

2020 H-7170 Substitute, A

Staff Presentation to the House Finance
Committee
June 16, 2020

Summary

- 2020 H 7170
 - Governor's recommended changes to the FY 2020 budget
 - Introduced January 16
 - Same time as 2020 - 7171 for FY 2021
 - Included several proposed scoops and funding to address overspending at DCYF and Veterans Home
 - Subject several pre-COVID HFC hearings
 - February and March

Budget Briefings, Publications & Hearings

- December 3 – Budget Status
- December 17 – Q1 & Corrective Actions
- Jan 21 & 28 – HFAS Budget at a Glance
- February 4 – H 7170 & 7171 Overview
- February 5 – Article hearings began
- March 12 – Last “regular” Committee hearing

Budget Briefings, Publications & Hearings

- April 24 through May 8
 - May Revenue and Caseload Estimating Conference meetings
- May 14 – HFC Hearing on REC/CEC results and federal relief opportunities
- May 20 – Budget Status (Q3 report)
- May 27 – RICAP and Budget Status
- June 4 – Eleanor Slater Hospital federal compliance & billing

H - 2020 7170

- The *current year* had a \$6.5 million deficit – HFAS Dec 3
 - Unmet expenditure savings, Medicaid enrollment declines and onetime savings
- Governor's budget resolves that with
 - Improved closing balance
 - One time revenues
 - Debt service, medical, cost shifts, local aid data update
 - Ends w/ \$24.8 million balance for FY 2021

Current Year – Projected Spending Changes -12/3

Reappropriation	\$10.3
Legislature*	(2.4)
EOHHS/BHDDH Closing correction	1.5
EOHHS/DHS: Caseload Conference	(12.5)
EOHHS/DHS/DCYF/BHDDH: Other*	25.7
Providence Place Mall Debt Service	(3.6)
Undistributed Savings*	2.3
Other *	(0.4)
Total	\$20.9

* Items different than Budget Office Q1 estimates

FY 2020 – Governor

	Enacted	Current	Diff.
Opening	\$25.5	\$40.8	15.3*
Revenues	4,178.7	4,197.1	18.4
Rainy Day	(126.1)	(126.8)	(0.7)
Expenditures	(4,077.6)	(4,086.3)*	(8.7)
Total FY 2020	\$0.5	\$24.8	\$24.4

\$ in millions; *Includes \$10.3 million reappropriation

Current Year – Governor’s FY 2020 Solution – Major Items

Cost Shifts – Opioid Assessment	\$4.0
Caseload Estimate Alteration	4.8
HHS Agencies Corrective Actions	2.8
Debt Service Update	2.7
Car Tax Data Update	4.0
Central Falls School Aid	(0.5)
Statewide Savings – unachieved	(1.7)
Quasi and other Transfers	16.7
Other	(1.4)
Total Impact to 2020 Deficit	\$31.3

Current Year: *Third Quarter*

Expenditure Changes to Gov. Revised Budget

General Government	\$(7.9)
Medicaid Match Relief (FMAP)	(68.0)
EOHHS: Caseload Conference	16.3
BHDDH	32.3
Other Human Services	(2.4)
Education	(0.9)
Public Safety	(2.9)
Environment	0.5
Total	\$(32.9)

\$ in millions

Budget Status - Recap

- Results of the May Revenue & Caseload Conference decrease available resources for the FY 2020 revised & FY 2021 budgets by \$815 M
 - *Governor's budget solved a projected problem a fraction of that that size*
- *Issues not accounted for total over \$50M bringing total gap closer to \$900M*
 - *Identified federal relief opportunities not sufficient alone even if completely flexible*

Summary – New Issues

Items not accounted for	FY 2020	FY 2021
Eleanor Slater Hospital – IMD Mix	\$20.0	\$?
Eleanor Slater Hospital - Forensic	15.0	30.0
Other FMAP Relief	(13.1)	?
Education Aid Data Updates	-	8.3
Other Q3 items	(9.0)	?
Viability of other initiatives	?	?
Increased Budget Gap Solve	\$12.9	\$38.3

\$ in millions

Budget Status - Recap

	FY 2020	FY 2021	Total
REC/CEC Impact to Gov. Budget	\$235.8	\$579.1	\$814.9
New Issues	12.9	38.6	\$51.5
Increased Budget Gap Solve	\$248.7	\$617.7	\$866.4

