

Governor's FY 2017 Budget

Staff Presentation to the House Finance
Committee
February 23, 2016

Governor's FY 2017 Budget

- January 21- Budget Due
- February 2 - Governor announced her FY 2017 Budget via televised address
 - Some supporting documents provided
- February 3 - 2016 - H 7454 introduced and referred to Finance
- February 17 - Capital Budget provided

Budget Briefings, Publications & Hearings

- December 2 – Budget Status
- February 3, 9 – Budget at a Glance
- February 23 – Governor's Budget Overview
 - House Fiscal Staff Budget Analysis
- February 24 – Article hearings begin
- Early May – Consensus Revenue and Caseload Estimating Conference

Governor's FY 2017 Budget

Finance Committee Review

- Briefing - Overview
- Article hearings through March
 - 25 separate articles some with multiple sections affecting different issues
- Subcommittee review of individual agency budgets – March into April
- Governor's requested amendments and other issues of interest

References

- Materials are on line on the Assembly website - <http://www.rilin.state.ri.us> under House Fiscal Reports
 - Tabs for 2016 session
 - Links to OMB/Budget Office
- Includes items prepared by House Fiscal Staff that may be helpful
- Hearings available “on demand” on Assembly website

Governor's FY 2017 Budget

- ***FY 2015 Audited Closing***
- FY 2016 Revised Budget
- FY 2017 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Outyears

FY 2015 Closing

- FY 2016 budget counted on surplus from FY 2015 to help fund FY 2016
- Audited FY 2015 data shows \$49.5 million gain to that assumption
 - Considerably higher than last year
 - Excess revenues no longer subject to transfer to retirement system

FY 2015 Audited

	Enacted	Current	Diff.
Opening	\$ 75.2	\$ 75.2	\$ 0.0
Revenues*	3,616.7	3,641.1	24.4
Rainy Day*	(111.0)	(111.3)	(0.3)
Expenditures	(3,476.6)	(3,453.9)	22.7
Closing Surplus	104.8	151.1	46.3
Audit Adj./Txfers*	13.8	23.8	10.0
Reappropriation	-	(6.9)	(6.9)
Free Surplus	\$ 118.6	\$168.0	\$ 49.5

*retirement & accelerated depreciation same as enacted -\$23.8 m, but mechanics & amounts subject to 3% differ from enacted treatment

Closing - Expenditures

- General revenue spending \$22.7 million (0.7%) below budgeted amounts – but areas of overspending
- Appropriation lines overspent even if agency totals were not
 - Unachieved savings
 - Unexpected expenses
 - Impact on FY 2016

Closing - Expenditures

Spending \$22.7 million below:

- \$6.9 million unspent & re-appropriated
- \$4.1 million DOA – utilities, staffing
- \$9.4 million Medicaid savings
- \$1.1 million DCYF savings

- **\$0.8 million overspent Public Safety**
- **\$0.3 million overspent in Courts**

Closing - Expenditures

- OHHS: \$9.4 million Medicaid savings
 - \$8.2 million savings Rhody Health Partners
 - Higher drug rebates & risk share savings
 - \$1.9 million less in long term care
 - Lower enrollment in Rhody Health Options & fewer community based services
 - \$2.9 million in other programs
 - Pharmacy, hospital & other medical services
 - \$1.0 million less in administration expenses

Closing - Expenditures

- BHDDH - \$35,746 total underspend
 - \$2.1 million more for privately provided services in Division of Dev Disabilities
 - Above supplemental funding added in FY 2015
 - \$1.0 million more for RICLAS
 - \$2.0 million less at state hospital
 - Primarily one-time adjustment
 - Offset by savings in other programs
- Issues continue into FY 2016 rev & FY 2017

Closing – Revenues

- Revenues \$24.4 million (0.7%) above
 - Taxes up \$16.7 million with corporate and sales tax gains accounting for most
 - Personal income essentially as estimated
 - Business taxes have been difficult to estimate
 - All other revenue up \$7.7 million
 - Lottery receipts up \$3.3 million

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Current Year

- The *current year* had a projected surplus of \$56.9 million – HFAS Dec 2
 - Major overspending masked by revenue uptick, closing surplus and other savings
 - Requests for supplemental appropriations exceeded \$42 million
 - Q1 reports over \$50 million incl. caseloads

Current Year – Changes to Enacted Budget: Dec 2 HFAS

Reappropriation	\$ 6.9
Legislature*	(1.1)
OHHS: Caseload Conference	14.9
OHHS: Other Programs*	28.8
School Construction	(4.1)
Google Fund Shift - one time	(5.9)
Public Safety/Corrections*	8.6
Other *	(0.5)
Total	\$47.7
* Items different than Budget Office Q1 estimates	

FY 2016 – HFAS Dec 2

	Enacted	Current	Diff.
Opening	\$ 118.6	\$173.3	\$54.7*
Revenues	3,543.8	3,596.2	52.4
Rainy Day	(109.9)	(112.9)	(3.0)
Expenditures	(3,552.0)	(3,599.7)*	47.7
Total FY 2016	\$ 0.5	\$56.9	\$56.4

**Includes \$6.9 million reappropriation*

Current Year

- Revenues are up by \$52.4 million
- Added resources increase rainy day transfer by \$3.0 million
- Expenditures appear up by \$25.9 million net of re-appropriations and November Caseload increase
- Closing surplus up by \$56.4 million
- Governor's FY 2016 revised ends with \$81.7 million balance for use in FY 2017

Current Year: Gov. Revised Solution

<i>Dec 2 HFAS est. ending surplus</i>	<i>\$47.7</i>
Caseload “fiscal controls”/GME	10.0
BHDDH/DCYF	9.1
UHIP to IT fund	4.9
Housing Aid to SBA	(4.1)
Statewide Medical	2.6
Corrections	2.3
License Plate shift to 2017	3.0
Audit and Other adjustments	6.2
<i>Total Gov. Ending Surplus</i>	<i>\$81.7</i>

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Budget Year and Out-years

- Budget Office Instructions based on \$196.5 million July deficit projection
 - Includes calculation of current service revenues and expenses
 - Some revisions based on updated data – differing assumptions on savings initiatives
 - Other revisions reflect different methodology and “policy choices”
- Stronger Nov revenues reduced that to \$127.4 million

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FY 2017: Governor's Solution

<i>FY 2016 ending surplus</i>	\$81.7
Revenues	44.6
Medicaid & EOHHS Agencies	43.7
Locals	(2.3)
Commerce	(11.0)
Higher Education	(10.4)
Corrections	(5.5)
Other Initiatives	(26.1)
Debt and Other Adjustments	12.7
Total Governor Solution	\$127.4

Governor's Solution

- *Revenues*
- Medicaid/EOHHS
- Locals
- Commerce
- Departments and Agencies
 - Higher Ed
 - Corrections
 - Initiatives
 - Debt and Other

