

# Governor's FY 2018 Budget

Staff Presentation to the House Finance  
Committee  
February 2, 2017

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# Governor's FY 2018 Budget

- January 17 - Governor's State of the State address
- January 19 - Budget Due
  - 2017- H 5175 introduced and referred to Finance

# Budget Briefings, Publications & Hearings

- December 6 – Budget Status
- Jan 24, 31 – Budget at a Glance
- February 2 – Governor's Budget Overview
- House Fiscal Staff Budget Analysis
- February 7 – Article hearings begin
  - House Fiscal Staff Budget Analysis
- Early May – Consensus Revenue and Caseload Estimating Conference

# Governor's FY 2018 Budget

## *Finance Committee Review*

- Briefing - Overview
- Article hearings through March
  - 24 separate articles some with multiple sections affecting different issues
- Subcommittee review of individual agency budgets – February and March
- 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 2017 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 2018 Budget

- ***FY 2016 Audited Closing***
- FY 2017 Revised Budget
- FY 2018 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Outyears

# FY 2016 Closing

- FY 2017 budget counted on surplus from FY 2016 to help fund expenses for which there were no current revenues
- Preliminary FY 2016 data showed \$43.9 million gain to that assumption
  - Audited data showed \$44.5 million gain
    - Part of RIBCO cola impact shifted from FY 2017
    - Additional \$6.1 million Medicaid savings

# FY 2016 Audited

	Enacted	Current	Diff.
Opening	\$ 174.9	174.9	\$ 0.0
Revenues	3,635.0	3,663.6	28.6
Rainy Day	(114.1)	(114.9)	(0.9)
<b>Expenditures</b>	<b>(3,572.6)</b>	<b>(3,547.9)</b>	<b>24.7</b>
<b>Closing Surplus</b>	<b>123.3</b>	<b>175.7</b>	<b>52.4</b>
Reappropriation	-	(7.8)	(7.8)
<b>Free Surplus</b>	<b>\$ 123.3</b>	<b>\$167.8</b>	<b>\$ 44.5</b>



# Closing - Expenditures

- General revenue spending \$24.7 million (0.7%) below budgeted amounts – but areas of overspending
- Appropriation lines overspent even if agency totals were not
  - Over 20% of general revenue lines were overspent... Ongoing pattern

# Closing - Expenditures

Spending \$24.7 million below:

- \$7.8 million unspent & re-appropriated
- \$3.5 million DOA – utilities, staffing
- \$16.2 million Medicaid savings
- \$1.4 million administrative savings - EOHHS
- \$0.9 million *overspent* in BHDDH
- \$0.3 million *overspent* in Corrections before  
\$5.5 million RIBCO COLA impact
- <\$100 in Judiciary

# Closing - Expenditures

- \$16.2 million less for Medicaid -1.8 %
  - \$9.1 million less for managed care programs from claiming enhanced Medicaid match & higher rebates
  - \$2.7 million less for long term care
  - \$4.4 million less for other programs
    - Pharmacy, hospital & other medical services

# Closing - Expenditures

- BHDDH - \$0.9 million overspend
  - \$0.8 million more for privately provided services in Division of Dev Disabilities
  - \$0.1 million more for RICLAS
    - Above \$1.6 million added back for unachieved initiative to move people to less intensive setting
  - \$1.0 million in unachieved cost shift
  - \$1.0 million less at state hospital
    - \$0.2 million less from all sources/shift to Medicaid

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# Current Year

- The *current year* had a projected surplus of \$62.4 million – HFAS Dec 6
  - Major overspending masked by revenue uptick, closing surplus and other savings
  - Unforeseen expenses and unachieved budget savings

# FY 2017 - HFAS Dec 6

	Enacted	Current	Diff.
Opening	\$ 123.3	\$175.1	\$51.8*
Revenues	3,674.7	3,719.6	44.8
Rainy Day	(113.9)	(116.6)	(2.7)
Expenditures	(3,683.7)	(3,715.7)*	32.0
Total FY 2017	\$ 0.4	\$62.4	\$62.0

*\*Includes \$7.8 million reappropriation*

# Current Year Changes to Enacted Budget: Dec 6 HFAS

Reappropriation	\$ 7.8
Legislature*	(1.3)
OHHS: Caseload Conference	4.7
OHHS: Other Programs	11.2
RIBCO Arbitration	9.4
Courts*	1.8
Other *	(1.6)
Total	\$32.0
* Items different than Budget Office Q1 estimates	



# Current Year

- 17 agencies were projecting to spend more than authorized in FY 2017
  - Some included new items that may overstate actual overspend

# Current Year

- Revenues are up by \$44.8 million
- Added resources increase rainy day transfer by \$2.7 million
- Expenditures appear up by \$19.4 million net of re-appropriations and November Caseload increase
- Closing surplus up by \$62.0 million
- Governor's FY 2017 revised ends with \$78.0 million balance for use in FY 2018

# Current Year: Gov. Revised Solution

<b><i>Dec 6 HFAS est. Additional Surplus</i></b>	<b><i>\$62.0</i></b>
Debt Service/Audit Adjustments	12.3
Judiciary	1.3
Clean Diesel Delay	2.0
State Police Contract	(1.0)
Post CEC Medicare Part B Adjustment	1.5
License Plate shift to 2018 - Net	2.0
Other Adjustments	(2.5)
<b><i>Total Gov. additional Surplus</i></b>	<b><i>\$77.6</i></b>

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# Budget Year and Out-years

- There are *budget year* and *out-year problems*
  - FY 2018 was estimated in July to have a gap of approximately \$182 million
  - Budget Office estimated higher gap of \$185 million
    - Revenue projection differences and other adjustments to long term savings
- Revenue and expenditure trends through Q1 reduced that to \$112 million

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# FY 2018: Governor's Solution

	<i><b>FY 2017 extra surplus</b></i>	<i><b>\$77.6</b></i>
Revenues		59.6
Medicaid & EOHHS Agencies		45.8
Locals		0.6
Commerce		(36.3)
Higher Education		(10.5)
Debt and Shifts		8.4
Other Issues, Initiatives & Adjustments		(33.3)
<i><b>Total Governor Solution</b></i>		<i><b>\$112</b></i>

# Governor's Solution

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



# Revenues Changes

## Revenues - \$59.6 million

- Tax Changes - \$8.7 million
- Enhanced Collections - \$36.3 million
- Scoops/Transfers - \$14.0 million
- Other – \$0.6 million

# Revenues Changes

## Tax Changes - \$8.7 million

Cigarettes: up 50 cents per pack	\$8.7
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- Additional language proposed to clarify existing law on what is taxable to aid enforcement
- Also enhances the penalties for noncompliance
- No direct revenues assumed

