



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUDGET OFFICE
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Memorandum

To: The Honorable Steven M. Costantino
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: March 12, 2010

Subject: Revised Article 5 for FY 2011 Appropriations Act (10-H-7397)

The Governor requests Article 5 of the FY 2011 Appropriations Act entitled "Relating to Capital Development Program" be replaced with the attached version. The revised version amends the proposed ballot initiative for Higher Education Facilities by adding \$60.0 million of funding for the construction of a new nursing sciences building in Providence for the University of Rhode Island and Rhode Island College nursing programs, and eliminates the \$17.0 million of funding originally requested for the renovation and the construction of an addition to the Art Center at Rhode Island College. It is the Governor's intent to request funding from the Rhode Island Capital Plan Fund in FY 2012 to replace the G.O. Bond funding for the Art Center at Rhode Island College.

This new proposal is the result of efforts by the Board of Governors for Higher Education to address the need for new nursing training facilities in the most cost effective and collaborative manner possible. Original proposals from the Board requested \$50.0 million for a building at the University of Rhode Island and \$30.0 million for a building at Rhode Island College. This proposal merges these two separate buildings into one inter-institutional facility to be built in the "Knowledge District" in downtown Providence. Locating this new facility in this area will allow both nursing programs to take maximum advantage of a number of symmetries and collaborations emanating from the proximity to the state's major hospitals and the Brown University Medical School.

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If you have any questions regarding the revised article, please feel free to call me at 222-6300 or Susan LaPanne at 456-6005.

TAM:sm 10-26
Attachment

cc: Representative Robert A. Watson
Senator Dennis L. Algieri
Sharon Reynolds Ferland
Peter Marino
Tim Costa
Michael Cronan
Rosemary Booth Gallogly
Ray M. DiPasquale
Susan LaPanne
William Golas
Gregory Stack

ARTICLE 5

RELATING TO CAPITAL DEVELOPMENT PROGRAM

SECTION 1. **Proposition to be submitted to the people.** -- At the general election to be held on the Tuesday next after the first Monday in November 2010, there shall be submitted to the people for their approval or rejection the following proposition:

"Shall the action of the general assembly, by an act passed at the January 2010 session, authorizing the issuance of bonds, refunding bonds, and temporary notes of the state for the capital projects and in the amount with respect to each such project listed below be approved, and the issuance of bonds, refunding bonds, and temporary notes authorized in accordance with the provisions of said act?"

Project

(1) Higher Education Facilities \$131,900,000

Approval of this question will allow the State of Rhode Island to issue general obligation bonds, refunding bonds, and temporary notes in an amount not to exceed sixty million dollars (\$60,000,000) for the construction of a new nursing sciences building in Providence for the University of Rhode Island and Rhode Island College nursing programs, sixty one million dollars (\$61,000,000) for the construction of a new chemistry building at the University of Rhode Island, and ten million nine hundred thousand dollars (\$10,900,000) for renovations and modernization of infrastructure at Rhode Island College.

(2) Transportation \$85,000,000

Approval of this question will authorize the State of Rhode Island to issue general obligation bonds, refunding bonds, and temporary notes in an amount not to exceed eighty million dollars (\$80,000,000) to match federal funds and provide direct funding for improvements to the state's highways, roads, and bridges and five million dollars (\$5,000,000) for the construction of salt storage facilities.

SECTION 2. **Ballot labels and applicability of general election laws.** -- The secretary of state shall prepare and deliver to the state board of elections ballot labels for each of the projects provided for in section 1 hereof with the designations "approve" or "reject" provided next to the description of each such project to enable voters to approve or reject each such proposition. The general election laws, so far as consistent herewith, shall apply to this proposition.

SECTION 3. **Approval of projects by people.** -- If a majority of the people voting on the proposition provided for in section 1 hereof shall vote to approve the proposition as to any project provided for in section 1 hereof, said project shall be deemed to be approved by the people. The authority to issue bonds, refunding bonds and temporary notes of the state shall be limited to the aggregate amount for all such projects as set forth in the proposition provided for in section 1 hereof which has been approved by the people.

SECTION 4. **Bonds for capital development program.** -- The general treasurer is hereby authorized and empowered with the approval of the governor and in accordance with the provisions of this act, to issue from time to time capital development bonds in serial form in the name and on behalf of the state in amounts as may be specified from time to time by the governor in an aggregate principal amount not to exceed the total amount for all projects approved by the people and designated as "capital development loan of 2010 bonds" provided, however, that the aggregate principal amount of such capital development bonds and of any temporary notes outstanding at any one time issued in anticipation thereof pursuant to section 7 hereof shall not exceed the total amount for all such projects as have been approved by the people. All provisions in this act relating to "bonds" shall also be deemed to apply to "refunding bonds".

