

Budget Status: Preliminary FY 2020 Closing

House Fiscal Staff Presentation to
House Finance Committee
October 8, 2020

Introduction

- Global pandemic affecting all facets of RI health and economy
 - Uncertainty persists
- First quarter of state fiscal year is over
 - In the absence of an adopted FY 2021 budget, legal authority to spend governed by state law allowing prior year budget in increments
 - Action expected later this year
 - Governor's FY 2022 budget due January 21

Introduction

- Preliminary Closing – September 8
- Agency budget requests – Oct 1 (due)
- Agency Q1 reports – Oct 30 (due)
- Caseload estimates – November 2
- Revenue estimates – November 6
- Budget Office Q1 report – Nov 15
- Audited Closing – ???
- Governor's Budget – Jan 21
- Agencies Q2 – Jan 30

Introduction

- Preliminary closing data for FY 2020
 - Compared to FY 2020 budget
 - Revenues
 - Expenditures
 - Risks and opportunities for FY 2021
 - Revised federal guidance
 - Other issues

FY 2020 Closing

- Unlike prior years, FY 2020 budget did not assume significant surplus would be carried to FY 2021
 - Help fund expenses for which there were no current revenues
- Preliminary FY 2020 data shows \$173.0 million gain to enacted assumption
 - Subject to audit adjustment before final
 - Significant changes likely

FY 2020 Preliminary

	Enacted	Current	Diff.
Opening	\$40.8	\$40.8	\$0.0
<i>From Rainy Day Fund</i>	120.0	120.0	-
Other Revenues	3,922.2	4,063.9	141.8
Total Revenues	\$4,018.9	\$4,183.9	\$141.8
To Rainy Day	(122.1)	(126.4)	(4.3)
Expenditures	(3,958.7)	(3,917.9)	40.8
Closing Surplus	2.1	180.4	178.3
Reappropriation	-	(5.3)	(5.3)
Free Surplus	\$2.1	\$175.1	\$173.0

\$ in millions

Closing – Revenues

- Revenues \$141.8 million (3.6%) above
 - Taxes up \$132.5 million
 - Income and Sales tax account for most of the change
 - Delayed due date made estimates less precise
 - Assumes \$18.8 million impact of retro federal tax change not in original REC estimate
 - All other revenue up \$9.3 million
 - Departmental receipts off by \$5.5 million
 - Lottery up \$15.3 million

