

Governor's FY 2015 Budget Status

Staff Presentation to the House Finance
Committee
May 20, 2014

Introduction

- Three post-budget events impact Gov 2-year budget solution by ~ \$67 million, combined
 - Employee Contracts – \$27.7 million
 - May Caseload Estimates - \$33.4 million
 - May Revenue Estimates – (\$5.9) million
- Not exhaustive list as there are new savings and expenses throughout budget, contract estimates preliminary

Introduction

- Presentation will show how these factor into the budget proposals and process and explain the changes
- Review other current year issues based on third quarter reports

Budget Cycle

- FY 2014 begins – July 1
- Preliminary 2013 Closing – Aug 30
- Agency Q1 reports – Oct 30
- Caseload estimates – November 4
- Revenue estimates – November 8
- Budget Office Q1 report – Nov 15
- HFC – Status hearing – Dec 4
- Audited Closing – Jan 6

Budget Cycle

- Governor's Budget – Jan 16
- HFC Budget hearings Jan 29 -
- Agencies Q2 – Jan 30
- Agencies Q3 – April 30
- Caseload estimates – May 5
- Revenue estimates – May 9
- Budget Office Q3 report – May 15

Personnel Contracts

Personnel Contracts

- Governor's budget did not include a COLA
- Most contracts expired at the end of last fiscal year
- In April 2014, Council 94 agreed to a new four year contract
 - July 1, 2013 – June 30, 2017

Contract Terms

- Increased co-pays for office visits and prescription drugs
- Deductibles of \$250/\$500 for individuals/families effective 1/1/15
- No waiver payment for dual coverage
- COLA
 - April 6, 2014 – 2%
 - October 5, 2014 – 2%
 - October 4, 2015 – 2%

COLA History

Fiscal Year	Increase	Notable Adjustments
2005	1.5%	
2006	2.5%	
2007	4.0%	
2008	3.0%	6 furlough days
2009	-	
2010	2.5%	8 furlough days
2011	3.0%	6 month delay, 4 furlough days
2012	3.0%	
2013	-	

Contract Cost Estimates

- Assumes terms apply to all employees
 - About 75% of employees are unionized
 - Some unions still negotiating
 - Local 580 voted contract down 5/19

Fiscal Year	General Revenues	All Funds
2014	\$3.4	\$6.6
2015	\$24.3	\$47.4
2016	\$37.8	\$74.5
Total 3-Yr	\$65.5	\$128.5

Totals in millions; out-year estimates assumed some COLAs

Full-time Equivalent Positions

	Regular	3rd Party	Total
FY 2013 Avg.	13,066.3	598.3	13,664.6
FY 2014 Enacted	14,342.1	776.2	15,118.3
FY 2014 Rev.	14,439.0	661.3	15,100.3
Governor FY 15	14,454.1	642.9	15,097.0
<i>Jan Filled</i>	<i>13,328.7</i>	<i>600.9</i>	<i>13,929.6</i>
Diff from Enacted	(1,013.4)	(175.3)	(1,188.7)
Diff from Gov.	(1,125.4)	(42.0)	(1,167.4)

Full-time Equivalent Positions

	Regular	3rd Party	Total
FY 2013 Avg.	13,066.3	598.3	13,664.6
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FY 2014 Rev.	14,439.0	661.3	15,100.3
Governor FY 15	14,454.1	642.9	15,097.0
<i>May Filled</i>	<i>13,325.5</i>	<i>606.8</i>	<i>13,932.3</i>
Diff from Enacted	(1,016.6)	(169.4)	(1,186.0)
Diff from Gov.	(1,128.6)	(36.1)	(1,164.7)

May Caseload Conference

May Caseload Conference-

Programs	FY 2014	Chg. to Nov.	FY 2015	Chg. to Nov.
Cash	\$105.5	(\$3.0)	\$105.6	(\$2.4)
Medical	1,833.3	103.1	2,261.7	236.4
Total	\$1,938.8	\$100.1	\$2,367.2	\$234.0
Gen Rev	\$853.1	\$7.8	\$917.2	\$26.1

