

# Governor's FY 2022 Budget

Staff Presentation to the House Finance  
Committee  
March 25, 2021

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# Governor's FY 2022 Budget

- Overview of Governor's budget solution as well as evolving federal relief situation
- Newest package not in the budget proposal
  - Enormous impact to state and local finances over next several years
  - General and specific programs affecting every facet of the state and its citizens

# Recent Timeline

- REC/CEC Q1 – Mid -November
- FY 2021 Budget Signed December 21
- Fifth Federal Stimulus – December 27
- Agencies Q2 – Jan 30
- Budget Office Q2 – Feb 15
- FY 2020 Audited Closing – Feb 23
- Governor's FY 2022 Budget – March 11
  - 2021 - H 6121 & 6122 introduced and referred to Finance
- Sixth Federal Stimulus – March 11

# Budget Briefings, Publications & Hearings

- February 25 – Budget Status
- March 16 & 23 – Budget at a Glance
- **March 25 – Governor's Budget Overview**
- March 30 – Article hearings begin
- House Fiscal Staff Budget Analysis
  - Updated Federal Funds Analysis
- Early May – Consensus Revenue and Caseload Estimating Conference

# Governor's FY 2022 Budget

## *Finance Committee Review*

- Briefing - Overview
- Article hearings through **April**
  - 20 separate articles in 2 bills some with multiple sections affecting different issues
- Subcommittee review of individual agency budgets – **April & May**
- Governor's requested amendments and other issues of interest
  - **Federal Stimulus Funds**

# References

- Materials are on line on the Assembly website - <http://www.rilegislature.gov>
  - House Fiscal Reports
    - Tabs for 2021 session
    - Links to OMB/Budget Office
  - Includes items prepared by House Fiscal Staff that may be helpful
  - Hearings available “on demand” on Assembly website

# Governor's FY 2022 Budget

- ***FY 2020 Audited Closing***
- FY 2021 Revised Budget
- FY 2022 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

# FY 2020 Audited

	<b>Enacted</b>	<b>Audited</b>	<b>Diff.</b>
Opening	\$40.8	\$40.8	\$0.0
<i>From Rainy Day Fund</i>	120.0	120.0	-
Other Revenues	3,922.2	4,063.7	141.6
<b>Total Revenues</b>	<b>\$4,082.9</b>	<b>\$4,224.5</b>	<b>\$141.6</b>
To Rainy Day	(122.1)	(126.4)	(4.2)
Expenditures	(3,958.7)	(3,936.6)	22.2
Closing Surplus	2.1	161.5	159.5
Reappropriation	-	(5.3)	(5.3)
<b>Free Surplus</b>	<b>\$2.1</b>	<b>\$156.2</b>	<b>\$154.1</b>

\$ in millions



# FY 2020 Prelim vs. Audited

	<b>Prelim</b>	<b>Audited</b>	<b>Diff.</b>
Opening	\$40.8	\$40.8	\$0.0
<i>From Rainy Day Fund</i>	120.0	120.0	-
Other Revenues	4,063.9	4,063.7	(0.2)
<b>Total Revenues</b>	<b>\$4,224.7</b>	<b>\$4,224.5</b>	<b>\$(0.2)</b>
To Rainy Day	(126.4)	(126.4)	-
Expenditures	(3,912.6)	(3,936.6)	(24.0)
Closing Surplus	185.7	161.5	(24.2)
Reappropriation	(5.3)	(5.3)	-
<b>Free Surplus</b>	<b>\$180.4</b>	<b>\$156.2</b>	<b>(24.2)</b>

\$ in millions

# FY 2020 Audit Major Items

<b>Closing Balance Impact</b>	<b>FY 2020</b>
FEMA reimbursement to 21	\$(109.6)
Increased CRF for Staff/Ops	77.0
Medicaid Payables	14.0
ESH – prior year billings	(7.7)
BHDDH Cost Allocation	2.6
All Other Expenses	(0.2)
Revenues	(0.2)
<b>Total</b>	<b>\$(24.2)</b>

- Largest items were known at the time the FY 2021 budget was adopted and impact accounted for
- Should be viewed over 2 years

\$ in millions

# FY 2020 Audit Major Items

- Technical accounting for reimbursement from FEMA forced unbudgeted state expense in FY 2020 that gets reversed in FY 2021
- **\$15.7 million net positive change to FY 2021**

<b>Closing Balance Impact</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>2 Year</b>
FEMA technical shift to 21	\$(109.6)	\$109.6	-
Additional CRF Personnel	77.0	(70.0)	7.0
Other items	8.7	-	8.7
<b>Total</b>	<b>\$(24.2)</b>	<b>\$39.6</b>	<b>\$15.7</b>

\$ in millions

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# FY 2021

	<b>Enacted</b>	<b>BO Q2</b>	<b>Diff.</b>
Opening	\$185.7	\$185.7	\$-
Revenues	4,108.4	4,108.4	-
Rainy Day	(128.7)	(128.7)	-
Expenditures	(4,153.3)	(4,121.8)	(31.5)
<b>Total FY 2021</b>	<b>\$ 12.2</b>	<b>\$43.7</b>	<b>\$31.5</b>

\$ in millions

- \$15.7 million gain from closing would bring expected surplus to \$59.4 million a \$47.2 million improvement to enacted assumptions

# FY 2022 Budget Gap Update

<b>FY 2022 Budget Gap Estimate – February*</b>	
At December budget enactment	\$440
FY 2020 Closing Impact	(16)
Budget Office Q2	(32)
Medicaid Match enhanced – 2 quarters	(65)
<b>Total</b>	<b>\$327</b>

- Many other items without good estimates in play
- FEMA match
  - \$25-50M
- Cost of tax change on PPP expenses
  - “tens of millions”
- Sixth Stimulus \$\$\$\$

\*corrected \$ in millions

# Current Year

- The *current year* showed a significant surplus vs enacted expectations with a number of still unknowns linked to federal action
- The Governor's budget increases that significantly *as part of 2-year solution to FY 2022 deficit*
  - Newly available federal funds use
  - RICAP payback delay
  - Response to federal tax law changes

# Governor's Budget

	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Opening Surplus	\$40.8	\$161.5	\$265.4
FEMA Related Adjustment	-	110.9	-
Revenues	4,183.7	3,999.3	4,245.6
Rainy Day Fund	(126.4)	(124.7)	(135.3)
<b>Available Revenues</b>	<b>\$4,098.1</b>	<b>\$4,147.1</b>	<b>\$4,375.7</b>
<b>Expenditures</b>	<b>\$3,936.6</b>	<b>\$3,881.6</b>	<b>\$4,371.3</b>
<b>Total Surplus</b>	<b>\$161.5</b>	<b>\$265.4</b>	<b>\$ 4.4</b>

\$ in millions



# Governor's FY 2022 Budget

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# Governor's Solution

<i>\$ in millions</i>	<b>FY 22</b>	<b>FY 21</b>	<b>Total</b>
Revenues	\$26.0	\$(77.0)	\$(51.0)
Medicaid/HHS Agencies	94.0	31.9	125.9
Locals	(7.4)	0.1	(7.3)
Commerce	6.6	(0.3)	6.3
Cost Shifts	(11.0)	243.5	232.5
Debt Service	2.7	6.1	8.8
New Programs/Initiatives	(14.0)	-	(14.0)
Statewide/Other	30.5	(0.2)	30.2
<b>Total Solution</b>	<b>\$127.4</b>	<b>\$204.0</b>	<b>\$331.4</b>

# Governor's Solution

- *Revenues*
- Medicaid/EOHHS Agencies
- Locals
- Commerce
- Departments and Agencies
  - Statewide
  - Initiatives
  - Debt and Other

# Revenues Changes

## Revenues – \$51.0 million less

- PPP tax treatment changes – \$(65.6)
- Lottery - \$6.1 million
- Adult Use Marijuana - \$1.7 million
- Enhanced Collections - \$1.7 million
- Fees – \$4.1 million
- Transfer from UST Fund -\$1.0 million
- Other - \$0.9 million

