

Governor's FY 2016 Budget

Staff Presentation to the House Finance
Committee
March 26, 2015

Governor's FY 2016 Budget

- March 12 - Governor announced her FY 2016 Budget via televised address
 - Some supporting documents provided
- March 13 - 2015 - H 5900 introduced and referred to Finance
- March ?? - All required supporting bound documents provided to Assembly
 - Capital still missing; other bound copies delivered March 25

Budget Briefings, Publications & Hearings

- Jan. 29 – Budget Status
- Feb. 4, 11, 25 – Issue Briefings
- March 17 – Budget at First Glance
- March 26 – Governor’s Budget Overview
 - House Fiscal Staff Budget Analysis
- March 31 – Article hearings begin
- Early May – Consensus Revenue and Caseload Estimating Conference

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Governor’s FY 2016 Budget

Finance Committee Review

- Briefing - Overview
- Article hearings through April
 - 30 separate articles some with multiple sections affecting different issues
- Subcommittee review of individual agency budgets – April into May
- Governor’s requested amendments and other issues of interest
 - Already received some

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References

- Materials are on line on the Assembly website - <http://www.rilin.state.ri.us> under House Fiscal Reports
 - Tabs for 2015 session
 - Links to OMB/Budget Office
- Includes items prepared by House Fiscal Staff that may be helpful
- Hearings available "on demand" on Assembly website

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Governor's FY 2016 Budget

- ***FY 2014 Audited Closing***
- FY 2015 Revised Budget
- FY 2016 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Outyears

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FY 2014 Closing

- FY 2015 budget counted on surplus from FY 2014 to help fund FY 2015
- Preliminary FY 2014 data showed \$8.7 million gain to that assumption
 - Subject to audit adjustment before final
- Audited data \$8.6 million
 - Revenues had bigger revision – impacting retirement transfer only

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FY 2014 Audited

	Enacted	Current	Diff.
Opening	\$ 111.2	\$111.2	\$ 0.0
Revenues	3,416.0	3,430.3	14.2
Rainy Day	(105.6)	(106.0)	(0.4)
Expenditures*	(3,352.4)	(3,336.4)	16.0
Closing Surplus	59.2	89.0	29.8
Reappropriation	-	(7.4)	(7.4)
Txfer: Retirement		(13.8)	(13.8)
Free Surplus	\$ 59.2	\$ 67.8	\$ 8.6
<i>*Includes \$10 million transfer to accelerated depr. fund</i>			

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Closing – Revenues

- Revenues \$14.2 million (0.4%) above
 - Taxes up \$18.3 million with personal income and sales tax gains offsetting business taxes
 - Business taxes have been difficult to estimate
 - All other revenues down \$4.2 million
 - Lottery receipts down \$4.4 million – traditional as well as slots and table games

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Closing – Revenues

- Revenues \$14.2 million more
 - Law requires final revenues above estimates be transferred to the Employees' Retirement System to pay down unfunded liability
 - Transfer = \$13.8 million which is net of 3% transfer to rainy day fund
- Prior year transfers
 - \$0.2 million in FY 2013
 - \$12.5 million in FY 2012

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Closing - Expenditures

- General revenue spending \$16.0 million (0.5%) below budgeted amounts – but areas of overspending
 - 5 agencies overspent when undistributed COLA funding is considered
- Appropriation lines overspent even if agency totals were not
 - 31% of general revenue lines were overspent... Ongoing pattern not completely explained by COLA issue
 - Last year it was 22%

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Closing - Expenditures

Spending \$16.0 million below:

- \$7.4 million unspent & re-appropriated
- \$8.8 million Medicaid savings
- \$2.5 million overspent in DCYF
- \$1.4 million overspent Public Safety
- \$0.8 million overspent in DOC
- \$0.3 million overspent in DEM

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Current Year

- The *current year* had a projected deficit of almost \$30 million
 - Mainly unmet expenditure savings that could affect out-years
 - Major overspending masked by revenue uptick, debt service and other savings
 - Requests for supplemental appropriations exceeded \$60 million
 - Q1 reports over \$90 million incl. caseloads
- Governor's FY 2015 revised ends with \$3.1 million balance for use in FY 2016

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FY 2015 – HFAS Jan 29

	Enacted	Current	Diff.
Opening	\$ 59.2	\$75.2	\$16.0*
Revenues	3,493.1	3,508.9	15.8
Rainy Day	(106.6)	(107.3)	(0.7)
Expenditures	(3,445.2)	(3,505.1)*	59.9
Total FY 2015	\$ 0.6	(\$ 28.3)	(\$28.8)