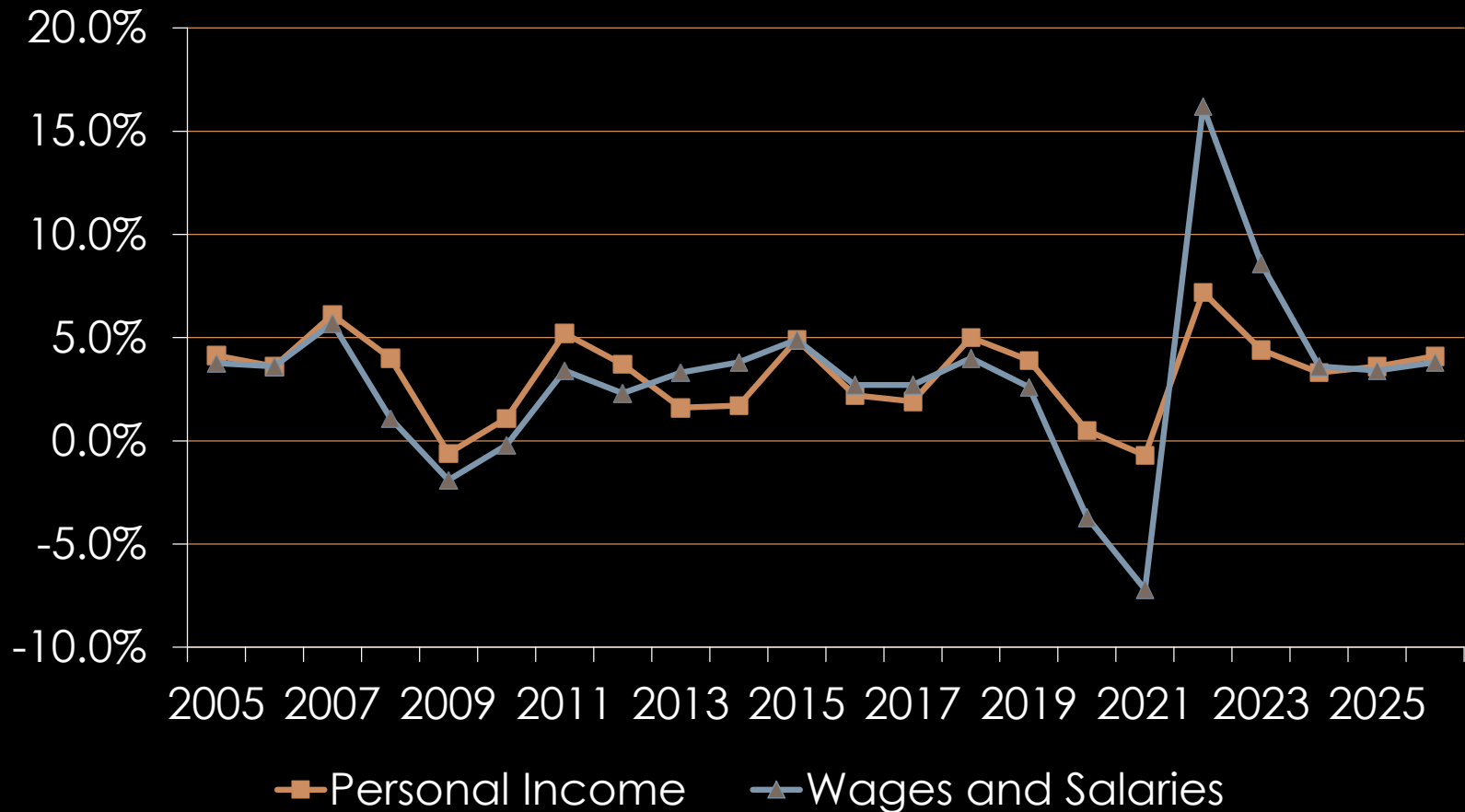
Revenues

- Revenue estimates are driven by trends, collections to date, and the economic forecasts
- Most recent estimates in *May 2020*
 - Immediate impact of COVID -19 related restrictions– near term
 - Sustained economic impact
 - Lack of usual data on income taxes

Forecast Changes

Selected Concepts	FY 2020	FY 2021	FY 2022
<i>Nonfarm Employment – jobs in thousands</i>			
November 2019	505.7	508.0	509.7
May 2020	480.3	421.6	475.8
Change	-25.4	-86.4	-34.0
<i>Wage & Salary Income Growth %</i>			
November 2019	5.1	4.2	4.1
May 2020	-3.7	-7.2	16.2
Change	-8.7	-11.3	12.0
<i>Unemployment Rate %</i>			
November 2019	3.6	3.6	3.9
May 2020	7.4	15.9	7.5
Change	3.8	12.3	3.6

Revenue Drivers: May



Revenue Drivers : May



May 2020

Consensus Revenue Estimates

	FY 2019 Reported	FY 2020 Rev.	Change to Nov.	FY 2021 Estimate	Change to Nov.
Personal Income	\$1,397.0	\$1,358.9	\$(82.9)	\$1,295.8	\$(199.9)
Business Taxes	441.7	427.0	(18.3)	418.2	(38.0)
Sales & Use Taxes	1,286.0	1,288.4	(63.0)	1,262.2	(134.8)
Other Taxes	61.9	73.2	(5.6)	60.4	(3.7)
Total Taxes	\$3,186.6	\$3,147.5	\$(169.8)	\$3,036.6	\$(376.4)
Departmental	416.7	440.5	(3.0)	403.0	(7.0)
Other Misc.	12.4	29.1	(1.9)	12.1	(2.7)
Lottery	397.3	268.6	(108.5)	265.2	(130.3)
Unclaimed Prop.	11.6	12.2	2.3	9.0	0.6
Total	\$4,024.6	\$3,897.9	\$(280.9)	\$3,725.9	\$(515.8)

