

Governor's FY 2016 Budget: Articles

Staff Presentation to the House Finance
Committee
April 14, 2015

Introduction

- Article 2 - Public Debt Management Act Resolution
- Article 6 – Education
- Article 7 – Higher Education Assistance Authority

Article 2 - Public Corporation Debt Management Act (Kushner Act)

- 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

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Article 2 - Public Corporation Debt Management Act (Kushner Act)

- Act requires Assembly approval of all new non-general obligation debt authorizations except in certain circumstances
 - Unless Governor certifies that federal funds will be available to make all payments
 - Even after Assembly has adjourned, Governor certifies an action is necessary to protect the physical integrity of an essential public facility

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Article 2 - Public Corporation Debt Management Act (Kushner Act)

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

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Article 2 - Public Corporation Debt Management Act (Kushner Act)

- \$5.1 million from revenue bonds
- URI's Fraternity Circle Infrastructure
 - Improvements to water distribution & storm water management systems, gas, electric, roadways, walkways & parking lots
- Annual debt service = \$0.4 million
- Total debt service = \$8.1 million
 - Supported by general revenues, tuition and fees

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Article 6 - Education

- Makes three changes
 - Transportation
 - Textbooks
 - Full-day Kindergarten

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Article 6 – Education: Transportation

- Funding provided to mitigate excess costs of transporting pupils to out-of-district non-public schools and within regional school districts
- Provided outside of the funding formula
 - As categorical funds

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Article 6 – Education: Transportation

- Article 6 removes requirement that municipalities provide transportation for students to non-public schools
 - Essentially shifts responsibility and cost to private schools
 - Municipalities may continue providing transportation, but no longer required

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Article 6 – Education: Transportation

- Enacted budget includes \$4.4 million
- FY 2016 includes \$2.4 million
 - Funding for regionalized districts only
 - \$2.0 million less than enacted
- Funding was expected to increase annually as funding formula is phased in

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Article 6 – Education: Transportation

- Total cost of non-public transportation is almost \$5.0 million each year
- State has been increasing its share
 - FY 2014: 30.6%, FY 2015: 49.0% of total
- Gov. includes no funding in FY 2016
- To fund at the FY 2015 level: restore \$2.0 million

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Article 6 – Education: Textbooks

- Current law requires districts to provide textbooks in certain subjects to all pupils, grade K-12, living in the district
- Currently, state reimburses districts for costs of providing textbooks in some subjects
- \$240,000 in FY 2015 enacted budget

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Article 6 – Education: Textbooks

- Article 6 eliminates:
 - Requirement to provide textbooks for non-public school students
 - The reimbursements allowed under the program
 - \$240,000 from general revenues
- Different from prior proposals
 - Requirement to provide textbooks was unchanged in prior proposals

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Article 6 – Education: Full-Day K

- Requires each municipality to offer full-day kindergarten to all eligible students to qualify for **any** state education aid
 - Beginning August 2016, which is FY 2017
- FY 2016 recommendation includes \$1.4 million to fund conversion to full-day K in all districts currently without

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Article 6 – Education: Full-Day K

- 7 School districts currently do not offer full-day kindergarten
 - Coventry, Cranston, East Greenwich, Johnston, North Kingstown, Tiverton, and Warwick
- Budget assumes that all implement full-day K in 2015-2016 school year
 - Not certain which districts will implement this year

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Article 6 – Education: Full-Day K

- Governor requested an amendment on April 6
- Adds provision that districts that do not offer full-day K in FY 2016 will be funded as if they had
- Intended to remove any financial obstacles to FY 2017 implementation of mandatory full-day K
- Unclear how this interfaces with existing start up funds

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Article 6 – Education: Full-Day K

- Governor includes \$250,000 for existing full-day Kindergarten start up program
 - One-time funding to assist districts implementing full-day Kindergarten
 - Consistent with FY 2015 enacted level
- Article 6 appears to remove language authorizing the start-up funding
 - Budget does not remove the funding

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Article 7 - HEAA

- Dissolves HEAA and transfers its duties, authority & resources
 - Authority and corporate existence ends on July 1, 2015
- Changes state scholarship program
- 2014 Assembly required administration to include a plan to allocate Authority programs to other agencies as part of the FY 2016 budget