# Revenues

- Paycheck Protection Program
  - CARES Act established program
    - Provides no-cost, unsecured loans
    - Forgiven loans expressly deemed not income for tax purposes
  - Consolidated Appropriations Act - 12/27
    - Allowed for expenses paid to be deductible
    - Change in tax treatment not in state revenue estimates – but would impact
      - \$133.3 million loss over FY 2021 & FY 2022
      - State personal & income tax revenue

# Revenues

- Paycheck Protection Program
  - Governor proposes to partially decouple
    - Only forgiven loans under \$150,000 exempt from taxation
  - Taxation empowered to reverse proposal if future federal stimulus allows for revenue replacement

	<b>FY 2021</b>	<b>FY 2022</b>	<b>Total</b>
Federal Action	\$(86.3)	\$(47.0)	\$(133.3)
Partial Decouple	3.6	64.1	67.7
<b>Total Impact</b>	<b>\$(82.7)</b>	<b>\$17.1</b>	<b>\$(65.6)</b>

\$ in millions

# Revenues Changes

<b>Enhanced Collections* - \$0.9 million</b>	
Collections Unit	\$1.4
<i>Less Collections Expense</i>	<i>(0.8)</i>
Workplace Tax Compliance	0.5
<i>Less add Compliance Expense</i>	<i>(0.2)</i>

\$ in millions; \*net of expenses

# Governor's Solution

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# Medicaid/EOHHS Agencies

- Long Term Care
- Managed Care/Hospitals/Other
- BHDDH
  - Eleanor Slater Hospital
  - Division of Developmental Disabilities
- DHS
- DCYF

# Medicaid/EOHHS Agencies

Impact	General Revenues
Hospitals (2-year)	\$57.5
Managed Care	1.7
Long Term Care Redesign	4.0
Home Stabilization Program	(0.7)
Enhanced Collections	1.3
Family Visiting Programs	(0.7)
Healthy Aging – Co-pay programs	(0.7)
<b>Total</b>	<b>\$62.3</b>

\$ in millions

# Medicaid/EOHHS Agencies

- Eleanor Slater Hospital patients that can be transferred to alternative settings
  - Increase rates for patients on ventilators?
  - Increase rate for psychiatric residential care?

<b>FY 2022 – Eleanor Slater Hospital</b>	<b>Gen. Rev.</b>
Reorganization Savings	\$47.6
NH Rates – Ventilators	-
Enhanced Rates for Residential Services	-
<b>Total</b>	<b>\$47.6</b>

\$ in millions

# Medicaid/EOHHS Agencies

<b>Division of Developmental Disabilities</b>	<b>GR</b>	<b>All</b>
Transition Fund – Consent Decree	\$(10.0)	\$(15.0)
Privatize RICLAS	[4.5]	[11.7]
<i>RICLAS Savings</i>	8.1	20.2
<i>Community Providers</i>	(3.3)	(7.8)
<i>Contractor</i>	(0.3)	(0.7)
<b>Total</b>	<b>\$(5.5)</b>	<b>\$(3.3)</b>

\$ in millions

# Medicaid/EOHHS Agencies

<b>DHS</b>	<b>GR</b>	<b>All</b>
Child Care Reimbursement Rates	\$ -	\$(6.0)
Child Care Coverage Expansion	-	(0.2)
RI Works Expansion & Clothing Allowance	-	(0.3)
RI Community Food Bank	(0.2)	(0.2)
OVS – RI Serves	(0.2)	(0.2)
<b>Total</b>	<b>\$(0.4)</b>	<b>\$(6.9)</b>

\$ in millions

# EOHHS Agencies

<b>DCYF</b>	<b>General Revenues</b>
Recruitment and Retention	\$1.4
Training School Personnel	0.9
Utilization Management/Extreme Family Finding	(0.1)
Sublease Headquarters	0.5
Families First Prevention Act	(0.4)
<b>Total</b>	<b>\$2.3</b>

\$ in millions

# Governor's Solution

- Revenues
- Medicaid/EOHHS Agencies
- *Locals*
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# Education Aid

- Governor adds \$43.3 million from general revenues for education aid
  - \$8.1 million more than current service estimate
    - \$10.9 million more for direct aid to schools
    - \$0.9 million less for teacher retirement
    - \$1.9 million less for school construction
  - Governor's out-year estimates=1.4% annual
    - Increased costs will be offset by population decline
    - Prior out years – assumed 2%
- Current recommendation is 3.7%



# Education Aid

- Funds 11th year of formula
  - Adds \$36.7 million based on March 2020 data
    - March 2021 updated expected in April
  - Adds \$1.5 million for Central Falls stabilization
  - \$0.1 million less for fewer group home beds
- Phase-in adjustments have ended
  - Districts receive aid as produced by formula

# Education Aid

- Teacher Retirement
  - \$123.9 million
    - \$5.5 million more than enacted
- State Pre-k
  - \$2.5 million from one-time federal GEER funds to expand classrooms ~ 330 seats
    - Out-year estimates do not account for this
- School Construction Aid \$80 million
  - \$79.4 million - Traditional
  - \$0.6 million – SBA Fund

# Education Aid

- \$250 million GO bond approved by voters
  - Upfront support for state share of projects
  - Approval triggered temporary incentives to for certain projects
    - Projects must begin by 2022 or 2023
  - Out-year forecast
    - \$93.4 million FY 2023
    - Growing to \$130.8 million for FY 2026
      - Assumes new \$250 million GO bond in 2022
    - Subject to significant revision based on activity

# COVID - 19 Relief

- ARP adds much more with same waiver as 5<sup>th</sup> stimulus but additional rules

<b>Education Funds</b>	<b>CARES</b>	<b>Budget Act</b>	<b>ARP</b>	<b>Total</b>
Governor's Fund	\$8.7	\$11.0	\$5.1	\$24.8
K-12 Fund	46.4	184.8	415.0	646.2
Higher Education Fund	29.5	51.5	??	81.0
<b>Total</b>	<b>\$84.6</b>	<b>\$247.3</b>	<b>\$420.1</b>	<b>\$752.0</b>

\$ in millions

# Local Aid – General Aid Programs

	<b>FY 2021 Enacted*</b>	<b>FY 2021 Gov. Rev.*</b>	<b>FY 2022 Gov. Rec.</b>
Dist. Communities	\$13.8	\$13.8	\$12.4
PILOT	50.7	50.7	46.1
Motor Vehicle Excise	123.8	123.7	139.7
Municipal CFR	7.8	7.8	-
<b>Enhanced Total</b>	<b>\$ 196.0</b>	<b>\$ 196.0</b>	<b>\$ 198.1</b>
FY 2021 Enhancement	(25.0)	\$(25.0)	-
<b>Base Total</b>	<b>\$171.0</b>	<b>\$171.0</b>	<b>\$ 198.1</b>

\$ in millions

# Local Aid Programs

- PILOT - \$46.1 million
  - Funding represents – 26.0% of the value
    - Same as FY 2020 enacted – represented 26.6%
    - Law allows up to 27%
      - \$1.7 million less full funding
- Motor Vehicle Phase-Out - \$139.7 million
  - \$15.9 million more than enacted
  - Fully funds the current law schedule
    - Next increment costs \$29.1 million
      - \$0.7 million less than prior estimate

# COVID - 19 Relief

- Coronavirus State & Local Fiscal Recovery Funds
  - Rhode Island is estimated to receive \$1.8 billion over FY 2021 and FY 2022
    - \$1.1 billion to the state
    - \$542.4 million to locals – allocated like CDBG
    - \$112.7 million for capital expenses
  - Appears to be more flexible uses than CRF
    - Funds may not be used to enact a tax reduction or deposited into pension fund

# Local Federal Stimulus Aid

<b>Disbursement Type</b>	<b>Total</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Entitlement</b>	<b>\$ 281.8</b>	<b>\$ 140.9</b>	<b>\$ 140.9</b>
<i>Cranston</i>	27.4	13.7	13.7
<i>East Providence</i>	19.0	9.5	9.5
<i>Pawtucket</i>	46.0	23.0	23.0
<i>Providence</i>	131.8	65.9	65.9
<i>Warwick</i>	24.4	12.2	12.2
<i>Woonsocket</i>	33.3	16.7	16.7
<b>Non-Entitlement</b>	<b>\$ 55.1</b>	<b>\$ 27.5</b>	<b>\$ 27.5</b>
<b>County Level</b>	<b>\$ 205.5</b>	<b>\$ 102.7</b>	<b>\$ 102.7</b>
<b>Grant Total</b>	<b>\$ 542.4</b>	<b>\$ 271.2</b>	<b>\$ 271.2</b>



