

Governor's FY 2022 Budget: Articles

Staff Presentation to the House Finance Committee
March 30, 2021

Introduction

Article 2	State Funds
Article 3	Government Reform & Reorganization
Article 5	Short Term Borrowing
Article 6 Fees	Sections 1 & 2: Contractors' Licensing & Registration Board
	Section 3: Broker Dealer Representative Fee
	Section 4: Requests for Public Health Data Fees

Article 2 – State Funds

- Section 1 - Opioid Stewardship Act
- Sections 2 & 3 – Health Insurance Examination Costs
- Section 4 – Federal Grants Management
- Section 5 – Control of State Spending
- Section 6 – Legislative Appropriation Authority & Restricted Receipts
- Section 7 – Highway Maintenance Fund
- Section 8 – RI Council on the Arts

Article 2

Indirect Cost Recovery

- All revenues = general revenue, unless otherwise noted – RIGL 35-3-14 (a)
- 10% indirect charge unless:
 - Prohibited (federal or other)
 - Charitable
 - Specifically listed as exempt
- Represents overhead charges similar to those allowed on federal grants
 - For infrastructure and administration

Article 2 – Sec. 6 – Indirect Cost Recovery

- Adds 13 accounts to list to be exempt from 10% charge:
 - 7 exemptions relate to proposed changes to adult use marijuana – subject of Art. 11
 - Business Regulation
 - Revenue
 - EOHHS
 - Health
 - BHDDH
 - Public Safety

Article 2 – Sec. 6 – Indirect Cost Recovery

- New accounts to exempt from 10%
 - Health Spending Transparency and Containment Account
 - Under purview of Executive Office of Health and Human Services
 - Authorizing legislation in [Article 15](#)
 - Housing Production Fund
 - Under purview of Executive Office of Commerce
 - Authorizing legislation in [Article 9](#)

Article 2 – Sec. 6 – Indirect Cost Recovery

- New accounts to be exempt from 10%
 - Grants Management System Administration
 - Under purview of Department of Administration
 - Authorizing legislation in Article 2
 - Health Insurance Reg. & System Planning
 - Under purview of Business Regulation
 - Authorizing legislation in Article 2
 - Governors' Portrait Donation Fund
 - RI Council on the Arts
 - Authorizing legislation in Article 2

Article 2 – Sec. 6 – Indirect Cost Recovery

- Establishes numerous conditions for Budget Officer to create accounts that otherwise need specific legislative action
 - Create restricted receipt accounts from
 - Donated funds
 - Funds from non-profit charitable organizations
 - Proceeds from multistate settlement
 - Funds from a contract or MOA
 - Convert escrow liability accounts to restricted - upon direction of Controller with consent of Auditor General

Article 2 – Sec. 6 – Indirect Cost Recovery

- During FY 2019 closing process
 - Escrow account analysis conducted by Accounts and Control and Auditor General
 - Found account activities were not “appropriately” classified as escrow
 - Several accounts were converted to restricted receipts in the closing
 - Additional discussions needed on which other accounts should be converted

Article 2 – Sec. 6 – Indirect Cost Recovery

- Recommendations for FY 2021 and FY 2022 from proposed new accounts
 - Escrow Conversions - \$14.9 million
 - \$8.1 million – Child Support Enforcement Lien Network
 - \$2.2 million – Mortgage Fraud Settlement (2012)
 - \$2.2 million – Burlingame Campground Reservation
 - Donated/Nonprofit - \$0.8 million
 - Multistate Settlement - \$2.6 million
 - Other State Contract/MOU - \$0.1 million

Opioid Stewardship Fund

- 2019 Opioid Stewardship Act established dedicated fund
 - Assessment from gross in-state opioid sales
 - Manufacturers
 - Wholesalers
 - Distributors
 - \$5.0 million annually
 - Deposited as restricted receipts

Article 2, Sec. 1 – Opioid Stewardship Fund

- Article amends Opioid Stewardship Act
 - Authorizes Budget Officer to create restricted receipt account in any agency or department where funds will be appropriated
 - Makes clarification to reporting requirement
 - Programs money is spent on and
 - Amount spent on each program
 - Annual report to Governor, Speaker of the House, and the Senate President