Capital development bonds issued under this act shall be in denominations of one thousand dollars (\$1,000) each, or multiples thereof, and shall be payable in any coin or currency of the United States which at the time of payment shall be legal tender for public and private debts. These capital development bonds shall bear such date or dates, mature at specified time or times, but not beyond the end of the twentieth state fiscal year following the state fiscal year in

which they are issued, bear interest payable semi-annually at a specified rate or different or varying rates, be payable at designated time or times at specified place or places, be subject to expressed terms of redemption or recall, with or without premium, be in a form, with or without interest coupons attached, carry such registration, conversion, reconversion, transfer, debt retirement, acceleration and other provisions as may be fixed by the general treasurer, with the approval of the governor, upon each issue of such capital development bonds at the time of each issue. Whenever the governor shall approve the issuance of such capital development bonds, he or she shall certify approval to the secretary of state; the bonds shall be signed by the general treasurer and countersigned by the manual or facsimile signature of the secretary of state and shall bear the seal of the state or a facsimile thereof. The approval of the governor shall be endorsed on each bond so approved with a facsimile of his or her signature.

SECTION 5. **Refunding bonds for 2010 capital development program.** -- The general treasurer is hereby authorized and empowered, with the approval of the governor and in accordance with the provisions of this act, to issue from time to time bonds to refund the 2010 capital development program bonds in the name and on behalf of the state, in amounts as may be specified from time to time by the governor in an aggregate principal amount not to exceed the total amount approved by the people, to be designated as "capital development program loan of 2010 refunding bonds" (hereinafter "refunding bonds").

The general treasurer with the approval of the governor shall fix the terms and form of any refunding bonds issued under this act in the same manner as the capital development bonds issued under this act, except that the refunding bonds may not mature more than twenty (20) years from the date of original issue of the capital development bonds being refunded.

The proceeds of the refunding bonds, exclusive of any premium and accrual interest and net the underwriters' cost, and cost of bond insurance, shall, upon their receipt, be paid by the general treasurer immediately to the paying agent for the capital development bonds which are to be called and prepaid. The paying agent shall hold the refunding bond proceeds in trust until they

are applied to prepay the capital development bonds. While such proceeds are held in trust, they may be invested for the benefit of the state in obligations of the United States of America or the State of Rhode Island.

If the general treasurer shall deposit with the paying agent for the capital development bonds the proceeds of the refunding bonds or proceeds from other sources amounts that, when invested in obligations of the United States or the State of Rhode Island, are sufficient to pay all principal, interest, and premium, if any, on the capital development bonds until these bonds are called for prepayment, then such capital development bonds shall not be considered debts of the State of Rhode Island for any purpose from the date of deposit of such moneys with the paying agent. The refunding bonds shall continue to be a debt of the state until paid.

The term "bond" shall include "note", and the term "refunding bonds" shall include "refunding notes" when used in this act.

SECTION 6. **Proceeds of capital development program.** -- The general treasurer is directed to deposit the proceeds from the sale of capital development bonds issued under this act, exclusive of premiums and accrued interest and net the underwriters' cost, and cost of bond insurance, in one or more of the depositories in which the funds of the state may be lawfully kept in special accounts (hereinafter cumulatively referred to as "such capital development bond fund") appropriately designated for each of the projects set forth in section 1 hereof which shall have been approved by the people to be used for the purpose of paying the cost of all such projects so approved.

All monies in the capital development bond fund shall be expended for the purposes specified in the proposition provided for in section 1 hereof under the direction and supervision of the director of administration (hereinafter referred to as "director"). The director or his or her designee shall be vested with all power and authority necessary or incidental to the purposes of this act, including but not limited to, the following authority: (a) to acquire land or other real property or any interest, estate or right therein as may be necessary or advantageous to

accomplish the purposes of this act; (b) to direct payment for the preparation of any reports, plans and specifications, and relocation expenses and other costs such as for furnishings, equipment designing, inspecting and engineering, required in connection with the implementation of any projects set forth in section 1 hereof; (c) to direct payment for the costs of construction, rehabilitation, enlargement, provision of service utilities, and razing of facilities, and other improvements to land in connection with the implementation of any projects set forth in section 1 hereof; and (d) to direct payment for the cost of equipment, supplies, devices, materials and labor for repair, renovation or conversion of systems and structures as necessary for 2010 capital development program bonds or notes hereunder from the proceeds thereof. No funds shall be expended in excess of the amount of the capital development bond fund designated for each project authorized in section 1 hereof. With respect to the bonds and temporary notes described in section 1, the proceeds shall be utilized for the following purposes:

Question 1 relating to bonds in the amount of one hundred thirty-one million nine hundred thousand dollars (\$131,900,000) for Higher Education shall be allocated as follows:

(a) New Nursing Science Building	\$60,000,000
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Provide funds for the construction of a new nursing sciences building in Providence for the University of Rhode Island and Rhode Island College nursing programs

(b) New Chemistry Building at the University of Rhode Island	\$61,000,000
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Provide funds for the construction of a new chemistry building and related infrastructure and utility connections at the University of Rhode Island.

