

# Budget Status: REC/CEC First Quarter Results

House Fiscal Staff Presentation to  
House Finance Committee  
November 18, 2020

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# 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

- Status of state budget issues with all available info
  - FY 2021 Governor's budget and GBAs
  - FY 2020 Closing
  - November CEC/REC results
  - Q1 reports
  - OMB COVID spending reports/portal
  - Staff analysis
- Some items subject to frequent change
  - HFAS interpretation and perspective

# 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 16
- **FY 2021 Budget Action ?**
- Audited Closing – ???
- Governor's Budget – Jan 21
- Agencies Q2 – Jan 30

# Introduction

- Bleak fiscal picture has brightened some
  - Favorable FY 2020 closing
  - Improved revenue forecast
  - Lower caseload costs
  - Widened opportunities to access federal funds for state spending relief
- Major challenges in near & longer term
  - Slow recovery
  - COVID response costs that outlast 12/30 deadline on biggest federal aid source

# Budget Gaps and Deficits

- Deficits or surpluses
  - Actual or projected differences between resources and expenditures in the *actual year or current year*
- Budget Gaps
  - Projected differences between estimated resources and estimated expenditures in the *budget year and out years*
    - Governor must submit a balanced budget to the Assembly for the Budget Year
    - Out years must also be presented

# Budget Gaps and Deficits

- Budget gap/deficit projections always tricky & subject to varied assumptions
- Starting point vs ending point
  - For future year it's current service/law needs vs current law revenues
    - Many subjective assumptions possible
  - In a current year review – it's enacted vs updated spending & revenue estimates
    - Usually most straight forward calculation

# FY 2021 Budget Deficit

- FY 2021 deficit is unique problem with no enacted budget as base
  - Starting point & included items critical
    - Current law/current service
      - Assumes no law or policy and program changes
      - Fully funds education & local aid, provider rate increases
    - Governor's FY 2021 Jan budget submission
      - New revenues, programs and spending reductions?
      - Assembly budget uses this as starting point for changes
    - "Statutory Budget" – Current Q1
      - Lesser of FY 2020 or Governor's FY 2021
      - Spend is \$360 million below Governor's FY 2021 budget



# FY 2021 Budget Deficit

- Current law/current service option
  - Start with Governor's FY 2021 budget and remove new proposals
    - New fees and taxes
    - Enhanced program spending
    - New FTE
    - Reduction to statutory provider rates
    - Reductions to statutory local aid (car tax) or level funding of other programs (distressed)

# Summary – Budget Solve

<b>Governor's Budget Solve - Jan</b>	<b>FY 21</b>	<b>FY 20</b>	<b>Total</b>
Revenues	\$79.7	\$16.7	\$96.3
HHS Caseload/Other	57.3	7.5	64.8
UHIP Ongoing	(23.1)	-	(23.1)
Locals	6.7	3.5	10.2
Commerce	(10.3)	-	(10.3)
Higher Education	(0.5)	-	(0.5)
Debt Service	3.6	2.7	6.3
New Programs/Initiatives	(12.1)	-	(12.1)
Other Adjustments	(3.8)	1.0	(2.9)
<b>Total Solution</b>	<b>\$97.5</b>	<b>\$31.4</b>	<b>\$128.7</b>

# Budget Status – May HFC

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

\$ in millions

- Each year likely requires different approach for solving problems
- **Assumes Gov. initiatives are approved**

# Budget Status – June (ish)

<b>Restated Current Service Budget Gap</b>	<b>FY 2021</b>
REC/CEC Impact to Gov. Budget	\$580
Slater Hospital federal funds	70
Exclude all Gov. new revenue & initiatives	130
Repay RICAP for Rainy Day Fund	120
<b>Total</b>	<b>\$900</b>

- Rough scoring of issues around the time of revised budget enactment
  - Excludes CRF personnel cost shift in supp.