# Governor's Solution

- Revenues
- Medicaid/EOHHS
- Locals
- *Commerce*
- Departments and Agencies
  - Statewide
  - Initiatives
  - Debt and Other

# Commerce

- 2015 Assembly enacted 15 programs with FY 2016 budget in support of Governor Raimondo's economic strategy
  - 5 tax incentive programs
  - 10 other programs, investments & initiatives
  - Partially funded from debt restructuring
- 2016 -2020 Sessions
  - Added & made revisions
  - Extended sunsets
  - Recaptured unused funds

# Commerce

- Commerce items \$6.3 million below prior deficit projections
  - Adds funding to some established funds
- Changes to approved programs
  - Extends sunsets from June 2021 to Dec 2022
    - 2020 Assembly also delayed 6 months
- Captures impact of dedicated revenue for Pawtucket economic development
  - \$0.3 million in FY 2021
  - \$0.7 million in FY 2022

# Commerce

<b>Current Programs</b>	<b>2016 – 2020</b>	<b>2021 R</b>	<b>2022</b>
Rebuild RI	\$44.7	\$22.5	\$22.5
Cluster Grants	2.4	0.1	0.1
Wavemaker	7.3	1.2	1.2
Innovation Initiative	6.5	1.0	1.0
Small Business Assist.	6.0	-	1.0
Supply RI	0.6	0.3	0.3
Site Readiness	-	1.0	1.0

\$ in millions

# Commerce

<b>Pass-Through</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021R</b>	<b>2022</b>
Commerce Corp.	\$7.2	\$7.5	\$7.4	\$7.4	\$7.7
Airport Impact Aid	1.0	1.0	1.0	1.0	1.0
STAC	0.8	0.9	0.9	0.9	0.9
Innovative Research	1.0	1.0	1.0	1.0	1.0
Minority Business*	0.14	0.14	0.14	0.14	0.14
Chafee Center	0.4	0.5	0.5	0.5	0.5
Polaris	0.3	0.4	0.4	0.4	0.4
EP Waterfront Comm.	-	-	0.1	0.1	0.1

\$ in millions; \*different recipient?

# Commerce

- Housing Reorganization
  - Reduces Housing Resources Commission from 28 to 20 members, increases 4-member Coordinating Council to 7
- Financial & technical assist for locals
  - Doubles conveyance tax on residential properties valued over \$0.7 million
  - Take some of state portion
    - Eventually yields \$6.9 million annually
- Newly approved \$65.0 million bonds

# Commerce

- New rental and related assistance
  - Dec 27 Stimulus
    - \$200.0 million min. until Dec 2021
    - Based on Sept 2021 recapture provisions
  - American Rescue Plan Rental Assistance
    - \$152.0 million state min. for rent & utilities assist. until Sept 2027
    - Separate funds for homeowners

# Governor's Solution

- Revenues
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- *Departments and Agencies*
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# Departments and Agencies

- Cost Shifts – \$232.5 million
  - Fund sources and timing
  - RICAP payback delayed until FY 2023
    - Net \$70 million more resources available from this delay
  - Opioid settlement - \$1.5 million
  - Freed up CRF - \$69.9 million
    - Revised estimate and FEMA change
  - COVID response to federal \$91.1 million
    - New grants and FEMA change

# Departments and Agencies

- Real Jobs RI - \$3.0 million more
  - Governor does not assume use of any restricted receipts for the program
    - Enacted budget assumes \$3.7 million
- Crime Victim Compensation
  - Governor changes allocations among court fine recipients
  - Adds \$0.3 million in new general revenue

# Initiatives

- K – 12 Initiatives
  - 3.0 New FTE, \$0.5 million from general revenues
    - 1.0 to support social studies curriculum work
    - 1.0 to support transformation of low-performing schools
    - 1.0 for communication materials and media
  - State Testing - \$565,000
    - Includes \$115,000 for English language tests
    - \$450,000 for spring state testing
      - Replaces federal funds that are no longer available

# Departments and Agencies

- Higher Education
  - RI Promise Scholarship proposal to make program permanent
    - Currently set to end with fall 2021 cohort
- Department of Corrections
  - Employment initiative
  - Probation and parole reform
  - Behavioral Healthcare initiatives
  - Medication Assisted Treatment expansion

# Department of Transportation

- Consolidated Appropriations Act has two major pieces
  - Standard Budget
    - Provides additional \$63.2 million to DOT
      - Requires a 20% state match
  - Stimulus portion provides \$54.3 million for highway projects
    - Eligible uses: operating expenses & revenue losses
- Recommended budgets use funds 2 yrs.
  - Winter and maintenance projects

# Department of Transportation

- Voters recently approved \$71.7 million of new general obligation bonds
  - Budget assumes use over 2 years
- Governor recommends \$53.5 million from RICAP
  - Additional state match
    - \$28.5 million in FY 2022 and \$25.0 million in FY 2023
- Assumes legislation to 2022 Assembly to issue rev. bonds of \$34.9 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
- Governor's budget offsets \$1.5 million of prior general revenue spending in DOH

# 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	-	
<b>\$ in millions</b>		<b>Total</b>	<b>\$3.3</b>	<b>\$6.2</b>



# Governor's Solution

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# Expenditures

	<b>Enacted</b>	<b>Budget</b>	<b>Change</b>
Gen. Rev.	\$4,153.3	\$4,371.3	\$218.0
Federal	5,812.9	4,129.5	(1,683.4)
Restricted	322.3	341.9	19.6
Other	2,442.0	2,327.8	(114.1)
<b>Total</b>	<b>\$12,730.4</b>	<b>\$11,170.5</b>	<b>\$(1,560.0)</b>

\$ in millions

# Personnel and Operating

- Salaries and Benefits
  - Decrease of 2.0% from enacted
  - General revenues increase 15.8%
    - FY 2021 enacted budget shifts \$148.7 million from general revenues to federal Coronavirus Relief funds
  - Reflects updated benefit rates
    - Adds \$2.2 million for assessed fringe benefit rate increase based on voluntary retirement incentive

# Personnel and Operating

- Voluntary Retirement Incentive
  - Same as FY 2018 program
  - State employees eligible to retire on/ before December 31, 2020
    - ~ 900 eligible employees
  - Incentive is 2 times employee's longevity
    - Capped at \$40,000
  - Net savings of \$6.0 million
    - Delay in refilling positions; filled at 80% of incumbent's cost
    - Less cost of payouts

# Retirement Incentive

## FY 2021 Savings Assumptions

1-3 months savings from retirees	\$47.3
Cost to refill 100% at reduced cost	\$(28.4)
Gross Savings	\$19.0
<b>Gross GR Savings</b>	<b>\$8.2</b>

## Assessed Fringe Benefit Fund

Opening balance	\$4.7
Base collections	39.6
Base payouts	(37.0)
VRI severance	(3.9)
VRI longevity payout	(7.1)
Balance	\$(3.8)
<b>GR Share</b>	<b>\$(2.2)</b>

- Governor's budget increases AFB rate charged in FY 2021 to cover difference
- Net general revenue savings assumed at \$6.0 million

# Full-time Equivalent Positions

	<b>Total</b>
FY 2020 Avg.	14,205.1
FY 2021 Enacted/Gov. Rev	15,124.7
<b>Diff. from Enacted</b>	<b>-</b>
FY 2022 Gov. Rec.	15,089.2*
<b>Diff from Enacted</b>	<b>(35.5)</b>
Filled March 13	13,825.9
<b>Diff. from Enacted/Gov. Rev.</b>	<b>(1,298.8)</b>
<b>Diff. from Gov. Rec.</b>	<b>(1,263.3)</b>