\$ in millions

Revenue Revisions: FY 2020

	Nov Change to Enacted	May Change to Nov.	Total Change to Enacted	May Change to FY 2019
Personal Income	\$15.0	\$(82.9)	\$(67.9)	\$(38.1)
Business Taxes	(14.4)	(18.3)	(32.7)	(14.7)
Sales & Use Taxes	11.6	(63.0)	(51.4)	(2.4)
Other Taxes	26.2	(5.6)	20.6	11.3
<i>Total Taxes</i>	\$38.4	\$(169.8)	\$(131.4)	\$(39.1)
Departmental	(5.0)	(3.0)	(8.0)	23.8
Other Misc.	2.4	(1.9)	0.5	16.7
Lottery	(35.7)	(108.5)	(144.2)	(128.7)
Unclaimed Prop.	-	2.3	2.3	(0.6)
Total	\$0.1	\$(280.9)	\$(280.8)	\$(126.7)

\$ in millions

Revenue Revisions: FY 2020

	Final FY 2020 Budget	FY 2020 Prelim Actual	Prelim vs Final	Prelim vs Original Enacted	Prelim vs FY 2019
Personal Income	\$1,358.9	\$1,405.5	\$46.6	\$(21.3)	\$8.6
Business Taxes	427.0	478.2	51.2	18.6	36.6
Sales & Use Taxes	1,288.4	1,326.2	37.8	(13.6)	40.2
Other Taxes	73.2	70.0	(3.2)	17.4	8.1
<i>Total Taxes</i>	\$3,147.5	\$3,280.0	\$132.5	\$1.1	\$93.4
Departmental	440.2	435.2	(5.0)	(13.2)	18.5
Other Misc.	53.7	52.8	(0.9)	24.1	40.4
Lottery	268.6	283.9	15.3	(128.9)	(113.5)
Unclaimed Prop.	12.2	12.1	(0.1)	2.2	0.5
Total	\$3,922.2	\$4,063.9	\$141.8	\$(114.8)	\$39.4

\$ in millions

Revenues: May REC

- FY 2021 reflects impacts of revised forecast
- Federal tax law changes also account for estimated \$11 million reduction
 - Additional \$10.3 million impact later identified and not in estimate
- Updated forecast and closing revenues will inform November revisions

Article 8 – Requested Amendment

Fiscal Year	2020	2021	2022	2023	2024	2025	2026
Current Law	\$(18.8)	(10.3)	-	-	-	-	-
GBA	\$ -	-	(5.8)	(5.8)	(5.8)	(5.8)	(5.8)

- FY 2020 preliminary closing assumed \$18.8 million in potential refunds
 - Would be reversed if Assembly enacts provision before Controller issues final closing report
- FY 2021 estimate would need to reflect revenue loss absent state law change

Closing - Expenditures

- General revenue spending \$46.1 million (1.2%) below budgeted amounts
 - \$5.3 million reappropriated
 - Areas of overspending
- Much uncertainty on timing of emergency spending complicated final estimates
 - Issues on federal funds assumptions explain many of the variances

Closing - Expenditures

- Unachieved savings
- Unexpected expenses
- Impact on FY 2021 and structural issues
 - Do savings or higher base expenses repeat?
- What risks and opportunities exist on audit adjustments related to federal funds?

Closing - Expenditures

- FY 2020 Final budget substituted about \$35 million of state Coronavirus Relief Funds (CRF) for personnel costs to get general revenue savings
 - Most of the savings in DPS and DOH
 - DPS exceeded estimate and ended with \$4.7 million surplus
 - DOH missed projection and ended with \$1.5 million deficit
 - Opportunity to revisit assumption and still get savings

Reappropriation

- Statutory requirement: \$4.4 million
 - Legislature - \$2.3 million
 - Judiciary - \$2.1 million
- Governor discretionary: \$0.8 million
 - EOHHS - \$0.3 million
 - Commission on Disabilities - \$28,293
 - AG - \$50,360
 - Public Safety - \$0.4 million

Closing: EOHHS Agencies

FY 2020	General Revenues		
	Final	Actual	Diff
EOHHS	\$947.6	\$910.3	\$(37.3)
BHDDH	248.9	256.6	7.7
DCYF	176.8	173.3	(3.5)
DHS	55.7	55.7	(0.1)
Office of Healthy Aging	7.7	7.0	(0.7)
Office of Veterans Services	27.9	31.3	3.4
DOH	23.1	24.6	1.5
Total	\$1,487.7	\$1,458.9	\$(28.8)

\$ in millions

Closing - Expenditures

- DHS/Cash Assistance – \$0.4 million less
 - Updated enrollment and monthly cost for disabled individuals receiving a Supplemental Security Income (SSI) payment
 - \$0.2 million
 - Fewer individuals receiving a general public assistance payment at a higher amount
 - Savings of \$0.2 million
 - \$59,400 shifted to federal funds for COVID-19 burials