\$ in millions

# Budget Status - November

<b>Big Changes Since June</b>	<b>FY 2021</b>
Closing/REC/CEC Changes	\$(562)
Revised impact of reversing items	(50)
FMAP extension (non CEC)	(16)
CRF Personnel Cost Relief – current year	(145)
Q1 Workshare/Turnover & Operating Savings	(23)
Post 12/30 COVID Costs	171
Subtotal	\$(625)
<b>Remaining Gap vs June “Current Service”</b>	<b>\$275</b>

\$ in millions

# Summary

- Economic Forecast
- Revenue Changes
- Closing and Current Year
  - Including Caseload
- COVID Relief
- Risks and Opportunities
- Issues and Options

# Economic Forecast

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# Economic Forecast

- Revenue Estimating Conference adopts a consensus economic forecast
  - It takes testimony from IHS Markit
  - The firm builds U.S. macroeconomic models from which it derives its Rhode Island forecasts
  - Updated in November



# Economic Forecast

- November forecast more optimistic than May 2020 forecast
- Growth rates in FY 2021 for personal income, wage & salary, personal consumption projected to be higher
  - However, same growth rates projected to be lower for FY 2022

# Economic Forecast

- Forecast assumptions
  - Congress will extend spending bill to avoid shutdown
  - Additional federal stimulus in 4<sup>th</sup> quarter 2020
    - Smaller than prior ones
    - \$300 additional weekly UI benefit
    - Stimulus checks in 4<sup>th</sup> quarter
  - This did not occur BUT economists expect something will pass – impacts slip one quarter

# Forecast Changes

<b>Selected Concepts</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b><i>Nonfarm Employment – jobs in thousands</i></b>			
May 2020	480.3	421.6	475.8
November 2020	484.8	475.6	492.1
<b>Change</b>	<b>4.5</b>	<b>54.0</b>	<b>16.4</b>
<b><i>Wage &amp; Salary Income Growth %</i></b>			
May 2020	-3.7	-7.2	16.2
November 2020	-0.3	2.5	5.3
<b>Change</b>	<b>3.4</b>	<b>9.7</b>	<b>-10.8</b>
<b><i>Unemployment Rate %</i></b>			
May 2020	7.4	15.9	7.5
November 2020	6.6	8.9	6.2
<b>Change</b>	<b>-0.8</b>	<b>-7.0</b>	<b>-1.3</b>

Revenues

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# Revenues

- Revenue estimates are driven by trends, collections to date, and the economic forecasts
  - Immediate impact of COVID -19 related restrictions– near term
  - Sustained economic impact

# Revenue Drivers : May



# Revenue Drivers: November



# Revenue Drivers: November





# November 2020

## Consensus Revenue Estimates

	<b>FY 2020 Reported</b>	<b>FY 2021 Rev.</b>	<b>Change to May</b>	<b>FY 2022 Estimate</b>	<b>Change to FY 21</b>
Personal Income	\$1,405.5	\$1,450.4	\$154.6	\$1,439.1	\$(11.3)
Business Taxes	478.2	458.2	40.0	470.3	12.1
Sales & Use Taxes	1,326.2	1,390.8	128.6	1,439.6	48.8
Other Taxes	70.0	73.9	13.5	67.2	(6.7)
Total Taxes	\$3,280.0	\$3,373.3	\$336.7	\$3,416.2	\$42.9
Departmental	435.2	390.0	(13.0)	249.0	(141.0)
Other Misc.	52.8	10.3	(1.7)	12.2	1.8
Lottery	283.9	272.5	7.3	356.3	83.8
Unclaimed Prop.	12.1	10.3	1.3	11.3	1.0
<b>Total</b>	<b>\$4,063.9</b>	<b>\$4,056.4</b>	<b>\$330.6</b>	<b>\$4,045.0</b>	<b>\$(11.5)</b>

\$ in millions

# Revenues: November REC

- FY 2021 is \$330.6 million more than May
  - \$154.6 million more from income taxes
  - \$103.7 million more from sales tax
    - Stimulus acts helped sustain consumer spending
  - \$24.2 million more from tobacco taxes
    - Cross border sales in response to MA ban on flavored tobacco
- May estimate done without usual data
  - 90 day extension to income tax deadline