Revenues Changes

Revenues - \$44.6 million

- Tax Changes - \$12.9 million
- Enhanced Collections - \$15.2 million
- Scoops/Transfers - \$17.2 million
- Other – \$(0.7)

Revenues Changes

Tax Changes - \$12.9 million

Earned Income Tax Credit	\$(2.7)
Medical Marijuana *	\$8.5
Cigarettes: up 25 cents per pack	\$7.1

**net of costs*

Revenues Changes

Enhanced Collections* - \$15.2 million

Fraud Initiative	\$3.5
Revenue Agents/Officers	\$3.0
Nexus	\$0.9
Out of State Insurance Assessments	\$1.1
Intercompany Transaction Audit	\$6.7

**net of costs*

Revenues Changes

Scoops/Transfers - \$17.2 million

Fleet Sale	\$1.0
Infrastructure Bank (CWFA)	\$8.0
Resource Recovery	\$1.5
RIHEBC Transfer	\$5.0
Airport Corp	\$0.3
Narragansett Bay Commission	\$1.5

Governor's Solution

- Revenues
- *Medicaid/EOHHS*
- Locals
- Commerce
- Departments and Agencies
 - Higher Ed
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 - Debt and Other

Medicaid/EOHHS Agencies

Medicaid Solution: \$43.7 million

- OHHS - \$38.2 million in savings
- BHDDH - \$3.7 million in savings
- DCYF - \$2.7 million in savings
- DHS - \$0.9 million add

Medicaid/EOHHS Agencies

- Impact to managed care plans, hospitals, long term care & other providers in OHHS
- Community based providers for adults w/developmental disabilities in BHDDH
- State employees in RICLAS and at the state hospital also at BHDDH

Medicaid/EOHHS Agencies

Impact to:	GR	All
Managed Care Plans	\$28.6	\$68.6
Hospitals	11.3	24.3
Long Term Care	(6.8)	(13.8)
Others	5.0	2.4
Developmental Disabilities	(0.5)	(4.5)
Eleanor Slater Hospital	4.2	8.4
Total	\$41.9	\$85.4

Medicaid/EOHHS Agencies

Impact: Managed Care Plans	GR	All
UHIP – Verification & Efficiencies	\$19.1	\$42.6
Administrative Rates & Contract	5.3	15.6
Accountable Care Org Enrollment	2.0	6.8
RX Utilization & Other Efficiencies	2.7	5.1
Overdose Task Force Initiatives	(0.7)	(1.5)
Total	\$28.6	\$68.6

Medicaid/EOHHS Agencies

Impact: Hospitals	GR	All
Hospital Incentive Program	(\$13.0)	(\$26.5)
Eliminate UPL	13.9	28.2
DHS Payment	7.5	15.2
Eliminate GME Payment	2.0	2.0
NICU Rates	1.0	5.4
Total	\$11.3	\$24.3

Medicaid/EOHHS Agencies

Impact: Long Term Care	GR	All
Nursing Home Incentive Prg.	(\$8.3)	(\$16.8)
No Oct 1 Nursing Home COLA	2.0	4.1
Patient Liability Collections	1.5	3.1
Acuity Adjustor – Article only	-	-
Increase Home Care Rates	(2.0)	(4.1)
Total	(\$6.8)	(\$13.8)

Medicaid/EOHHS Agencies

Impact: Others	GR	All
Insurers - Children's Health Account	\$4.0	-
Transportation Contract - Logisticare	1.0	2.4
Total	\$5.0	\$2.4

Medicaid/EOHHS Agencies

Dev. Disabilities Program	GR	All
Current Spending & Caseload	(\$5.9)	(\$16.4)
Consent Decree – Caseload	(0.9)	(1.9)
Direct Care Workers	(2.5)	(5.1)
Professional Supports	2.2	4.4
SIS Resource Levels	0.7	1.4
Shared Living Arrangements	6.0	13.0
Total	(\$0.5)	(\$4.5)

Medicaid/EOHHS Agencies

Shared Living Savings: <i>by System</i>	GR	All
RICLAS	\$6.5	\$13.9
Community Based Providers	(0.5)	(0.9)
Total	\$6.0	\$13.0

Medicaid/EOHHS Agencies

Impact: Medicaid & Other	GR	All
Eleanor Slater Hospital Reorg	\$4.2	\$8.4
DCYF – Contracts & Cost Shifts	2.7	2.6
DHS – UHIP Admin Savings	1.3	2.7
DHS - Subsidized Child Care	(2.2)	(2.2)
Total	\$2.2	\$7.8

Governor's Solution

- Revenues
- Medicaid/EOHHS
- *Locals*
- Commerce
- Departments and Agencies
 - Higher Ed
 - Corrections
 - Initiatives
 - Debt and Other

Locals

Locals \$2.3 million more

- Education Aid - \$1.0 million
 - Formula education aid lower than estimated
 - Policy Choices and law changes
- Local Aid - \$1.3 million
 - PILOT full funding – \$1.9 million more
 - Library Aid - \$0.6 million less

Education Aid

- Funds 6th year of formula
 - Adds \$30.8 million based on updated data
 - Adds \$3.2 million in stabilization funding to Central Falls, Davies and Met
 - \$1.1 million less for group home aid
- Distributions calculated by Dept. based on transition guidance in law
 - subject to change in March, updated data

Education Aid

- Full-Day Kindergarten
 - Repeals requirement for state to provide full, rather than transitioned, aid for districts converting from half-day to full-day K for 2014-2015 school year or after
 - Requirement effective for FY 2017
 - Budget excludes \$2.5 million to 14 districts

Education Aid

- Stabilization Funds
 - \$6.9 million, \$3.2 million more than enacted
 - Expands eligibility to state schools
 - \$0.3 million for Met and \$2.0 million for Davies
 - Removes annual review to determine amount for Central Falls
 - Makes city automatically eligible and no longer requires local contribution
 - Has been receiving funding since FY 2015 with no local contribution

Education Aid

- \$22.6 million for categorical aid
 - \$8.3 million more than current services
 - Includes 2 new funds
- Categorical funds at enacted level
 - \$3.5 million for Career & Tech
 - \$4.4 million for Transportation
 - Neither have been increased since first provided in FY 2015

Education Aid

- High Cost Special Ed
 - \$4.5 million, \$2.0 million more
 - Reduces eligibility from 5 X to 4 X costs
 - Effective for FY 2018 distribution
- Early Childhood
 - \$5.2 million, \$1.2 million more
 - With matching federal money will add 20 classrooms, from 33 to 53

Education Aid

- High Cost ELL
 - \$2.5 million for first year of funding
 - Intended to be 1st year of 2-year phase up to \$5.0 million
 - Support for English language learners in most intensive programs
 - Based on 10% of core instruction amount, adjusted for state share ratio
 - Criteria determined by Commissioner