May Caseload Conference- Medical Assistance

Program	FY 2014	Chg. to Nov.	FY 2015	Chg. to Nov.
Rlte Care	\$610.0	19.0	\$684.0	\$62.4
Rhody Health Options	116.7	(9.6)	299.9	(30.1)
Rhody Health Partners	198.5	0.5	209.0	3.0
Expansion	172.0	90.6	492.4	185.3

continued

May Caseload Conference- Medical Assistance

Program	FY 2014	Chg. to Nov.	FY 2015	Chg. to Nov.
Long Term Care	360.5	(3.5)	219.8	0.8
Hospitals	204.8	5.7	189.2	11.8
Pharmacy	51.4	(0.1)	51.8	1.2
Other	119.4	0.5	115.6	2.0
Total	\$1,833.3	\$103.1	\$2,261.7	\$236.4
Gen Rev	\$823.3	\$8.0	\$887.6	\$26.2

May Caseload Conference

- Adds \$333.0 million for medical & cash assistance programs in FY 2014 & FY 2015
 - \$338.4 million more for medical and \$5.4 million less for cash assistance programs
- Adds \$275.9 million from federal funds for Medicaid expansion – ACA over 2 years

May Caseload Conference

- \$33.4 million from general revenues for FY 2014 and FY 2015
 - \$33.7 million more for medical assistance
 - \$0.3 million less for cash assistance

May Caseload Conference – Rite Care

- \$610.0 million in FY 2014 & \$684.0 million in FY 2015
- Eligibility lowered for parents to federal minimum – 1/1/2014
- Some parents continued to be eligible
 - Result of change in income or family size
- 2013 Assembly also eliminated Rite Care cost sharing for children – impacts caseload retention

May Caseload Conference – Rite Care

- Increased regular caseloads may be from those who were always eligible not previously seeking coverage because of federal mandate
 - So-called “welcome mat” effect
- OHHS delayed re-determinations from 1/1/2014 to 1/1/2015 consistent with federal guidance
 - Has a plan to restart sooner –via DHS that will likely produce some savings

May Caseload Conference

Cash Assistance:

- General revenue savings in bridge & Supplemental Security Income programs
 - \$0.3 million
- Savings in RI Works & Child Care programs
 - Results in \$5.1 million in Temporary Assistance to Needy Families Block Grant expenses over the two years

May Revenue Conference

May Revenue Conference

- Revisions to November estimate amount to 2-year total change of \$5.9 million less on about \$3.4 billion in annual collections
 - \$10.6 million less for FY 2014; Nov-May change of \$16.2 million, adjusted for \$5.6 audit change in Gov. Budget
 - \$4.8 million more for FY 2015

May Revenue Conference

- Personal Income Tax
 - 41.2 % of tax revenue; 32.3% of total
 - Down from estimate by \$17.5 million in FY 14 and \$5.8 million in FY 15
 - Estimates still show growth over prior year
 - Losses likely due to taxpayer behavior relative to federal capital gains taxes
 - Strong withholding receipts offset some of the reductions

May Revenue Conference

- Sales Tax
 - 34.1 % of tax revenue; 26.6% of total
 - Up from estimate by \$3.0 million in FY 14 and \$6.4 million in FY 15
- Lottery
 - 11.1% of total revenue
 - Down from estimate by \$13.5 million in FY 14 and \$14.3 million in FY 15
 - FY 14 is 0.4% above FY 13; 1.3% growth for FY 15

May Revenue Conference

- Business Taxes:
 - 14.6% of tax revenue; 11.4% of total
 - Up from estimate by \$6.5 million in FY 14 and \$11.2 million in FY 15
 - Corp taxes down, insurance & public utilities up
- Other Taxes:
 - Up from estimate by \$6.3 million in FY 2014 and down \$1.3 million in FY 2015

May Revenue Conference

- Departmental Receipts:
 - 10.4% of total revenue
 - Down from estimate by \$5.6 million in FY 14
– audit adjustment in Gov. budget already
and no change in FY 15
- Unclaimed Property:
 - Up from estimate by \$1.0 million in FY 2014
and \$0.4 million in FY 2015

Governor's FY 2015 Budget

- Governor's FY 2015 & FY 2014 revised budget presented 2-year solution for projected FY 2015 budget gap -\$140M
 - Almost half solved with surplus from FY 2014
 - FY 2013 Closing, FY 2014 revenue revisions, natural and forced savings and revenue scoops
 - Expenditure reductions
 - Mostly rate freezes to human service providers
 - Revenue enhancements

FY 2013 Closing

- FY 2014 budget counted on surplus from FY 2013 to help fund FY 2014
- FY 2013 data showed \$10.7 million gain to that assumption – because of underspending, excess revenues go to retirement system