# Revenue Revisions: FY 2021

	Nov 2019	May 2020	Change to Nov	Nov 2020	Change to May
Personal Income	\$1,495.7	\$1,295.8	\$(199.9)	\$1,450.4	\$154.6
Business Taxes	456.2	418.2	(38.0)	458.2	40.0
Sales & Use Taxes	1,397.0	1,262.2	(134.8)	1,390.8	128.6
Other Taxes	64.1	60.4	(3.7)	73.9	13.5
<b>Total Taxes</b>	<b>\$3,413.0</b>	<b>\$3,036.6</b>	<b>\$(376.4)</b>	<b>\$3,373.3</b>	<b>\$336.7</b>
Departmental	410.0	403.0	(7.0)	390.0	(13.0)
Other Misc.	14.7	12.1	(2.7)	10.3	(1.7)
Lottery	395.5	265.2	(130.3)	272.5	7.3
Unclaimed Prop.	8.4	9.0	0.6	10.3	1.3
<b>Total</b>	<b>\$4,241.6</b>	<b>\$3,725.9</b>	<b>\$(515.8)</b>	<b>\$4,056.4</b>	<b>\$330.6</b>

\$ in millions

Closing and Current Year

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# 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

	<b>Enacted</b>	<b>Current</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	4,063.9	141.8
<b>Total Revenues</b>	<b>\$4,018.9</b>	<b>\$4,183.9</b>	<b>\$141.8</b>
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)
<b>Free Surplus</b>	<b>\$2.1</b>	<b>\$175.1</b>	<b>\$173.0</b>

\$ 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>	<i>\$3,147.5</i>	<i>\$3,280.0</i>	<i>\$132.5</i>	<i>\$1.1</i>	<i>\$93.4</i>
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
<b>Total</b>	<b>\$3,922.2</b>	<b>\$4,063.9</b>	<b>\$141.8</b>	<b>\$(114.8)</b>	<b>\$39.4</b>

\$ in millions

# 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

- 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)
<b>BHDDH</b>	<b>248.9</b>	<b>256.6</b>	<b>7.7</b>
DCYF	176.8	173.3	(3.5)
DHS	55.7	55.7	(0.1)
Office of Healthy Aging	7.7	7.0	(0.7)
<b>Office of Veterans Services</b>	<b>27.9</b>	<b>31.3</b>	<b>3.4</b>
<b>DOH</b>	<b>23.1</b>	<b>24.6</b>	<b>1.5</b>
<b>Total</b>	<b>\$1,487.7</b>	<b>\$1,458.9</b>	<b>\$(28.8)</b>

\$ 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
  - 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

- 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

# 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

# Current Year: EOHHS/DHS Caseload

- Nov Caseload : \$90.8 million less than May; \$131.0 million less from general revenues
  - Medical Assistance - \$80.3 million less; \$129.8 million less from general revenues
    - General revenue savings from
      - 3 quarters of enhanced FMAP rate - \$91.2 million
      - Updated expenses for managed care plans
        - May estimate increased enrollment related to the pandemic
        - November estimate lower – not as aggressive as originally projected



# Medicaid

Program	May CEC	Nov CEC	Change
Hospitals	\$192.6	\$194.3	\$1.7
Long Term Care	455.3	448.0	(7.3)
Managed Care	838.0	795.2	(42.8)
Medicaid Expansion	623.0	640.0	17.0
RH Partners (disabled)	309.5	285.6	(23.9)
RH Options (elderly)	140.8	132.6	(8.2)
Pharmacy	74.9	64.9	(9.9)
Other Medical	143.5	136.6	(6.9)
<b>All Funds Total</b>	<b>\$2,777.6</b>	<b>\$2,697.2</b>	<b>\$(80.3)</b>

\$ in millions

# Current Year: EOHHS/DHS Caseload

- Governor FY 2021 recommended budget has proposals that impact:
  - Hospitals, nursing facilities, managed care plans & services in EOHHS' medical assistance
    - Savings of \$26.6 million from all funds
  - Child Care providers and RI Works recipients in DHS through cash assistance programs
    - Increase of \$4.3 million from all funds