*\*includes 130 new positions*

# Staffing Changes

- Biggest changes
  - BHDDH - down 150
    - Privatization of RICLAS - 50
    - Eleanor Stater Hospital Reorg -100
  - New State Police Troopers - 25
  - DCYF Frontline Staff – 16
  - Adult marijuana - 20
  - DOC -13 for discharge planning & others
  - DEM – 7 for parks & rec/expand port ops
  - Health - 6



# Expenditures

	Enacted	Budget	Change
Sal/Ben	\$1,871.3	\$1,833.8	\$(37.5)
Contracted Services	518.1	584.8	66.7
Operating	1,507.9	1,066.4	(441.5)
Local Aid	1,669.2	1,661.3	(7.9)
Assistance & Grants	6,084.6	4,888.6	(1,196.0)
Capital	362.6	430.9	68.2
Debt Service	266.2	252.7	(13.4)
Operating Transfers	450.6	452.0	1.4
<b>Total</b>	<b>\$12,730.4</b>	<b>\$11,170.5</b>	<b>\$(1,560.0)</b>

\$ in millions

# Personnel and Operating

- Comparisons regarding category of expenditures between years are complicated this year
  - How COVID expenses are budgeted
    - Changes as more is known
  - Significant increases in grants/benefits category in FY 2021 related to unemployment insurance do not repeat in FY 2022
    - Likely to change with latest stimulus

# COVID-19 Relief

- 6 federal acts enacted to address crisis
  - Coronavirus Preparedness & Response Supplemental Appropriations – Mar 6
  - Families First Coronavirus Response – Mar 18
  - CARES – Mar 27
  - Paycheck Protection Program & Health Care Enhancement – April 24
  - Consolidated Appropriations Act – Dec 27
  - American Rescue Plan – March 11, 2021

# 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

# COVID - 19 Relief

- Consolidated Appropriations for FY 2021
  - Signed December 27, 2020
- \$900 billion cited as new COVID-19 relief
  - Extends or modifies current programs
    - Direct payments to individuals
    - Extended UI benefits
    - Funding for
      - Vaccines & testing
      - Business
      - Schools
      - Rental assistance

# COVID - 19 Relief

- Education - Consolidated Act
  - Mostly distributed same way as CARES Act
  - Requirements to states to maintain spending (MOE) are different
    - Now based on proportion of state spending on education compared to all state spending instead of maintaining specific dollar amounts
      - Complicated to operationalize
    - Funding available into FY 2023

# COVID - 19 Relief

- Governor's Fund flexible funding
  - In January, Governor Raimondo submitted her use plan for CARES and new funding

<b>Governor's Initiatives</b>	<b>Total</b>
Increase student access to mental health	\$0.9
Expand prekindergarten	2.5
Expand access to CCRI similar to Promise	5.3
Office of Postsecondary Commissioner	3.9
Private Schools*	7.1
<b>Total</b>	<b>\$19.7</b>

\$ in millions, \*only item not in Governor's budget

# COVID - 19 Relief

- Coronavirus Relief Fund use extended to December 31, 2021
  - RI got \$1.25 billion
  - FY 2021 Budget assumed December 30, 2020
- Most funds appeared to be committed by previous deadline
  - Governor's budget reflects use of leftover
    - Program uptake
    - FEMA match change



# COVID-19 Relief

- Evolving and contradictory guidance from Treasury has made decisions difficult
  - Newer guidance opened the door to charging Department of Corrections costs to CRF funds
    - Use for forensic unit at ESH
- FY 2020 & FY 2021 budgets used these according to most updated rules

# CRF - Personnel

<b>FY 2021</b>	<b>Enacted</b>	<b>Gov. Rev.</b>	<b>Diff.</b>
Department of Corrections	\$78.6	\$123.3	\$44.7
Department of Public Safety	37.2	59.5	22.3
Department of Health	7.9	10.1	2.2
Vets Home (DHS)	11.8	12.1	0.3
BHDDH	4.9	4.9	-
Other Human Services	2.6	4.2	1.6
General Government/Education	3.6	4.3	0.6
Other Public Safety	0.5	0.2	(0.3)
Environmental Management	1.6	-	(1.6)
<b>Total</b>	<b>\$148.7</b>	<b>\$218.5</b>	<b>\$69.9</b>

\$ in millions

# CRF - Personnel

Agency	FY 2020	FY 21Rev.	Total
Department of Corrections	\$49.3	\$123.3	\$172.6
Department of Public Safety	24.8	59.5	84.3
Department of Health	8.3	10.1	18.4
Vets Home (DHS)	6.9	12.1	19.0
BHDDH	24.0	4.9	28.9
Other Human Services	3.2	4.2	7.4
General Government/Education	4.4	4.3	8.7
Other Public Safety	2.1	0.2	2.3
Environmental Management	1.2	-	1.2
<b>Total</b>	<b>\$124.2</b>	<b>\$218.5</b>	<b>\$342.7</b>

\$ in millions

# COVID Funding

	<b>CRF</b>	<b>FEMA</b>	<b>Other Federal</b>	<b>General Revenues</b>	<b>Total</b>
FY 2020	\$255.0	\$1111.0	\$ -	\$ -	\$366.0
FY 2021	995.0	362.1	314.2	14.2	1,685.5
FY 2022	-	156.3	171.8	-	328.0
<b>Total</b>	<b>\$1,250.0</b>	<b>\$629.3</b>	<b>\$485.9</b>	<b>\$14.2</b>	<b>\$2,379.5</b>

\$ in millions; does not include ARP

# CRF – Planned Uses

<b>Committed Amounts for FY 2020 &amp; FY 2021</b>	
Hospitals & Provider Relief	\$285.8
Testing, Contact Tracing, Vaccine Campaign, etc.	30.0
Housing	17.8
Education & Municipal Support	256.0
Small Business Relief & Job Training	173.1
“Pause” Supports: Enhanced UI & RI Works Benefits, Business Support Grants *	111.7
State Agency Personnel & Operations	362.4
All Other	13.1
<b>Total</b>	<b>\$1,250.0</b>

\* Gov Includes \$30 million new program – no details \$ in millions

# Post 12/30 Items in 7171, Sub A

Item	General Revenues	Federal Funds	Total
Surge Hospital	\$11.4	\$8.4	\$19.8
Quarantine & Isolation	2.6	-	2.6
Government Readiness	2.2	-	2.2
Vaccine Campaign	12.5	16.7	29.2
Testing & Contact Tracing	72.0	157.5	229.5
Enforcement & Inspection	1.7	0.0	1.7
Landlord Incentives/Rental Assistance	0.4	2.2	2.6
Other COVID Related Expenses	2.9	10.5	13.4
<b>Total</b>	<b>\$105.7</b>	<b>\$196.1</b>	<b>\$301.8</b>

\$ in millions

# Post 12/30 COVID Response

- Many of these items are covered by new or freed up federal funds
  - State funds for FEMA match
  - Leftover CRF with deadline extension
  - State funds for expenses with new grants
- Governor's budget includes \$14.2 million from general revenues
  - \$91.5 million less than included in enacted budget

# COVID - 19 Relief

- American Rescue Plan Act of 2021
  - Signed March 11, 2021
    - Same day Governor submitted his budget
      - Recommendation does not include any funding from ARP
  - \$360 billion to state & local governments
  - \$1,400 refundable tax credits to individuals
  - Extends enhanced unemployment insurance benefits until September 6, 2021
- FMAP enhanced rate through at least end of 2021 – federal admin action