FY 2013 Audited

	Enacted	Actual	Diff.
Opening	\$ 122.9	\$122.9	\$ 0.0
Revenues	3,323.8	3,324.0	0.2
Rainy Day	(103.2)	(103.2)	0.0
Expenditures	(3,233.8)	(3,216.0)	(17.8)
txfer Fleet/IT/Ret.	16.4	16.5	0.1
Closing Surplus	\$ 93.4	\$ 111.2	\$17.8
Reappropriation	-	(7.1)	(7.1)
Free Surplus	\$ 93.4	\$ 104.1	\$ 10.7

Closing - Expenditures

Spending \$17.8 million below:

- \$7.1 million unspent & re-appropriated
- \$6.6 million Medicaid/Admin
- \$1.6 million DOA central facilities
- \$1.5 million DOR
- Personnel savings in DOA, DPS, DOC, DCYF
- \$4.5 million overspent in BHDDH
- \$1.7 million overspent in DHS (TANF penalty)

FY 2014 – Governor Revised

	Enacted	Governor	Diff.
Opening	\$ 93.4	\$ 111.2 *	\$17.8
Revenues	3,381.0	3,425.3	44.3
Rainy Day	(104.2)	(105.9)	(1.7)
Expenditures	(3,359.8)	(3,351.7)*	(8.0)
Txfer to Deprec.	(10.0)	(10.0)	-
Total FY 2014	\$ 0.4	\$68.9	\$68.4

**Includes \$7.1 million reappropriation*

FY 2014 – Governor Restated

	Governor	Restated**	Diff.
Opening	\$ 111.2 *	\$ 111.2 *	\$0.0
Revenues	3,425.3	3,414.7	(10.6)
Rainy Day	(105.9)	(105.6)	0.3
Expenditures	(3,351.7)*	(3,364.0)*	12.2
Txfer to Deprec.	(10.0)	(10.0)	-
Total FY 2014	\$68.9	\$46.3	(\$22.5)

**Includes \$7.1 million reappropriation*

*** Includes May REC, CEC and Employee COLA*

Current Year – Governor

- Agency overspending largely not funded in revised budget
- Corrective action plans
- Other savings
- Third quarter reports show some gaps have closed, but new issues have arisen
- DOC still projecting a shortfall
- DCYF has savings but largest providers appear to have cost overruns
- DOA has instituted further spending constraints

FY 2015 Current Services

FY 2014 Enacted budget
+ known adjustments for current law,
debt, aid programs, entitlements
= FY 2015 current service expenditures
- Projected revenues, current law
= Expenditure-Revenue Gap "deficit"

FY 2014 Enacted

Education Aid	\$	922.3
Local Aid		72.3
Medicaid		1,050.2
Other Human Services		267.7
Public Safety		412.0
Environment		36.9
Higher Education (incl. debt)		180.0
Other Education		50.2
Debt Service (excl. Higher Ed)		157.4
Other State Government		210.8
<u>Total FY 2014 General Revenues</u>	\$	<u>3,359.8</u>

FY 2015 Budget Gap

Total FY 2014 General Revenues	\$	3,359.8
Statewide Benefit Adjustments (No COLA)		10.8
Caseload and Medicaid Match Adj.		54.7
Non-recurring and other items		6.4
Debt Service		35.9
Education Aid		47.7
<i>Subtotal Current Serv. Adjustments</i>		155.5
FY 2015 Current Services	\$	3,515.3
FY 2015 Estimated Revenues	\$	3,375.3
Budget Gap		(140.0)

Governor's Solution

FY 2014 Surplus	\$68.9
Debt Service	5.6
Medical Benefits	3.6
Revenue Initiatives	15.5
Human Services	54.3
Locals	4.9
All Other	(12.9)
<hr/> Total	<hr/> \$140

Revenue Initiatives

- New/Increased Taxes - \$2.1 million
 - *Hotel Room Resellers* - \$0.9
 - *Other Temporary Lodging* - \$0.5
 - *E-Cigarettes* - \$0.8
- Enhanced Collections - \$13.3 million
 - *Revenue Officers* - \$7.6
 - *Use Tax Safe Harbor* - \$2.2
 - *Automated Sales Suppression* - \$0.8
 - *State Employees Compliance* - \$0.4
 - *Employee Classification* - \$1.8
 - *Registration Block* - \$0.5

Human Services Agencies

Human Services Solution: \$54.3 million

- \$28.3 million from provider reductions
- \$21.2 million from program efficiencies
 - Includes ACA implementation savings
- \$3.6 million from cost shifting
- \$1.3 million from changes that impact clients