Closing - Expenditures

Medicaid - General Revenues	Final	Actual	(Surplus)/ Deficit
Hospitals	\$86.7	\$87.5	\$0.8
Long Term Care	199.5	183.9	(15.7)
Managed Care	293.9	286.5	(7.4)
Expansion	43.5	43.3	(0.3)
RH Partners (disabled)	121.3	115.2	(6.0)
RH Options (elderly)	61.3	58.8	(2.5)
Pharmacy	66.7	64.2	(2.5)
Other Medical	49.5	46.2	(3.4)
Total	\$922.5	\$885.6	\$(36.9)

\$ in millions

Closing - Expenditures

- EOHHS/Medicaid - \$36.9 million savings
 - Enrollment and Utilization
 - Managed Care
 - Long Term Care
 - Better than expected savings from enhanced federal match
 - Potential impact to November revisions
 - Enrollment savings may carry forward
 - Utilization savings may mean higher costs

Closing - Expenditures

- Second stimulus enhanced federal Medicaid match rate by 6.2% eff. Jan 1
 - Caseload estimate assumed \$51.2 million
 - Actual was \$56.7 million - \$5.5 million higher
 - Spread across all programs and reflects timing issues and initial conservative estimate of impact
 - Rate in effect for quarters when there is a public health emergency
 - Emergency extension means higher match rate effective for at least 3 quarters of FY 2021

Closing - Expenditures

- Managed Care/Rhody Health Partners-\$13.4 million savings
 - 1,400 fewer enrollees than projected
 - Lower utilization than payments assumed
 - Even with a fixed managed care payment annual settlement process may produce higher or lower costs
 - Providers and state share both risk and gain
 - May estimate increased per enrollee costs
 - Expected risk share payments reported

Closing - Expenditures

- Rhody Health Options - \$2.5 million savings
 - Prior year adjustment suppresses overspend
- Long Term Care - \$15.7 million savings
 - Nursing Homes & Home & Community Based Services
 - Lower utilization of services related to pandemic
 - Hospice expenses – higher expenses
 - Final budget based on EOHHS testimony
 - Accurate estimates still difficult as services moved to and from Rhody Health Options

Closing - Expenditures

- Caseload figures include some but not all additional relief measures to providers
 - Nursing Facilities
 - Hospitals
 - Congregate care worker payments

Closing - Expenditures

- BHDDH - \$7.7 million deficit
 - Questions around Medicaid payments for services to developmentally disabled adults
 - RICLAS Residential Services
 - Out of State Residential Placements
 - RIPTA Transportation Services
 - Billing federal funds using an approved cost allocation plan
 - BHDDH in the process of finalizing plan for FY 2020
 - Adjustments will be reflected in FY 2020 audited closing

Closing: EOHHS Agencies

BHDDH	General Revenues		
	Final	Actual	Diff
DD – RICLAS	\$12.0	\$13.6	\$1.6
DD – Comm. Based Services	103.4	105.6	2.2
DD - Out of State Placements	0.8	1.3	0.5
Eleanor Slater Hospital	117.2	116.2	(1.0)
Behavioral Health Care Services	1.8	3.4	1.6
Administrative Programs	6.9	9.0	2.1
All other operations	6.8	7.5	0.7
Total	\$248.9	\$256.6	\$7.7

\$ in millions

BHDDH FY 2020 Closing

	Notable Issues	Issue	Resolved
Division of Developmental Disabilities	RICLAS- Apartments	Expenses not Medicaid reimbursable/ working with EOHHS	TBD
	RIPTA Services		
	Out of State Placements		
Behavioral Healthcare Services & Administrative Programs	Staffing & Operating Expenses	Cost Allocation Plan completed by PCG	October

BHDDH FY 2020 Closing

- RICLAS - Medicaid Billing
 - For 14 individuals in 2 apartment complexes
 - About \$250,000 a month/\$3.0 million annually
 - Department stopped billing in Oct 2019
 - \$1.3 million from general revenues to backfill the loss of Medicaid funds
 - Department reports that residences are incorrectly licensed as group homes