# Revenues Changes

## Enhanced Collections\* - \$36.3 million

Remote Sellers	\$34.7
Revenue Agents/Data Analysts	\$1.6

*\*net of costs*

- Also new enforcement powers and penalties proposed
- Scope of sales tax enforcement expanded
- No direct revenues assumed

# Revenues Changes

## **Scoops/Transfers - \$14.0 million**

Infrastructure Bank	\$1.0
Resource Recovery	\$6.0
RI Health & Educational Bldg. Corp	\$1.2
Turnpike and Bridge	\$2.6
Narragansett Bay Commission	\$2.5
Medical Marijuana Excess Receipts	\$0.7

# Revenues Changes

## Other - \$0.6 million

Apprentice fees	\$(0.05)
Employee misclassifications	\$0.1
Electrical trades violations	\$0.1
Employer wage & hour violations	\$0.15
Failure to maintain payroll records	\$0.3
Increase rent charge to PUC	\$0.16
Eisenhower House rent to RR	\$(0.15)

# Governor's Solution

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

# Medicaid/EOHHS Agencies

## Medicaid Solution: \$45.8 million

- OHHS - \$39.0 million in savings
  - Net of \$1.6 million revenue loss
- BHDDH - \$1.4 million in savings
- DCYF - \$6.4 million in savings
- DHS - \$1.0 million add

# Medicaid/EOHHS Agencies

- Changes to Medicaid program
- Wage increases and program expansions
- Increases are offset by changes to current programs and way the state delivers some benefits



# Medicaid/EOHHS Agencies

- Changes to enrollment options & rates
  - Healthy Aging in the Community Proposal
    - Modifying Rhody Health Options Program aka Integrated Care Initiative to exclude those who are not considered “long term stay” in a nursing facility
      - Over 90 days
    - Impacts Neighborhood Health Plan of RI, nursing homes and home & community care providers

# Medicaid/EOHHS Agencies

<b>Healthy Aging in the Community (HA)</b>	<b>GR</b>	<b>All</b>
Integrated Care Initiative – Exclude longer term NH residents from managed care	\$7.9	\$16.2
NH – Acuity Rate Reduction	5.2	10.7
NH - Census Reduction – 2.5%	2.5	5.1
Home & Comm. Care Expansion	(3.3)	(6.8)
<b>Total</b>	<b>\$12.3</b>	<b>\$25.2</b>

# Medicaid/EOHHS Agencies

Proposals also impact

- Payments to managed care plans, hospitals, and long term care providers
- 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	\$18.7	\$36.3
Hospitals	12.1	29.5
LTC – Nursing Facilities	9.4	19.4
LTC – Home & Community Care	(5.2)	(10.7)
Insurers & Others	5.6	4.2
Developmental Disabilities	(3.5)	(7.1)
Eleanor Slater Hospital	4.9	8.1
Total	\$42.0	\$79.7

# Medicaid/EOHHS Agencies

<b>Impact: Managed Care Plans</b>	<b>GR</b>	<b>All</b>
HA – Exclude Longer Term Residents	\$11.7	\$24.1
Administrative Rates	0.8	2.2
Provider Incentive Program & Performance Goal Program	3.8	4.7
FQHC Payment	1.2	3.0
Patient Liability & Residency Req.	1.1	2.2
Total	\$18.6	\$36.2

# Medicaid/EOHHS Agencies

<b>Impact: Hospitals</b>	<b>GR</b>	<b>All</b>
Freeze at FY 2017 Rates	\$4.3	\$12.5
1% Rate Reduction – 1/1/2018	0.9	2.6
UPL Payment – Reduce by 50%	4.0	9.9
Eliminate GME Payment	2.0	2.0
Behavioral Healthcare Inpatient Rates	1.0	2.5
<b>Total</b>	<b>\$12.2</b>	<b>\$29.5</b>

# Medicaid/EOHHS Agencies

<b>Impact: Nursing Facilities</b>	<b>GR</b>	<b>All</b>
HA – Longer Term Residents from Managed Care	(\$3.9)	(\$7.9)
HA- Acuity Payment Adjustment	5.2	10.7
HA -Nursing Home Utilization – 2.5% reduction in census	2.5	5.1
Freeze Rates at FY 2017 level	5.6	11.5
<b>Total</b>	<b>(\$9.4)</b>	<b>(\$19.4)</b>

# Medicaid/EOHHS Agencies

<b>Impact: Home &amp; Community Care</b>	<b>GR</b>	<b>All</b>
HA – Expansion	(\$3.3)	(\$6.8)
Increase Home Care Rates	(2.5)	(5.2)
Patient Liability Collections	0.6	1.2
<b>Total</b>	<b>(\$5.2)</b>	<b>(\$10.7)</b>



# Medicaid/EOHHS Agencies

<b>Impact: Insurers &amp; Others</b>	<b>GR</b>	<b>All</b>
Insurers - Children's Health Account	\$3.6	-
Benefit coordination w/ Medicare & Veterans Admin.	0.3	0.5
Estate Recoveries	0.3	0.5
Medicare Part B Payment	1.5	3.2
<b>Total</b>	<b>\$5.6</b>	<b>\$4.2</b>

# Medicaid/EOHHS Agencies

<b>Dev. Disabilities Program</b>	<b>GR</b>	<b>All</b>
Current Spending & Caseload	(\$4.8)	(\$9.8)
Direct Care Workers	(3.0)	(6.2)
Residential Placements	2.1	4.2
Approvals & Review Process	2.3	4.7
SIS Resource Levels	0.8	1.7
RICLAS	(0.9)	(1.8)
Total	(\$3.5)	(\$7.1)

# Medicaid/EOHHS Agencies

<b>Hospital Reorganization</b>	<b>GR</b>	<b>All</b>
Close Pinel & move patients to DCYF Youth Assessment Center	\$2.1	\$4.0
Transfer patients to lower cost non-hospital setting	0.6	0.8
Privatize Lab & Non-patient Laundry	0.5	1.0
Close 1 Intermediate Care Fac.	0.7	1.0
Staffing & Other Medical Changes	1.0	1.3
<b>Total</b>	<b>\$4.9</b>	<b>\$8.1</b>

# Medicaid/EOHHS Agencies

<b>Impact: Other</b>	<b>GR</b>	<b>All</b>
DCYF – Caseload	\$6.4	\$6.4
DHS - Subsidized Child Care	(1.0)	(1.0)
Total	\$5.4	\$5.4