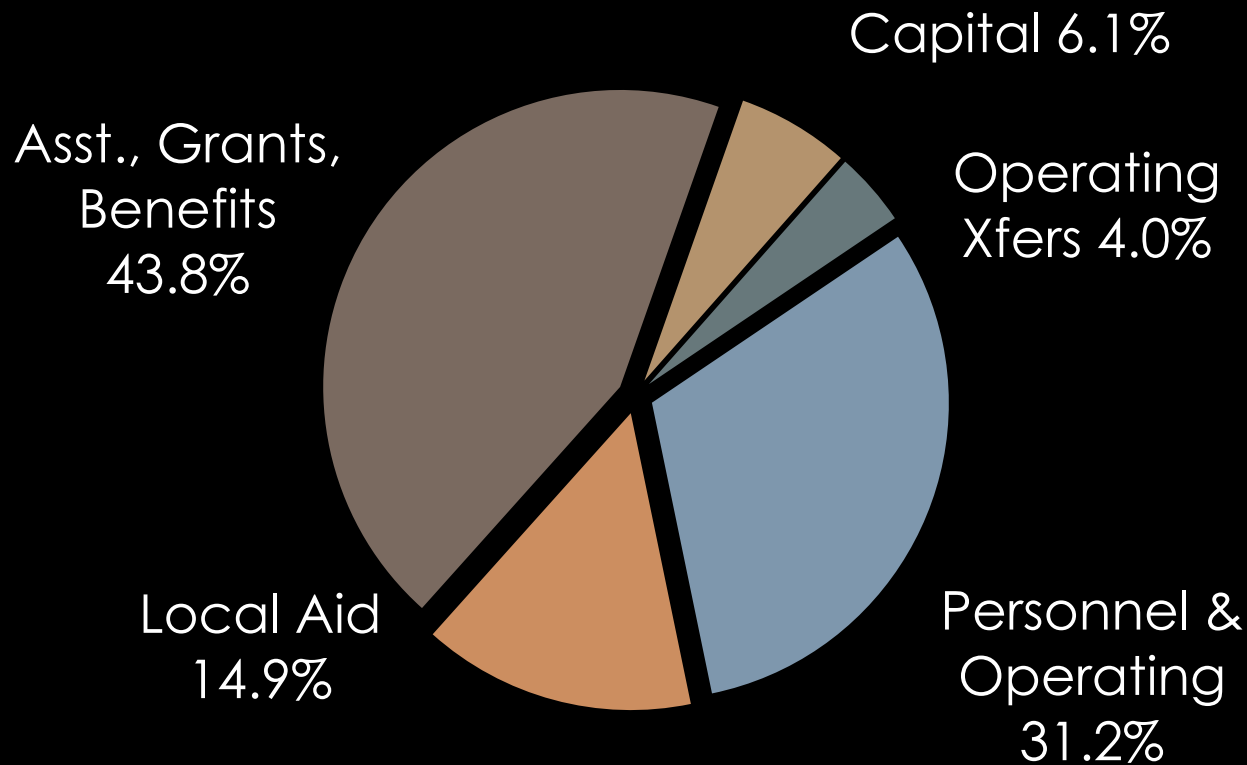
# COVID - 19 Relief

- Coronavirus State & Local Fiscal Recovery Funds
  - Rhode Island is estimated to receive \$1.8 billion over FY 2021 and FY 2022
    - \$1.1 billion to the state
    - \$542.4 million to locals
    - \$112.7 million for capital expenses
  - Appears to be more flexible uses than CRF
    - Funds may not be used to enact a tax reduction or deposited into pension fund

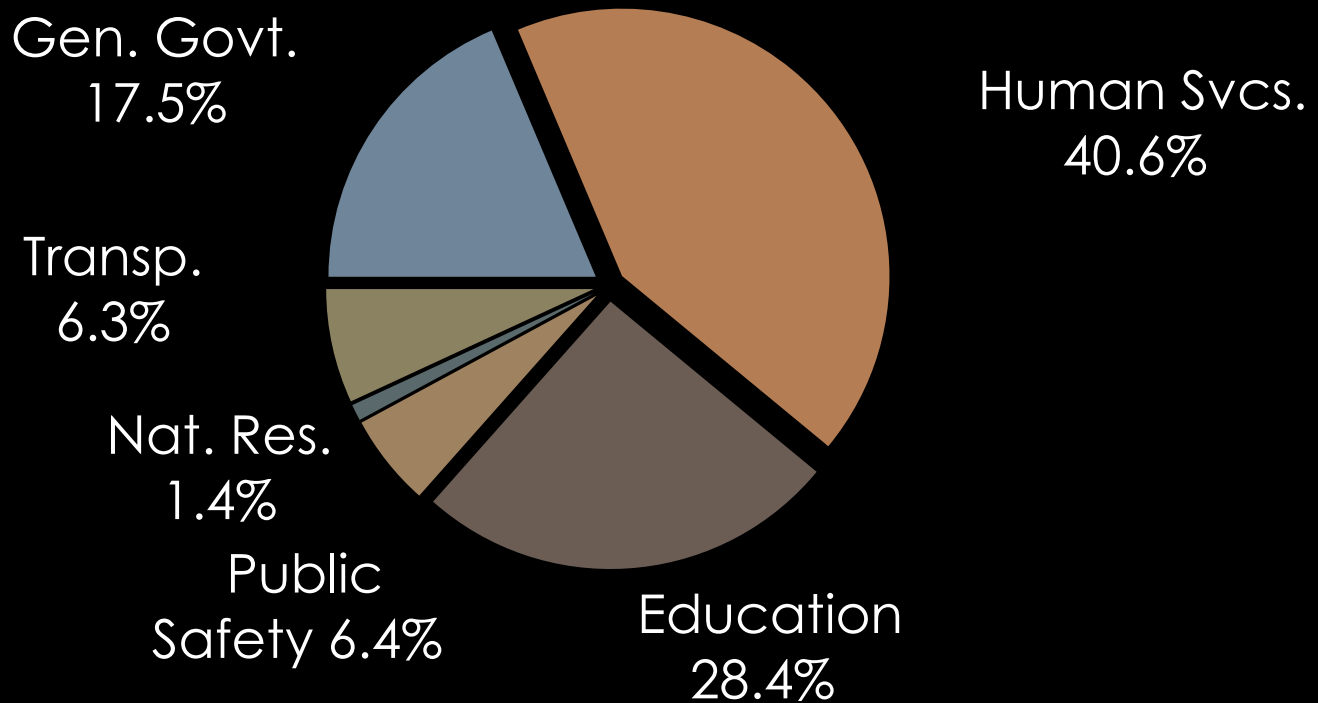
# COVID - 19 Relief

<b>Other American Rescue Plan Items of Note</b>	<b>RI Share</b>
Students w/ Disabilities	\$11.7
Childcare	93.3
LIHEAP	29.8
Head Start	3.0
Emergency Assistance for Children & Families	2.7
Supportive Services/Congregate Meals	6.6
Testing	39.7
Mental Health Centers/Behavioral Healthcare	12.3

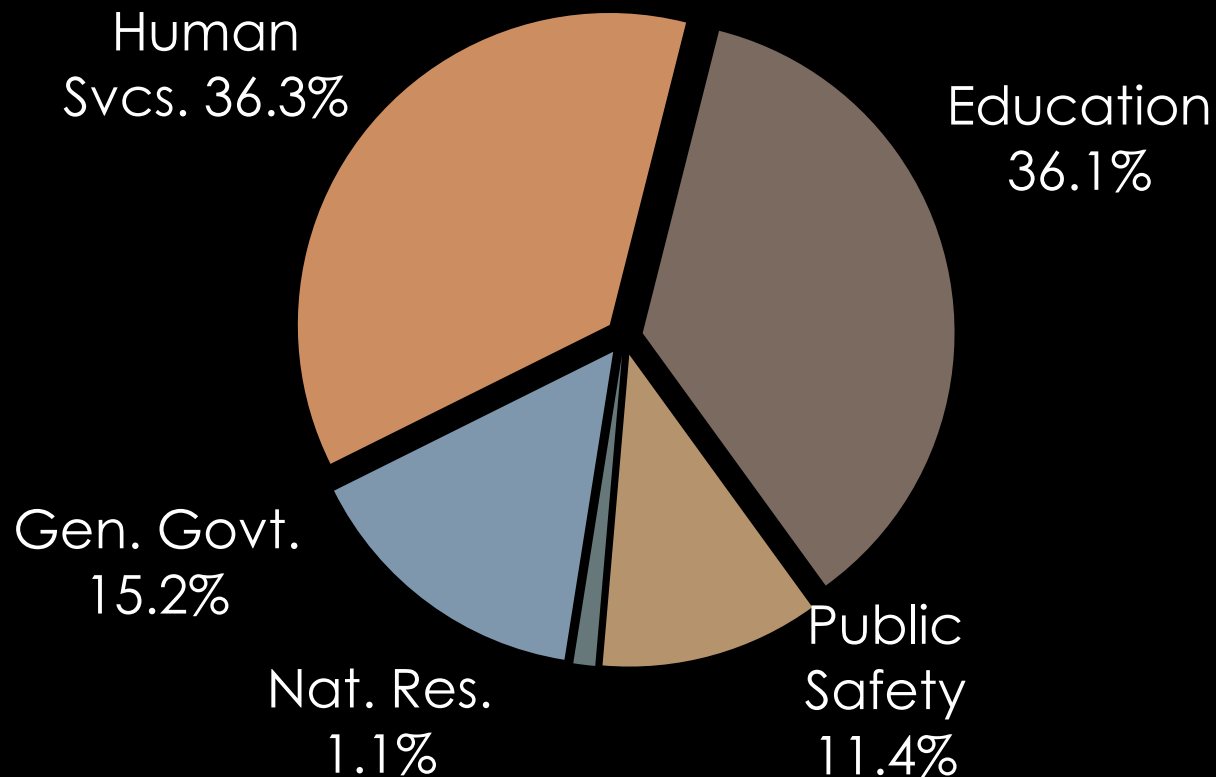
# All Funds by Category: Governor FY 2022