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HEAA Background

- Authority created by law in 1977
- Governed by nine-member board
 - 8 appointed by governor for 5 - year terms:
 - Five members with educational or financial expertise
 - Three members with recommendation of educational associations
 - General Treasurer, ex-officio member
- Acts as guaranty agency under agreements with lenders and U.S. DoE

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HEAA Background

- Congress passed legislation ending subsidies to lenders and originating all loans directly w/ federal government effective July 2010
- Authority continues to manage existing remaining portfolio
 - Current estimation for loan portfolio extinguishment: 2-4 years

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HEAA Background

- Paid by federal government for default aversion activities
 - Historically generated enough income to support other agency programs
 - Operating reserves ~ \$28 million as of June 2014
- December 2013, federal budget significantly reduced guaranty agency revenue by approximately 50%

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HEAA Background

- Authority's FY 2015 revised and FY 2016 budget requests address declining revenues:
 - Privatize remaining guaranty work
 - Reduce staffing levels to 15.0 FTE from 22.0
 - Retain some staff to administer the contract
- Other states (Colorado, Georgia, and Maine) have transferred their loan portfolios to 3rd parties

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HEAA Background

- Scholarship and Grants
 - Need-based student financial assistance
- Tuition Savings
 - CollegeBoundfund is a qualified state tuition savings program
- Federal Loans
 - State's designated guaranty agency
 - Loan guarantees, application processing, repayment management, default aversion and collection, etc.

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WaytogoRI - Background

- WaytogoRI: free, Internet-based program to explore educational and career goals
 - Available to all public and many private schools
- HEAA has contract with XAP to host site and provide maintenance
 - Contract expires in June, 2016
- Funded from federal Guaranty sources

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CollegeBoundfund - Background

- Qualified state tuition savings program
- Fees paid primarily by out-of-state participants
 - Fees generated \$8.1 million in FY 2014
 - Primarily used to fund scholarships and grants program and administrative expenses
- 20 states have their Office of General Treasurer administer their 529 college savings (CollegeBoundfund) programs

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CollegeBoundfund - Background

- At September 25, 2014 meeting, Board approved new CollegeBound Baby Program
- AllianceBernstein pays \$100 for every baby born in Rhode Island each year
 - Approximately 11,000 a year
- There is no change to this program proposed in budget - not funded through state budget

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Scholarship and Grants - Background

- Need Based Scholarships and Grants
 - Established by statute in 1977; available only to Rhode Island residents
 - Eligibility and need determined from information submitted on the FAFSA
 - Statutory minimum \$250, maximum \$2,000
 - Board sets maximum
 - \$500 for FY 2015
 - Average award is \$435

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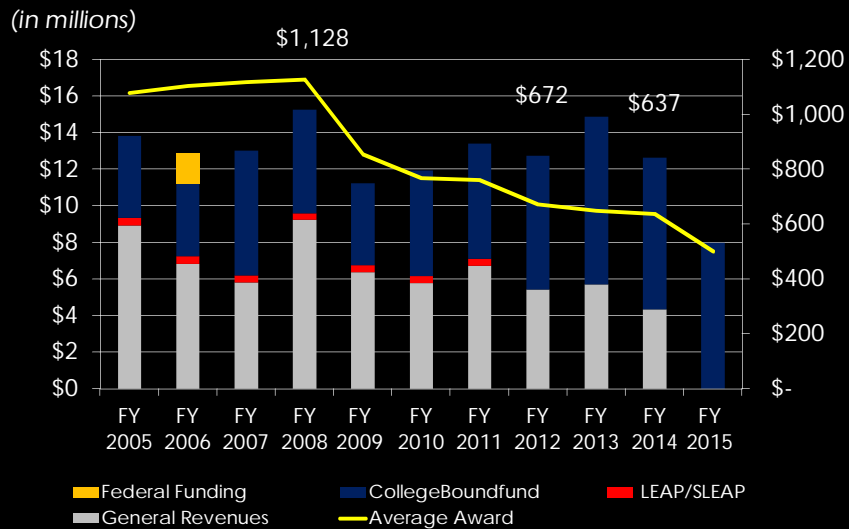
Scholarship and Grants - Background