BHDDH FY 2020 Closing

- Out of state residential placements
 - Actual expenses are general revenue only
 - Have not billed Medicaid as did in prior fiscal years
 - BHDDH notes that providers may not meet the Rhode Island criteria to bill for Medicaid

BHDDH FY 2020 Closing

- RIPTA - Transportation Services
 - \$1.7 million contract ended 9/30/2020 and has been extended 6 months
 - FY 2020 actual expenses \$1.2 million
 - \$0.3 million from Medicaid & \$0.9 million from GR
- BHDDH does not have an agreement with EOHHS to claim Medicaid for services

BHDDH FY 2020 Closing

- Cost Allocation Plan
 - FY 2020 closing does not reflect allocating program expenses to available federal funds
 - Plan was not completed for the preliminary closing
 - Should be by the end of October and adjustments will be made for the final closing

Eleanor Slater Hospital

- Final budget adopted in June assumed state would get \$12.2 million from federal Medicaid for the last 3 months of FY 2020
 - Approval of the state plan amendment
- Also included \$14.6 million to clean up an outstanding Medicaid receivable from an issue with UHIP
 - BHDDH would not be able to get Medicaid for prior year expenses because of the current billing and compliance issues

Eleanor Slater Hospital Timeline

FY 2020

June

FY 2020 final budget provided \$64.7 million from general revenues above the Governor recommendation. Fixes the billing and compliance issues & prior year write off for UHIP

August

Expenses are \$15.6 million less than final budget - mostly federal funds related to debt write-off using GR
Risk remains on assumed federal funds

Eleanor Slater Hospital

Budget Sources	FY 2020 Final	FY 2020 Actual	Chg. to Final
General Revenues - current	\$102.5	\$103.4	\$0.8
Gen. Rev. prior year write off	14.6	12.8	(1.9)
Medicaid – prior year	-	(12.8)	(12.8)
Medicaid – SPA for Q4	12.2	5.8	(6.4)
Medicaid - Other	7.5	14.3	6.8
Medicare & 3 rd party	1.5	0.0	(1.5)
COVID Relief Fed Funds	1.1	0.3	(0.8)
Total	\$139.4	\$123.8	\$(15.6)

\$ in millions

Closing: EOHHS Agencies

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\$ in millions

Closing Expenditures - Veterans Services Summary

	FY 2020 Final	FY 2020 Reported	Chg. To Final	FY 2021 Gov. Rec.
General Revenues	\$27.9	\$31.3	\$3.5	\$22.5
Federal Funds	10.3	10.2	(0.1)	14.1
Restricted Receipts	2.6	2.6	(0.0)	6.5
Other Funds	0.1	0.0	(0.1)	0.1
Total	\$40.9	\$44.1	\$3.2	\$43.1

\$ in millions

Veterans' Home Collections

- Resident Contributions
 - Residents pay 80% of their income
 - After deductions & allowances for personal needs and other items
 - 80% assessment is split
 - 80% to general fund
 - 20% to a restricted receipt account for expenses at the Home

Closing Expenditures - Veterans' Home

- New policy to not collect fees from residents with 70% service related disabilities
 - Beginning July 1, 2020
 - The federal diem for these veterans covers costs
 - \$466.0 per day in FY 2021 - \$170K for year
 - Complies with federal rule making
 - Discussed at July 30 hearing
 - Exposure from prior years estimated at \$2.5 million

Closing Expenditures - Veterans' Home

- FY 2020 closing reflects updated information
- State must reimburse for overcharging residents from Feb 2013 to June 2020
 - Total 56 current & former residents
 - Next-of-kin of deceased to be identified
- Prior estimates were \$2.5 million
 - Only considered current residents

Risks and Opportunities

- Caseload and Revenue changes
- BHDDH federal match success
 - ESH redesign plans
- Centralized services
- Updated CRF guidance for personnel costs
- Current year spending

Centralized Services

- 2017 Assembly authorized internal service funds for centralized services
 - Information technology, capital asset management & maintenance, & HR
- Costs previously budgeted in DOA
 - Methodology on initial distribution vague
 - Long term impacts and transparency concerns
- Unresolved issues – will impact FY 2021 and FY 2022