**Includes \$7.4 million reappropriation*

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Current Year HFAS Jan 29 vs FY 2015 Enacted

Reappropriation	\$ 7.4
Legislature	(1.1)
Employee COLAs	20.2
Debt Service	(20.4)
OHHS: Caseload Conference	37.0
OHHS: Other Programs*	11.8
Corrections*	5.0
Other *	-
Total	\$59.9

** Items different than Budget Office Q1 estimates*

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FY 2015 – Revised Comparison

	HFAS 1/29	Gov	Diff.
Opening*	\$75.2	\$ 75.2 *	\$0.0
Revenues	3,508.9	3,524.0	15.1
Rainy Day	(107.3)	(107.7)	(0.4)
Expenditures	(3,505.1)*	(3,488.4)*	(16.7)
Total FY 2015	(\$ 28.3)	\$3.1	\$31.4

**Includes \$7.4 million reappropriation*

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Current Year: Gov. Revised Solution

Jan 29 HFAS est. ending surplus	(\$28.8)
No Retirement Transfer	13.8
Debt Service	5.7
Statewide Medical	3.4
UHIP Timing and Sources	4.5
Hospitals – enacted GME funding	1.0
Education Aid Formula	1.0
All Other	2.5
Total Gov. Ending Surplus	\$3.1

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Budget Year and Out-years

- Budget Office Instructions based on \$166 million July deficit projection
 - Includes calculation of current service revenues and expenses
 - Some revisions based on more updated data
 - Other revisions reflect different methodology and "policy choices"
- Impact of November Caseload conference increased that to \$190.4 million

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Governor's Solution

FY 2015 Surplus	\$ 3.1
Revenues	70.0
Medicaid	90.5
Locals	5.2
Commerce	(11.4)
Debt Service (excl. restructure)	11.8
Statewide Savings- undistributed	25.3
All Other	(4.1)
Total	\$190.4
* Millions	

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Governor's Solution

- *Revenues*
- Medicaid
- Locals
- Economic Development
- Departments and Agencies
 - Debt Service
 - Undistributed Savings
 - All Other

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Revenues Changes

Revenues - \$70.0 million

- Enhanced Collections - \$2.3 million
 - Contingency Fee Contracts - \$1.8 million
 - Self-Audit Program - \$0.5 million
- New or Increased taxes - \$27.5 million
- Tax/Fee Reductions - \$(12.7 million)
- Scoops/Transfers - \$52.9 million

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Revenues Changes

New/ Increased taxes - \$27.5 million

Cigarettes: up 25 cents per pack	\$7.1
Enterprise Zone Credit Elimination	\$0.4
Hotel Room Resale	\$0.8
Small B&Bs/Unlicensed Rentals	\$0.9
Vacation Homes	\$5.4
Real Estate Conveyance expand	\$0.7
State Property Tax – second homes	\$11.8

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Revenues Changes

Tax/Fee Reductions - \$(12.7) million

Commercial Energy Sales Tax*	\$(4.9)
Earned Income Tax Credit *	\$(3.0)
Social Security Exemption*	\$(3.9)
Occupational Licensing	\$(0.4)
Imaging/Surgi Centers Surcharge*	\$(0.6)

*impacts grow in out years, some phased reductions

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Revenues Changes

Scoops/Transfers - \$52.9 million	
Tobacco Settlement	\$19.0
Clean Water Finance	\$11.0
Resource Recovery	\$1.5
RIHEBC Transfer	\$5.0
Airport Corp	\$0.4
Narragansett Bay Commission	\$2.8
Motor Vehicle Fees Delay	\$13.2

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Governor's Solution

- Revenues
- *Medicaid*
- Locals
- Economic Development
- Departments and Agencies
 - Debt Service
 - Undistributed Savings
 - All Other

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Medicaid

Medicaid Solution: \$90.5 million

- \$46.4 million – Completed – legislation in budget
- \$46.0 million - Tied to Task Force
 - Savings distributed but subject to revision
- Provider Tax Loss - \$1.9 million

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Medicaid

- 6 general themes
 - Efficiencies & Oversight
 - Program Administration
 - Hospital Supports to Value Based System
 - Long Term Care Supports to Value Based System
 - Addressing High Cost Utilizers
 - Coordinated Care – those w/ behavioral health care needs

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Medicaid

Completed	GR	All
Efficiencies & Oversight	\$9.5	\$19.2
Hospital Supports Transition	27.9	55.2
LTC Supports Transition	8.9	17.9
Total	\$46.4	\$92.3

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Medicaid – Completed

Impact to Hospitals	GR	All
Eliminate Upper Payment Limit	\$11.3	\$22.6
Rate Freeze & 5% Reduction	15.7	31.6
Eliminate Graduate Medical Education Payment	1.0	1.0
Total	\$28.0	\$55.2