Article 2, Sec. 1 – Opioid Stewardship Fund

Dept.	Program	FY 21	FY 22	
BHDDH	Access to Treatment	\$1.8	\$1.4	
	Behavioral Health Database	-	0.4	
EOHHS	Prescription Drug Monitoring Program	-	0.1	
DOH	Forensics Lab. Programs	-	1.4	
	Needle Exchange & Resources	-	0.1	
	Administrative – Operating	-	0.4	
DOC	Mental Health Services	-	0.7	
	Medication Assisted Treatment	0.8	1.6	
ELSEC	Mental Health Teacher Training*	0.6	-	
\$ in millions		Total	\$3.3	\$6.2

*Inadvertently excluded; intent is to fund at enacted amount

Article 2, Secs. 2 & 3 – Health Insurance Examination Costs

- Under current law, the examination of banks and insurance companies performed by divisions of DBR are subject to assessment for staff time
 - Proceeds from those examinations are deposited as general revenues
- Current law allows for market conduct examinations of Health Insurers already

Article 2, Secs. 2 & 3 – Health Insurance Examination Costs

- Article 2 expands scope of health insurance reimbursement only
 - Include pre-exam activities – collecting & analyzing data, forms, & surveys to identify policies & practices that pose risk to consumers
 - Proceeds into a new restricted account
 - Assumes \$0.2 million from new restricted receipts beginning in FY 2022 for 1.0 new FTE for OHIC
 - Oversee accredited & trained market conduct examinations

Article 2, Sec. 4 – Federal Grants Management

- Office of Management and Budget created by 2012 Assembly
 - Serves as principal agency of executive branch to manage
 - Federal grants management
- 2019 Assembly transferred functions of federal grants management from OMB to Accounts and Control
 - Improves efficiency of operations, internal controls, & oversight of federal expenses

Article 2, Sec. 4 – Federal Grants Management

- Article 2 authorizes assessment on federal funds received
 - State controller would determine percentage annually
 - Deposited as restricted receipts
 - Support Office of Federal Grants Management
 - Assessment is in addition to current indirect cost recovery calculation
 - Current law requires agencies to get indirect cost recovery on federal grants

Article 2, Sec. 4 – Federal Grants Management

	FY 2021 Enacted	FY 2021 Rev.	FY 2022 Gov. Rec.	Chg. to Enacted
Gen. Rev.	\$329,971	\$330,762	\$352,122	\$22,151
Fed CRF	347,447	55,520	-	(347,447)
IT Fund Receipts	173,428	174,030	-	(173,728)
New Grant Assessment	-	-	330,912	330,912
Total	\$850,846	\$560,312	\$683,034	\$(167,484)
FTE	2.0	4.0	4.0	2.0

Article 2 - Sections 5 & 6

- Management and Accountability
 - Article 2, Section 5 – Control of State Spending
 - Article 2, Section 6 – Legislative Appropriation Authority

Management and Accountability

- Budget management and oversight guided by state law
 - All fund sources included in budget
 - Formal closing reports
 - Compares budget to actual by line
 - Revenues vs estimated
 - Quarterly financial reports
 - Adherence to enacted appropriations
 - Agency and statewide
 - Access to rainy day fund

Management and Accountability

- Budget Officer must exercise budgetary control over state agencies and departments
 - Perform management analyses
 - Approve or disapprove all requests for new personnel
- Enhanced authority replaced previous statutes authorizing Budget Officer to transfers of appropriations within department

Article 2 - Section 5, Control of State Spending

- 2019 Assembly enacted provisions to address administrative adherence to budget control laws
 - Requires monthly report if agency quarterly report forecasts a deficit
 - Prohibits controller from authorizing payments for new staff, contracts, or purchases for any agency expected to overspend
 - Exceptions for immediate health and safety

Article 2 - Section 5, Control of State Spending

- Section 5 limits scope of new provisions
 - Monthly reporting only if quarterly report forecasts a general revenue deficit
 - Currently no limitation to general revenues
 - Reduces controller's authority by excluding the following instances
 - Overspending from general revenues beyond service levels provided in the previous fiscal year
 - Appears to exempt cases of failed budget savings initiatives
 - For one-time purchases of equipment or supplies