\$ in millions

- Each year likely requires different approach for solving problems

Budget Solve Options

- Maximize use of time sensitive CRF funds
 - Eligible current state expenses
 - Substitute current general revenue support where possible
- Maximize flexible federal & other sources
- Scoops
 - Rainy Day Fund
 - Other transfers

H 7170 –Sub A

Budget Gap Solve	Total
Swaps	\$97.3
Scoops/Balances	24.9
Rainy Day Transfer	120.0
Spending/Other Adjustment	6.5
Total	\$248.7

\$ in millions

Federal Compliance and Billing Issues

- March 4 letter from OMB
 - Potential \$20.6 million problem related to federal funds and “IMD mix”
 - More than 50% psych patients=no Medicaid
 - March 11 hearing
- Third quarter reports
 - Identified additional \$15 million problem related to federal funds for forensic patients
 - May 20 hearing

Federal Compliance and Billing Issues

- June 4 Hearing
 - Other issues on level of care preventing resumption of billing
 - Still many unknowns
- Post Hearing
 - Current year problem \$50+ million assuming state can bill in Q4 for other levels of care
 - Prior year receivable may not be viable
 - Billings for patients with eligibility issues – UHIP
- H 7071 Sub A adds \$63.4M to fix

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 - **DOC not likely option now**

General Revenues	FY 2020 Gov. Revised	FY 2021 Governor
Health	\$30.9	\$33.0
Public Safety	\$105.3	\$105.7
Corrections	\$238.3	\$242.1
Per Quarter	\$34.0	\$34.7

\$ in millions

7170 Sub A – CRF Swaps

- DOA issued guidance to state agencies on permissible uses
 - Savings based on guidance and payroll analysis
- **Total Savings \$34.7 million**
 - Public Safety - \$24.2 million
 - Public Health - \$6.2 million
 - Everything else \$4.3 million

7170 Sub A – Education Swaps

- **Total Savings \$56.7 million**
 - Elementary and Secondary Education-
\$41.7 million
 - \$50 million in CRF funding added to ensure new resources go to LEAs
 - Higher Education - \$15.0 million

State & Local: Education

- \$121.5 million from 3 distinct funds
 - K-12 funds available through 9/30/2022
 - Higher education funds available through 9/30/21

Education Stabilization Fund	
Governor's Emergency Education Relief Fund	\$8.7
Elementary & Secondary School Emergency Relief Fund	46.4
Higher Education Emergency Relief Fund	66.4
Total	\$121.5

\$ in millions

State & Local: Education

- To be used for activities necessary to maintain operations & services
 - Cleaning, coordinating response efforts, planning for long-term closure
 - Staff training & purchasing technology
 - Needs of specific student populations
 - Mental health services & supports
 - Summer learning & supplemental afterschool programs

State & Local: Education

Maintenance of Effort Calculation

<i>State Support</i>	K-12 w/ No Constr. Aid	Higher Ed No Debt Service
Average	\$1,047.2	\$176.3
FY 2020 Gov. Rev.	\$1,130.3	\$188.5
Chg. to 3-year Avg.	\$ 83.1	\$ 12.2
FY 2021 Gov. Rec.	\$1,175.2	\$189.9
Chg. to 3-year Avg.	\$ 128.0	\$ 13.6

\$ in millions

Transfers

Quasi Transfers	FY 20	Gov	Sub A	Diff from enacted
RRC	\$ -	\$5.0	\$-	\$-
RI Housing	1.5	1.5	1.5	-
IB/MRBF	4.0	12.9	21.8	17.8
RISLA	1.5	1.5	1.5	-
QDC	1.2	1.2	1.2	-
Quasi Total	\$8.2	\$22.1	\$26.0	\$17.8
Other Transfers	5.0	7.8	\$5.8	0.8
Grand Total	\$13.2	\$29.9	\$31.7	\$18.5

\$ in millions

Transfers

Transfers	FY 20	Gov	Sub A	Diff from enacted
Quasi Total	\$8.2	\$22.1	\$26.0	\$17.8
OSPAR	-	1.0	-	
UST	-	1.0	-	
First Wave	5.0	5.0	5.0	
BHDDH Asset Forfeiture	-	0.5	0.5	0.5
Excess DEM Bonds	-	0.3	0.3	0.3
Other Transfers	5.0	7.8	\$5.8	\$0.8
Grand Total	\$13.2	\$29.9	\$31.7	\$18.5