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Medicaid – Completed

Impact to Nursing Facilities	GR	All
Eliminate Rate Increase	\$5.4	\$10.9
3% Rate Reduction	3.5	7.1
Total	\$8.9	\$17.9

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Medicaid – Task Force

Task Force	GR	All
Efficiencies & Oversight	\$8.0	\$16.1
Program Administration	1.5	3.0
Hospital Supports Transition	15.0	30.2
Addressing High Utilizers	18.5	37.2
Coordinated Care – BH needs	3.0	6.0
Total	\$46.0	\$92.6

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Medicaid – Task Force

Efficiencies & Oversight	GR	All
Managed Care Plans – Value Based Purchasing	\$8.0	\$16.1
Selective Contracting		
Risk Share Arrangement		

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Medicaid – Task Force

Program Administration	GR	All
Eligibility Verification & Controls	\$1.5	\$3.0
Enhanced Death Verification		
Consistent Payment Rates		
Connect Care Choice Redesign		

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Medicaid – Task Force

Transition Hospital Supports	GR	All
Neo-Natal Services & Child Birth Bundle Rate	\$15.0	\$30.2
Readmission Policy to Align with Medicare		
Delivery System Reform Incentive Program (DSRIP)		

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Medicaid – Task Force

High Utilizers	GR	All
Pilot Accountable Care Organizations	\$15.0	\$30.2
Community Health Teams		
Housing Support		
Appropriate Setting for LTC Services and Supports	3.5	7.0
Total	\$18.5	\$37.2

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Medicaid – Task Force

Coordinated Care	GR	All
Community Mental Health Centers & Inpatient Hospital Services	\$3.0	\$6.0

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Governor's Solution

- Revenues
- Medicaid
- *Locals*
- Economic Development
- Departments and Agencies
 - Debt Service
 - Undistributed Savings
 - All Other

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Locals

Locals solution \$5.2 million

- Education Aid
 - Formula education aid lower than estimated
 - Policy Choices
- Local Aid
 - Removes \$5.0 million of one-time resources but that was not reflected in the deficit calculation

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Education Aid

- Funds 5th year of formula
 - Adds \$35.8 million based on updated data
 - Includes \$1.4 million for full day kindergarten implementation
- Distributions calculated by Dept. based on transition guidance in law
 - subject to change in March, updated data
- Assumes 2 new charter schools open for 2015-2016 school year

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Education Aid

- Full-Day Kindergarten
 - Requires full-day K be offered to every eligible student to qualify for ANY education aid, as of August 2016
 - 7 districts currently do not offer full-day K
 - Coventry, Cranston, East Greenwich, Johnston, North Kingstown, Tiverton and Warwick
 - Language included in Article 6

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Education Aid

- \$12.3 million for categorical aid
 - Enacted level, shifts among categories
 - \$4.1 million less than current services
- Categorical Funds
 - \$2.5 million for High Cost Special Ed
 - \$3.5 million for Career & Tech
 - \$4.0 million for Early Childhood
 - \$2.4 million for Transportation

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Education Aid

- Transportation Categorical Funds
 - Proposes to eliminate requirement to provide transportation to private schools
 - Savings of \$2.0 million
 - Language included in Article 6
 - Funding provided is solely for regionalized districts

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Education Aid

- Textbook Reimbursement
 - Eliminates mandate that local districts provide textbooks to students in non-public schools
 - Eliminates state's partial reimbursement
 - Article 6, savings of \$240,000
- School Breakfast – no change
 - \$270,000 - consistent with enacted level

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Education Aid

- Existing School Housing Aid Program
 - \$70.9 million, \$3.0 million above enacted
 - Assumes moratorium lifts - current law
- New School Building Authority Fund
 - \$20.0 million – from debt restructuring savings start the Fund, Article 9
 - Appears to assume continued funding via \$80 million commitment less traditional program needs

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Education Aid

- Article 9
 - Creates School Building Authority Office within Department to oversee the program
 - RIHEBC to administer, make loans & awards
 - Intended to direct resources to more immediate needs
 - Driven by needs assessment
 - Interface with current program not clear in legislation

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Local Aid Programs

<i>(in millions)</i>	FY 2015 Enacted	FY 2015 Revised	FY 2016 Rec.
Dist. Communities	\$ 10.4	\$ 10.4	\$ 10.4
PILOT	40.1	40.1	35.1
Motor Vehicle Excise	10.0	10.0	10.0
Muni Incentive Aid	5.0	5.0	5.0
Total	\$ 65.5	\$ 65.5	\$ 60.5