Education Aid

- School of Choice Density Aid
 - \$2.6 million for first year of funding
 - Additional state support for districts with at least 5% of students enrolled in charter or state schools
 - \$300 per pupil for every student in charter/school schools
 - 6 districts eligible for FY 2017

Education Aid

- Local Tuition Payments to Charter and State Schools
 - Governor recommends reducing local tuition payments by \$355 per student
 - Attempts to capture cost differential between types of school
 - Estimated to reduce local payments by \$3.6 million

Education Aid

- Traditional School Construction Aid
 - \$70.9 million, same as enacted
- New School Building Authority Fund
 - \$9.1 million
 - FY 2016 included \$20 million one-time
- Governor proposes \$40.0 million for November 2016 ballot to add resources to School Building Authority

Local Aid – General Aid Programs

<i>(in millions)</i>	FY 2016 Enacted	FY 2016 Revised	FY 2017 Rec.
Dist. Communities	\$ 10.4	\$ 10.4	\$ 10.4
PILOT	40.1	40.1	42.0
Motor Vehicle Excise	10.0	10.0	10.0
Muni Incentive Aid	5.0	5.0	-
Total	\$ 65.5	\$ 65.5	\$ 62.4

Local Aid – Restricted Aid Programs

<i>(in millions)</i>	FY 2016 Enacted	FY 2016 Revised	FY 2017 Rec.
Library Resource*	\$ 8.8	\$ 8.8	\$ 8.5
Library Construction	2.7	2.7	2.2
Property Revaluation	1.8	1.8	0.6
Oversight Reimburse.	0.2	0.1	0.1
Total	\$ 13.4	\$ 13.3	\$ 11.4

**Includes Reference Library Resource Grant to Providence*

Local Aid Programs

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

Local Aid Programs

- Municipal Incentive Aid - \$5 million for FY 2016 was third and final year
 - Tied to actions on local pension plans
 - A few communities did not comply
 - Still working out plans
- Governor lets program lapse

Local Aid Programs

- PILOT - \$42.0 million
 - Full funding – 27% of the value
 - \$1.9 million more than FY 2016
 - FY 2016 payments represented 23.7% of the value
- Car Tax Phase-Out - \$10 million
 - Enacted level
 - FY 2017 distribution to be revised fall 2016

Local Aid Programs

- Library Resource Aid - \$8.5 million
 - \$0.3 million less than current service
 - Grant to Reference Resource Center at Providence Public Library reduced
 - From \$1.0 to \$0.7 million
 - Eliminates funds for tutoring services and research databases
- Library Construction Aid - \$ 2.2 million
 - Full funding

Local Aid Programs

- Property Valuation Reimbursements -
 - FY 2016 - \$1.8 million
 - Full funding
 - Reimbursements to 15 communities
 - Actual costs \$0.4 million less – amendment anticipated
 - FY 2017 - \$0.6 million
 - Full funding
 - Reimbursements to 7 communities

Local Aid Programs

- Article 15 proposes changing property revaluation schedule for 2017
 - Current schedule – every 3 years
 - Statistical valuation in years 3 and 6
 - Full revaluation in year 9
 - Proposed schedule – every 5 years
 - Statistical valuation in years 5 and 10
 - Full revaluation in year 15
 - Impacts reimbursements beginning in FY 2018

Governor's Solution

- Revenues
- Medicaid/EOHHS
- Locals
- **Commerce**
- Departments and Agencies
 - Higher Ed
 - Corrections
 - Initiatives
 - Debt and Other

Commerce

- 2015 Assembly enacted 15 programs as part of the FY 2016 budget in support of the Governor's economic strategy
 - 5 tax incentive programs
 - 10 other programs, investments & initiatives
 - Partially funded from debt restructuring
- Debt restructuring is expected to yield \$16.8 million more than expected
 - Most used for Commerce programs

Commerce

- FY 2017 Budget increases funding for commerce programs by \$26.5 million
 - This is \$11.0 million more than the use of \$15.5 million in excess debt savings
- Mix of one-time and ongoing programs
 - Changes to approved programs

Programs and Investments FY 2017 Recommendation

<i>Current Programs</i>	<i>2016 Rev.</i>	<i>2017</i>
Closing Fund	\$ 5.0	\$ 5.0
I-195 Redevelopment Fund	25.0	-
Small Business Assist. Program	5.5	-
Wavemaker Fellowships	1.8	5.0
Streetscape Improvement	1.0	1.0

Programs and Investments FY 2017 Recommendation

<i>Current Programs</i>	<i>2016 Rev.</i>	<i>2017</i>
Industry Cluster Grants	\$ 0.8	\$ 1.3
Innovation Initiative	2.0	1.5
Affordable Housing	3.0	1.0
P-Tech	0.9	1.4
Small Biz Innovative Research	1.0	2.0

Programs and Investments FY 2017 Recommendation

<i>Proposed Programs</i>	<i>2016 Rev.</i>	<i>2017</i>
Impact Faculty	\$ -	\$ 2.8
University & College Collaborative	-	0.2
Air Service Development	-	1.5
Rhody Rail Commuter Pass	-	1.5

Tax Incentive Programs

FY 2017 Recommendation

<i>Current Tax Incentives</i>	<i>2016 Rev.</i>	<i>2017</i>
Rebuild Rhode Island	\$ 1.0	\$ 20.6
Tax Increment Financing	-	-
Tax Stabilization Incentives	-	0.6
Anchor Institution	0.8	-
New Qualified Jobs	1.0	-
<i>Proposed Tax Incentive Program</i>		
Research & Development	-	5.0
Total Programs & Incentives	\$48.9	\$50.2

Proposed FY 2017 Commerce Programs

- Impact Faculty
 - Program to assist RI colleges and universities to secure faculty with track records of successful research commercialization
 - No legislation included in Budget.
 - Could be for public or private institution
- University and College Collaborative
 - \$0.2 million for ongoing economic analysis conducted by RI colleges and universities

Proposed FY 2017 Commerce Programs

- Air Service Development
 - \$1.5 million – allow Commerce Corporation to negotiate with airlines for more direct flights into T.F. Green
- Rhody Rail Commuter Pass
 - \$1.5 million – develop software application for fare discounts and train schedules for MBTA and Amtrak

Proposed FY 2017 Tax Credit Program

- Research and Development Tax Credit
 - \$5.0 million for FY 2017
 - Credits up to \$0.2 million for companies to invest in significant R&D in-state
 - Max credit lesser of \$0.2 million or municipal property tax on R&D investment
 - Competitive application process
 - Credit fully refundable in year earned
 - Carry forward up to 5 years
 - No sunset in legislation

Governor's Solution

- Revenues
- Medicaid/EOHHS
- Locals
- Commerce
- *Departments and Agencies*
 - Higher Ed
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Departments and Agencies