\$ in millions

Rainy Day Fund

FY 2020 Enacted	FY 2019	FY 2020	FY 2021*
Balance Forward	\$198.5	\$203.6	\$210.2
Plus 3% of Revenues	122.1	126.1	126.6
Equals Initial Balance	\$320.6	\$329.7	\$336.8
Maximum Balance (5%)	203.6	210.2	211.0
Transfer Diff to RICAP	(117.1)	(119.5)	(125.8)
Minus Withdrawals	-	-	-
Balance	\$203.6	\$210.2	\$211.0

\$ in millions; *estimated

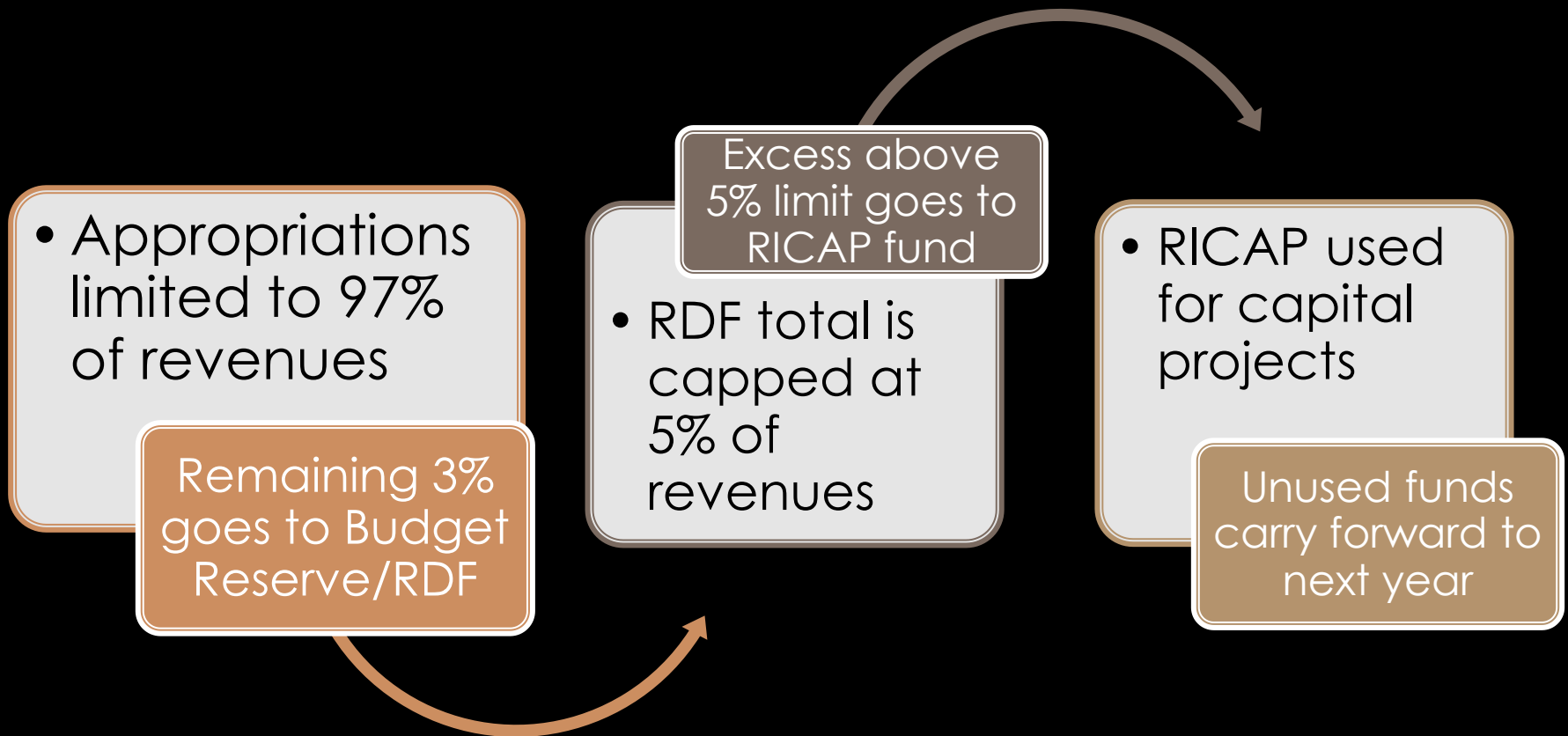
Rainy Day Fund

- Appropriations limited to 97% of the estimated general revenues
 - From all sources including prior year surplus
- Remaining 3% goes into a **budget reserve and cash stabilization account** or “Rainy Day Fund”
 - Can only be used under specific conditions
 - **Current Year Revenue drop in May**
 - Amounts used must be replaced next year
 - Use has implications for RICAP funds