Article 2 - Section 5, Control of State Spending

- Section 5 limits scope
 - Would create exception to payment prohibitions for spending consistent with a corrective action plan
 - Appears to be more permissive than pre-2019 statutes by creating legal authority to spend beyond appropriations

Article 2 - Sec. 6, Legislative Appropriation Authority

- Current law
 - 35-3-2 - *The general assembly shall annually appropriate such sums as it may deem necessary to pay the administrative & other expenses of the state government*
 - 35-4-22.1 - *No state agency may make expenditures of any restricted or special revenue funds....unless these expenditures are made pursuant to specific appropriations of the general assembly*

Article 2 - Sec. 6, Legislative Appropriation Authority

- Section 6 would define “appropriation”
 - *“Statutory enactment by general assembly authorizing withdrawal of money from state treasury”*
- Would exclude from that definition
 - *“An enactment by the assembly that authorizes, specifies or otherwise provides that funds may be used for a particular purpose.....”*

Article 2 – Sec. 6, Legislative Appropriation Authority

- Section 6 would deem general revenues as appropriated
 - In order to comply with a court order
 - Respond to a state of emergency
 - Finance programs covered under the caseload estimating conference
 - When the current appropriations act does not meet the revised estimate

Article 2, Sec. 7 – Highway Maintenance Fund

- 2014 Assembly began process to transfer transportation related fees from general revenues to Highway Maintenance Fund
 - Fund initially created in 2011 for surcharges on license and registrations
 - All part of larger plan to address transportation funding and long term maintenance issues
- RIPTA receives 5% of the revenues

Article 2, Sec. 7 – Highway Maintenance Fund

- 2017 Assembly provided RIPTA with an additional \$5.0 million
 - Reinstate bus pass program & cover debt
 - Originally for only two years
 - \$5.0 million made permanent in 2019
- Authority's share of funds in FY 2022
 - Estimated to be \$9.5 million
 - Fixed \$5.0 million
 - 5% share = \$4.5 million

Article 2, Sec. 7 – Highway Maintenance Fund

- CARES Act adopted in March 2020
 - FTA grants allocated through formula
 - RI received \$104.6 million
 - RIPTA - \$91.2 million + DOT - \$13.3 million
- Article 2 allows “federal coronavirus relief funds” count toward the fixed \$5.0 million minimum allocation
 - DOT share of FTA CARES funds would go to RIPTA to pay “transit expenses”
 - Would free up \$7.1 million of HMA
 - Can be used as state match for capital projects

Article 2, Sec. 8 – Governors' Portrait Account

- Establishes new restricted receipts account for Arts Council donations
 - For Governor's portraits not currently in State House or for an incoming Governor
 - Only Raimondo and McKee portraits missing
 - Governor's budget includes \$25,000 each from general revenues & restricted receipts
- Current law vests responsibility with Secretary of State

Article 3, Sec. 1 – Employer Tax Unit Transfer

- Article 3 transfers employer tax collection responsibilities from DOR to DLT
 - Temporary Disability/Caregiver's Insurance
 - Employment Security
 - Job Development Fund
 - Gives broad authority for law revision office of the General Assembly to make changes to the statutes to effectuate the transfer
- Reverses transfer adopted in 1996

Article 3, Sec. 1 – Employer Tax Unit Transfer

- Employer Tax Unit
 - Budget transfers 35.0 FTE associated with these collections to DLT from DOR
 - Averaged 34.9 filled FTE for FY 2020
 - Recommendation transfers related funding for the full fiscal year
 - Intent is to align unit with source of funds
 - TDI/UI/JDF
 - 1996 change was intended to consolidate tax collection functions

Article 3, Sec. 2 – Insurance

- Update to National Assoc. Insurance Commissioners (NAIC) standards
 - Existing statute is older model NAIC legislation
 - Changes life & health insurance risk based reporting standards
 - Report is formula based tool to determine min. capital requirements based on risk profile
 - Consistent with Property and Casualty standard
 - Consistent with current model language
 - Required to maintain NAIC accreditation
 - Governor Raimondo requested GBA July 21, 2020