# Current Year: EOHHS/DHS Caseload

- EOHHS testified that some initiatives could not be achieved & savings assumed for others needed to be reduced
  - Timing issues now impacting proposals
- DHS included child care program changes made through Executive Order
  - Temporarily increased rates due to COVID-19
- November caseload estimate reflects the testimony and changes

# Medicaid

<b>Impact: Hospitals</b>	<b>GR</b>	<b>All</b>	<b>Status</b>
Freeze Rates at FY 2020 Level	\$(7.1)	\$(20.3)	Savings Reduced
Eliminate Outpatient UPL	(1.5)	(4.6)	
Hospital License Fee at 6%	32.3	32.3	Achievable
NICU to Manage Care	(1.2)	(2.5)	Not Viable
GME Payment	-	1.2	Achievable
<b>Total</b>	<b>\$22.5</b>	<b>\$6.1</b>	

\$ in millions

# Medicaid

Impact: Managed Care Plans	GR	All	Status
Full Risk Arrangement	\$5.1	\$15.7	Not Viable
Adult Co-pays (incl. pharmacy)	(4.3)	(17.8)	Savings Reduced
Rite Share Enrollment	(5.2)	(19.0)	Not Achievable
Pharmacy Utilization	(0.5)	(1.5)	Achievable
Doula Services	0.1	0.2	Cost Reduced
<b>Total</b>	<b>\$(4.8)</b>	<b>\$(22.4)</b>	

\$ in millions

# Medicaid

<b>Impact: Long Term Care/Other</b>	<b>GR</b>	<b>All</b>	<b>Disposition</b>
Limit October 1 <sup>st</sup> nursing home rate increase to 1%	\$(3.1)	\$(7.5)	Savings Reduced
Dual Eligible Utilization Mgt	(0.3)	(0.9)	Achievable
<b>Long Term Care - Total</b>	<b>\$(3.4)</b>	<b>\$(8.4)</b>	
High Utilizers	\$(2.1)	\$(6.1)	Not Viable
Ambulance Rates	0.8	2.2	Cost Increased
<b>Other Services – Total</b>	<b>\$(1.3)</b>	<b>\$(3.9)</b>	

\$ in millions

# Medicaid

<b>Proposals: Updated Value</b>	<b>GR</b>	<b>All</b>
Hospital Rates Freeze	\$(4.8)	\$(15.7)
Hospitals – UPL Payment	(1.1)	(3.5)
Nursing Home Rates at 1%	(2.1)	(5.1)
Adult Co-pays	(1.8)	(8.1)
Doula Services	0.1	0.1
Ambulance Rates	0.8	2.7
Dual Care Management	(0.4)	(0.9)
<b>Total</b>	<b>\$(9.3)</b>	<b>\$(30.4)</b>

\$ in millions

# Current Year: EOHHS/DHS Caseload

- Nov Caseload : \$131.0 million less than May estimate
  - Cash Assistance - \$1.2 million less
    - General revenue savings from
      - State match for Child Care Development Block Grant
        - Match at FMAP rate
        - Savings of \$0.3 million from the enhanced FMAP rate
    - \$0.8 million less for SSI and Bridge Programs
      - Updated enrollment – lower than projected in May



# EOHHS Agencies

Proposals	GR	All	Status
Child Care Rates Increase	\$3.9	\$3.9	Costs reduced based on 1/1/2021 start date
Child Care Coverage Expansion	0.2	0.2	
RI Works Expansion	-	0.2	
Clothing Allowance	-	0.3	Achieved
<b>Total</b>	<b>\$4.1</b>	<b>\$4.6</b>	

\$ in millions

# EOHHS Agencies

<b>Proposals: Updated Value</b>	<b>GR</b>	<b>All</b>
Child Care Rates	\$1.9	1.9
Child Care Coverage Expansion	0.1	0.1
RI Works Expansion	-	0.2
<b>Total</b>	<b>\$2.0</b>	<b>\$2.2</b>

\$ in millions

# Current Year: BHDDH

- Eleanor Slater Hospital
  - Governor's FY 2021 recommended budget includes \$59.7 million from federal funds
  - Q1 report includes \$6.0 million
    - \$4.9 million from Coronavirus Relief Funds for direct services provided to forensic patients
    - \$1.1 million from Alvarez & Marsal contract
      - \$2.2 million total for transition and redesign
  - State plan amendment not yet approved
    - If approved could be \$30 million from Medicaid