- Higher Education
 - \$10.4 million more general revenues
 - Nursing Lease
 - Also adds \$8.0 million from RICAP for FY 2017 to free up other resources
- Corrections - \$5.5 million above current services

Initiatives

- K – 12 Initiatives - \$5.1 million
- Govt. Infrastructure/Staff - \$7.3 million
- Jobs Programs - \$2.5 million
- Health & Human Services - \$11.2 million

Initiatives

- K – 12 Initiatives - \$5.1 million
 - Telecomm. Access Fund - \$0.5 million
 - Fellowship for Instructional Excellence - \$0.8 million
 - Innovation/Empowerment Fund - \$1.0 million
 - Principal Empowerment & Training - \$1.0 million
 - Computer Science - \$0.3 million
 - PSAT/SAT - \$0.5 million
 - RTTT Continuation - \$1.0 million

Initiatives

- Government - \$7.3 million
 - Cyber Security - \$0.9 million
 - DMV - \$0.7 million
 - Electronic Local Permitting - \$0.5 million
 - New Voting Equipment - \$1.0 million
 - On-line Recruiting Software \$0.1 million
 - Transparency Portal - \$0.1 million

Initiatives

- Government
 - Staffing: DEM, Military, CDHH, Maintenance, other - \$2.0 million
 - Employee Initiatives/Staff Training - \$1.0 million
 - Municipal Transparency Portal- \$0.2 million
 - Veterans' Affairs - New Positions & Upgrade - \$0.1 million

Initiatives

- Jobs Programs - \$2.5 million
 - TechHire - \$2.0 million
 - Transition Employment Grant - \$0.5 million

Other noteworthy items

- Minimum wage increase
- UI Changes – employer rates
- TDI Changes – injury reporting period

Initiatives

- Health & Human Services - \$11.2 million
 - Health Care Innovation - \$0.4 million
 - Medication/Mediation Assisted Treatment (opioids) - \$2.5 million
 - OHIC Staff/Rate Review - \$1.6 million
 - Senior Centers - \$0.6 million
 - Race To The Top - \$1.1 million
 - Medicaid – Unachieved non caseload- \$2.6 million

Debt and Other

Debt, Other: \$12.7 million

- \$10 million from one-time impact of 38 studios settlement
- \$ 2.6 million from additional statewide medical benefit savings

FY 2017: Governor's Solution

<i>FY 2016 ending surplus</i>	\$81.7
Revenues	44.6
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<i>Total Governor Solution</i>	\$127.4

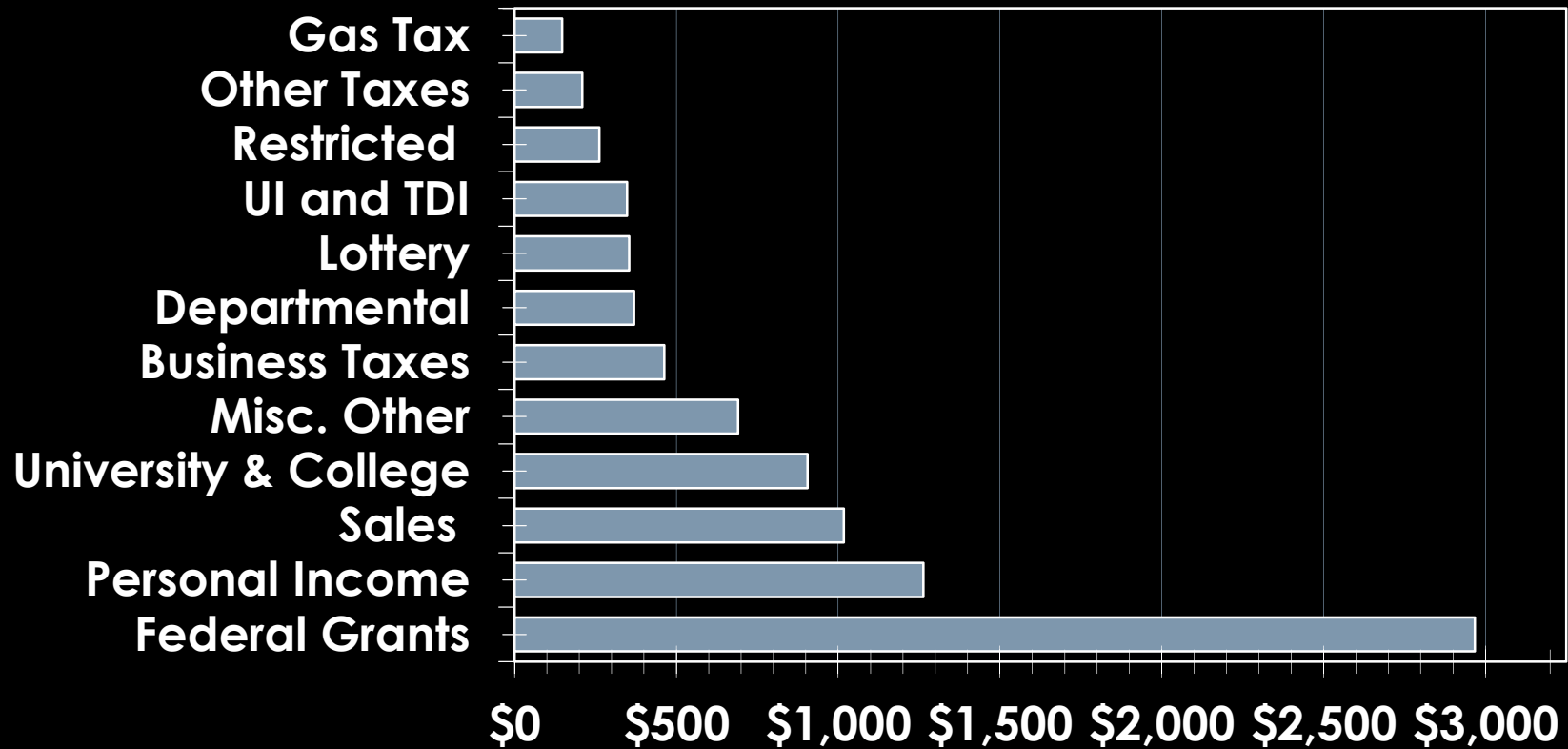
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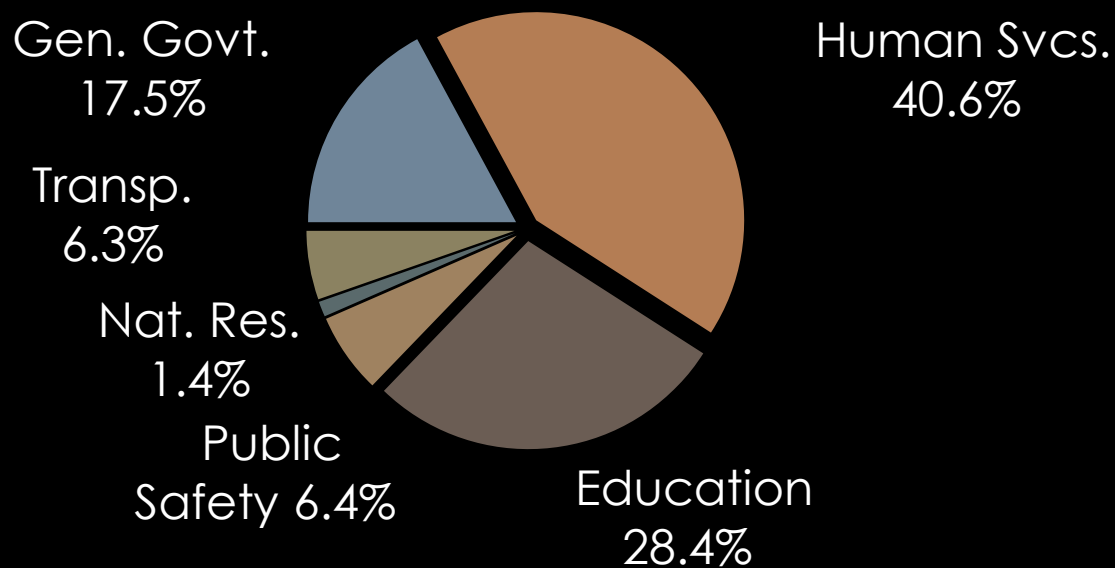
Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$3,552.0	\$3,676.8	\$124.8
Federal	2,947.3	2,967.2	20.0
Restricted	245.5	261.9	16.4
Other	1,920.7	2,058.9	138.2
Total	\$8,665.4	\$8,964.8	\$299.3

