

Governor's FY 2017 Budget: Articles

Staff Presentation to the House Finance
Committee
March 2, 2016

Introduction

- Article 1 - Transfers
 - Section 15 – Infrastructure Bank
 - Section 16 – Narragansett Bay Commission
 - Section 18 – Airport Corporation
- Article 2 – Public Finance Management Board
- Article 18 – Renewable Energy Programs

Article 1 Transfers

- Require payments to the state's General Fund by June 30, 2017
- Various amounts from quasi-state agencies
 - Similar to last year's proposal
- Based on reserve balances or related general obligation bond debt
- Totals \$16.2 million in FY 2017
 - \$9.8 million for the 3 discussed today

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Article 1, Section 15 – Infrastructure Bank

- Governor proposes transfer of \$8.0 million to general revenues in FY 2017
- FY 2017 debt service cost: \$8.4 million
- Last year Gov. proposed \$11.0 million
 - \$8.9 million for debt service costs plus \$2.1 million to balance budget
- The agency has uncommitted reserves that would be lowered with this transfer

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Article 1, Section 16 – Narragansett Bay Commission

- Requires transfer of \$1.5 million to state general revenues in FY 2017
- Reflects payment of FY 2017 debt service on G.O. bonds totaling \$10.2 million over next ten years
- Gov. proposed \$2.8 million transfer last year – debt service costs
 - NBC testified that this would violate bond covenants
 - Appears no review has been done

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Article 1, Section 18 – Airport Corporation

- Requires transfer of \$275,000 to the state general revenues in FY 2017
- Reflects the advanced payment of all remaining debt service owed on old general obligation bonds
 - FY 2018 through FY 2023
 - FY 2017 payment of \$132,581 already assumed
- Have been transferring funding annually to pay this

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Article 2 – Public Finance Management Board

- Board Membership
 - Nine members
 - Five appointed by General Treasurer, including General Treasurer as Chair
 - 2 are from list of 5 from League of Cities and Towns
 - Three appointed by Governor
 - Director of Department of Administration
- Board Support
 - Treasurer provides clerical and administrative support

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Article 2 – Public Finance Management Board

- Purpose
 - “Advise and assist” state & associated entities regarding issuance of and financial planning related to the issuance of bonds
 - Upon request, advise or assist municipalities
 - Collect and provide information on debt authorization, sold and outstanding
 - Recommend changes in laws and practices to improve sale and servicing of state and local debts

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Article 2 – Public Finance Management Board

- Purpose
 - Manage the allocation of private tax exempt bond issuance capacity among all issuers in the state
 - Student loan bonds (RISLA)
 - Housing bonds (RIHMFC)
- Meetings in the past few years related to this duty

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Article 2 – Public Finance Management Board

- Purpose of Board
 - Article 2 requires Board to advise and assist
 - Municipalities
 - Authorities, Board, Commissions
 - Public and Quasi-public corporations
 - Currently, advice is given upon request

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Article 2 – Public Finance Management Board

- Notice of Debt Issue
 - Written notice of a proposed sale to the Board within 30 days prior to the sale is required
 - Notice is required to include one proposed sale date, the name of the issuer, the nature of the debt issue and the estimated principal amount

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Article 2 – Public Finance Management Board

- Notice of Debt Issue
 - Article 2 adds requirement for a report of final sale within 30 days after a sale
 - Notice of proposed sale is still required
 - Institutes a daily fine of \$250 for any issuer failing to submit either report by the deadline
 - Currently no penalty for failure to submit notice or missed deadline
 - Notices are currently submitted but sometimes there are issues with timing

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Article 2 – Public Finance Management Board

- Revenue
 - 1/40th of 1% of issued principal amount is deposited as general revenue

	Revenue
FY 2011	\$203,330
FY 2012	147,825
FY 2013	154,689
FY 2014	129,691
FY 2015	87,647
5-Year Average	\$144,636

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Article 2 – Public Finance Management Board

- Revenue
 - Majority of fees over past 3 years paid by RIHEBC, RI Housing and Infrastructure Bank
 - Board rules and regulations provide exemptions for certain issuances
 - Taxable issues
 - Refundings or refinancings
 - Municipalities that do not seek assistance

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Article 2 – Public Finance Management Board

- Governor's budget includes \$0.3 million in revenue
 - Assumes Board promulgates new rules that eliminates exemptions
- Funding used for new Office of Debt Management within Treasurer's Office
 - 1.0 new FTE
 - Technology upgrades
 - Public web portal to track RI's public debt
 - Upgrades to internal debt management software

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Article 18 – Renewable Energy Programs

- Renewable Energy Fund
 - Supported from a surcharge of 0.3 mills per kilowatt-hour
 - Expires December 31, 2017
- Article extends surcharge by 5 yrs – 2022
 - Mirror federal program tax credit extension
 - Collects approximately \$2.5 million annually
 - Fund balance - \$6 million at end of CY 2015
 - Managed by the Commerce Corporation
 - 10% can be used for administrative costs

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Article 18 – Renewable Energy Programs

- Net Metering
 - Allows customers to receive credits for electricity generated but not used
 - Current law - only municipalities and certain public entities are allowed
 - Town of West Warwick installing wind turbines
 - Airport Corporation negotiating with a renewable developer
- Article extends to residential, commercial, private & public institutions

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Article 18 – Renewable Energy Programs

- Article allows 3rd party financing
 - Option for homeowners, businesses, and municipalities
 - Finance costs associated with installation of renewable energy projects with banks and renewable energy companies
- 26 other states allows third party financing, including Massachusetts

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Article 18 – Renewable Energy Programs

- Article exempts net metering renewable energy installation from municipal property tax
 - Systems installed after Dec. 31, 2015
 - City/town can adopt ordinance to not provide exemption
 - Must consult with Office of Energy Resources and Division of Taxation prior to passing ordinance

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