# 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

- RIEMA planned and paid expenses almost \$130 million as of November 13
  - Mostly ventilators & personal protective equipment
  - Other state agencies also have eligible expenses

<b>As of Nov 13</b>	<b>EMA</b>	<b>All Agencies</b>
Expenditures	\$89.4	\$304.8
Encumbrances	39.6	77.3
<b>Total</b>	<b>\$129.0</b>	<b>\$382.1</b>

\$ in millions

# 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



# COVID-19 Relief

- 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)

# COVID-19 Relief

- 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

# COVID - 19 Relief

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

# 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

# CRF - Personnel

<b>Agency</b>	<b>Budget Office Q1</b>
Department of Corrections	\$78.6
Department of Public Safety	37.2
Department of Health	7.9
Vets Home (DHS)	8.4
BHDDH	4.9
Other Human Services	2.6
General Government/Education	2.9
Other Public Safety	1.3
Environmental Management	1.6
<b>Total</b>	<b>\$145.4</b>

\$ in millions

# CRF – Planned Uses

<b>Committed Amount for FY 2020 &amp; FY 2021</b>	
Hospitals & Nursing Homes	\$228.4
Testing & Contact Tracing*	217.4
Healthcare Provider Support*	44.2
Surge Hospitals*	20.8
Education & Local Aid*	129.7
Small Business Relief & Job Training*	224.8
Eviction Diversion & Housing*	16.3
State Agency Personnel & Ops*	113.0
All Other*	70.5
<b>Unclear Match/Uncommitted</b>	<b>\$184.9</b>
<b>Total</b>	<b>\$1,250.0</b>

\$ in millions; \*additional costs expected after 12/30

# Risks and Opportunities: October HFC

- Caseload and Revenue changes
  - Positive impact as noted
- BHDDH federal match /ESH redesign
  - Still pending
- Centralized services
  - Unresolved risk
- Updated CRF guidance- personnel costs
  - Positive impact as noted
- Current year spending
  - Mixed impact with post 12/30 Covid

# Budget Status - November

<b>Big Changes Since June</b>	<b>FY 2021</b>
Closing/REC/CEC Changes	\$(562)
Revised impact of reversing items	(50)
FMAP extension (non CEC)	(16)
CRF Personnel Cost Relief – current year	(145)
Q1 Workshare/Turnover & Operating Savings	(23)
Post 12/30 COVID Costs	171
Subtotal	\$(625)
<b>Remaining Gap vs June “Current Service”</b>	<b>\$275</b>

\$ in millions



# Issues and Options

- Addressing budget gap
  - Remaining Governor's Proposals
  - Post 12/30 spending estimates
  - FY 2020 Audit adjustments
    - CRF use - \$75- \$125 million?
  - Enhanced FMAP extension
    - \$30-\$35 million
  - RICAP payback
- CRF balance Use - UI Trust Fund info

# Issues and Options

- RICAP Payback
  - Deficit calculation assumes \$120 million payback to RICAP fund is done in FY 2021
  - Multiple options exist for altering scheduled payback
    - Any delay would offer current year relief
      - Puts pressure on capital spending and debt needs
      - Adds costs to out-year