# Medicaid/EOHHS Agencies

## Other Issues

- Article 12 - seeks approval for new programs not funded in budget
  - Asthma Treatment Program
    - DOH pilot program using federal funds
    - State would pay for services
  - Opioid Treatment Centers for Excellence
    - Using BHDDH federal funds for start-up
    - State would have to pay for services

# Medicaid/EOHHS Agencies

## Other Issues

- Unachieved savings from FY 2017 appear as new savings in FY 2018
  - Patient Liability
    - Change included in FY 2017 budget to increase collections
    - No new system change to increase recoveries
  - Residency Requirements:
    - Verifying that a recipient lives in RI

# Medicaid/EOHHS Agencies

## Other Issues

- Reinventing Medicaid
  - Estate Recoveries
    - No statutory language for any changes to expand scope
  - Coordination of Benefits with Medicare & Veterans Administration
    - Guarantee that the state is the payor of last resort

# Governor's Solution

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

## Locals \$0.6 million less

- Education Aid - \$3.9 million less
  - Formula education aid
  - Policy Choices and law changes
- Local Aid - \$3.3 million more
  - PILOT full funding – \$3.2 million more
  - Library Construction - \$0.1 million more

# Education Aid

- Funds 7th year of formula
  - Adds \$40.0 million based on updated data
  - Adds \$4.1 million in stabilization funding to Central Falls, Davies and Met
  - \$0.7 million less for group home aid
- Distributions calculated by Dept. based on transition guidance in law
  - Gaining communities fully phased in
  - Subject to change with March data

# Education Aid

- \$25.0 million for categorical aid
- Most categorical funds at enacted level
  - \$4.5 million for High Cost Special Ed
  - \$4.5 million for Career & Tech
  - \$6.4 million for Transportation
- Out years assumed growth
  - Lack of increase part of budget solve
  - New out year estimates hold flat

# Education Aid

- Early Childhood
  - \$6.2 million, \$1.1 million more
  - With matching federal money will add 4 classrooms from 56 to 60
- Density Aid: Year 2 of a 3-year program
  - \$0.9 million, \$0.6 million less
  - 6 districts eligible for \$100 per student enrolled in charter or state school
    - District must have at least 5% of students enrolled at school of choice

# Education Aid

- High Cost ELL
  - \$2.5 million for 2nd year of funding
    - 2016 Assembly enacted as 1 year program
  - Support for English language learners in most intensive programs
  - Based on 10% of core instruction amount, adjusted for state share ratio
  - Governor proposes legislation to make funding permanent

# Education Aid

- Recovery High School
  - For students recovering from a substance abuse disorder
  - \$500,000 for 2<sup>nd</sup> year of funding
  - 2016 Assembly enacted for 1 year only
  - Change to current law would be required
- Teacher Retirement
  - \$100.7 million, \$1.6 million more

# Education Aid

- Traditional School Construction Aid
  - \$70.9 million
- New School Building Authority Fund
  - \$9.1 million
- Same as enacted but final split will be based on costs for traditional program
  - Current law requires traditional aid be transferred to Fund

# Local Aid – General Aid Programs

<i>(in millions)</i>	<b>FY 2017 Enacted</b>	<b>FY 2017 Revised</b>	<b>FY 2018 Rec.</b>
Dist. Communities	\$ 12.4	\$ 12.4	\$ 12.4
PILOT	42.0	42.0	45.2
Motor Vehicle Excise	10.0	10.0	10.0
<b>Total</b>	<b>\$ 64.4</b>	<b>\$ 64.4</b>	<b>\$ 67.6</b>



# Local Aid – Restricted Aid Programs

<i>(in millions)</i>	<b>FY 2017 Enacted</b>	<b>FY 2017 Revised</b>	<b>FY 2018 Rec.</b>
Library Resource*	\$ 9.4	\$ 9.4	\$ 9.4
Library Construction	2.2	2.2	2.3
Property Revaluation	0.6	0.6	0.9
Oversight Reimburse.	0.2	0.1	0.1
<b>Total</b>	<b>\$ 12.3</b>	<b>\$ 12.3</b>	<b>\$ 12.7</b>

*\*Includes Reference Library Resource Grant to Providence*

# Local Aid Programs

- Distressed Communities - \$12.4 million
- Same as enacted
- Redistribution among communities based on data
  - 7 qualify
    - Johnston receives 50% transition payment for entry
    - Central Falls
    - North Providence
    - Pawtucket
    - Providence
    - West Warwick
    - Woonsocket
  - Cranston receives 50% transition payment out

# Local Aid Programs

- PILOT - \$45.2 million
  - Full funding – 27% of the value
  - \$3.2 million more than FY 2017
- Car Tax Phase-Out - \$10 million
  - Enacted level
  - FY 2017 and FY 2018 distributions still pending updates
  - Budget proposes change for FY 2019

# Local Aid Programs

- Library Resource Aid - \$9.4 million
  - 22.8 % of eligible expenses
  - Law allows up to 25%
  - FY 2018 same as FY 2017
- Library Construction Aid - \$ 2.3 million
  - Full funding

# Local Aid Programs

- Property Valuation Reimbursements -
  - FY 2017 - \$0.8 million
  - FY 2018 - \$0.9 million
  - Reimbursements to 7 communities in each year

# Governor's Solution

- Revenues
- Medicaid/EOHHS
- Locals
- *Commerce*
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# 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
- 2016 Assembly added 1 more program and revised others

# Commerce

- FY 2018 Budget increases funding for commerce programs by \$36.3 million above levels assumed in FY 2018 projections
- Adds funding to established funds
- Mix of one-time and ongoing programs
  - Changes to approved programs



# Commerce

<b><i>Current Programs</i></b>	<b>2016</b>	<b>2017</b>	<b>2017R</b>	<b>2018</b>
Closing Fund	\$ 5.0	\$ 7.0	\$8.5	\$ -
I-195 Redevelopment	25.0	-	-	10.1
Rebuild RI Tax Credits	1.0	25.0	25.0	20.0
Wavemaker Fellowships	1.8	5.0	3.5	1.6
Anchor Institution	0.8	0.7	0.7	-
Streetscape Improvement	1.0	1.0	1.0	1.0

# Commerce

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<b><i>Current Programs</i></b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Industry Cluster Grants	\$ 0.8	\$ 0.5	\$ -
Innovation Initiative	2.0	1.5	2.5
P-Tech	0.9	1.2	1.2
Small Biz Innovative Research	1.0	1.0	1.0

