1% of principal amount
 - Other school construction financing vehicles
 - Its own reserves
- Beginning July 1, 2018, this supports 4.0 School Building Authority positions

RIHEBC Support for School Building Authority

- Currently, “one-time or limited” SBA expenses can be directly paid by RIHEBC
 - Article removes this expense restriction
 - Governor’s budget does not assume shifting existing operating expenses to Corporation funds
 - Would appear in Corporation’s expenses rather than appropriations act

RIHEBC Support for School Building Authority

- Article expands potential sources of RIHEBC funds for state
 - Investment income generated by state & municipal funds held in trust
- Increases fee from 1/10th of 1% of principal borrowed to 1%
 - Increases cost of financing to local districts
 - State reimburses portions of the cost through school construction aid

RIHEBC Support for School Building Authority

	RIHEBC Restricted Receipts	Funded FTEs
FY 2019 Spent	\$737,734	4.0
FY 2020 Enacted	\$771,165	4.0
FY 2020 Revised	\$775,492	4.0
FY 2021 Governor	\$1,008,882	6.0
Chg. to Enacted	\$237,717	2.0

H 7171 Quasi Public Agency Transfers

Quasi Transfers	FY 20	FY 20 R	Chg.	FY 21	2Yr Chg.
Resource Recovery	\$ -	\$5.0	\$5.0	\$5.0	\$10.0
RI Housing	1.5	1.5	-	1.1	1.1
IB/MRBF	4.0	12.9	8.9	5.0	13.9
RISLA	1.5	1.5	-	2.0	2.0
QDC	1.2	1.2	-	-	-
NBC	-	-	-	2.0	2.0
RIHEBC	-	-	-	1.0	1.0
Quasi Total	\$8.2	\$22.1	\$13.9	\$16.1	\$30.0
Other Transfers	5.0	7.8	2.8	-	2.8
Grand Total	\$13.2	\$29.9	\$16.7	\$16.1	\$32.8

\$ in millions

H 7171 Quasi Public Agency Transfers

- Recent proposals for transfers from the Rhode Island Health and Educational Building Corporation

RIHEBC Transfers	Proposed	Enacted
FY 2016	\$5,000,000	\$ -
FY 2017	\$5,000,000	\$ -
FY 2018	\$1,200,000	\$6,000,000
FY 2019 Revised	\$2,000,000	\$ -
FY 2021	\$1,000,000	

Article 1, Section 20: RIHEBC Transfer

- RIHEBC
 - Issues tax-exempt bonds for non-profit health and education institutions
 - Provides direct grants and loans to smaller entities
 - Provides financing for state's school construction aid program
 - Disburses payments from School Building Authority Capital Fund

Article 1, Section 20: RIHEBC Transfer

- RIHEBC also funds School Building Authority staff
 - \$0.7 million in FY 2019 for 4.0 FTE
 - Governor recommends
 - \$0.8 million for FY 2020 for 4.0 FTE
 - \$1.0 million for FY 2021 for 6.0 FTE
 - Funding derived from fee of one-tenth of 1% on new school construction bonds & reserves
 - Article 10 would increase available funding

Article 1, Section 20: RIHEBC Transfer

- \$1.0 million from RI Health & Educational Building Corporation by June 30, 2021
- Excluding School Building Authority funds, the Corporation ended FY 2019 with a reserve balance of \$5.1 million

Article 1, Section 20: RIHEBC Transfer

Fiscal Year	Transfer to General Fund	SBA Staff	Total
2006	\$3,700,000	\$ -	\$3,700,000
2009	\$1,100,000	-	\$1,100,000
2010	\$1,000,000	-	\$1,000,000
2011	\$1,000,000	-	\$1,000,000
2018	\$6,000,000	-	\$6,000,000
2019	-	\$737,734	\$737,734
2020 Gov. Rev.	-	\$775,492	\$775,492
2021 Governor	\$1,000,000	\$1,008,882	\$2,008,882
Total	\$13,800,000	\$2,522,108	\$16,322,108

School Resource Officers

- 2018 Assembly authorized 3-year funding for school resource officers
- Reimbursement for 1/2 cost of new SROs
 - Limited to
 - 1 SRO for schools with less than 1,200 students
 - 2 SROs for schools with more than 1,200 students
 - \$0.2 million spent in FY 2019
 - \$0.3 million recommended for FY 2020
 - \$0.5 million cost expected for FY 2021

School Resource Officers

- Article 10 would expand eligibility for funding to new mental health staff
 - Guidance counselors, student assistance counselors, social workers & school psychiatrists
- Article does not change sunset for aid
 - New funding only available for FY 2021
 - Districts must commit to supporting the new positions beyond FY 2021