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Local Aid

- Distressed Communities - \$10.4 million
- Same as enacted
- Redistribution among communities based on data
- 7 municipalities qualify
 - Central Falls
 - North Providence
 - Pawtucket
 - Providence
 - West Warwick
 - Woonsocket
 - East Providence receives 50% transition payment into program

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Local Aid

- Municipal Incentive Aid - \$5 million
 - Enacted level
 - Third and final year – not in out year data
 - Tied to actions on local pension plans
 - Coventry's FY 2014 share reappropriated to FY 2015
 - FY 2015 Revised distribution excludes Coventry and Johnston – have until April 30 to come into compliance to receive funding
 - FY 2016 Recommendation for all municipalities

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Local Aid

- PILOT - \$35.1 million
 - FY 2014 funding level
 - FY 2015 payments included one-time funding from refinancing tobacco bonds
- Car Tax Phase-Out - \$10 million
 - Enacted level
 - FY 2016 distribution to be revised spring 2015

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Local Aid

- Library Construction Aid - \$ 2.7 million
 - Full funding
- Property Valuation Reimbursements -
 - \$1.8 million – full funding
 - Reimbursements to 15 communities
- \$0.1 million for Lt. Gov to give grants to municipalities on regionalization and consolidation efforts Governor's Executive Order

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Governor's Solution

- Revenues
- Medicaid
- Locals
- *Economic Development*
- Departments and Agencies
 - Debt Service
 - Undistributed Savings
 - All Other

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Commerce

Econ Development Solution: (\$11.4) million

- New \$14.0 million for a series of initiatives
 - \$11.4 million from current or former general revenues
 - \$6.4 million from redirected hotel taxes
 - \$3.8 million would have been general revenues
 - \$4.0 million from general revenues for Commerce Corporation - doubles
 - \$3.6 million for Executive Office programs

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Commerce

New Programs and Operations Support

Commerce Corp. Operations	\$4.3
Tourism & Marketing	5.5
Comp. Student Loan Forgiveness	1.8
High School Partnership	0.9
Small Business Initiative Research	0.5
Innovate Vouchers	0.5
Building Code & Fire Permit	0.3
Office of Economic Empowerment	0.3
Total	\$14.0 ⁵⁶

Commerce

- Economic development
 - Tax credit programs
 - Programs and Investments and Initiatives
 - Legislation included in Article 29
- Some supported by savings from debt restructuring
 - Spread over two years

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Programs & Investments

	<i>Fiscal Year</i>	<i>2016</i>	<i>2017</i>
I-195 Redevelopment Fund		\$25.0	\$ -
Small Business Assist. Program		5.5	-
First Wave Closing Fund		5.0	-
Affordable Housing Fund		3.0	-
RI Infrastructure Bank (CWFA)		2.0	-
Streetscape Improvement		1.0	1.0
Others		1.3	1.8
Tax Credits		1.8	16.7
Total		\$44.5	\$19.4

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Commerce Investments

- First Wave: 195 Development Fund - \$25.0 million
 - Additional tools to attract new institutions, employers
 - Funding for infrastructure improvements and other incentives

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Commerce Investments

- First Wave: Closing Fund - \$5.0 million
 - Provide flexibility when working with businesses interested in locating to or expanding in Rhode Island
 - Critical investments, resolve complex negotiating issues and obtain technical and legal support when closing transactions

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Tax Credit Programs

	<i>Fiscal Year</i>	<i>2016</i>	<i>2017</i>
First Wave Tax Credits		\$ -	\$12.7
Anchor Inst. Tax Credits		1.8	4.0
Subtotal		\$1.8	\$16.7

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Commerce Corp. Tax Credits

- First Wave: *Rebuild Rhode Island* – \$12.7 million in FY 2017 from debt restructuring
 - \$7.4 million loss for FY 2017 – grows to \$25.1 million in FY 2020
 - Credit up to 30% of project costs
 - DOA decides credits available each year
 - As drafted, no caps but administration will clarify intent

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Commerce Corp. Tax Credits

- Tax Stabilization Incentive
 - Encourage property tax stabilization agreements between locals & developers
 - For \$10.0 million of new development or rehab
 - Locals receive reimbursement of up to 10% of foregone revenue
 - For period of stabilization agreement
 - Appear to be included in "First Wave" tax credit \$12.7 million total

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Commerce Corp. Tax Credits

- Anchor Credit - \$5.7 in million FY 2016 and FY 2017 from debt restructuring
 - Against corporate income tax
 - For existing RI businesses that attract other businesses to state
 - Physical relocation or specific number of jobs
 - Credit amount determined by Commerce Corporation
 - As drafted, no caps