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# Commerce

<i><b>Proposed Programs</b></i>	<i><b>2018</b></i>
Manufacturing Investment Tax Credit	\$ 3.25
Job Training Tax Credit	2.0
Municipal Technical Assistance	0.25
<b>Total</b>	<b>\$5.5</b>

# Commerce

Extends existing tax credits to more entities and makes them refundable

- Manufacturing Investment Tax Credit
- Job Training Tax Credit
- Municipal Technical Assistance
  - evaluate and streamline zoning, planning and permitting

# Commerce

- Expands Support to Polaris
  - Adds \$300,000 to provide \$550,000 total
  - Technical assistance to RI manufacturers
- National Security Infrastructure
  - \$200,000 for grants and loans
  - Support national security infrastructure
  - Strategies to repurpose surplus defense facilities and properties

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# Departments and Agencies

- Higher Education
  - \$10.0 million for new RI Promise Scholarship
    - Cover 2 years of tuition & mandatory fees for qualifying RI residents
    - Full cost projected to be \$30 million by FY 2021
    - Current year includes start up & prep at RIC/URI
  - \$0.5 million in new general revenue support for Dual Enrollment program
    - Funded from tuition savings fees
    - Demand has exceeded \$1.3 million appropriation since beginning of program

# Initiatives

- K – 12 Initiatives - \$0.6 million
  - Advance Coursework Network - \$250,000
  - ELL Regulations - \$60,000
  - GED Waivers - \$65,000
  - Kindergarten Entry Profile Survey - \$200,000



# Initiatives

- Justice Reinvestment - \$0.5 million
  - Pre-Arrest Diversion Program - \$0.2 million
    - Mental health program in Public Defender's budget
  - Batterers' Intervention – \$0.1 million
    - Support for domestic violence intervention programs
  - Recovery Houses - \$0.2 million

# Initiatives

- Public Safety Personnel - \$3.3 million
  - New Department of Public Safety personnel - \$1.8 million
    - Includes new commissioner and support staff
    - Other civilian employees
  - EMA merged and new FTE
  - Contract settlements- \$1.3 million

# Initiatives

- Environment - \$3.1 million
  - Outdoor recreation investment - \$2.5 million
  - Electric vehicle rebate - \$0.3 million
  - Local Ag. & Seafood grants- \$0.1 million
    - Provides total of \$0.2 million
  - Conservation district grants - \$50,000

# Initiatives

- Other noteworthy items
  - Division of Taxation computer system support - \$1.0 million
  - Support for Volvo Ocean Race - \$0.8 million
  - Minimum Wage Increase to \$10.50
  - Changes to program administration
    - Lead
    - Health Care Utilization

# Initiatives

- Health & Human Services - \$1.9 million
  - Bus Passes- \$0.3 million for elderly/disabled
  - Head Start - \$0.4 million
  - Health Care Innovation - \$0.3 million
    - Spending and Trend Analysis
  - Tobacco Control - \$0.5 million
  - DOC Mental Health Initiatives – \$0.4 million

# Debt and Other

Debt and Other \$8.4 million

- \$12.5 million from impact of 38 studios settlement
  - Next payment likely due in FY 2020/21
- Delay of License plate reissuance

# Statewide Savings Initiatives

- Fraud and Waste - \$3.5 million
  - Extension of current year initiative not implemented yet
- Workers Compensation - \$1.3 million
  - Outsource administration
- E- Procurement - \$0.4 million

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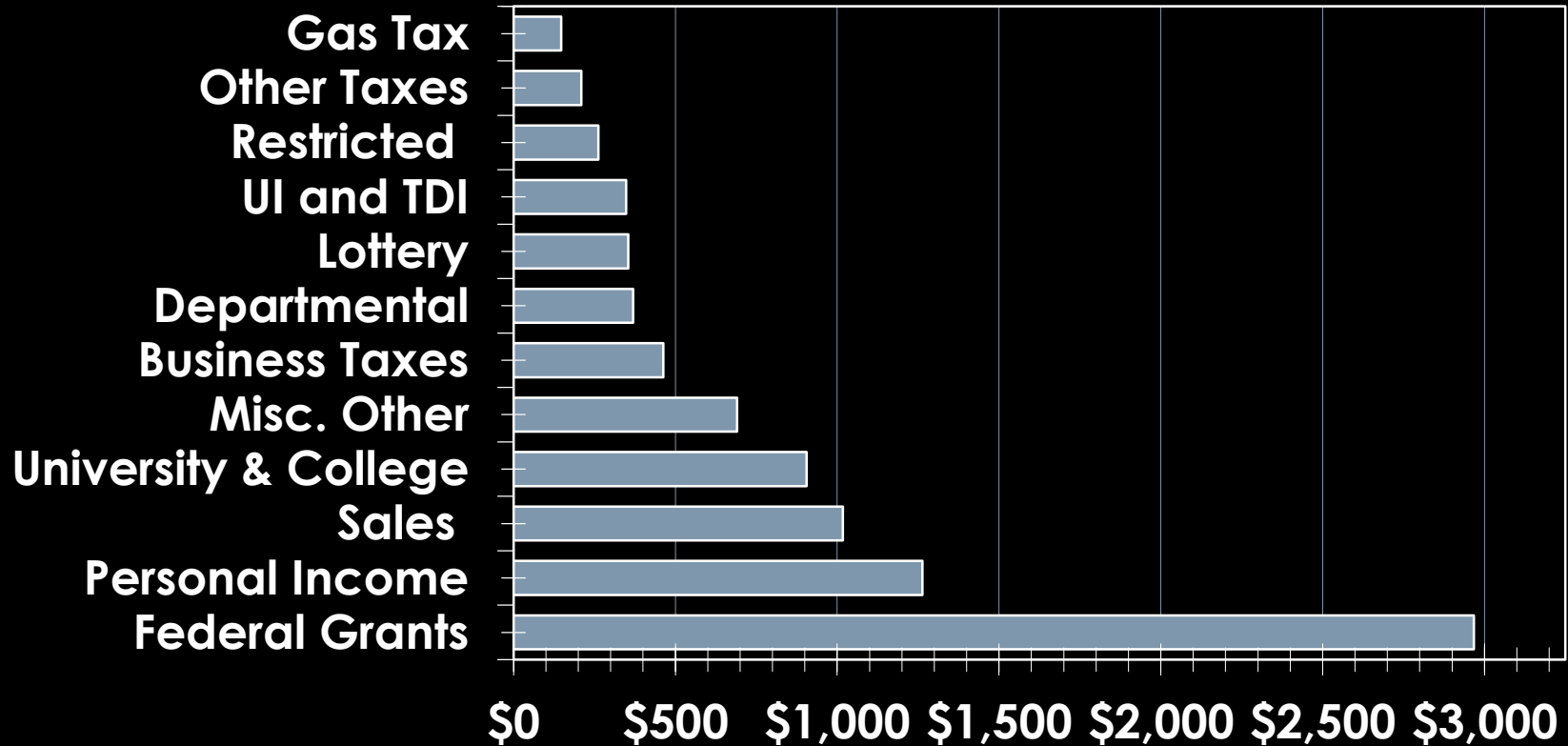
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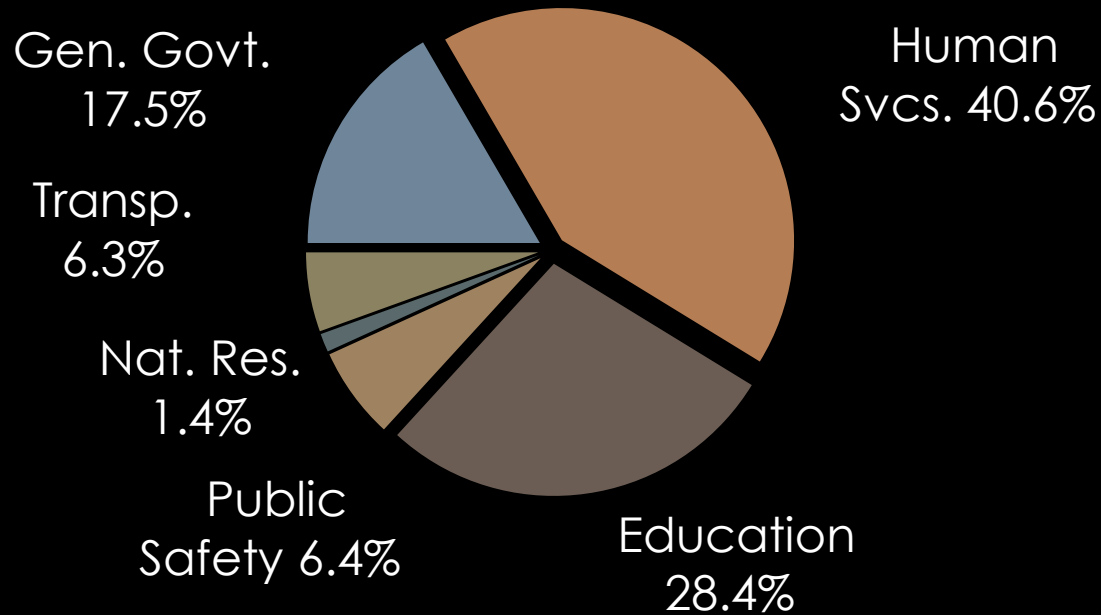
# Expenditures