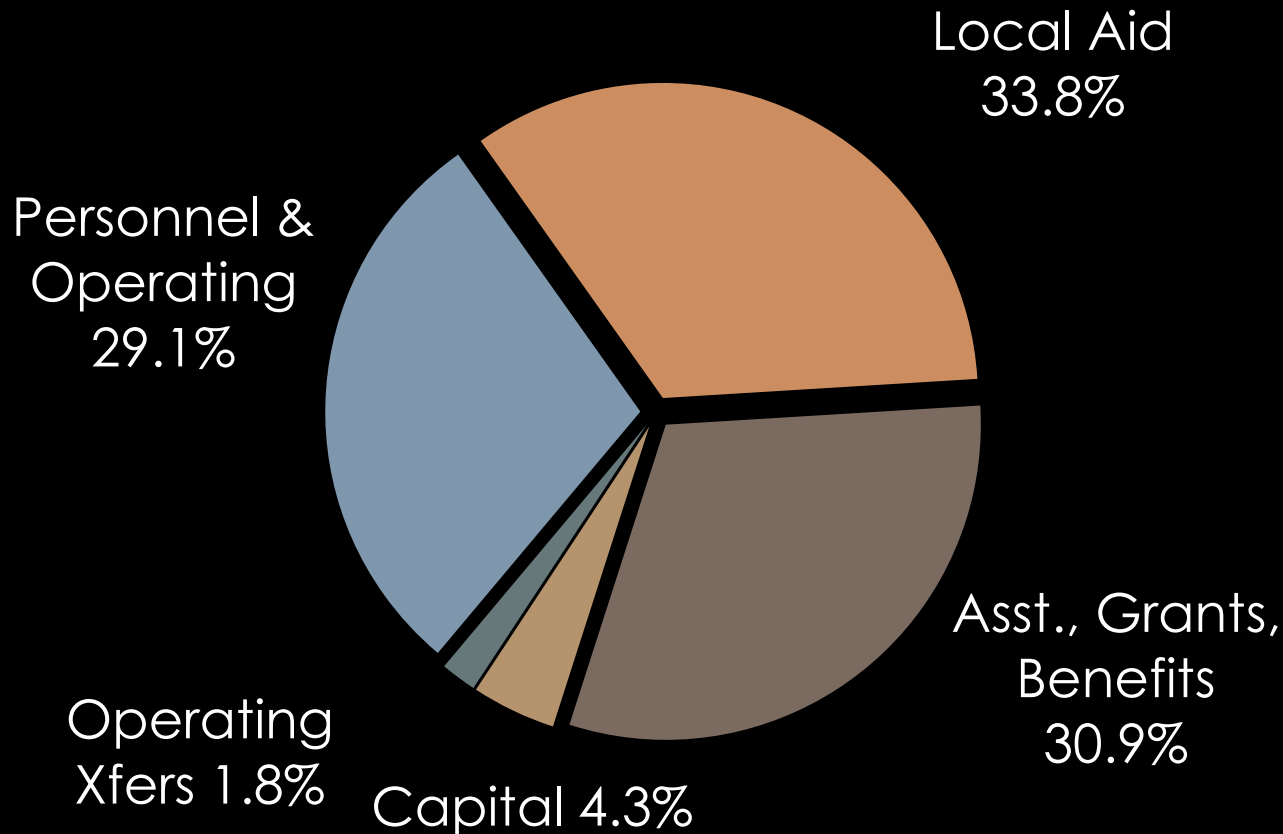
# All Funds by Function: Governor FY 2022



# General Revenues by Function: Governor FY 2022



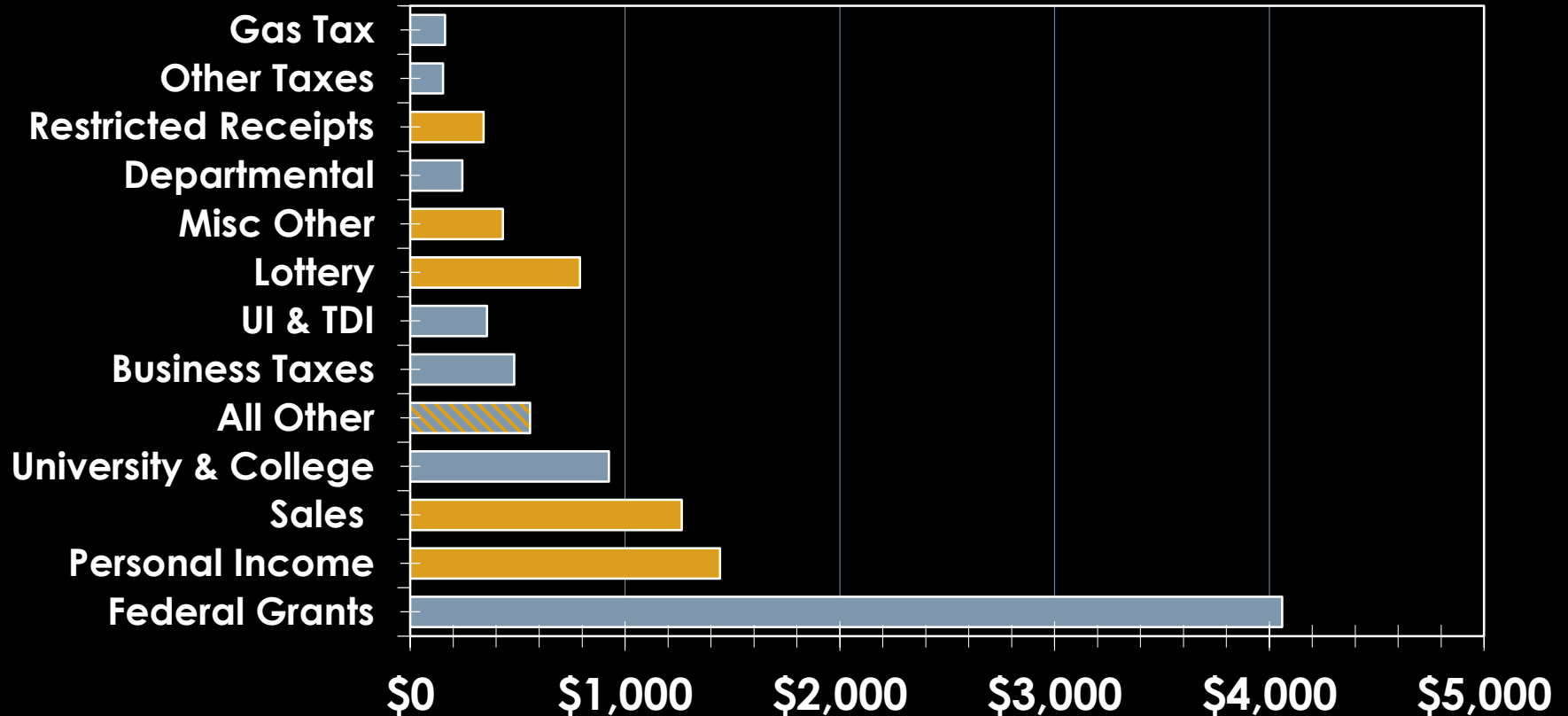
# General Revenues by Category: Governor FY 2022