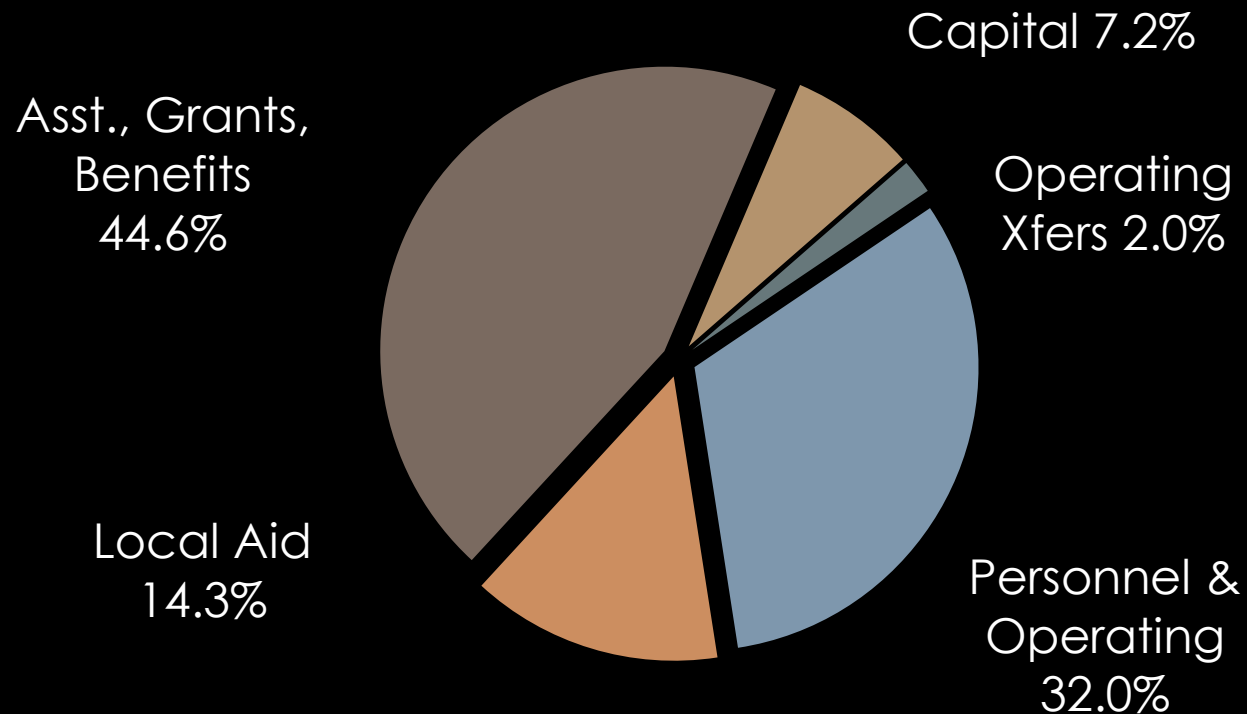
Sources *(millions)*



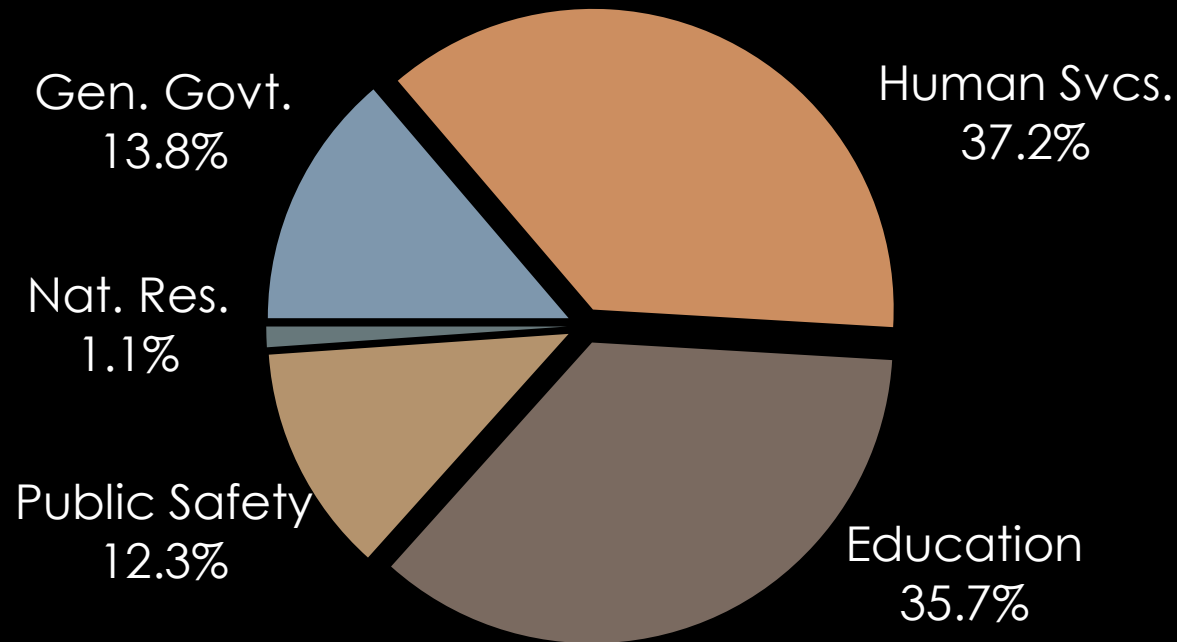
All Funds by Function: Governor FY 2017



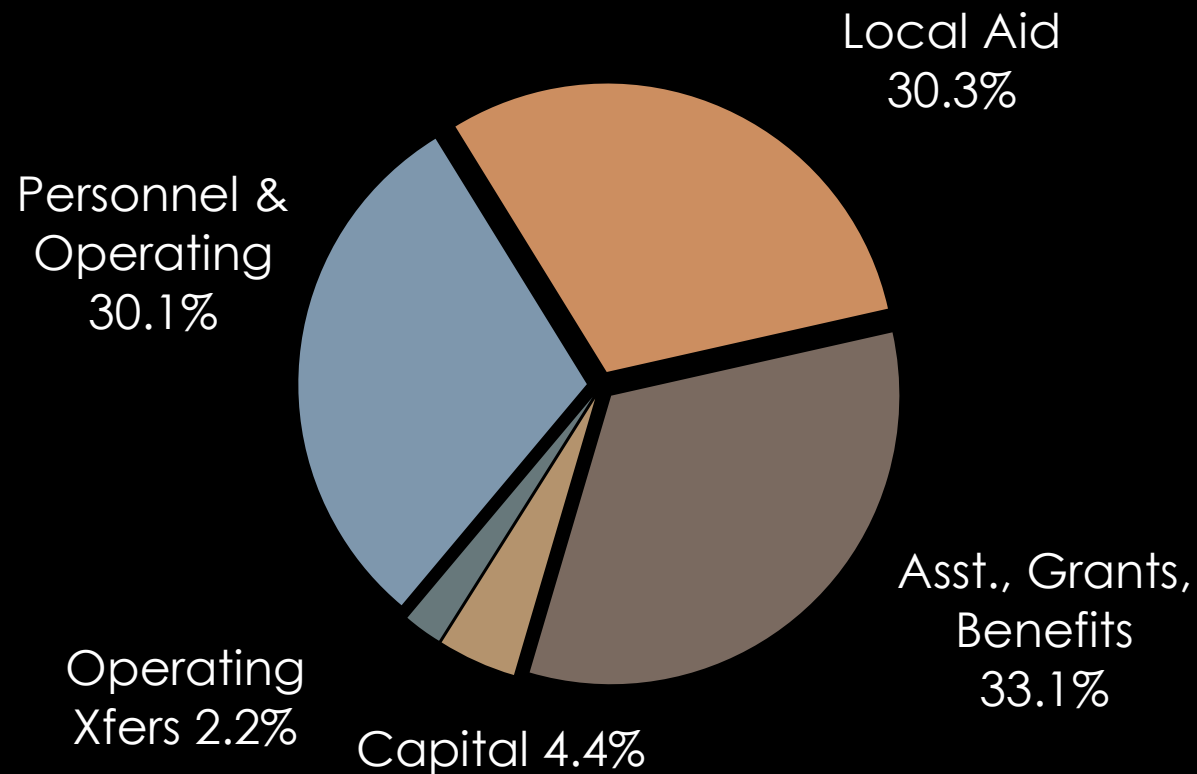
All Funds by Category: Governor FY 2017



General Revenues by Function: Governor FY 2017



General Revenues by Category: Governor FY 2017



Personnel and Operating

- Contracted Services
 - Increase of 7.0% from enacted
 - Primarily related to UHIP
 - General revenues increase 4.1%
 - Over the past few years, Assembly required state agencies to be held more accountable for contract services they purchase
 - Revised reports still not posted

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

Statewide Operating Savings

- \$0.1 million of new undistributed statewide operating savings
 - Related to 3,200 phone lines
- FY 2016 enacted assumed \$2.0 million in operational savings that have not been implemented – savings still appears in DOA budget

Personnel Initiatives

- Budget includes no additional savings but personnel changes similar to FY 2016 budget
 - Compensation for directors
 - Extends probation period for certain positions (after applicable contracts expire)
 - Offers waivers for retiree health
 - Adds positions to unclassified service

Personnel Initiatives

- Classification Issues
 - FY 2016 and FY 2017 include total of \$1.2 million from general revenues for classification and compensation study
 - Completion – spring 2016
 - Continues work begun with 2013 study and review of the personnel system

Personnel Initiatives

- Retiree Health Insurance
 - Alters requirements for what benefits shall be included in early retiree health plans
 - Allows waiver payment
 - No defined amount
 - Active employee waiver \$1,001