	<b>Enacted</b>	<b>Budget</b>	<b>Change</b>
Gen. Rev.	\$3,683.7	\$3,792.7	\$109.0
Federal	2,957.1	3,081.8	124.8
Restricted	257.0	273.8	16.8
Other	2,040.9	2,099.7	58.8
Total	\$8,938.7	\$9,248.1	\$309.3

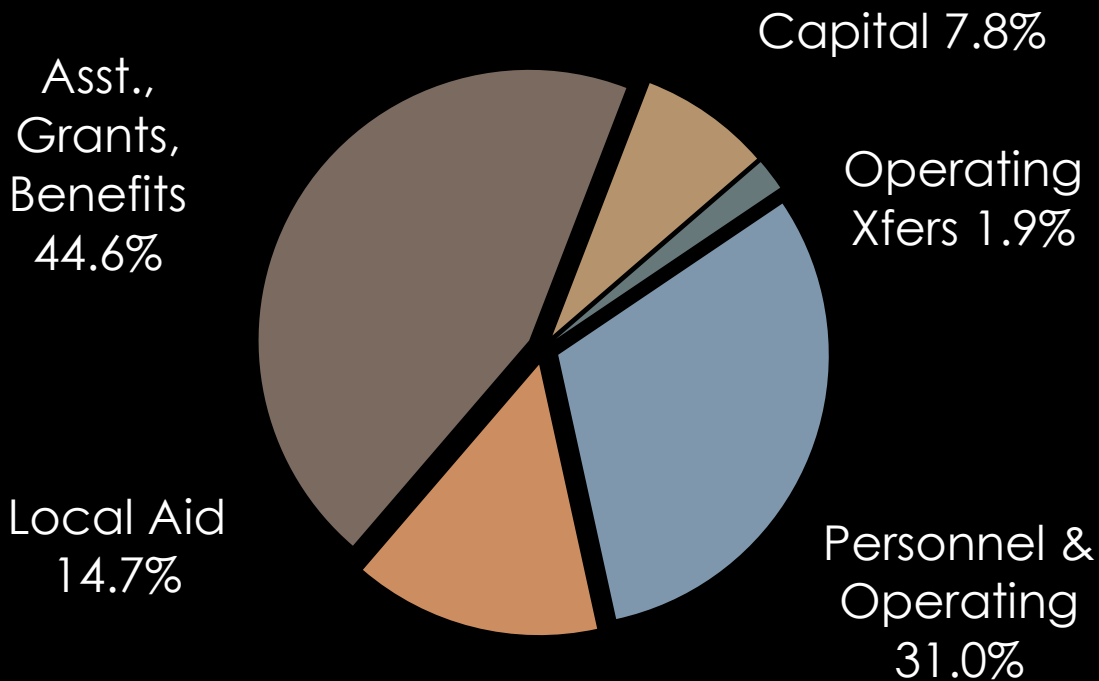
# Sources *(millions)*



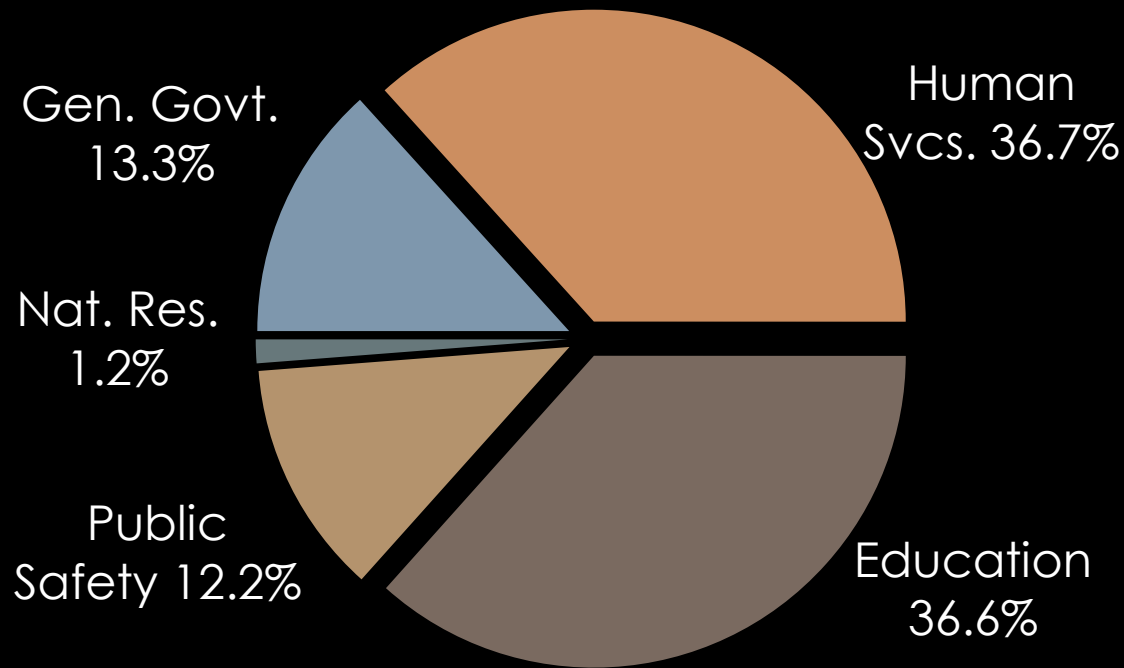
# All Funds by Function: Governor FY 2018



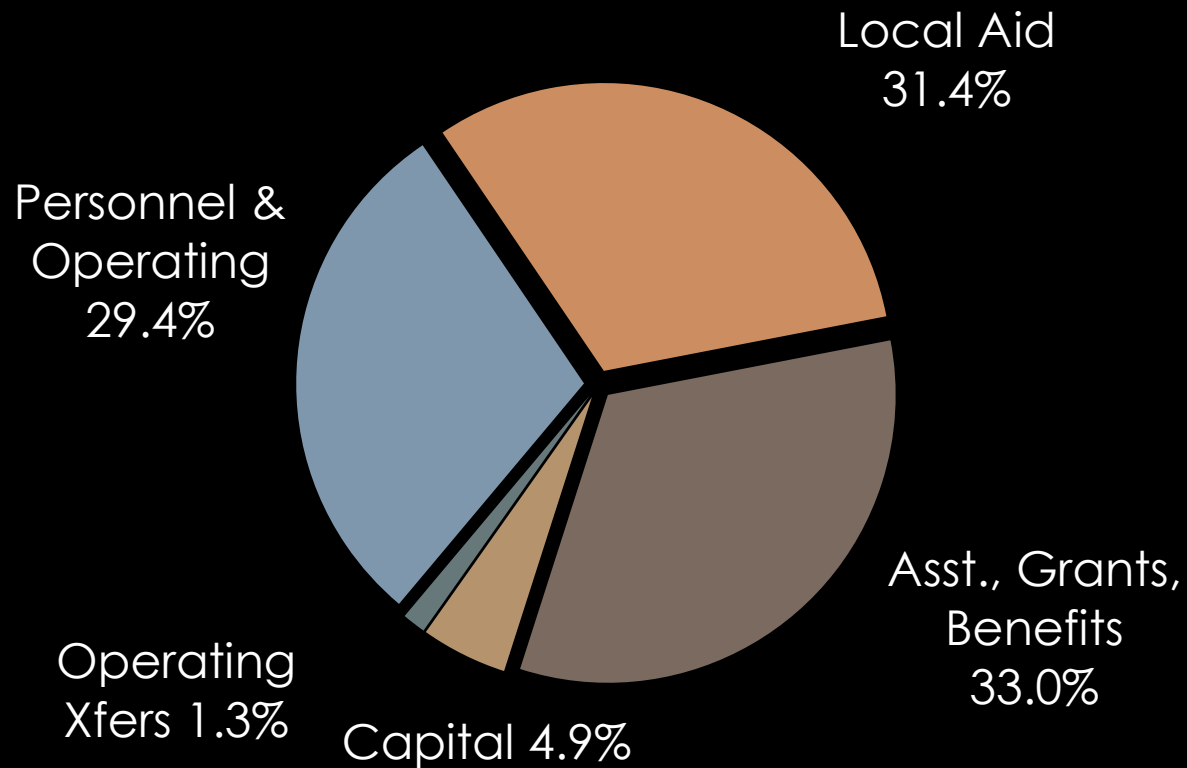
# All Funds by Category: Governor FY 2018



# General Revenues by Function: Governor FY 2018



# General Revenues by Category: Governor FY 2018



# Personnel and Operating

- Salaries and Benefits
  - Increase of 2.2% from enacted
  - General revenues increase 2.7%
- Reflects updated benefit rates
- Adds \$24 million to fill 200+ new positions
  - Some are for revenue enhancements
  - Many replace positions that will be held vacant or eliminated
  - FTE authorization increases by 114.8



# Personnel Initiatives

- Classification Issues
  - FY 2017 and FY 2018 include total of \$0.9 million from general revenues for classification and compensation study
    - Completion – Summer 2017 – more than a year later than last year's estimate
  - Continues work begun with 2013 study and review of the personnel system

# Personnel Initiatives

- Administrative Changes
  - Repeals Assembly notification in determining cabinet directors' salaries
  - Limits rights for certain staff to return to prior positions after probation dismissal
  - Adds more positions to unclassified service

# Full-time Equivalent Positions

	Regular	3rd Party	Total
FY 2016 Avg.	13,097.9	591.7	13,689.6
FY 2017 Enacted	14,206.8	745.8	14,952.6
FY 2017 Rev.	14,289.1	745.8	15,034.9
<b>Governor FY 18</b>	<b>14,321.6</b>	<b>745.8</b>	<b>15,067.4</b>
<b>Jan 7 Filled</b>	<b>13,184.4</b>	<b>613.4</b>	<b>13,797.8</b>
Diff from Enacted	(1,022.4)	(132.4)	(1,154.8)
Diff from Gov.	(1,137.2)	(132.4)	(1,269.6)

# Personnel and Operating

- Transparency issues
  - Staffing authorizations for appointing authorities increasingly separate from funding allocations
    - Governor's office "charging" agencies for several staff members based on policy area of responsibility
    - Centralizes 90 new positions into EOHHS as required under current law
      - Funding is left in sending agencies; FTE count in EOHHS