Article 3, Sec. 3 – License Plate Issuance Delay

- Current law requires 10-year reissuance
 - Planned plate issuance:
 - At the time of initial registration
 - Upon registration renewal
 - Last full reissuance was “Wave” plates done over 1996 and 1997
- Article delays the mandatory reissuance of fully reflective license plates
 - June 1, 2020 under current law
 - Prior Administration did not approve a new design

Article 3, Sec. 3 – License Plate Issuance Delay

- The budget reduces expected revenues and expenditures
 - \$0.1 million net positive impact
 - FY 2022 anticipated spending exceeded revenues
 - Total expenditures estimated to be \$8.9 million over 24 months
 - Total per plate set expense over \$11
 - \$6.1 million in revenues from \$8.00 per plate set cost in statute
 - Net state cost \$2.8 million

Article 3, Sec. 3 – License Plate Issuance Delay

- Current proposal represents 8th postponement

Assembly	Current Date	New Date
2011	9/2011	9/2013
2013	9/2013	9/2015
2015	9/2015	7/2016
2016	7/2016	4/2017
2017	4/2017	1/2019
2018	1/2019	01/2020
2019	01/2020	06/2020
2021-Art. 3	06/2020	07/2021

Article 3, Sec. 4 – CDL Testing Transfer

- Section transfers CDL skills testing from CCRI to DMV
 - To streamline process & improve service
 - DMV employees can confirm all required documentation & process license on-site
 - Failure to provide documents can result in loss of \$100 testing fee & require re-registration at cost
- Governor includes \$0.1 million for 3 FTE
 - Assumes \$0.1 million of receipts
 - Currently collected as restricted receipts
- Effective January 1, 2022

Article 3, Sec. 5 – Caseload Estimating Conference

- CEC meets May & Nov. to estimate:
 - Medical & public assistance programs
 - Statute also has monthly reporting requirements for caseload and expenditures
 - DHS – Cash assistance programs
 - RI Works, subsidized child care, Supplemental Security Income Program & Bridge program
 - EOHHS – Medicaid program
 - Managed care programs, hospitals, nursing facilities and home and community based programs

Article 3, Secs. – 5 & 6 – Caseload Estimating Conference

- Article 3 adds community based programs for adults with developmental disabilities to expenses to be estimated as part of the caseload est. conference
 - Beginning July 1, 2022
 - Replaces other statute with current monthly reporting requirement for same services
 - Inadvertently leaves 1- yr reporting gap
 - Corrected in subsequent GBA

Article 3, Sec. 6 – BHDDH Reporting Requirements

March 2021 Report

Individuals	Submitted?
Total # receiving services	Yes
In 24-hour residential & shared living	Yes
Who has a “cost of care” & amount owed	Partial - not the amount collected
Receiving additional services & reason (L-9)	Partial
Consent decree information	Yes
Employed/where & hours worked	No
Opt out of Rhody Health Options	Yes
Annual cost reports from providers	No

Article 3, Secs. 5 & 6 – Caseload Estimating Conference

- BHDDH - Consent decree
 - For community based day & employment program for developmentally disabled adults
 - Current court order calls for a 3-year budget plan is being developed
 - consistent data collection & reporting requirements to forecast program costs
- Technical change
 - Replaces DHS director with EOHHS Secretary as person w/ certain responsibilities at the CEC

Article 3 – Sec. 8, Collections Unit

- 2018 Assembly established a collections unit pilot program
 - Collect debts owed to other agencies that meet specific criteria
 - More expansive than tax refund offset program
 - Nov. Revenue Estimating Conference assumes \$0.5 million for FY 2021
- Article repeals June 30, 2021 sunset date
 - Gov. Rec. assumes \$1.4 million of revenues
 - Net revenues of \$0.5 million

Article 3 – Sec. 8 – Collections Unit

- As originally proposed, this was expected to generate \$1.3 million
 - \$0.1 million collected
- FY 2020 REC set estimate at \$2.0 million
 - Governor enhanced by \$0.8 from new staff
 - \$0.4 million collected
- FY 2021 enacted assumed \$1.0 million
 - November Rec reduced to \$0.5 million

Article 3 – Sec. 8 – Collections Unit

- Revenues have not met Administration's previous projections
 - FY 2022 Budget assumes pattern reversed

