

2020-H 7171 Substitute A

House Fiscal Staff Presentation to
House Finance Committee
December 9, 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 16
- **FY 2021 Budget Action December 9**
- 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

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

Governor's Budget Solve - Jan	FY 21	FY 20	Total
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)
Total Solution	\$97.5	\$31.4	\$128.7

Budget Status – May HFC

	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
- **Assumes Gov. initiatives are approved**

Budget Status – June (ish)

Restated Current Service Budget Gap	FY 2021
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
Total	\$900

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

\$ in millions

Budget Status - November

Big Changes Since June	FY 2021
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)
Remaining Gap vs June “Current Service”	\$275

\$ in millions

H 7171 – Sub A

Post Q1 Budget Gap Solve	Total
Additional Swaps	\$120
Lower Post 12/30 Spend	66
Lower Rainy Day Transfer	30
Surplus Adjustment	70
Other/ Balance	(11)
Total	\$275

\$ in millions

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

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

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

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

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-years
 - **7171 Sub A pays \$90 million back –**
 - **\$30 million would be due in FY 2022**

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
 - **7171 Sub A contains revision based on updated OMB information - \$66 million lower assuming FEMA match**

CRF - Personnel

Agency	Budget Office Q1
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
Total	\$145.4
H 7171, Substitute A	\$148.6

\$ in millions

2020-H 7171, 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 2021	4,247.8	3,323.1	348.9	2,275.2	10,195.0
Chg to Enacted	\$170.2	\$(2.2)	\$37.5	\$18.9	\$224.4
H 7171 Sub A	\$4,153.3	\$5,812.9	\$322.3	\$2,442.0	\$12,730.4
Chg to Enacted	75.7	2,487.6	10.9	185.7	2,759.8
Change to Gov	\$(94.5)	\$2,489.8	\$(26.6)	\$166.8	\$2,535.4

\$ in millions

FY 2021 by Category - All Sources

FY 2021 All Sources	Enacted	Gov	H 7171, Sub A
Salaries & Benefits	\$1,835.4	\$1,871.4	\$1,871.4
Contracted Services	347.9	375.1	518.1
Other State Operations	1,011.7	1,077.3	1,507.9
Aid to Locals	1,519.9	1,572.4	1,669.2
Assistance, Grants, Benefits	4,326.2	4,372.6	6,084.5
Capital	480.4	392.7	362.6
Capital Debt Service	268.0	270.0	266.2
Operating Transfers	181.1	263.5	450.6
Total	\$9,970.6	\$10,195.0	\$12,730.4

\$ in millions

FY 2021 by Category – General Revenues

FY 2021 General Revenues	Enacted	Gov Rev	H 7171, Sub A
Salaries & Benefits	\$946.9	\$977.2	\$850.9
Contracted Services	58.1	90.9	103.3
Other State Operations	164.8	184.4	274.5
Aid to Locals	1,348.1	1,391.3	1,298.7
Assistance, Grants, Benefits	1,327.9	1,361.4	1,299.3
Capital	8.8	4.5	4.4
Capital Debt Service	198.6	198.3	195.8
Operating Transfers	24.5	39.7	126.3
Total	\$4,077.6	\$4,247.8	\$4,153.3

\$ in millions

Full-Time Equivalent Positions

	Total
FY 2020 Enacted by 2019 Assembly	15,074.7
FY 2021 Governor	15,074.7
FY 2021 H 7171, Substitute A	1,5124.7
Change to Enacted	50.0

- Governor's recommendation same as enacted
 - 240 new positions were offset by reductions
 - Largest was 204 positions in BHDDH from RICLAS privatization
- 7171, Sub A adds 50.0 new positions
 - 35.0 for unemployment insurance program
 - 15.0 for Dept. of Health for COVID- related activities

2020-H 7171, Substitute A

Section	Article 1 - Subject
1	Appropriations
2-3	Boilerplate
4	Contingency
5	Internal Service Funds
6	Legislative Intent
7-10	Boilerplate (TDI, UI, Lottery, CollegeBoundSaver)
11	Full-time Equivalent Positions
12-13	Rhode Island Capital Plan Funds
14	Neighborhood Opportunities
15	Restricted Receipt Accounts Escrow Conversion
16	Restricted Receipt Accounts for Opioids

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Section	Subject
17	Short-Term Borrowing
18	Rainy Day Fund Delay
19	Lease Approval – URI
20	Lease Approval – OPC
21-33	Program Sunset Extensions
34	Rhode Island Promise Extension
35	Pawtucket Downtown Redevelopment
36	Governor's Budget Submission Delay
37	Board of Education Restricted Receipt Accounts
38	Effective Date

Proposed Debt

New Debt Authority	Original	GBA	Change
November 2020 Bond Referenda			
1: Higher Education	\$117.3	\$117.3	\$-
2: Environment & Recreation	64.0	69.0	5.0
3: Housing & Infrastructure	87.5	310.5	223.0
Total New Referenda	\$268.8	\$496.8	\$228.0

\$ in millions

7171, Sub A., Article 2 - Debt

New GO Bond Referenda	Original	GBA	Sub A
1: Higher Education	\$117.3	\$117.3	\$107.3
2: Environment & Recreation	64.0	69.0	74.0
3: Housing & Infrastructure	87.5	310.5	65.0
4: Transportation State Match	-	-	71.7
5: Early Childhood Infrastructure	-	-	15.0
6: Arts & Cultural Infrastructure	-	-	7.0
7: Industrial Facilities Infrastructure	-	-	60.0
Total New Referenda	\$268.8	\$496.8	\$400.0

\$ in millions; Questions 4 through 7 were all part of Gov. Question 3

7171, Sub A., Article 2 - Debt

- Special election to be held March 2, 2021
 - Predominantly mail ballot
 - Witness/notarization of ballot requirement waived like prior election
- Proposal is more than Governor's original budget but less than GBA
 - Leaves room for future priorities on 2022 ballot
 - Current economic forecast assumes the Fed holds rates near 0% until 2026
 - Borrowing will be favorable for some time

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