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Commerce Corp. Tax Credits

- Tax Increment Financing
 - Developers receive reimbursements up to 30% of project costs from revenues
 - Up to 75% of revenues that would not have been generated without project
 - Designed to be revenue neutral
 - Determination requires information sharing that may prove difficult

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Governor's Solution

- Revenues
- Medicaid
- Locals
- Economic Development
- *Departments and Agencies*
 - Debt Service
 - Undistributed Savings
 - All Other

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Other Items

- Revamps needs based scholarships and dissolves Higher Ed Assistance Authority
- Indicates a plan to revise uses of workforce funding
- Includes \$12.3 million in debt service relating to 38 Studios default as part of the Job Creation Guaranty
- Assume use of Google Settlement funds to seed long term pay-go pension solution
- Add funding for Meals on Wheels

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Other Items

- Creates a funding mechanism for HealthSource RI intended to be comparable to cost to use federal exchange
- Proposes changes to budget submission date and scope and process of REC/CEC
- Proposes broad Authority for DCYF director to manage department appropriation
- Assumes passage of minimum wage increase in DEM funding

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Governor's Solution

FY 2015 Surplus	\$ 3.1
Revenues	70.0
Medicaid	90.5
Locals	5.2
Commerce	(11.4)
Debt Service (excl. restructure)	11.8
Statewide Savings- undistributed	25.3
All Other	(4.1)
Total	\$190.4
* Millions	

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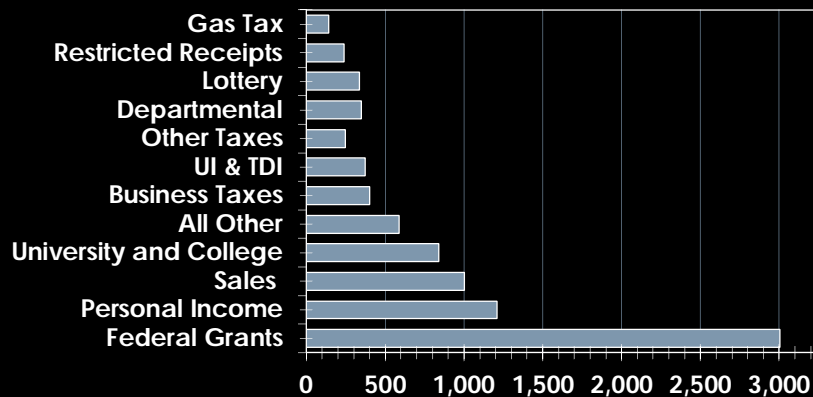
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Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$3,445.2	\$3,491.6	\$46.5
Federal	3,086.5	3,003.1	(83.4)
Restricted	283.1	239.4	(43.7)
Other	1,965.4	1,893.5	(72.0)
Total	\$8,780.2	\$8,627.6	(\$152.6)

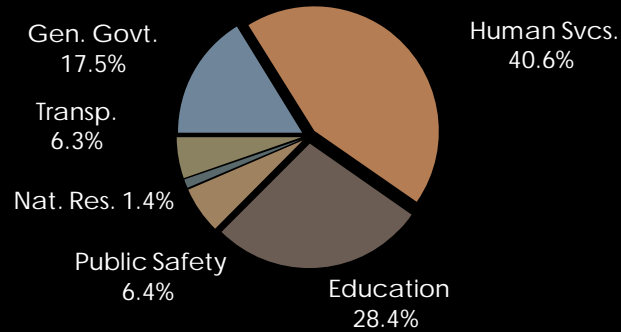
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Sources *(millions)*



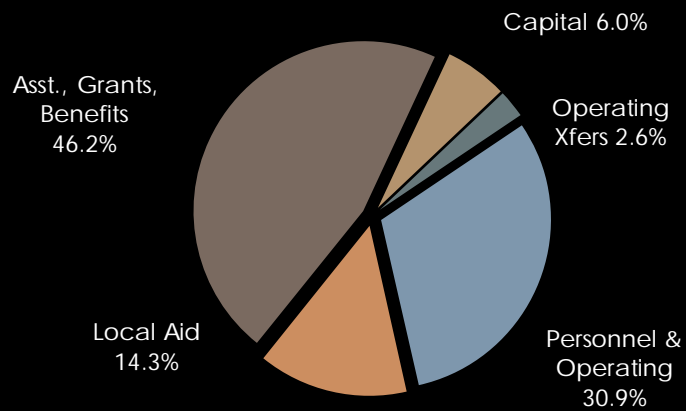
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All Funds by Function: Governor FY 2016