(c) Infrastructure Modernization at Rhode Island College	\$10,900,000
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Provide funds for modernization and replacement of infrastructure, including, without limitation, steam lines, water lines, and the electrical distribution system, on the Rhode Island College campus.

Question 2 relating to bonds in the amount of eighty five million dollars (\$85,000,000) for transportation purposes shall be allocated as follows:

(a) Highway improvement program \$80,000,000

Provide funds for the Department of Transportation to match federal funds or to provide direct funding for improvements to the state's highway, roads and bridges.

(b) Salt Storage Facilities \$5,000,000

Provide funds for the construction of salt storage facilities for use by the Department of Transportation maintenance division for the statewide storage of salt to be used on snow and ice on highways and roads.

SECTION 7. **Sale of bonds and notes.** -- Any bonds or notes issued under the authority of this act shall be sold from time to time at not less than the principal amount thereof, in such mode and on such terms and conditions as the general treasurer, with the approval of the governor, shall deem to be for the best interests of the state.

Any premiums and accrued interest, net of the cost of bond insurance and underwriters discount, that may be received on the sale of the capital development bonds or notes shall become part of the Rhode Island Capital Fund of the state, unless directed by federal law or regulation to be used for some other purpose.

In the event that the amount received from the sale of the capital development bonds or notes exceeds the amount necessary for the purposes stated in section 6 hereof, the surplus may be used to the extent possible to retire the bonds as the same may become due, to redeem them in accordance with the terms thereof or otherwise to purchase them as the general treasurer, with the approval of the governor, shall deem to be for the best interests of the state.

Any bonds or notes issued under the provisions of this act and coupons on any capital development bonds, if properly executed by the manual or facsimile signatures of officers of the state in office on the date of execution shall be valid and binding according to their tenor, notwithstanding that before the delivery thereof and payment therefor, any or all such officers shall for any reason have ceased to hold office.

SECTION 8. **Bonds and notes to be tax exempt and general obligations of the state.** -

- All bonds and notes issued under the authority of this act shall be exempt from taxation in the state and shall be general obligations of the state, and the full faith and credit of the state is hereby pledged for the due payment of the principal and interest on each of such bonds and notes as the same shall become due.

SECTION 9. **Investment of moneys in fund.** -- All moneys in the capital development fund not immediately required for payment pursuant to the provisions of this act may be invested by the investment commission, as established by chapter 35-10, pursuant to the provisions of such chapter; provided, however, that the securities in which the capital development fund is invested shall remain a part of the capital development fund until exchanged for other securities; and provided further, that the income from investments of the capital development fund shall become a part of the general fund of the state and shall be applied to the payment of debt service charges of the state, unless directed by federal law or regulation to be used for some other purpose, or to the extent necessary, to rebate to the United States treasury any income from investments (including gains from the disposition of investments) of proceeds of bonds or notes to the extent deemed necessary to exempt (in whole or in part) the interest paid on such bonds or notes from federal income taxation.

SECTION 10. **Appropriation.** -- To the extent the debt service on these bonds is not otherwise provided, a sum sufficient to pay the interest and principal due each year on bonds and notes hereunder is hereby annually appropriated out of any money in the treasury not otherwise appropriated.

SECTION 11. **Advances from general fund.** -- The general treasurer is authorized from time to time with the approval of the director and the governor, in anticipation of the issue of notes or bonds under the authority of this act, to advance to the capital development bond fund for the purposes specified in section 6 hereof, any funds of the state not specifically held for any particular purpose; provided, however, that all advances made to the capital development bond

fund shall be returned to the general fund from the capital development bond fund forthwith upon the receipt by the capital development fund of proceeds resulting from the issue of notes or bonds to the extent of such advances.

SECTION 12. **Federal assistance and private funds.** -- In carrying out this act, the director, or his or her designee, is authorized on behalf of the state, with the approval of the governor, to apply for and accept any federal assistance which may become available for the purpose of this act, whether in the form of loan or grant or otherwise, to accept the provision of any federal legislation therefor, to enter into, act and carry out contracts in connection therewith, to act as agent for the federal government in connection therewith, or to designate a subordinate so to act. Where federal assistance is made available, the project shall be carried out in accordance with applicable federal law, the rules and regulations thereunder and the contract or contracts providing for federal assistance, notwithstanding any contrary provisions of state law. Subject to the foregoing, any federal funds received for the purposes of this act shall be deposited in the capital development bond fund and expended as a part thereof. The director or his or her designee may also utilize any private funds that may be made available for the purposes of this act.

SECTION 13. **Effective Date.** -- Sections 1, 2, 3, 11, and 12 of this article shall take effect upon passage. The remaining sections of this article shall take effect when and if the state board of elections shall certify to the secretary of state that a majority of the qualified electors voting on the propositions contained in section 1 hereof have indicated their approval of all or any projects thereunder.