Centralized Services

	FY 2018	FY 2019	FY 2020 Spent	FY 2021 Gov
IT	\$30.8	\$33.4	\$36.5	\$39.8
Facilities	33.5	35.2	38.1	41.7
HR	12.3	12.7	12.3	13.0
Charges	\$76.6	\$81.4	\$86.9	\$94.5
GR Share	\$53.2	\$62.5	\$66.4	\$65.4
ISF Budget	\$78.9	\$88.7	\$91.9	\$106.3

\$ in millions

- There appears to be disconnect with budget for ISF services & agency billings expectation

COVID-19 Relief Background

- March 9, 2020 - Governor declared state of emergency
 - Federal Disaster Declaration - March 13
- March 13, 2020 - President Trump declared a nationwide emergency exists as a result of COVID-19
 - Declared effective January 20, 2020

COVID-19 Relief

- Stafford Act
 - Statutory authority for most federal disaster responses (FEMA)
 - Authorizes federal assistance
 - Incident magnitude exceeds governments' abilities to respond or recover
 - States reimbursed 75% of certain expenses
 - Federal guidelines suggest reimbursements cannot duplicate other federal assistance

COVID-19 Relief

- There have been 4 federal acts to address crisis
 - Coronavirus Preparedness & Response Supplemental Appropriations Act – March 6
 - Families First Coronavirus Response Act – March 18
 - CARES Act – March 27
 - Paycheck Protection Program & Health Care Enhancement Act – April 24

COVID-19 Relief

- Federal acts include funding for
 - State and local budgets
 - Strings and limitations
 - Individuals
 - Direct stimulus payments
 - Optional tax changes
 - Businesses
 - Loans
 - Optional tax changes

State & Local: Treasury

- Coronavirus Relief Fund
 - CARES Act provides \$150 billion for states based on population
 - Rhode Island qualifies for \$1,250 million minimum
 - Funds can be used for “necessary” expenditures related to COVID-19
 - Incurred from March 1, 2020 to December 30, 2020
 - Not accounted for in most recently approved budget (as of March)

State & Local: Treasury

- April 22 guidance on qualifying expenses
 - Direct expenditures = medical & public health needs
 - Secondary effects = economic support to those suffering from employment or business interruptions
 - Payroll for public safety, public health, health care
 - Expressly prohibits use for
 - State's share of Medicaid expenses
 - Costs reimbursed through other federal programs

State & Local: Treasury

- May 4 guidance suggests most flexibility will be with public safety & public health expenses
 - Allows for general revenue relief
 - Potentially tens of millions
- FY 2020 final budget swapped funds for DPS and DOH

State & Local: Treasury

- Changing expectations on potential Congressional actions add to uncertainty
 - Will more funding be made available?
 - Will existing funding be made more flexible and/or deadlines extended?

State & Local: Treasury

- Evolving and contradictory guidance from Treasury has made decisions difficult
 - Newer guidance has opened the door to charging Department of Corrections costs to CRF funds
 - Revised FY 2020 closing to save \$40+ million
 - Half a year for FY 2021
 - Possible use for forensic unit at ESH

Risks and Opportunities

- Caseload and Revenue changes
- BHDDH federal match success
 - ESH redesign plans
- Centralized services
- Updated CRF guidance for personnel costs
- Current year spending

Full-time Equivalent Positions

	Total
FY 2018 Avg.	13,913.2
FY 2019 Avg.	14,062.1
FY 2020 Avg.	14,205.1
FY 2021 Governor*	15,074.7
Avg. Filled 9/26	14,015.5
Diff. from Governor	(1,059.2)
Diff. from FY 2020	(189.6)

*Total includes 523.8 higher ed. FTE limited to 3rd party funds

Full-time Equivalent Positions

Staffing excluding Higher Education	Total
FY 2018 Avg.	9,853.7
FY 2019 Avg.	10,059.0
FY 2020 Avg.	10,139.3
FY 2021 Governor	10,689.4
Avg. Filled 9/26	9,991.9
Diff. from Governor	(697.5)
Diff. from FY 2020	(147.4)

FY 2022 Budget Requests

- Due October 1
 - Submissions appear to be more timely than last year
 - 19 Agency budgets plus RIC & CCRI still outstanding
 - 18 budgets plus OPC & URI submitted
 - Revenue, Lt Gov, Ethics Commission, Human Rights
 - EOHHS, DCYF, Health, DHS, Child Advocate, Deaf, Disabilities, Mental Health Advocate
 - Arts Council, Atomic Energy, HPHC
 - AG, Corrections, Public Defender

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