	FY 2019	FY 2020	FY 2021 Gov. Rev	FY 2022 Gov. Rec	Total
<i>Revenues</i>	\$ 0.1	\$ 0.4	\$ 0.5	\$ 1.4	\$ 2.4
Staffing	(0.3)	(0.6)	(0.7)	(0.7)	(2.3)
Other Expenses	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)
Net Revenues	\$ (0.2)	\$ (0.3)	\$ (0.3)	\$ 0.5	\$ (0.2)

Article 5 – TANS

- RI Constitution allows state to borrow in anticipation of tax receipts
 - Cannot exceed 20% of prior year taxes & 10% of all other receipts

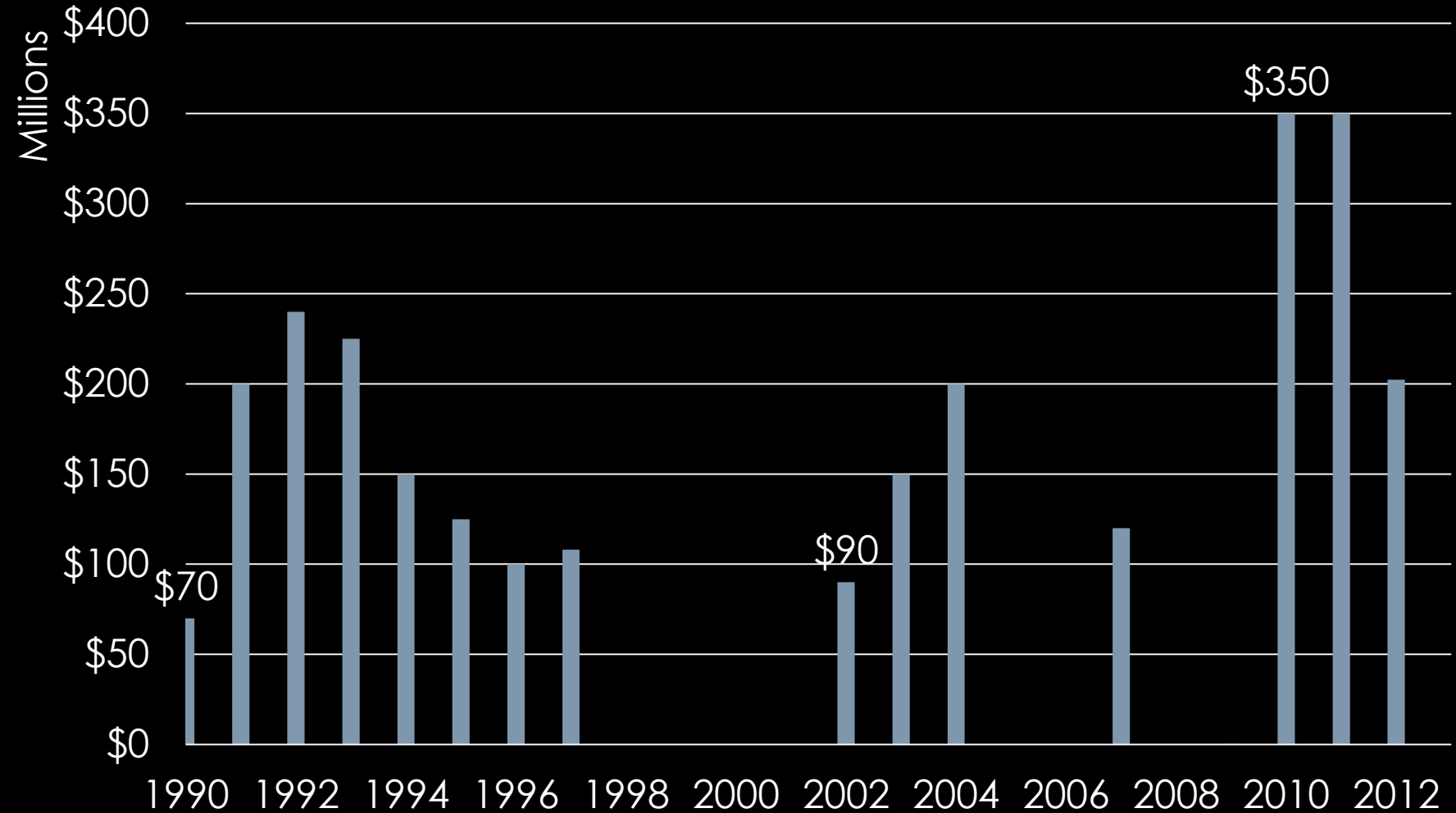
FY 2021 Revised Recommendation	Total	% Allowed	Total Allowed
Tax Receipts	\$3,290.3	20%	\$658.1
All Other	709.0	10%	70.9
Total	\$3,999.3		\$729.0