School Mental Health Staff

- Governor includes \$2.0 million
 - \$1.0 million from general revenues, \$1.0 million from Opioid Stewardship funds
 - \$0.5 million would support SROs
 - \$1.5 million for new mental health staff
- Expansion limited to appropriation
 - If requests exceed the appropriation, RIDE will prioritize reimbursements
 - Not prorated like other aid categories
 - Unclear how timing would work

English Language Learners

- Categorical funding for evidence-based programs proven to increase outcomes
 - Monitored by RIDE
 - Based on criteria determined by Commissioner
 - Wide discretion
- 2017 Assembly made category permanent
 - Previously enacted for FY 2017 only

English Language Learners

- Calculation is 10% of core instruction amount, adjusted for state share ratio

Example:

Calculation

<u>10% of Core Instruction amount</u>	<u>10% x \$10,310</u>
	\$1,310
<u>x Number of Eligible Students</u>	<u>29</u>
	\$37,990
<u>x State Share Ratio</u>	<u>64.8%</u>
	<u>\$24,617</u>

English Language Learners

- Article renames this aid category for “multilingual” learners
 - Not defined
 - Appears aid can support native English speakers in immersion or bilingual programs
- Governor includes \$7.5 million
 - \$2.5 million more than enacted
 - Maintains current law calculation

English Language Learners

- Outlines specific uses for funds
 - New bilingual classrooms & programs
 - Increase capacity of multilingual educators & ESOL certified educators
 - Ongoing training to those certified teachers
 - Training
 - School administrators about multilingual learners
 - General ed. teachers to be certified in ESOL
 - Instructional coaches & special ed. support staff to serve multilingual students

Universal Prekindergarten

- 2008 Assembly authorized pilot prekindergarten program
 - Launched in 2009
 - Served 126 4-yr olds in low income areas
 - Funded via early childhood aid category
- RIDE received a federal grant to expand pre-k classrooms in FY 2015
 - \$19 million with state match commitments
 - Five-year grant ended FY 2019

Universal Prekindergarten

- Enacted budget includes \$14.9 million for early childhood aid category
 - Replaced expiring federal funds
 - Fully-fund existing classrooms & expand access

Source	FY 2017	FY 2018	FY 2019	FY 2020*
Early Childhood Aid	\$5.2	\$6.2	\$6.2	\$14.9
Federal Funds	5.1	5.6	5.6	1.3
Other	-	-	1.1	-
Total	\$10.3	\$11.8	\$12.9	\$16.2

* Federal funds for committed contract expenses, not available for seats

Universal Prekindergarten

- FY 2020: 78 classrooms serving 1,420 children
 - 18 to 20 children per classroom
 - 13 communities
- Most seats done by lottery
 - Parents apply by July 1 of each year
 - Child must be 4 by September 1
 - Must reside in one of the identified communities
 - Apply online or mail-in

Universal Prekindergarten Classrooms

Community	2015	2016	2017	2018	2019	2020
Bristol-Warren	-	-	-	-	-	1
Central Falls	1	3	4	5	5	5
Coventry	-	-	-	-	-	2
Cranston	1	2	3	3	4	9
East Providence	-	1	8	8	8	9
Johnston	-	-	1	1	1	1
Newport	2	3	3	3	2	2

Universal Prekindergarten Classrooms

Community	2015	2016	2017	2018	2019	2020
North Providence	-	-	1	1	1	1
Pawtucket	-	-	3	4	6	7
Providence	7	14	20	22	20	21
Warwick	2	2	2	2	3	5
West Warwick	2	3	4	4	3	4
Woonsocket	2	5	7	7	7	11
Total	17	33	56	60	60	78

Universal Prekindergarten

- Article 10 establishes universal pre-k
 - Voluntary participation
 - Program to expand until it serves demand
 - Every 4-year-old for whom a seat is sought
 - Universal = 70% of 4 year olds enrolled in a high-quality program
- Governor's plan assumes adding 750 high quality prekindergarten seats in FY 2021
 - Counts on using federal funds again

Universal Prekindergarten

- Budget proposes \$19.6 million from general revenues
 - \$4.8 million more than enacted
 - \$3.3 million from shifting support for district-run classrooms to the funding formula
- Expansion assumes use of \$3.0 million from new federal funds awarded to DHS
 - Inadvertently excluded from the budget
 - State funds cover 430-480 new seats
 - Depends on class size

Universal Prekindergarten

- Students in district pre-k classrooms would be added to funding formula
 - Impacts 5 districts for FY 2021