OHHS

Providers	GR	All
Managed Care Plans – 2.95 % rate reduction	\$10.4	\$21.7
Hospitals – Eliminate UPL	5.5	11.1
Hospitals – Rate Freeze	3.8	7.9
Nursing Homes – Rate Freeze	3.3	7.5

OHHS/DCYF

Providers	GR	All
Pharmacy Rebate Collections	\$2.5	\$5.0
Family Care Community Partnership contract reduction	0.9	0.9
Lifespan contract reduction - Training School	0.3	0.3
5% reduction - other contracts	0.2	0.2

DHS/BHDDH

Providers	GR	All
Community Health Centers	\$0.5	\$1.0
Health Home rates reduction	0.7	1.3
Adolescent Residential Services	0.1	0.1
RI Council Hotline/NAMI Supports & Education Program	0.1	0.1

OHHS

Clients	GR	All
Katie Beckett Cost Sharing - families above 250%	\$1.5	\$2.9
Extended Family Planning Services	(0.2)	(0.4)

OHHS

Efficiencies	GR	All
Health Care Utilization Review	\$7.8	\$16.3
Durable Medical Equipment	1.0	2.0
Imaging Services	0.9	2.0
Long term care financial review	0.5	1.0

OHHS/BHDDH

Efficiencies	GR	All
Affordable Care Act	\$8.4	\$12.4
Pre-authorization for Supportive Psychiatric Services	0.2	0.4
Coverage for pregnant and post-partum women	0.6	1.2
Out-of-State Recipients	0.05	0.1

DCYF

Efficiencies	GR	All
OHHS - pay for 6 medically fragile youth*	\$1.0	\$1.0
Eligible 19 -21 year olds to BHDDH	0.5	0.7
10 adolescents to in-state placements	0.3	0.3

* Funding excluded in OHHS' budget – net savings of \$0.5 million

OHHS

Cost Shifts	GR	All
Community First Choice Option	\$3.0	\$-
Connect Care Community Partner Health Home Option	0.5	-

OHHS

Impact to Managed Care Plans	GR	AI
Rate Reduction	\$10.4	\$21.7
Health Care Utilization Review	7.8	16.3
Pharmacy Benefit	2.5	5.0
Extended Family Planning	(0.2)	(0.4)
Total	\$20.5	\$42.6

OHHS

Impact to Hospitals	GR	AI
Eliminate Upper Payment Limit	\$5.5	\$11.1
Rate Freeze	3.8	7.9
Total	\$9.3	\$19.0

Education Aid

- Funds 4th year of formula
 - Adds \$33.8 million based on updated data
 - Includes \$1.4 million estimate for full day kindergarten implementation
 - Includes \$12.3 million for categorical aid
 - This is \$3.1 million more than enacted
- Eliminates textbook and breakfast admin reimbursements
- *Final data show \$2.5 million less needed*

Local Aid

	Enacted	Revised	Rec.
Dist. Communities	\$10.4	\$10.4	\$10.4
PILOT	35.1	35.1	35.1
Library Aid	8.8	8.8	8.8
Car Tax	10.0	10.0	10.0
Municipal Incentive	5.0	5.0	5.0

Other Items

- Adds \$10.0 million for higher ed. and forces no tuition increase through legislation
- Adds \$0.8 million for Volvo Race tourism
- Adds \$1.1 million for Arts/Cultural Economy
- Adds \$0.4 million for workforce development