# Uses – Growth Rates

Item	Est. Annual Growth
State Personal Income	4.0%
Nonfarm Employment	1.1%
Taxes	2.6%
Total Revenues	2.3%
Total Expenditures	2.5%
Salaries & Benefits – 23% of total	2.5%
Medicaid 27% of total	2.7%

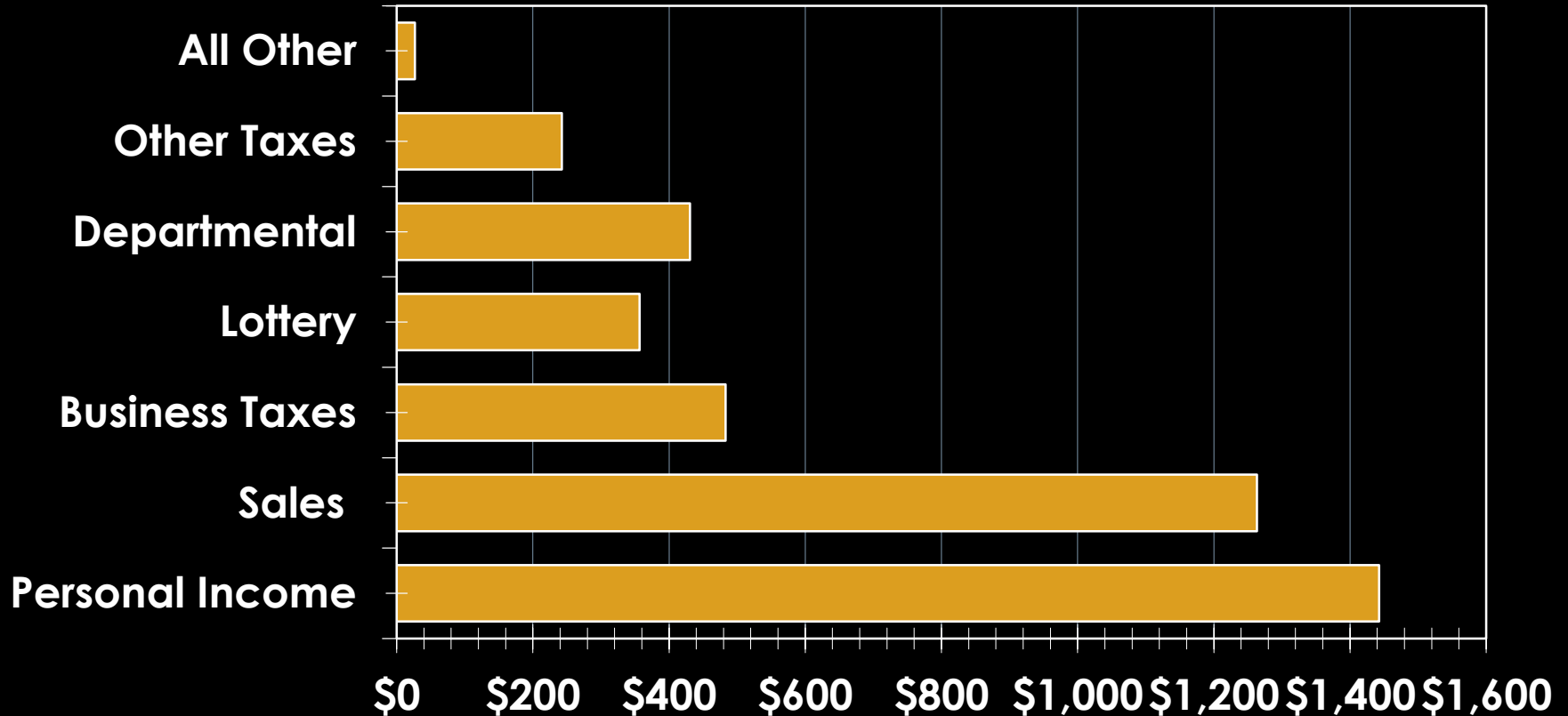
# All Sources *(\$ millions)*





# General Revenue Sources

(\$ millions)



# Governor's FY 2022 Budget

- FY 2020 Audited Closing
- FY 2021 Revised Budget
- FY 2022 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- **Capital Budget Overview**
- Out-years

# Capital Budget Funding



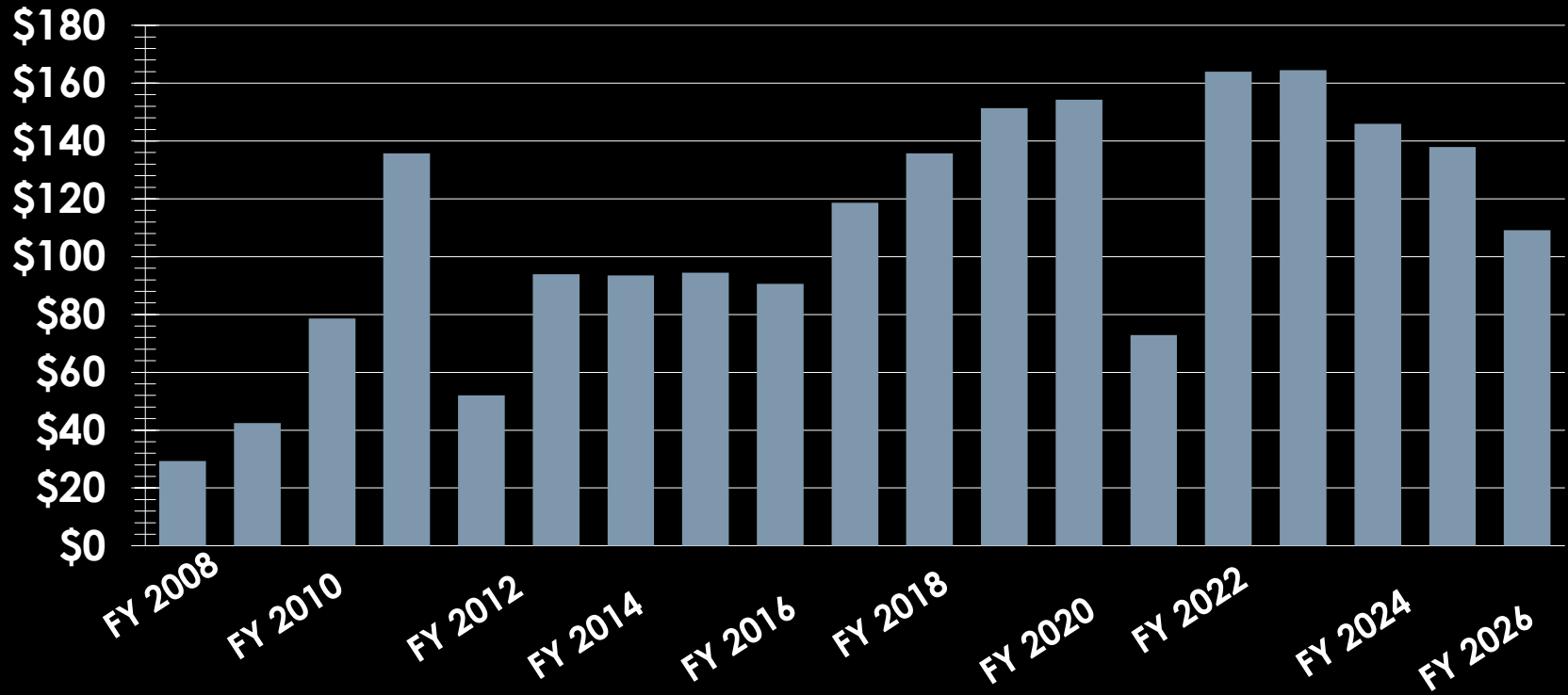
# Rhode Island Capital Plan Funds

- 1990 Assembly set up the “rainy day” fund to ensure adequate cash and budget reserves
- Voter referendum in November 1992
- Largest source of state funded pay-go
- State spending limited to 97.0% of general revenues
  - FY 2013 was end of 5-year move from 98.0%