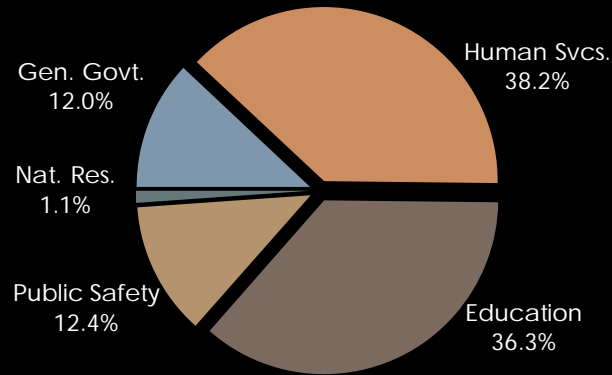
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All Funds by Category: Governor FY 2016



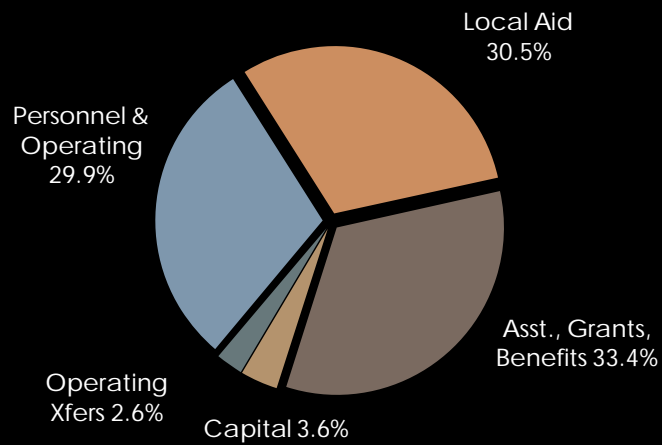
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General Revenues by Function: Governor FY 2016



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General Revenues by Category: Governor FY 2016



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Personnel and Operating

- Contracted Services
 - Increase of 0.9% from enacted
 - General revenues decrease 2.0%
 - Shifted to available federal funds
 - Over the past few years, Assembly required state agencies to be held more accountable for contract services they purchase

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Personnel and Operating

- Contracted Services
 - General Assembly requirements:
 - list privatization contracts
 - quarterly reports of non-state employee expenditures for legal and other services
 - 5.5% assessment to be paid to the retirement system - Pension Reform

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Personnel and Operating

- Salaries and Benefits
 - Increase of 2.8% from enacted
 - General revenues increase 3.2%
- Includes COLA
 - Most contracts expired at the end of last fiscal year
- Partially offset by increased turnover

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Personnel and Operating

- Operating Costs
 - Decrease 4.8% from enacted
 - 4.9% increase from general revenues
 - 1/3 in Corrections for per diems based on requested increase in population
 - Over another 1/3 for Higher Education for utilities, maintenance and equipment, furniture and supplies for new buildings (Chemistry, LGBTQ)

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Statewide Operating Savings

- \$3.3 million of undistributed statewide operating savings
 - \$2.0 million from Division of Purchasing and Bureau of Audits review of contracts to ensure state has achieved all possible savings
 - Will also obtain outside services to identify the savings

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Statewide Operating Savings

- \$3.3 million of undistributed statewide operating savings
 - \$1.0 million through competitive purchasing and energy efficiency initiatives
 - \$0.1 million in printing costs
 - DoIT will review state printing to reduce number of office printers

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Statewide Operating Savings

- \$3.3 million of undistributed statewide operating savings
 - \$0.1 million from eliminating unused and underused telephone lines
 - \$0.1 million by allowing legal notices and advertisements to be posted electronically in lieu of in a newspaper
 - Amendment received March 26 to withdraw this proposal

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Personnel Initiatives

- Budget includes \$22.0 million in savings from unidentified statewide personnel savings
- Governor plans to negotiate with labor to achieve savings in addition to changes contained in Article 22
 - Removes certain protections and parity provisions to provide flexibility on hires, layoffs and medical benefits

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Personnel Initiatives

- Classification Issues
 - Proposes allowing DOA director to deem non-union senior agency level positions as unclassified and set their compensation
 - Proposes converting higher ed classified positions to non-classified positions and removes them from the merit system
 - on a prospective basis
 - Allows more flexibility on hires and lay-offs

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Personnel Initiatives

- Classification Issues
 - Budgets include \$1.0 million from general revenues for classification and compensation study
 - Continues work begun with 2013 study and review of the personnel system

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Personnel Initiatives

- Active and Retiree Health Insurance
 - Alters requirements for what benefits shall be included in early retiree health plans
 - Removes requirement that non-union employees receive same health benefits as union employees
 - These changes allow state to have more flexibility on plan selection and co-shares