\$ in millions

- Must be repaid in that fiscal year

Article 5 – TANS

Amount Borrowed by Fiscal Year



Article 5 – TANS

- Article authorizes borrowing for FY 2022 in anticipation of revenues
 - Up to \$300 million
 - Must be repaid by June 30, 2022
- Last time state issued tax anticipation notes
 - \$202.4 million for FY 2012
 - Repaid by June 20, 2012

Article 5 - TANS

- RI Disaster Emergency Funding Board authorized borrowing up to \$300 million
 - For liquidity needs during COVID-19 crisis
- State drew down \$35 million in March & April
 - Authority extinguished as part of FY 2021 enacted budget
 - All notes redeemed & lines of credit terminated on February 25 & March 17, 2021

Article 6, Secs. 1 & 2 – Contractors' Reg. & Lic. Board

- Article proposes to increase registration fees from 2-years at \$200 to \$150 per year - \$100 more per 2-year cycle
 - Assumes \$0.6 million restricted receipt increase beginning FY 2023
 - 2007 Assembly increased fee from \$120 to \$200
 - 2003 Assembly changed term from 1 to 2 years
 - Fee shift to enhance compliance, increase revenues
 - Aligns with Massachusetts \$150 annually

Article 6, Secs. 1 & 2 – Contractors' Reg. & Lic. Board

- Article Includes technical clarification for roofers
 - Initial license is \$400 for two years; article stipulates \$200 biennial renewal which is current practice
- Gov. requested an amendment on 3/30
 - to clarify intent that continuing ed. requirement for contractors is 2.5 hours annually – vs 5 hrs. biennially

Article 6, Secs. 1 & 2 – Contractors' Reg. & Lic. Board

- Contractors' Reg. & Lic. Board receipts

	FY 2019	FY 2020	FY 2021	FY 2021 Gov. Rev.	FY 2022 Gov. Rec.
Balance Fwd.	\$ 0.53	\$ (0.02)	\$ (0.23)	\$ (0.10)	\$ (0.73)
New Receipts	1.11	1.22	1.81	0.96	1.17
Indirect Cost	(0.11)	(0.12)	(0.18)	(0.10)	(0.12)
Available	\$ 1.53	\$ 1.08	\$ 1.39	\$ 0.77	\$ 0.33
Expenditures	1.55	1.31	1.49	1.49	1.34
Balance	\$ (0.02)	\$ (0.23)	\$ (0.10)	\$ (0.73)	\$ (1.01)

Article 6, Sec. 3 – Broker Dealer Representative Fees

- Governor proposes to increase broker dealer fees by \$25 to \$100
 - Fee paid by sales representatives of broker dealer firms
 - Massachusetts charges \$75
 - Connecticut charges \$125
 - 2011 Assembly last increased the fee by \$15
 - Budget assumes \$2.7 million from new general revenues
 - Assumes only \$91,700 paid by in-state licensees

Article 6, Sec. 4 – Requests for Public Health Data Fees

- Authorizes DOH director to charge fees for processing special data requests
 - Used to monitor health status and trends
- Fees established through rules & regulations
 - Exempts
 - RI state agencies
 - Gives Director discretion to waive fees
 - Requesters will be notified in advance

Article 6, Sec. 4 – Requests for Public Health Data Fees

- Department does not charge a fee
 - Except for hospital discharge data
 - Charges \$100 for each yr. of data requested
- Receives approx. 700 requests annually
 - Costs \$200K to provide requested data
- Budget assumes revenues of \$0.4 million
- Legislation requires “approximately” 50% of revenues be appropriated
 - Manage and maintain data systems

Governor's FY 2022 Budget: Articles

Staff Presentation to the House Finance Committee
March 30, 2021