# Rhode Island Capital Plan Funds

- Remainder goes to Budget Stabilization & Cash Reserve Account
- When that reaches 5.0%, excess flows to the capital account
  - Previously used mostly to pay debt
- Voters amended constitution in 2006 to limit use for projects only
  - Dedication of pay-go sources to capital lessens need to issue debt

# Rhode Island Capital Plan Funds



# Rhode Island Capital Plan Funds

- Resources in Fund have grown over time
- Intended purpose
  - Lower state's borrowing needs
    - Annual \$27.2 million is being used in lieu of borrowing to match federal transportation funds
  - Extend the life of facilities
    - Prevent the need for costly replacements
- Use of rainy day fund to balance FY 2020 budget interrupted normal flow of resources absent full payback of \$120M

# Rhode Island Capital Plan Funds

- \$721.4 million for FY 2022 – FY 2026
- Approximately \$144 million annually
  - 31% for Transportation
  - 27% for Higher Education
  - State buildings & facilities
    - Courts, prisons, hospitals
    - Dams, piers, parks



# Assembly Role

- Appropriate Pay-Go (Article 1)
- Approve General Obligation Bond Referenda
  - Voters approve or reject
  - Debt service automatic
- Other Financing (Kushner) (Article 4)
  - Approve or reject resolution
  - Generally appropriate debt service

# New Requested Debt

Debt Type/Project	Current Authority	Article 4	Change
<b>Revenue Bonds</b>			
URI Memorial Union	\$51.5	\$57.6	\$6.1
URI Health & Counseling Ctr.	26.9	29.0	2.1
<b>Subtotal</b>	<b>\$78.4</b>	<b>\$86.6</b>	<b>\$8.2</b>
<b>Certificates of Participation</b>			
Eleanor Slater - Regan Revised	\$22.0	\$10.7	\$(11.3)
Eleanor Slater - Zambarano	-	64.9	64.9
Child Welfare IT System	-	17.0	17.0
<b>Subtotal</b>	<b>\$22.0</b>	<b>\$92.6</b>	<b>\$70.6</b>
<b>Total</b>	<b>\$100.4</b>	<b>\$179.2</b>	<b>\$78.8</b>

\$ in millions

# Funding Considerations

- State's overall debt structure
  - Net tax supported debt would increase by \$111.2 million to \$1,990.6 million
  - Debt as % of personal income would drop from 2.9% in FY 2020 to 2.7% into FY 2026
  - Past practice indicates it will be higher as more projects are added

# Funding Considerations – Debt Ratios

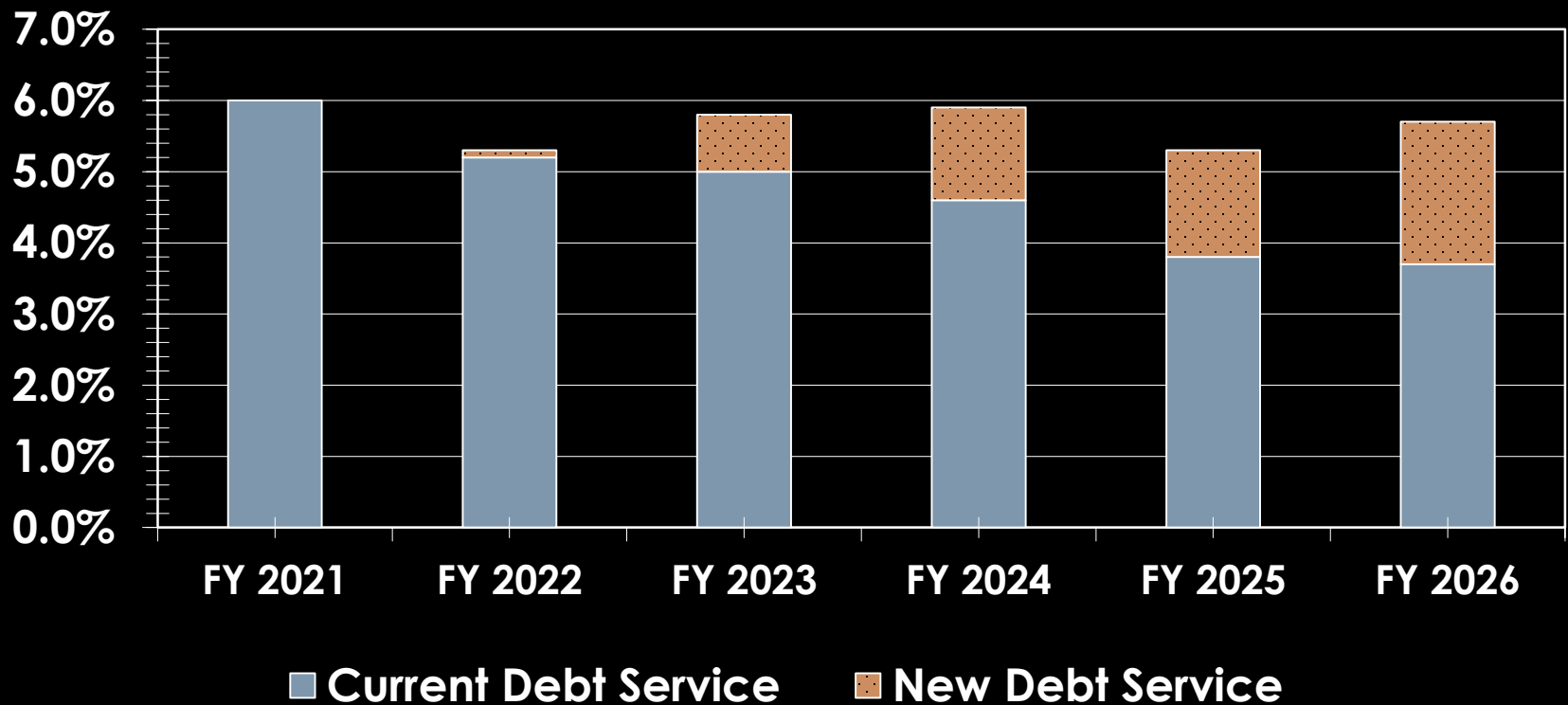
- Governor's capital budget only assumes \$285.0 million for 2022 ballot
  - \$250.0 for 2<sup>nd</sup> school construction bond
  - \$35.0 for new State Police barracks
- Average referenda over past 5 elections was \$289.4 million
  - \$400.0 million approved in March 2021
- *New federal stimulus funds will factor into these plans*

# Funding Considerations – Debt Service

<b>Fiscal Year</b>	<b>Net Tax Supported Debt Service*</b>	<b>Pct. of Revenues</b>
2021	\$240.6	6.0%
2022	\$227.3	5.3%
2023	252.9	5.8%
2024	266.8	6.0%
2025	\$260.9	5.4%
2026	\$265.3	5.7%

\$ in millions

# Debt Service as Percent of Useable Revenues



# Out-Years

- As submitted the budget has out year deficits exceeding \$350 million annually
  - Result of use of one time solutions in current budget
- Annual expenditures still outpace projected revenues
  - Will change as decisions on stimulus use are made

# Uses – Growth Rates

Item	Est. Annual Growth
State Personal Income	4.0%
Nonfarm Employment	1.1%
Taxes	2.6%
Total Revenues	2.3%
Total Expenditures	2.5%
Salaries & Benefits – 23% of total	2.5%
Medicaid 27% of total	2.7%



# Governor's FY 2022 Budget

- Staff will continue to analyze budget and federal legislation
  - Dozens of major programs have infusions of resources
- Major decisions face policymakers on coordinated use of funds
  - Meeting federal rules
  - Maximizing the impact to the state for next several years

# Governor's FY 2022 Budget

Staff Presentation to the House Finance  
Committee  
March 25, 2021

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