 - No other limits

Personnel Initiatives

- Administrative Changes
 - Repeals Assembly notification in determining cabinet directors' salaries
 - Would be determined similar to Gov. Office staff
 - Similar proposals in last three budgets
 - FY 2016 proposal – not adopted
 - Directors' salaries would be determined by the director of DOA
 - Not approved by 2015 Assembly
 - Provided one-time extension

Personnel Initiatives

- Administrative Changes
 - Personnel Appeal Board shall give deference to the degree of discipline imposed upon employee
 - As long as it was not arbitrary, capricious or contrary to rule or law
 - Similar proposal last year
 - Extend probationary period for certain positions from 6 months to 12 months
 - Effective July 1, 2016 or upon expiration of CBAs

Full-time Equivalent Positions

	Regular	3rd Party	Total
FY 2015 Avg.	13,212.7	588.4	13,801.1
FY 2016 Enacted	14,372.6	745.8	15,118.4
FY 2016 Rev.	14,393.5	745.8	15,139.3
Governor FY 17	14,481.5	745.8	15,227.3
<i>Feb 6 Filled</i>	<i>13,123.0</i>	<i>575.4</i>	<i>13,698.4</i>
Diff from Enacted	(1,249.6)	(170.4)	(1,420.0)
Diff from Gov.	(1,358.5)	(170.4)	(1,528.9)

Personnel and Operating

- Salaries and Benefits
 - Increase of 2.8% from enacted
 - General revenues increase 2.5%
 - Reflects distributed personnel savings of \$5.0 million
- Annualized COLA
 - Took effective Oct. 2015
- Added 100+ positions
 - Some are for revenue enhancements

Personnel and Operating

- Operating Costs
 - Increase 13.4% from enacted
 - 7.3% increase from general revenues
 - 2/3 in Department of Revenue
 - Commission payments
 - Another 1/3 for Higher Education
 - Sponsored research accounts for more than 50 percent
 - Utilities and food