# Issues and Options

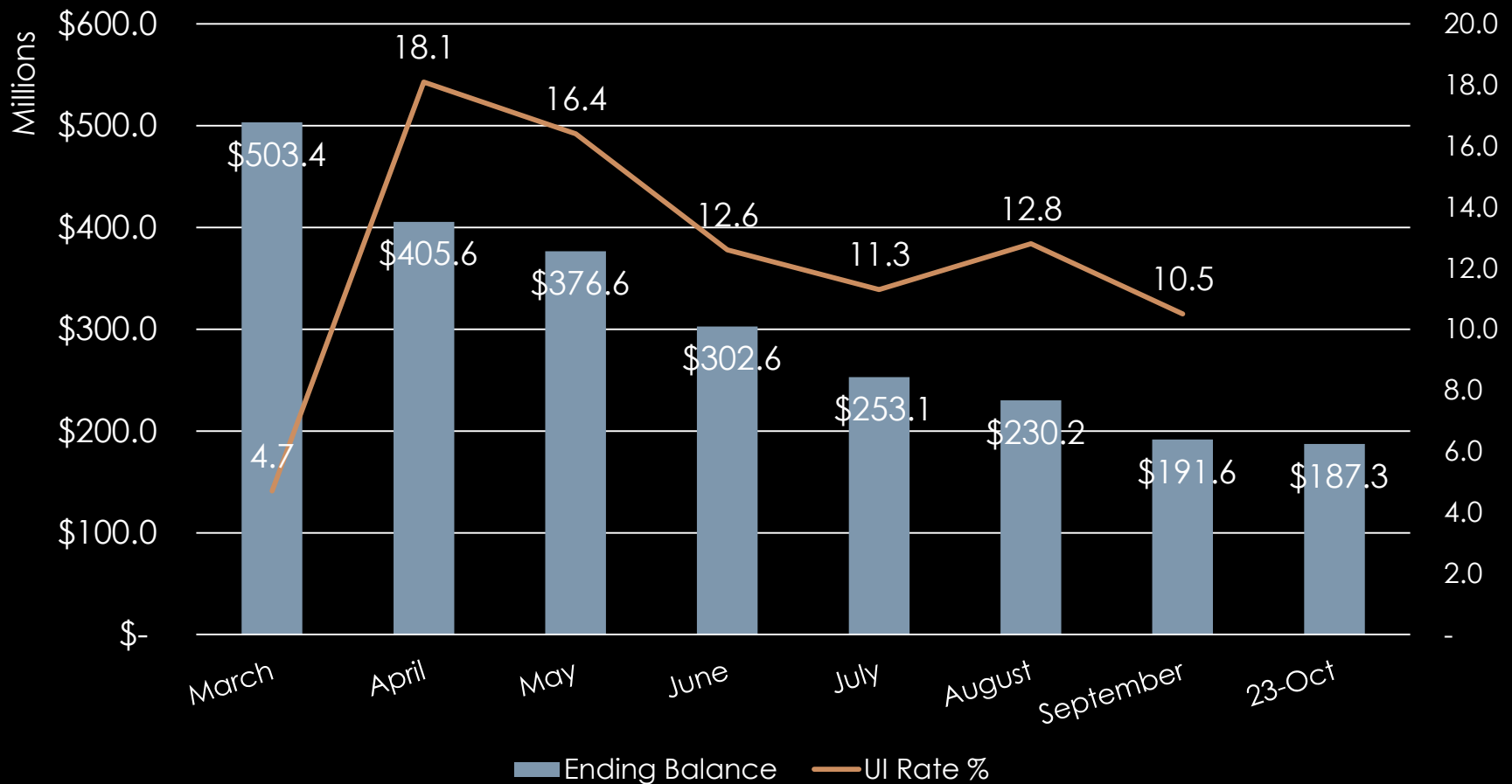
- Post 12/30 spending estimates
  - Assumptions subject to significant change
  - Any extension on use of CRF would help
    - Other federal sources
    - New stimulus
  - Further analysis required over next weeks
    - Severity of RI outbreak

# Unemployment Trust Fund

- Executive Order 20-19 on April 9
  - Suspends charges to employer accounts for COVID-19 related unemployment claims
    - Extended multiple times, still in effect
  - Prevents individual employer experience ratings from being impacted by pandemic
  - Does not prevent rates from increasing
  - Overall trust fund health determines the rate
- All employers are subject to higher rates if a higher rate schedule is in effect

# Unemployment Trust Fund

## End of Month Trust Fund Balance vs Unemployment Rate



Unemployment data for October not released as of 11/18

# Unemployment Trust Fund

- Employer Tax Rate Determination
  - State has 9 tax schedules: A - I
    - Each schedule has 28 tax rate groups
  - Schedules based on reserve ratio of fund as of September 30 of prior year
    - $\text{Trust Fund balance} \div \text{total wages paid during year} = \text{reserve ratio}$
  - Pandemic impact to trust fund balance could lead to higher tax rates
    - Tax schedule has not been announced as of 11/18