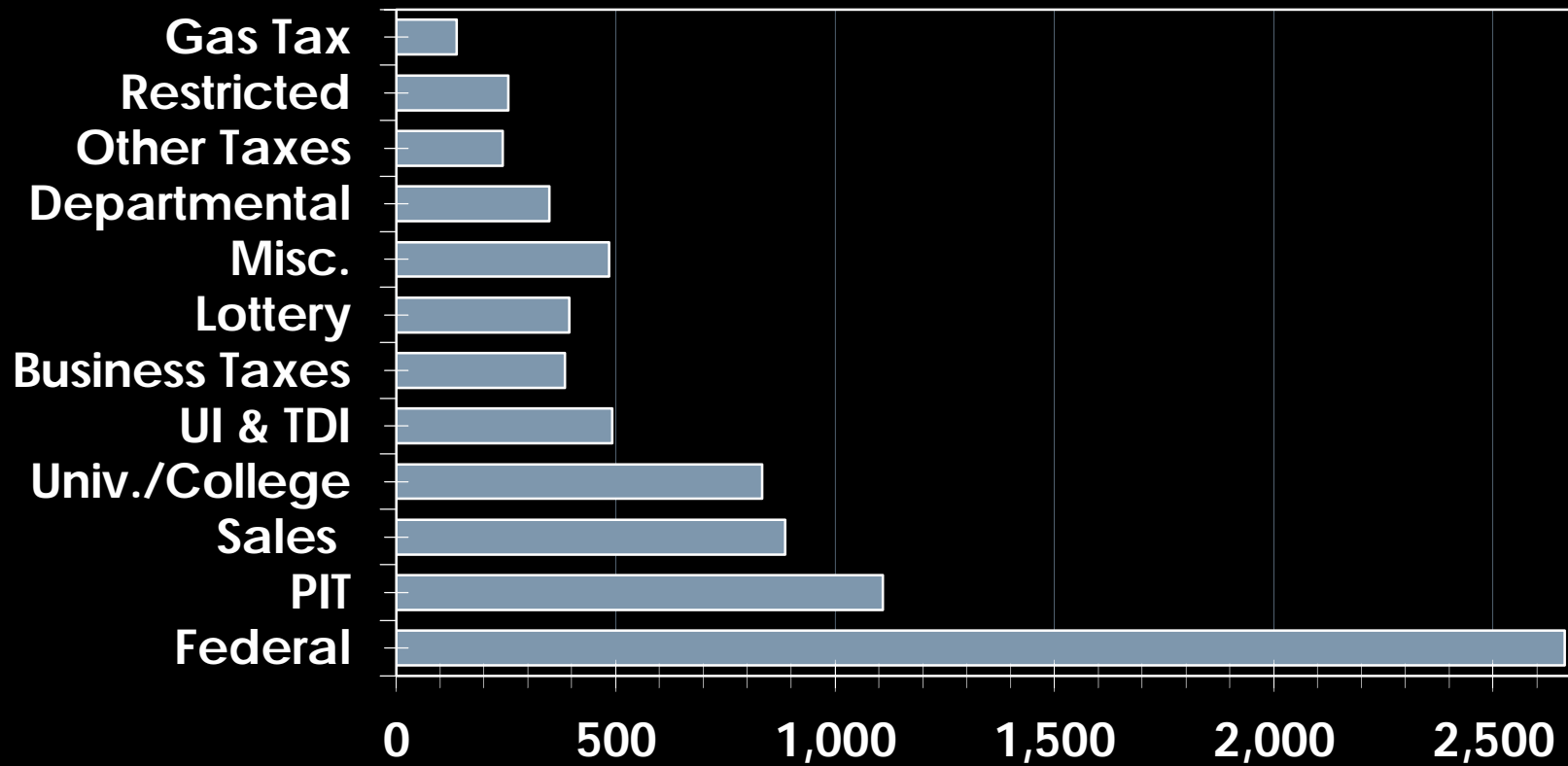
Governor's Solution vs May

	Gov.	May Chg.
FY 2014 Surplus	\$68.9	(\$22.5)
Debt Service	5.6	
Medical Benefits	3.6	
Revenue Initiatives	15.5	4.7
Human Services	54.3	(24.6)
Locals	4.9	
All Other	(12.9)	(24.3)
<hr/> Total	<hr/> \$140	<hr/> \$(66.8)