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Personnel Initiatives

- Longevity
 - freezes longevity at amount earned
 - As of the later of last pay period in June 2015 or last pay period prior to expiration of applicable collective bargaining agreements
 - Longevity will not grow with other raises
 - 2011 Assembly froze the rate

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Personnel Initiatives

- Administrative Changes
 - Repeals requirement for Assembly approval in determining cabinet directors' salaries
 - Directors' salaries would be determined by the director of DOA
 - Proposed as part of FY 2015 budget
 - Not approved by 2014 Assembly

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Personnel Initiatives

- Administrative Changes
 - Allows Personnel Appeal Board to reverse a personnel administrator action only if Board finds that the action was arbitrary, capricious, or contrary to rule or law
 - Proposes to extend the probationary period for all positions from 6 months to 12 months

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Full-time Equivalent Positions

	Regular	3rd Party	Total
FY 2014 Avg.	13,322.1	587.5	13,909.6
FY 2015 Enacted	14,335.2	750.8	15,086.0
FY 2015 Rev.	14,349.9	750.8	15,100.7
Governor FY 16	14,373.6	745.8	15,119.4
<i>Feb 21 Filled</i>	<i>13,231.3</i>	<i>592.6</i>	<i>13,823.9</i>
Diff from Enacted	(1,103.9)	(158.2)	(1,262.1)
Diff from Gov.	(1,142.3)	(153.2)	(1,295.5)

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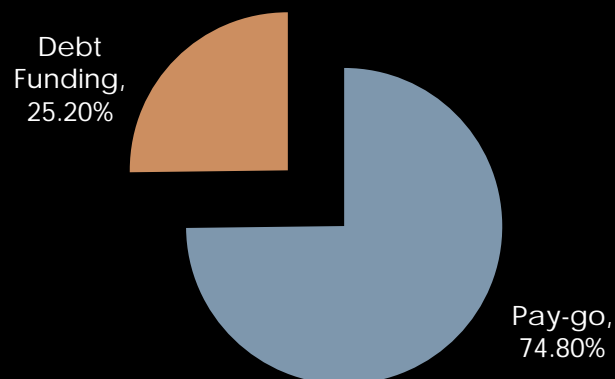
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Capital

- FY 2016 – FY 2020
- \$3.4 billion outlays
 - Average \$676.3 million per year
 - \$852.2 million from financing \$2,529.3 million from current revenue

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Capital Budget Funding



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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%

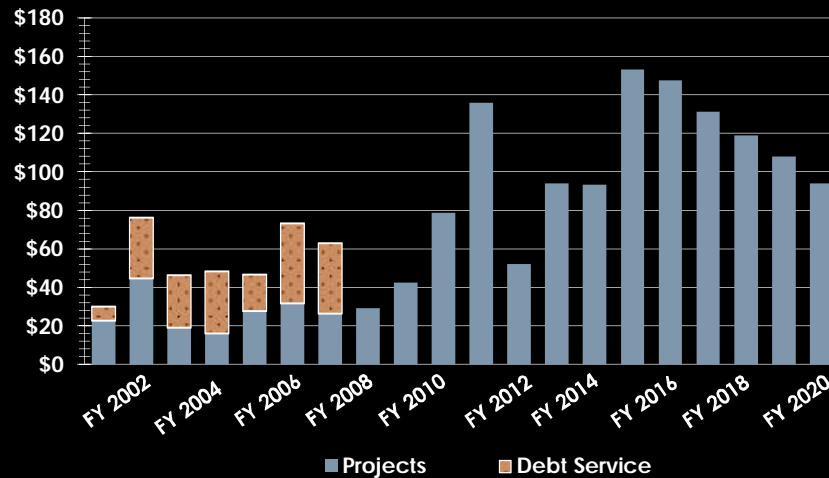
95

Rhode Island Capital Plan Funds

- Remainder goes to Budget Stabilization & Cash Reserve Account
- When account reaches 5.0%, excess flows to the capital account
- Used nearly exclusively for debt service in early part of last decade
- Voters amended constitution in 2006 to limit use for projects only
- Dedication of pay-go sources to capital lessens need to issue debt

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Rhode Island Capital Plan Funds



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Rhode Island Capital Plan Funds

- Resources in the Fund have grown over time
- Being used for its intended purpose: lowering the state's borrowing needs
 - Annual \$27.2 million is being used in lieu of borrowing to match federal transportation funds

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Rhode Island Capital Plan Funds