# Unemployment Trust Fund

- Addressing Solvency
  - Coronavirus Relief Fund
  - Treasury guidance states fund payments to replenish trust fund balance are allowable
  - Increasing the balance helps with tax rate
  - As of November 17, 16 other states have directly allocated amounts to their trust funds
    - New England states include Maine and New Hampshire

# Unemployment Trust Fund

- Addressing Solvency
  - Borrowing from the federal government
  - Loans must be repaid within two years
  - If not there is a credit reduction on the federal tax which directly impacts employers
  - As of November 17, 21 other states have borrowed from the feds for their trust funds
    - New England states include Connecticut and Massachusetts



# Full-time Equivalent Positions

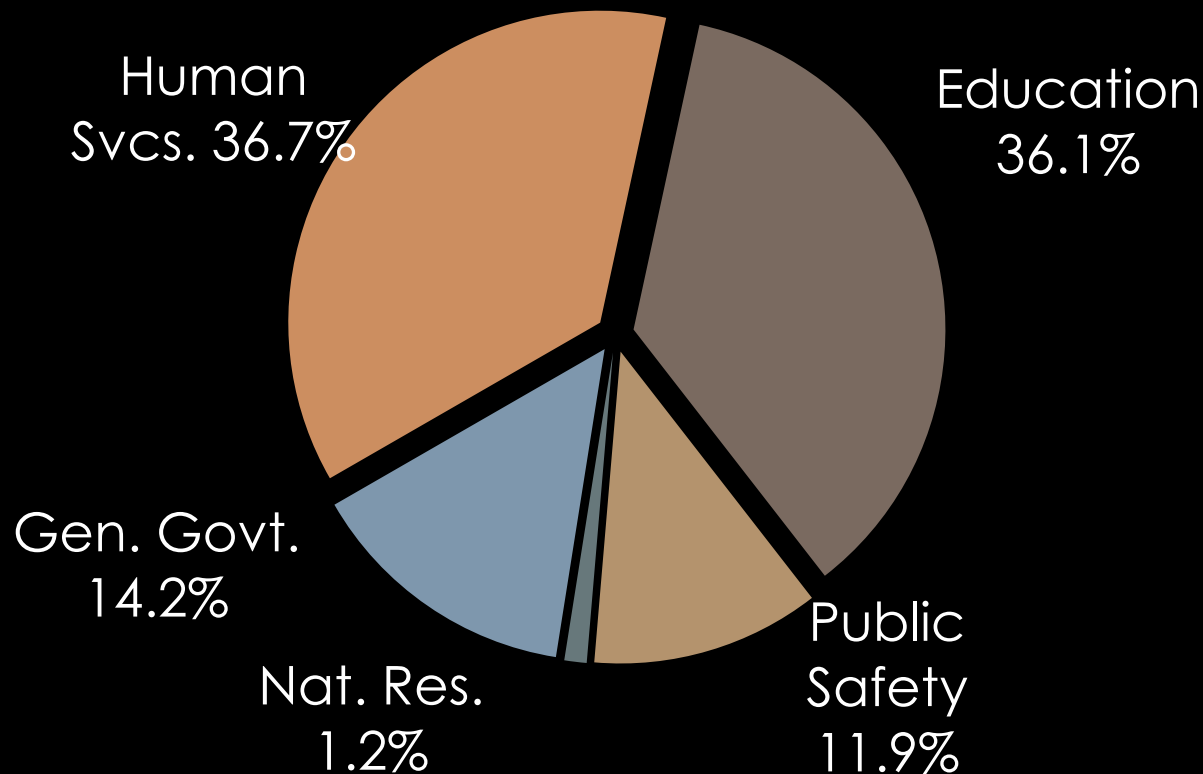
	<b>Total</b>
FY 2018 Avg.	13,913.2
FY 2019 Avg.	14,062.1
FY 2020 Avg.	14,205.1
FY 2021 Governor*	15,074.7
Avg. Filled 10/24	13,960.3
Diff. from Governor	(1,114.4)
Diff. from FY 2020	(244.8)