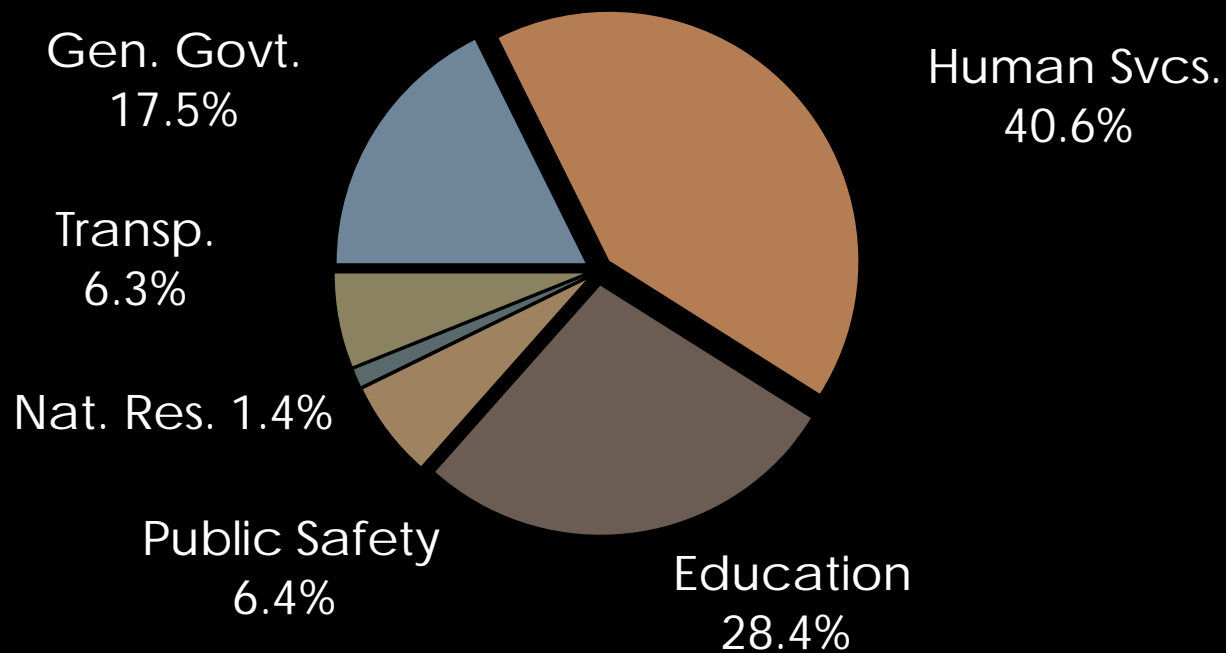
Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$3,359.8	\$3,456.1	\$96.3
Federal	2,717.7	2,878.4	160.7
Restricted	255.0	258.9	3.9
Other	1,880.6	1,950.6	70.0
Total	\$8,213.1	\$8,544.0	\$330.9