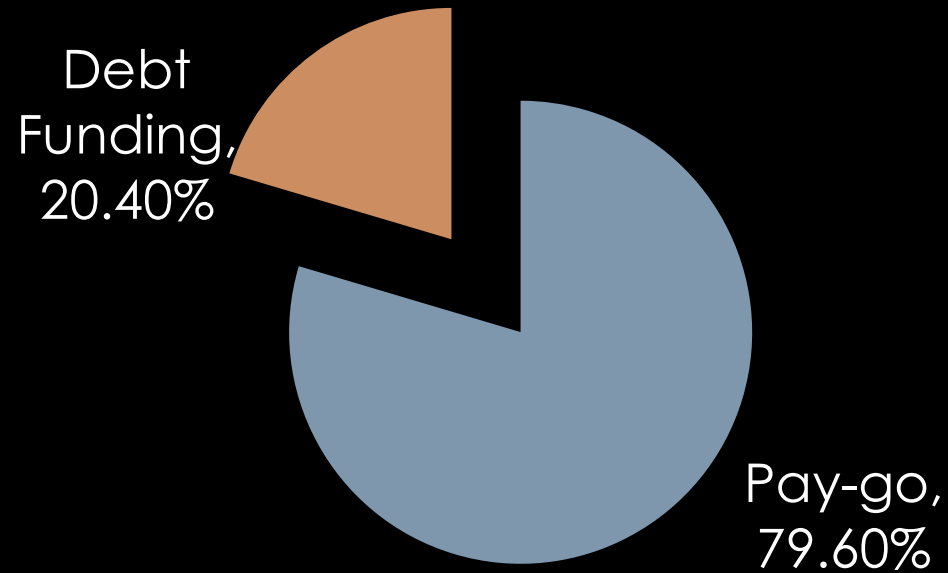
Governor's FY 2017 Budget

- FY 2015 Audited Closing
- FY 2016 Revised Budget
- FY 2017 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- **Capital Budget Overview**
- Outyears

Capital

- FY 2017 – FY 2021
- \$5.4 billion outlays
 - Average \$1.1 billion per year
 - \$1,108.2 million from financing \$4,334.9 million from current revenue

Capital Budget Funding



Capital

- Plan relies on \$257.5 million of new general obligation bonds for November 2016 ballot
 - Higher Education projects
 - Economic Development
 - Green Economy
 - Housing/School Construction

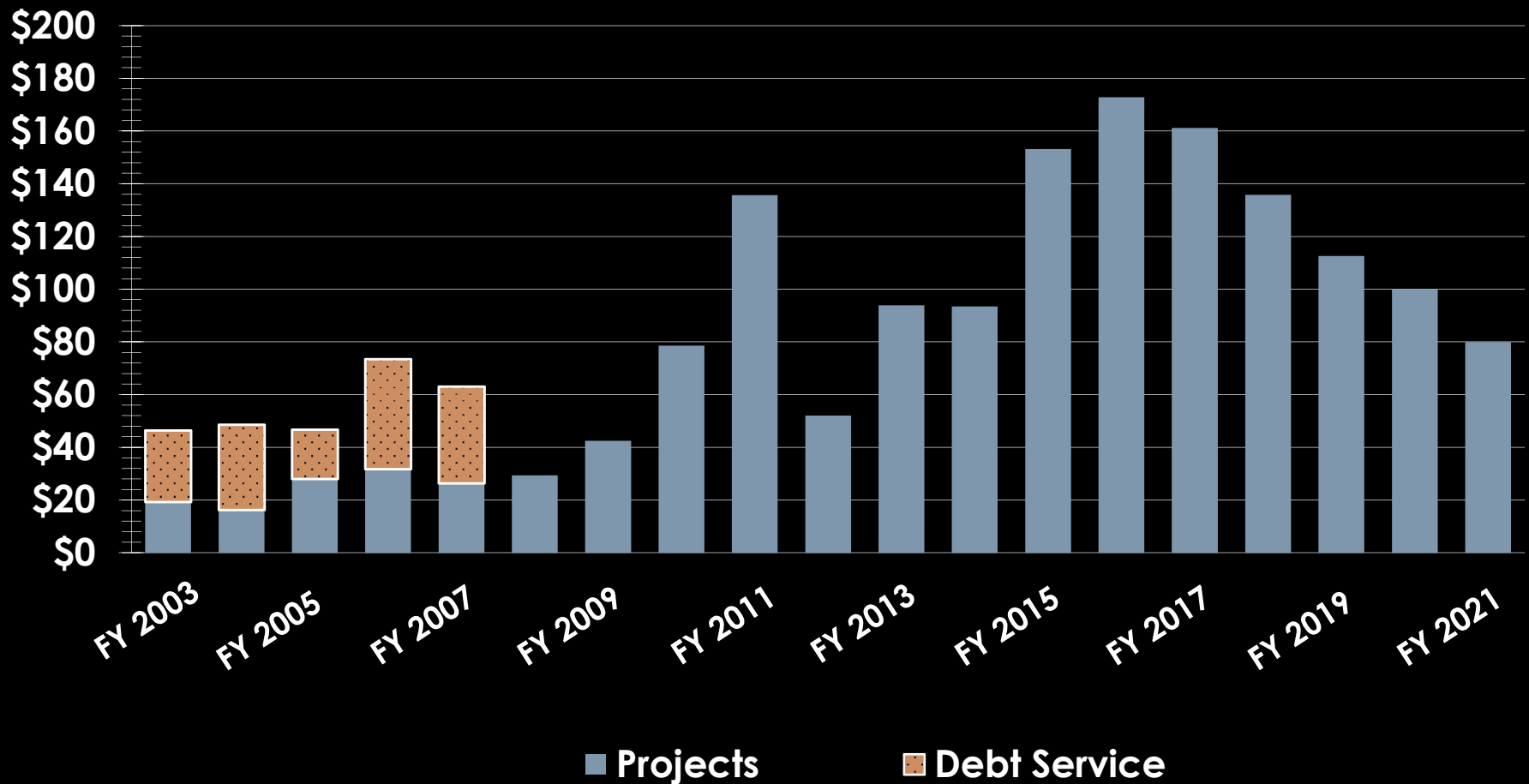
Rhode Island Capital Plan Funds

- 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%

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

Rhode Island Capital Plan Funds



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

Rhode Island Capital Plan Funds

- \$589.4 million for FY 2017 – FY 2021
- Approximately \$120 million annually
 - 28% for Transportation
 - 24% for Higher Education
 - One time increase of \$8.0 million for FY 2017 asset protection projects to free up other resources

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

Bond Referenda – Nov. 2016

URI Engineering Phase II	\$25,500,000
Innovation Campus	20,000,000
Quonset Piers	70,000,000
Green Economy	35,000,000
Affordable Housing	40,000,000
School Construction	40,000,000
Veterans' Home	27,000,000
Total	\$257,500,000

Bond Referenda – Nov. 2016

Green Economy

Historic State Park Development	\$7,000,000
State Land Acquisition	4,000,000
State Bikeway Development	10,000,000
Brownfield Remediation	5,000,000
Storm water Pollution Prevention	3,000,000
Local Recreation Dev. Grants	2,000,000
Local Land Acquisition Grants	4,000,000
Total	\$35,000,000