\*Total includes 523.8 higher ed. FTE limited to 3<sup>rd</sup> party funds

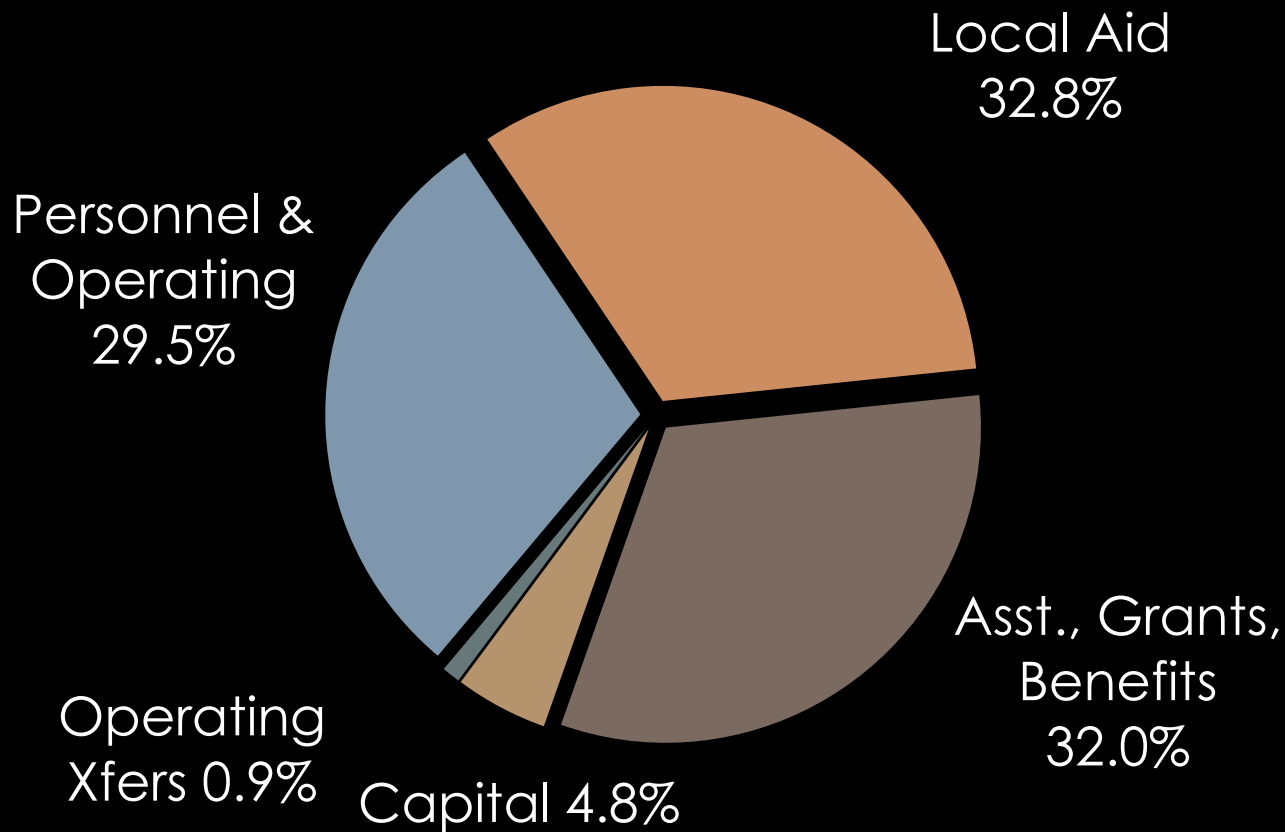
# Full-time Equivalent Positions

<b>Staffing excluding Higher Education</b>	<b>Total</b>
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 10/24	9,949.6
Diff. from Governor	(739.8)
Diff. from FY 2020	(189.7)

# General Revenues by Function: Governor FY 2021



# General Revenues by Category: Governor FY 2021



# Budget Status: REC/CEC First Quarter Results

House Fiscal Staff Presentation to  
House Finance Committee  
November 18, 2020

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