Rhode Island Capital Plan Funds

- When RDF reaches 5.0% of revenues, the 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



Rainy Day Fund

FY 2021 Governor	FY 2019	FY 2020	FY 2021
Balance Forward	\$198.5	\$203.9	\$211.4
Plus 3% of Revenues	122.3	126.8	131.4
Equals Initial Balance	\$ 320.8	\$330.7	\$342.8
Maximum Balance (5%)	203.9	211.4	219.0
Transfer Diff to RICAP	(117.0)	(119.3)	(123.8)
Minus Withdrawals	-	-	-
Balance	\$203.9	\$ 211.4	\$219.0

\$ in millions

General Revenues

FY 2020	7170	Sub A	Diff.
Opening Balance	\$40.8	\$40.8	\$ -
Revenues	4,197.1	3,922.2	(275.0)
Budget Stabilization (RDF)	(126.8)	(118.6)	(8.2)
Total Available Resources	\$4,111.1	\$3,844.4	(266.7)
Expenditures	\$4,086.3	\$3,958.7	\$(127.6)
Difference	24.8	(114.3)	(139.1)
Transfer from RDF	-	120.0	\$120.0
Free Surplus	24.8	5.7	(19.1)
<i>Operating Surplus/(Deficit)</i>	<i>(5.7)</i>	<i>(144.8)</i>	<i>(235.7)</i>
Budget Stabilization (RDF)	\$211.4	\$77.6	\$(133.8)

\$ in millions

2020 H- 7170, Substitute A

	General Revenue	Federal	Restricted	Other	All Funds
FY 2020 Enacted	\$4,077.6	\$3,325.4	\$311.4	\$2,256.3	\$9,970.6
Gov FY 2020 Rev	4,086.3	3,325.2	383.2	2,267.1	10,061.8
Chg to Enacted	\$8.7	\$(0.2)	\$71.9	\$10.8	\$91.1
H 7170 Sub A	\$3,958.7	\$4,840.3	\$365.2	\$2,629.4	\$11,793.5
Chg to Enacted	(118.9)	1,514.9	53.8	373.1	1,822.9
Change to Gov	\$(127.6)	\$1,515.1	\$(18.1)	\$362.3	\$1,731.8

\$ in millions

FY 2020 by Category - All Sources

FY 2020 All Sources	Enacted	Gov Rev	H 7170, Sub A
Salaries & Benefits	\$1,835.4	\$1,830.0	\$1,822.9
Contracted Services	347.9	386.2	381.9
Other State Operations	1,011.7	1,065.6	1,240.9
Aid to Locals	1,519.9	1,523.3	1,572.9
Assistance, Grants, Benefits	4,326.2	4,302.9	5,841.0
Capital	480.4	472.1	457.4
Capital Debt Service	268.0	256.9	255.8
Operating Transfers	181.1	224.7	220.6
Total	\$9,970.6	\$10,061.8	\$11,793.5

\$ in millions

FY 2020 by Category – General Revenues

FY 2020 General Revenues	Enacted	Gov Rev	H 7170, Sub A
Salaries & Benefits	\$946.9	\$949.7	\$926.2
Contracted Services	58.1	64.3	57.0
Other State Operations	164.8	187.5	166.5
Aid to Locals	1,348.1	1,342.8	1,301.3
Assistance, Grants, Benefits	1,327.9	1,318.6	1,296.6
Capital	8.8	7.0	6.0
Capital Debt Service	198.6	191.8	190.9
Operating Transfers	24.5	24.5	14.2
Total	\$4,077.6	\$4,086.3	\$3,958.7

\$ in millions

2020 H- 7170, Substitute A

Section	Subject
1	Appropriations
2-3	Boilerplate
4	Contingency
5	Internal Service Funds
6-10	Boilerplate (TDI, UI, Lottery, CollegeBoundSaver)
11	Full-time Equivalent Positions
12	Rhode Island Capital Plan Funds
13	Rebuild RI Balance Transfer
14	Air Service Development Transfer
15	Infrastructure Bank Transfer
16	BHDDH Forfeiture Funds

2020 H- 7170, Substitute A

Section	Subject
17-18	DEM Bond Proceeds
19	Education Aid
20	Restricted Receipt Accounts
21	Rainy Day Fund Transfer
22	Effective Date

2020 H-7170 Substitute, A

Staff Presentation to the House Finance
Committee
June 16, 2020