Bond Referenda – Nov. 2016

	Annual Debt Service	Total Cost
URI Engineering Phase II	\$2.1	\$40.8
Innovation Campus	1.7	32.0
Quonset Piers	5.8	112.1
Green Economy	2.9	56.0
Affordable Housing	3.3	64.1
School Construction	3.3	64.1
Veterans' Home	2.2	43.2
Total	\$21.3	\$412.3

Assumes 5% rate and 20 year maturity

Data in millions

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
 - Quonset Piers - \$20 million from Commerce Corporation Revenue Bonds

Funding Considerations

- State's overall debt structure
 - Net tax supported debt would increase by \$51.3 million to \$1,727.1 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

Funding Considerations – Debt Ratios

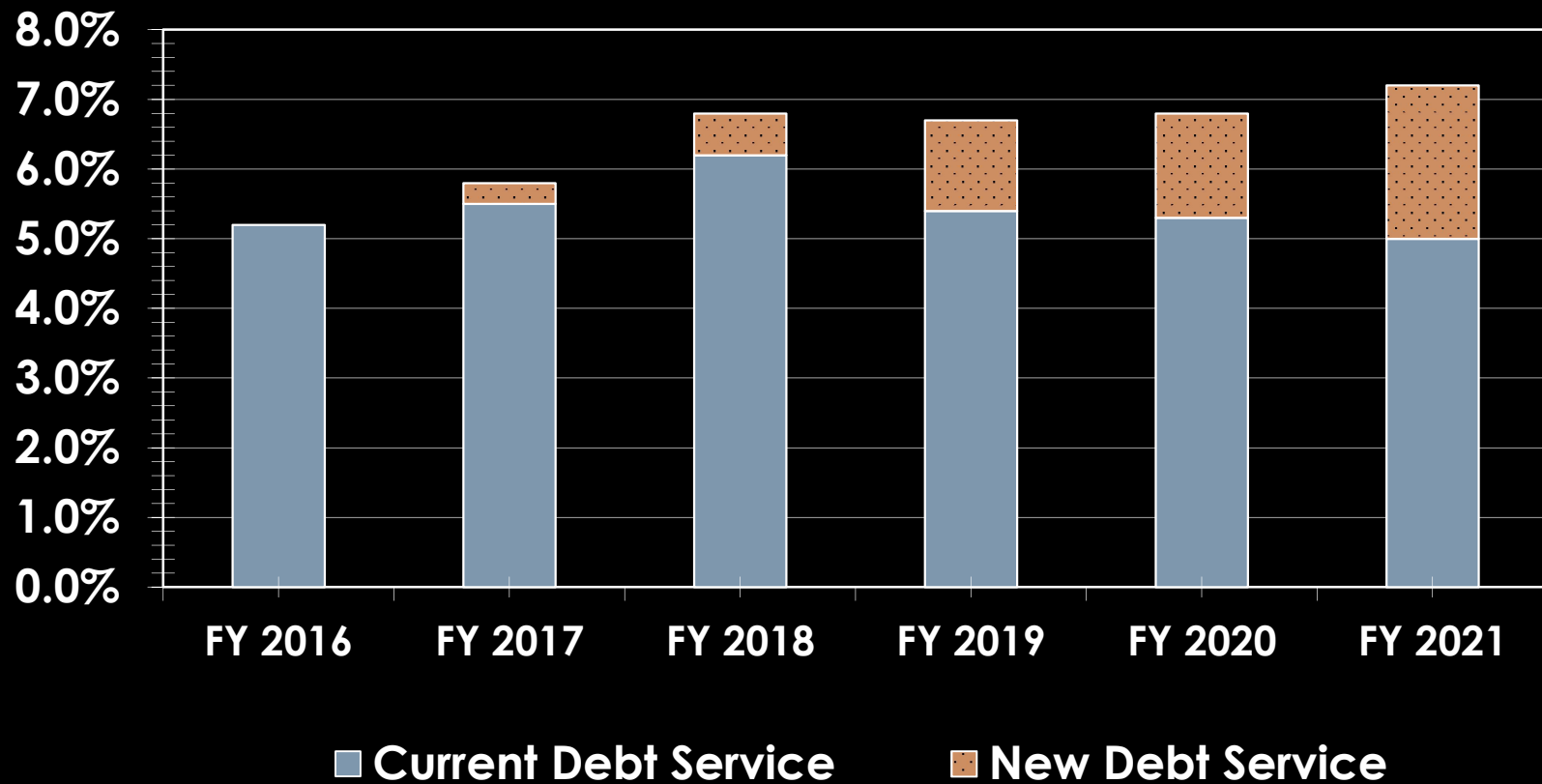
- Debt as a percent of personal income would decrease from 3.6% in FY 2015 to 2.9% into FY 2017
 - Refunding of state debt
- Would then drop to 2.6% in FY 2021, but likely to be higher based on projects being added

Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2016	\$182.3	5.2%
2017	\$206.6	5.7%
2018	\$248.9	6.8%
2019	\$248.7	6.7%
2020	\$258.4	6.8%
2021	\$278.7	7.2%

*Millions

Debt Service as Percent of Useable Revenues



Out-year Projections

- Five-year forecast required by statutes
- FY 2018 gap
 - One-time items in the resolution of the current budget gap
 - Revenue losses not reflected in FY 2017
- Also casino gaming expansion in Mass.
 - Effects of the Plainridge “racino” are already shown in current revenues
 - Increased revenue loss expected to appear in FY 2019 at over \$50 million

Budget Office Deficit Estimates

	Estimated	Share Useable Revenues
FY 2018	\$(192.1)	5.3%
FY 2019	\$(233.6)	6.3%
FY 2020	\$(271.7)	7.2%
FY 2021	\$(332.6)	8.6%

Budget Office Deficit

Estimates: FY 2017 vs FY 2016

Governor's Budget	FY 2017	% rev	FY 2016	% rev
Year 1	\$(192.1)	5.3%	\$(74.6)	2.1%
Year 2	\$(233.6)	6.3%	\$(211.8)	6.0%
Year 3	\$(271.7)	7.2%	\$(285.9)	8.1%
Year 4	\$(332.6)	8.6%	\$(376.7)	10.6%

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 2017 budget solution
- Revenue reduction initiatives have growing impacts
- Forecast not dynamic - does not estimate revenue growth from budget initiatives or losses from reductions

Budget Year and Out-years

- Staff has not fully evaluated the extent to which proposed new programs are reflected in out years
- Out year forecast for this budget shows average expenditure growth at nearly twice average revenue growth.

Upcoming Hearings

- This week – Article hearings begin
 - 19,22 – Wednesday Feb. 24
 - 20,21,24 – Thursday Feb. 25

Governor's FY 2017 Budget

Staff Presentation to the
House Finance Committee
February 23, 2016