# Personnel and Operating

- Contracted Services
  - Decreases 14.7% from enacted
    - Primarily related to UHIP
    - General revenues decrease 5.5%
  - In prior sessions Assembly required state agencies to be held more accountable for contract services they purchase
    - Revised requirements for easier compliance
    - 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

# Personnel and Operating

- Operating Costs
  - Increase 3.3% from enacted
    - Nearly half of the increase relates to how lottery activity is accounted for
    - Another 38% is related to Higher Education sources
  - 3.4% decrease from general revenues
    - Largely reflects savings initiatives noted earlier

# Governor's FY 2018 Budget

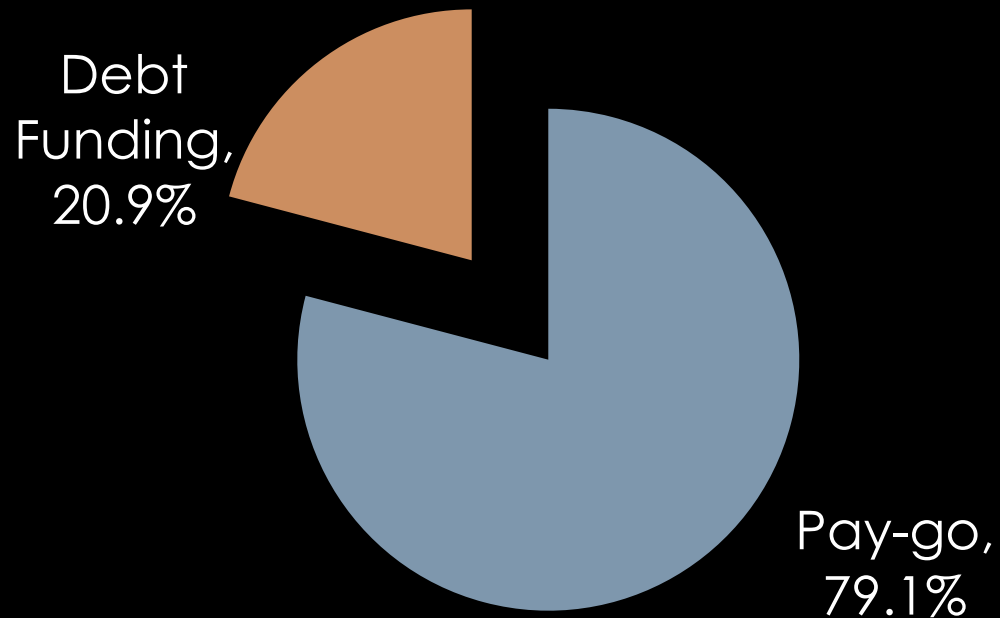
- FY 2016 Audited Closing
- FY 2017 Revised Budget
- FY 2018 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- **Capital Budget Overview**
- Outyears



# Capital

- FY 2018 – FY 2022
- \$4.7 billion outlays
  - Average \$946.4 million per year
  - \$987.7 million from financing \$3,744.1 million from current revenue

# Capital Budget Funding



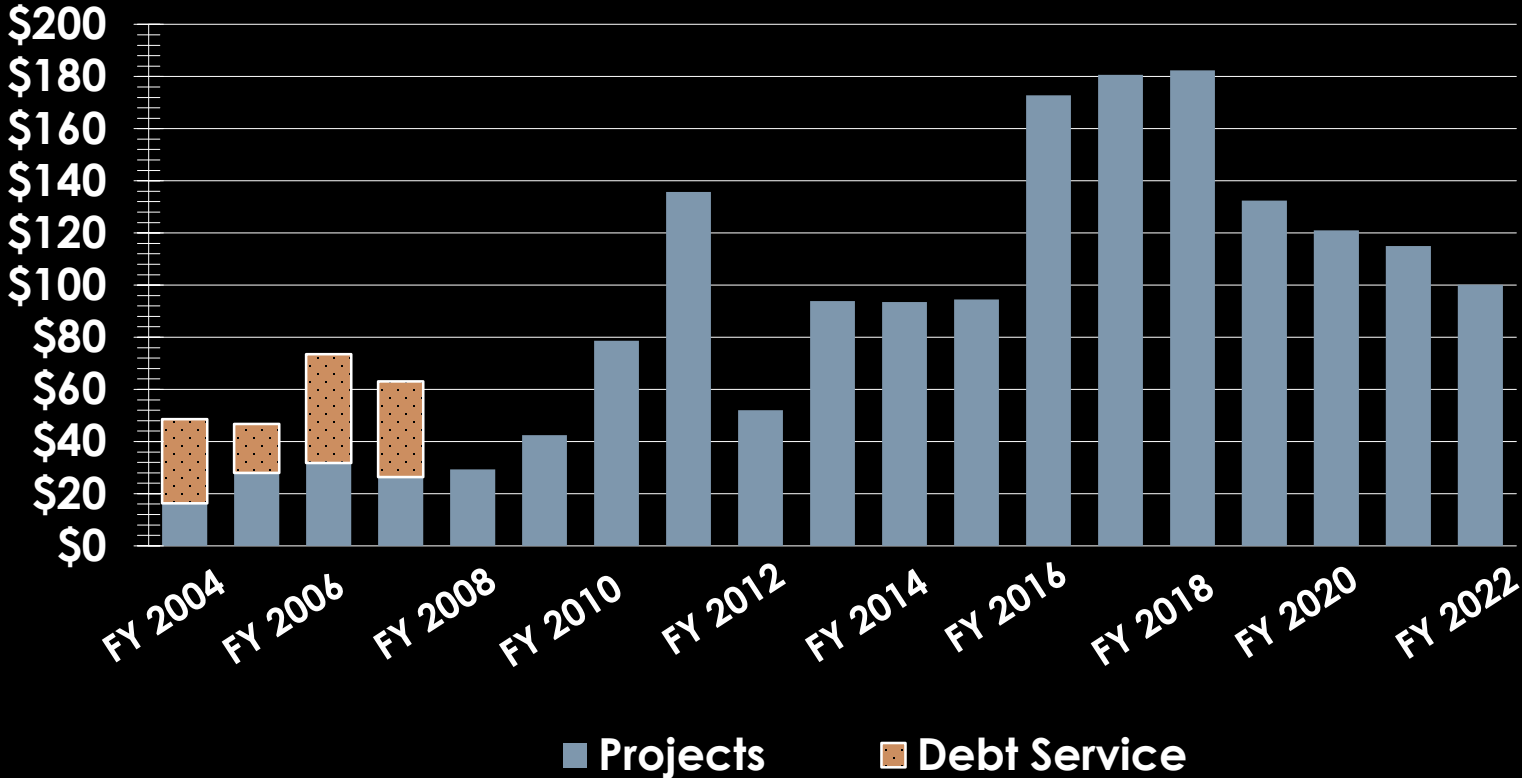
# Rhode Island Capital Plan Funds

- 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 that reaches 5.0%, excess flows to the capital account
- Previously used mostly to pay debt
- 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