	Central Falls	Cranston	East Prov.	Johnston	Pawtucket
State Share -FY21	94.6%	56.1%	57.1%	47.2%	80.4%
Current Seats	90	18	160	18	72
FY 2020 PreK Aid	\$927,602	\$170,133	\$1,525,518	\$190,000	\$765,170
Aid per Student	\$10,307	\$9,452	\$9,534	\$10,556	\$10,627
FY 2021 Gov.	\$1,202,128	\$122,641	\$1,130,197	\$103,248	\$769,114
Aid per Student	\$13,357	\$6,813	\$7,064	\$5,736	\$10,682
Chg. Aid/Student	\$3,050	\$(2,638)	\$(2,471)	\$(4,820)	\$55
Total Change	\$274,526	\$(47,492)	\$(395,321)	\$(86,752)	\$3,944

Universal Prekindergarten

- No limit to expansion of district pre-k classrooms
 - Must be approved by RIDE
 - Out-year estimates assume \$3.0 million more formula aid yearly from growth in pre-k
 - Actual costs would depend on district requests for new classrooms & per pupil core instruction amount
 - Funding available for expansion or willingness to expand without first year funding
 - Appears to assume prior year enrollment shows up in following year formula aid

Universal Prekindergarten

FORMULA AID TIMELINE

January 2020 - Gov budget based on March 2019

March 15, 2020 – Updated enrollment data collected

FY 2021 budget adopted based on March 2020 enrollment

NEW PRE-K CLASSROOMS

March 31, 2020 - Applications for new pre-k programs/classrooms due

April 28, 2020 - Tentative announcement of selected pre-k programs

July 1, 2020 - Lottery for pre-k seats for Aug/Sept opening

Universal Prekindergarten

- DHS awarded 3-year preschool development grant in December 2019
 - Includes early childhood education aid as matching funds
- General revenues would be needed in out-years to replace federal funds
 - Out-years assume annual \$3.0 million for growth in district-run classrooms only
 - Categorical aid held flat at \$16.3 million annually

Universal Prekindergarten

- RIDE to promulgate rules and regs for implementing program
 - Work with DHS, other state agencies & private charities to ensure pre-k providers meet licensing & facility standards

Transition Plans

- LEAs required to develop transition plans for pre-k students moving to kindergarten
 - Strategies for students and families
 - Programmatic strategies for schools and educators

Governance & Data

- RIDE, DHS & Children's Cabinet would work to identify
 - Federal funds to support early learning
 - Ways to improve state systems so they are aligned to the same goals
- Requires continued investment in the Early Childhood & Education Data System
 - Centralizes early learning data
 - No funding in operating budget

Early Childhood Capital Fund

- Article establishes Early Childhood Care & Education capital fund
 - Makes it a restricted receipt account
 - Sources are
 - Dedicated general obligation bond proceeds
 - Article 5, Question 3
 - Charitable donations
 - Not included in the capital budget
 - Administered by DHS
 - Promulgate rules & regulations

Early Childhood Capital Fund

- Competitive grants for early childhood education providers for capital improvements
 - Providers must demonstrate
 - Need for project
 - Financial need
 - Benefits to low income children & communities
 - Local support

Early Childhood Capital Fund

- Eligible facilities must be owned, leased or otherwise used by an eligible organization
 - DHS licensed provider or local education agency
 - Must serve or commit to serving low-income families
 - Leases must be for a minimum of 15 years
 - No prescribed consequence if lease is broken or provider closes

Early Childhood Capital Fund

- Eligible projects include:
 - Acquisition
 - Design
 - Construction
 - Repair
 - Renovation
 - Rehabilitation
 - Other capital improvements
 - Deferred maintenance for eligible facility

Early Childhood Capital Fund

- Capital funds could also be used for
 - Technical assistance to providers for capital planning & application assistance
 - Administrative costs
 - DHS can contract with a community partner to administer the program
- Article does not set limits
 - Per project minimum or maximum
 - Provider or local match requirements

Early Childhood Capital Fund

- Would support public & private providers
 - School districts are already eligible for state funding through the school construction aid
 - Minimum state share: 30% for charters & 35% for districts
 - 2018: Temporary 5% bonus for educational enhancements, including early childhood
 - Projects must begin by December 31, 2022 & be completed by December 31, 2027
 - Costs for all educational enhancements must be 25% of total project costs or \$500,000 to qualify

Early Childhood Capital Fund

- Not clear how grants to districts would impact school housing aid
 - Article does not require School Building Authority participation

