

Governor's FY 2012 Budget: Articles



Staff Presentation to the House
Finance Committee

March 22, 2011

Introduction

- Five Articles today
 - ◆ Article 3 – Budget Reserve Fund
 - ◆ Article 15 – Land Sales
 - ◆ Article 36 – State Leases
 - ◆ Article 38 – Retiree Health Care Trust Fund
 - ◆ Article 42 – Tax Anticipation Notes

Article 3 – Budget Reserve Fund

- Enacted budget includes \$22.0 million to pay back rainy day funds borrowed in FY 2009
- General Laws requires payback the next year – 2010 Assembly allowed 1 yr delay
- This article delays payment from FY 2011 to FY 2013

Article 3 – Budget Reserve Fund

- Uses the \$22.0 million to create surplus to be carried into FY 2012
- Structural issue for FY 2013 when funds will have to be appropriated
- Resources available for Rhode Island Capital Plan Fund projects are lower in FY 2011 and FY 2012

Article 15 – Land Sales

- Require proceeds in excess of \$1.0 million from land sales to be deposited into the Rhode Island Capital Plan Fund
- Supports the notion that one-time funds be used for one-time expenditure
- Does not appear to have an impact on the FY 2012 budget
- FY 2010 and prior budgets had unachieved revenues from proposed land sales

Article 36 – State Leases

- Current law requires departments to obtain legislative approval before entering into:
 - ◆ Long-term lease; five years or more
 - ◆ Lease agreements in excess of \$0.5 million
- This article repeals the requirement

Article 36 – State Leases

- 28 state leases are in effect:
 - ◆ 3 are on a month-to-month basis
 - ◆ 3 are over the \$0.5 million threshold
 - ◆ 10 are over five years
- The article takes effect upon passage

Article 38 – Retiree Health Care Trust Fund

- 2008 Assembly created mechanism to fund OPEB benefits on actuarial basis
- Established a Board to oversee new Trust
- Created a restricted receipt account to pay for required valuations and asset management
- Included annual reporting, valuation and experience study requirement

Article 38 – Retiree Health Care Trust Fund

- Article 38 amends statutes based on Board recommendations
 - ◆ Clarifies authority with respect to contributions from quasi-public members of Fund
 - ◆ Removes Board's authority to interpret or decide claims for benefits or resolve disputes
 - ◆ Gives Board right to research, question, investigate and make recommendations to Department of Administration

Article 38 – Retiree Health Care Trust Fund

- Article 38 amends statutes based on Board recommendations
 - ◆ Delays submission of first annual report from January 2011 to February 2012
 - ◆ Changes valuation/experience schedule to every two years
 - ◆ Modifies the method of payment of administrative costs from the Fund

Article 38 – Retiree Health Care Trust Fund

- Modifies the method of payment of administrative costs from the Fund
 - ◆ Current laws limits to actuarial valuations and a share of investment manager fees (25 basis points of average total investments)
 - ◆ Article 38 sets a minimum transfer of \$200,000 from trust beginning in FY 2015
 - ◆ For FY 2011 – FY 2014 only the actual costs can be paid
 - ◆ Other costs could be legal fees and printing

Article 42 – Tax Anticipation Notes

- Allows state to borrow a maximum of \$350.0 million during FY 2012 for cash flow purposes in anticipation of tax receipts
- The note must be repaid by June 30, 2012

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