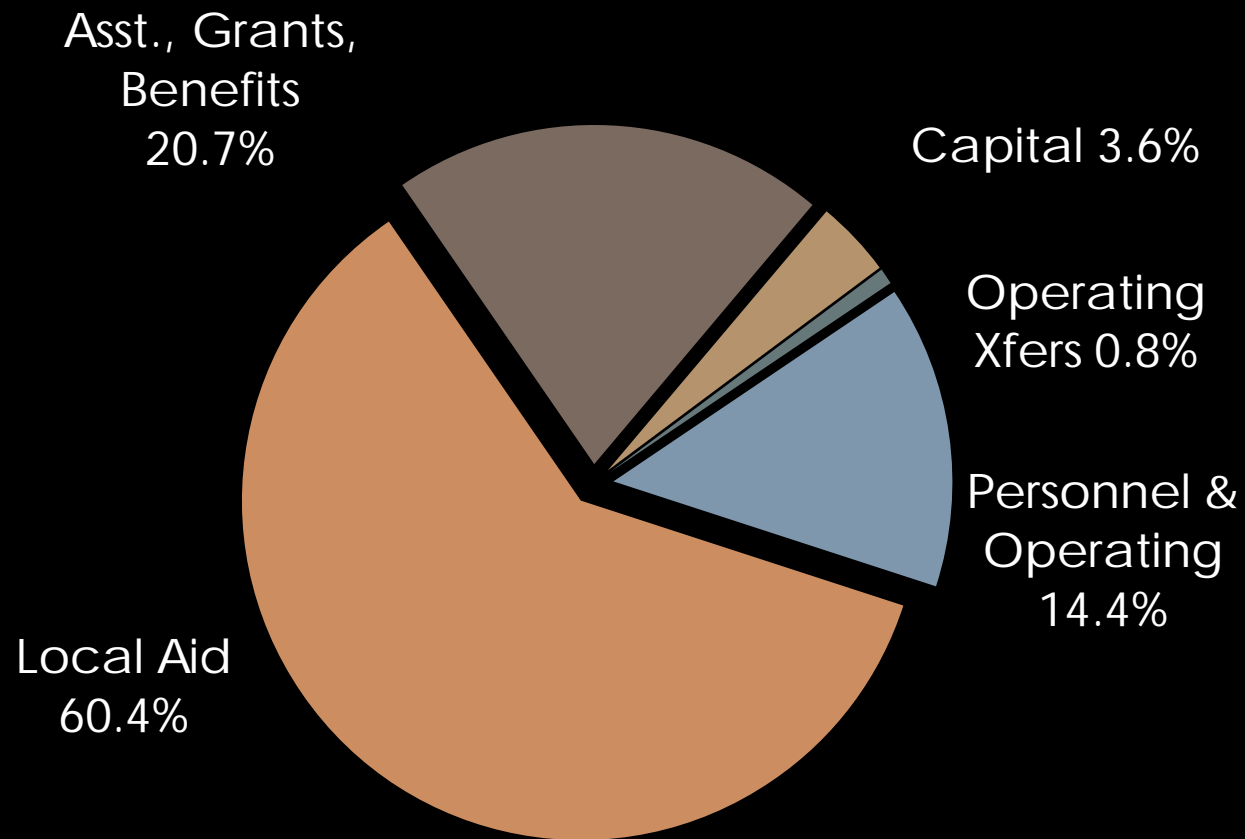
Sources *(millions)*



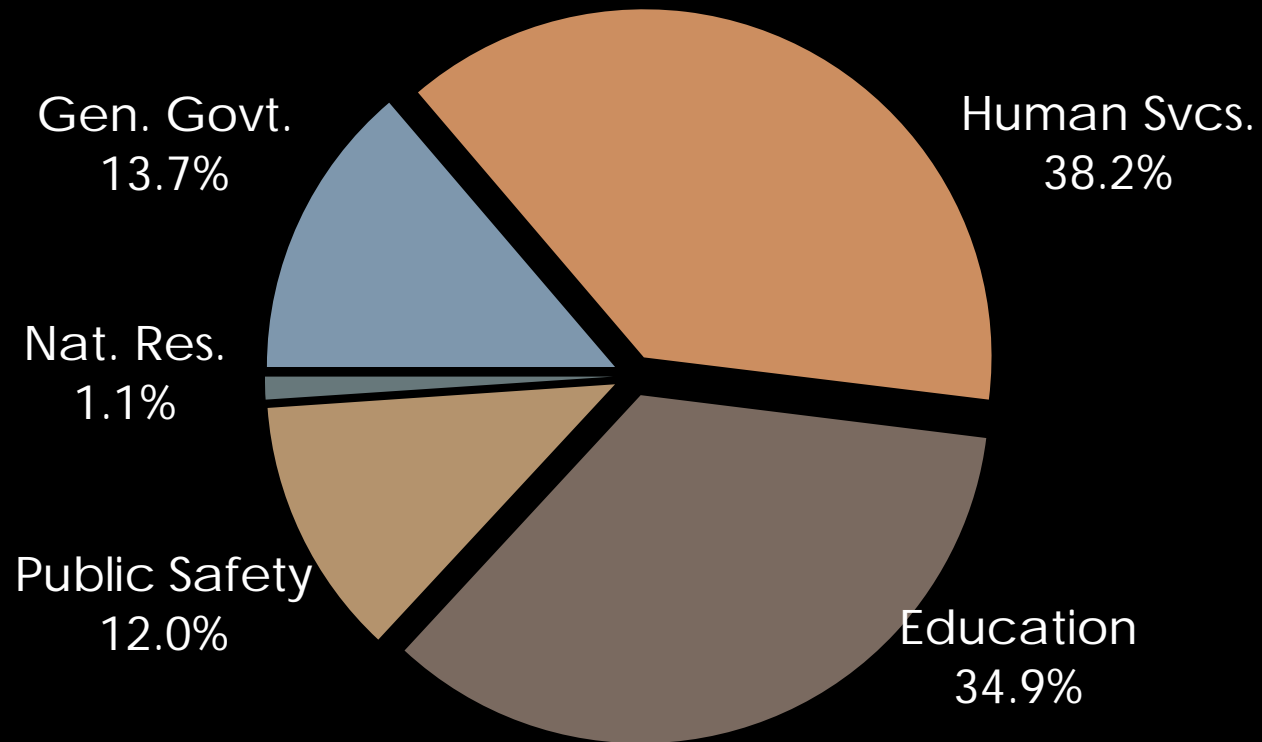
All Funds by Function: Governor FY 2015



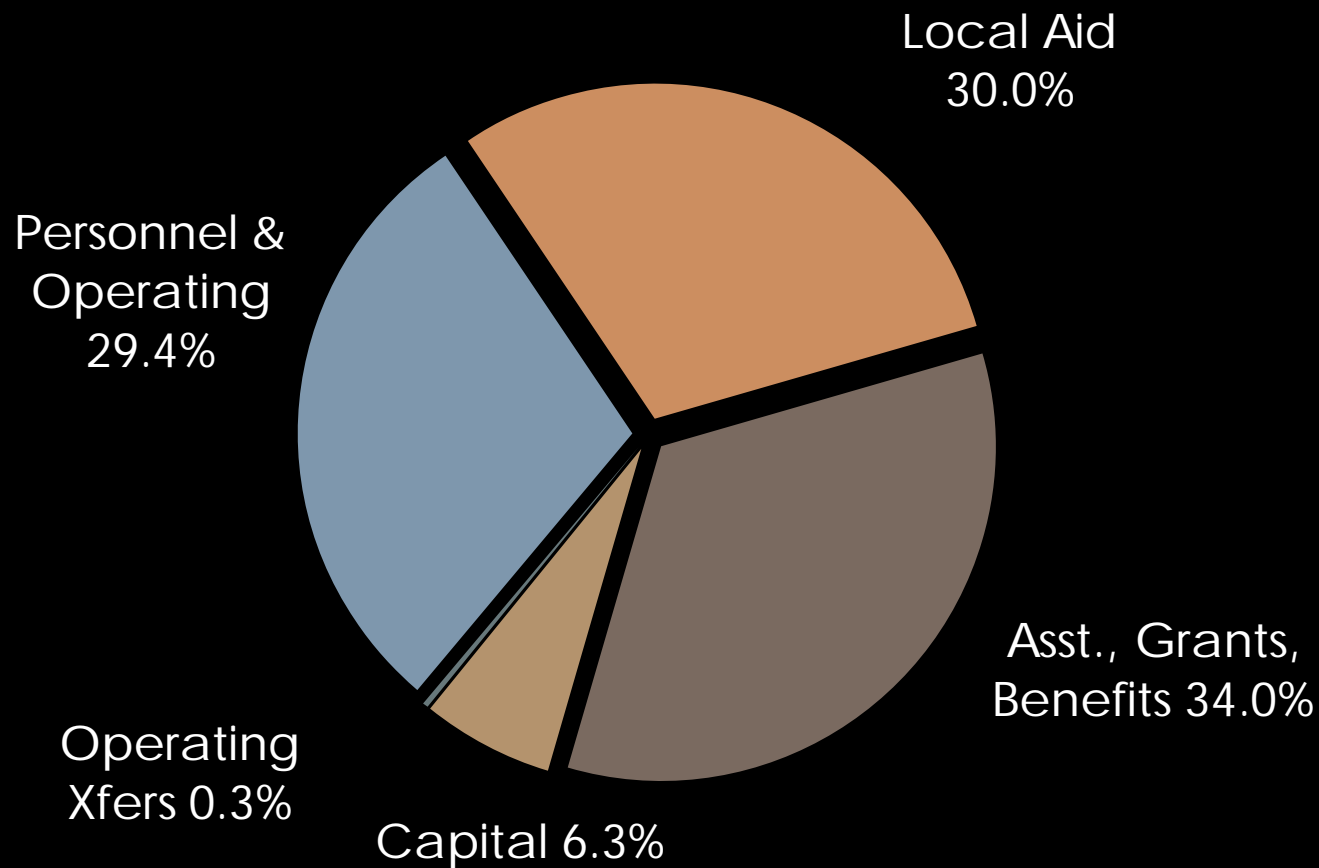
All Funds by Category: Governor FY 2015



General Revenues by Function: Governor FY 2015



General Revenues by Category: Governor FY 2015



Out Years Budget Office Deficits Estimates

	Estimated	Share Useable Revenues
FY 2016	\$(151.1)	4.4%
FY 2017	\$(256.7)	7.3%
FY 2018	\$(330.5)	9.3%
FY 2019	\$(419.3)	11.6%

Budget Year and Out-years

- These gaps continue to be a function of both cyclical economic and continued structural issues
- Projected gaming revenue losses grow in later year of forecast

Budget Year and Out-years

- Continued issue of problematic expenditure structure
 - Many enacted structural changes implemented... still others not achieved
 - Growth rates exceeding revenue growth rates

Budget Year and Out-years

- Some proposals may take time for full implementation
- Process should include the five-year forecast
- Are solutions also structurally balanced?
 - Do revenue solutions grow at the same rate as the expenditures they support?

References

- Materials are on line on the Assembly website - <http://www.rilin.state.ri.us> under House Fiscal Reports
- Includes items prepared by House Fiscal Staff that may be helpful
- Hearings available “on demand” on Assembly website

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