Element	Statutory	Board Policy
Formula for calculating need	X	
Max/Min Award	X	
Amount of Award		X
Type of Institution (in state/out of state)	X	

Total funding is subject to appropriation

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Scholarship and Grants - Background



Scholarship and Grants - Background

- Awards first come, first served
- In FY 2014:
 - 18,355 students received awards
 - ~ 75% in-state
 - ~ 25% out-of-state
 - Average grant award of \$664
 - Covers 5% of average student's need
 - 52.2% of eligible recipients received awards

Scholarship and Grants - Background

Institution	FY 2014 Tuition and Fees	Percent Covered
Community College of Rhode Island	\$3,950	16.8%
Rhode Island College	\$7,602	8.7%
University of Rhode Island	\$12,506	5.3%
Bryant University	\$38,199	1.7%
Providence College	\$43,115	1.5%
Brown University	\$47,434	1.4%

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Scholarship and Grants - Background

- Most states do not award grants to students attending out of state schools
 - Vermont only other regional state
- Most states do not have reciprocal agreements with other states
 - Rhode Island has agreements with Massachusetts and Pennsylvania
 - Connecticut and Maine do not have reciprocal agreements
 - New Hampshire has no grant program

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Article 7 - HEAA

- Article 7 replaces state's need based scholarship and grants program formula and eligibility requirements with a more flexible state grant program under direction of Commissioner of Postsecondary Education
- Budget directs \$11.4 million to two new programs

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Article 7 - HEAA

- Removes eligibility and formula from law
- Eligibility "shall be determined by Office of the Postsecondary Commissioner"
- Number of awards "contingent upon the funds allocated"
- Office of Postsecondary Commissioner shall promulgate rules and regs.

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Article 7 - HEAA

- Last Dollar Scholarship - \$10.1 million
 - From tuition savings fees & reserve funds
 - Students w/academic performance & financial need
- Dual Enrollment Incentive - \$1.3 million
 - From tuition savings fees
 - For qualified high school students to earn college credit at no cost to the student
- Funding sources not identified in article

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Article 7 - HEAA

	FY 2015 Enacted	FY 2016 Gov.	Chg. To Enacted
Need-Based Scholarships	\$12.1	\$-	(\$12.1)
Last Dollar	-	10.1	10.1
Dual Enrollment	-	1.3	1.3
Total	\$12.1	\$11.4	(\$0.7)
Sources			
Tuition Savings Fees	\$8.0	\$7.4	(\$0.6)
Guaranty Agency Reserves	\$4.1	\$4.0	(\$0.01)
Total	\$12.1	\$11.4	(\$0.7)

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Article 7 - HEAA

Guaranty Agency Operating Reserves	
Balance as of June 2014	\$28.0
Last Dollar Scholarship FY 2016	(4.0)
FY 2017	(4.0)
FY 2018	(4.0)
FY 2019	(4.0)
FY 2020	(4.0)
FY 2021	(4.0)
FY 2022	(4.0)
Ending Balance FY 2023	\$0

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Article 7 - HEAA

- Law is silent but initial discussions indicate intent is for grants to go to in-state public institutions only
- Other questions not addressed in proposed legislation:
 - How and when will grants be determined?
 - Will other types of institutions be eligible for funds?
 - Out-of-state, private
 - Resources beyond reserves?

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Article 7 - HEAA

- Transfers all powers, duties, authority and resources of HEAA to
 - Council for Postsecondary Education
 - Establishes new Division of Higher Education Assistance
 - \$19.1 million and 15.0 full-time positions
 - Treasurer's Office
- Authority & its corporate existence end on July 1, 2015

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Article 7 - HEAA

Program	Authority/ Responsibility	Funding
Need-based scholarships and grants	OPC	OPC
Guaranty Agency	OPC	OPC
CollegeBoundfund	Treasurer*	OPC
WaytogoRI	OPC	OPC

*no funding or positions provided

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Article 7 - HEAA

- Amendment requested April 13
 - Governor to appoint members to New England Board of Higher Ed
 - Council on Postsecondary Education will be employer of record for division of higher education assistance
 - Council empowered to hold and operate property formerly held by Authority in trust for state
 - Corrects several typos and drafting errors

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