- \$599.4 million for FY 2016 – FY 2020
- Approximately \$120 million annually
 - 31% for Transportation
 - Includes \$20 million for FY 2016 to offset eliminated transfer of certain DMV fees to DOT for FY 2016
 - Current law provides that 25% of these fees are transferred in FY 2016, 75% in FY 2017, and all fees transferred in FY 2018
 - Remaining transfers would still happen
 - 22% for Higher Education

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Rhode Island Capital Plan Funds

- Improvements for state buildings
 - Courts, prisons, hospitals
- State facilities
 - Dams, piers, parks
- Designed to extend the life of facilities
 - Prevent the need for costly replacements

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Assembly Role

- Appropriate Pay-Go (Articles 1 & 10)
- Approve General Obligation Bond Referenda
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner)
 - Approve or reject resolution
 - Generally appropriate debt service
 - URI proposal in FY 2016 budget \$5.1 million

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Funding Considerations

- State's overall debt structure
 - Net tax supported debt would increase by \$23.7 million to \$1,913.6 million
 - Had dropped to \$1.3 billion in FY 2003 after use of tobacco bonds to defease debt
 - Past practice indicates it will be higher as more projects are added

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Funding Considerations – Debt Ratios

- Debt as a percent of personal income would decrease from 3.6% in FY 2014 to 3.4% into FY 2015
 - Refunding of state debt
- Would then drop to 2.3% in FY 2020, but likely to be higher based on projects being added

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GO Bond Debt restructuring

- Budget lowers debt service payments in FY 2016 and FY 2017 from restructuring a portion GO debt
- 2 year savings of about \$84 million
 - Used for specific budget initiatives
- Increased debt service begins in FY 2020
- Debt service increases a total \$13.6 million over the life of the debt
 - \$0.2 million in net present value savings

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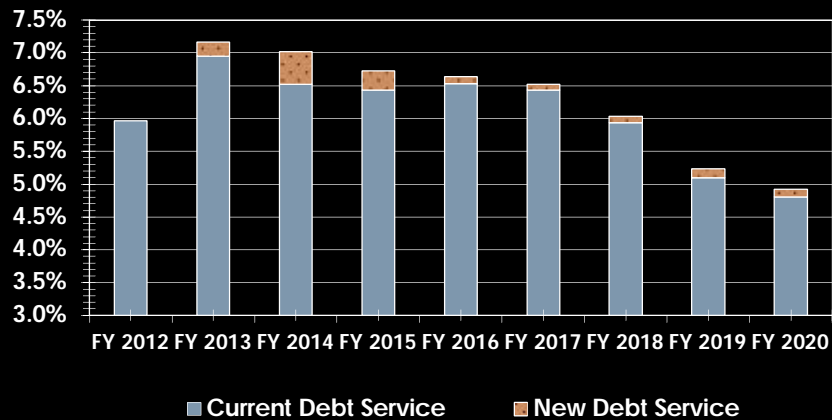
Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2015	\$238.1	6.7%
2016	\$240.7	6.6%
2017	\$236.8	6.5%
2018	\$220.2	6.0%
2019	\$191.5	5.2%
2020	\$182.2	4.9%

*Millions

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Debt Service as Percent of Useable Revenues



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Out-year Projections

- Five-year projections required by statutes
- Impact of Mass. gaming begins in FY 2016 with a \$45.6 million revenue loss
 - Reaches its peak in FY 2019 where losses would total \$125.1 million
 - In that year those losses account for over 40 percent of the projected deficit

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Budget Office Deficit Estimates

	Estimated	Share Useable Revenues
FY 2017	\$(74.6)	2.1%
FY 2018	\$(211.8)	6.0%
FY 2019	\$(285.9)	8.1%
FY 2020	\$(376.7)	10.6%

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Budget Year and Out-years

- These gaps continue to be a function of both economic and structural issues
- Some one-time sources used in FY 2016 budget solution
- Revenue reduction initiatives have growing impacts
- Forecast not dynamic - does not estimate revenue growth from budget initiatives or losses from reductions

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Budget Year and Out-years

- Staff has not fully evaluated the extent to which proposed new programs are reflected in out years
 - Education Aid appears to be understated by at least \$10 million
 - EITC loss overstated in FY 2017 alone
 - Some Medicaid savings may grow, not necessarily reflected

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Budget Briefings, Publications & Hearings

- Jan. 29 – Budget Status
- Feb. 4, 11, 25 – Issue Briefings
- March 17 – Budget at First Glance
- March 26 – Governor’s Budget Overview
- House Fiscal Staff Budget Analysis
- March 31 – Article hearings begin
- Early May – Consensus Revenue and Caseload Estimating Conference

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Governor’s FY 2016 Budget

Staff Presentation to the
House Finance Committee
March 26, 2015