New Requested Debt - GO

Q3: Housing, Cultural, Infrastructure	Amount	Annual Debt
Housing Opportunities	\$25.0	\$2.0
Port of Davisville Infrastructure at Quonset	20.0	1.6
Industrial Site Development	21.5	1.7
<i>Early Childhood Care & Education</i>	15.0	1.2
Cultural Arts & the Economy Grants	5.0	0.4
State Preservation Grants	1.0	0.1
Total	\$87.5	\$7.0

Early Childhood Care & Education

- \$15.0 million of new GO bonds would support Early Childhood Care and Education capital fund
 - Capital budget assumes \$5.0 million in each FY 2022, FY 2023 & FY 2024
- Fund established in Section 8 of Article 10
 - Not contingent upon referendum approval

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

Assumes 5% rate & 20 year term
\$ in millions

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

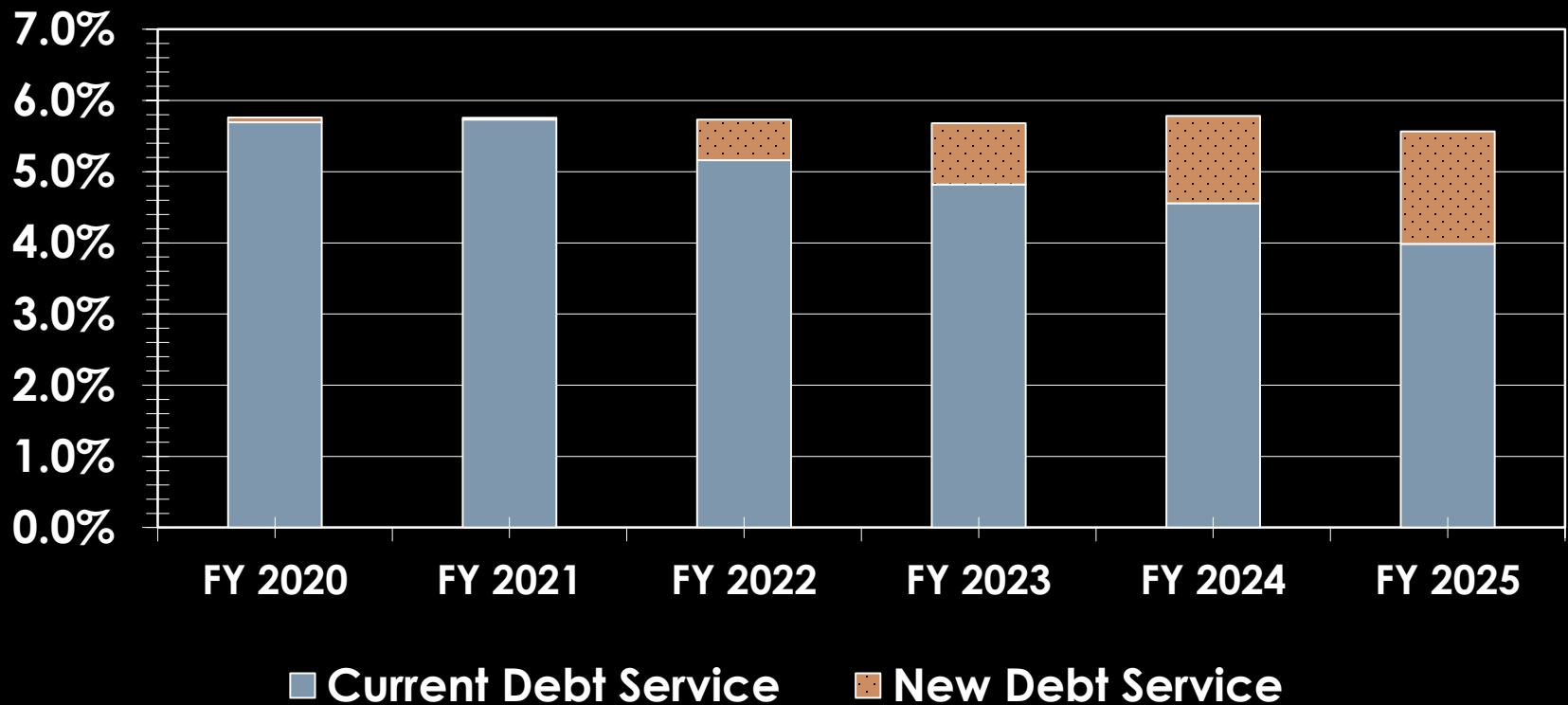
- Debt as % of personal income
 - Drop from 3.1% in FY 2019 to 2.6% in FY 2025
 - Likely to be higher as projects are added
- Treasurer's January debt capacity letter
 - Update to PFMB Debt Affordability Study
 - Bond capacity for 2020 ballot: \$208.3 million
 - Appears to assume faster issuance schedule 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



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