- \$650.9 million for FY 2018 – FY 2022
- Approximately \$130 million annually
  - 30% for Transportation
  - 22% for Higher Education

# 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



# 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

# New Requested Debt

Project and Debt Type	Amount Borrowed	Annual Debt	Source
<b>Certificates of Participation</b>			
Info. Tech. Improvements	\$16.2	\$2.1	Gen. Rev.
Energy Improv. State Facilities	12.0	1.7	Energy savings
Confined Aquatic Dredged Material Disposal Cells	10.5	1.4	Users fees, Gen. Rev.
URI Energy Performance - Phase III	11.6	1.1	Energy savings
<b>Revenue Bonds</b>			
URI White Horn Brook Apartments	88.8	5.9	Dorm fees, tuition, Gen. Rev.
<b>Total</b>	<b>\$139.1</b>	<b>\$12.1</b>	

# Funding Considerations

- State's overall debt structure
  - Net tax supported debt would decrease by \$414.0 million to \$1,521.1 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

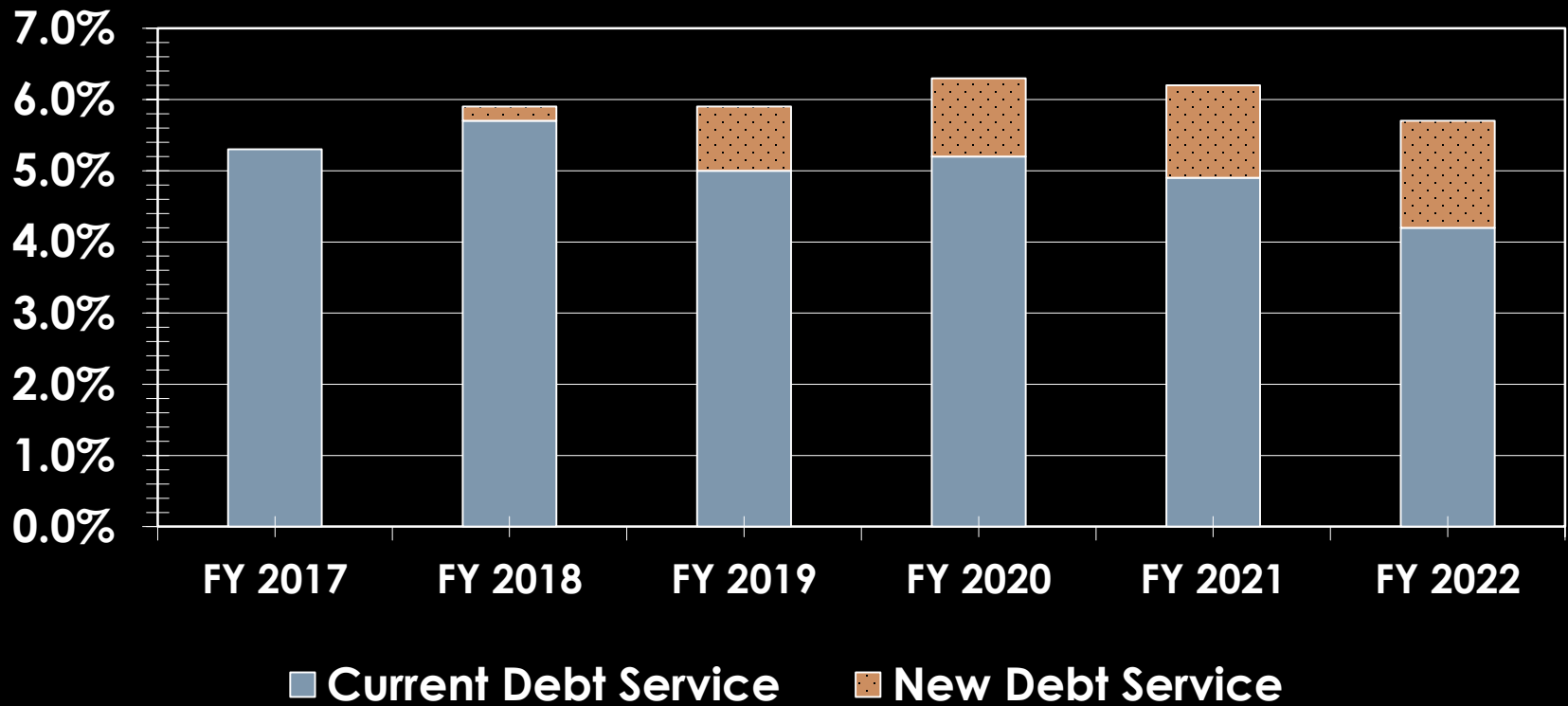
- Debt as a percent of personal income would increase from 3.1% in FY 2017 to 3.4% into FY 2018
  - Refunding of state debt
- Would then drop to 2.2% in FY 2022, but likely to be higher based on projects being added
  - Does not assume any new referenda will go before voters in November 2018 or 2020
    - Departure from past practice

# Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2017	\$197.7	5.3%
2018	\$227.8	5.9%
2019	\$231.9	5.9%
2020	\$253.4	6.3%
2021	\$252.6	6.2%
2022	\$238.3	5.7%

\*Millions

# Debt Service as Percent of Useable Revenues



# Out-year Projections

- Five-year forecast required by statutes
- FY 2019 gap
  - One-time items in the resolution of the current budget gap
    - Use of Surplus
    - Scoops
  - Programs not reflected in FY 2018
  - Tiverton Casino assumed to mitigate MA gaming losses in prior forecasts
  - Sales tax growth stronger based on remote sales initiative

# Budget Office Deficit Estimates

	Estimated	Share Useable Revenues
FY 2019	\$(150.0)	4.0%
FY 2020	\$(184.1)	4.8%
FY 2021	\$(192.6)	4.9%
FY 2022	\$(194.1)	4.8%



# Uses – Growth Rates

Item	Est. Annual Growth
Jobs	0.4%
State Personal Income	3.2%
Taxes	2.6%
Total Revenues	2.0%
Total Expenditures	2.7%
Salaries & Benefits – 25% of total	3.4%
Medicaid – 30% of total	4.0%

# Issues and Risks to the Forecast

- Medicaid savings and caseloads
  - UHIP impacts
  - Future federal action
- Control of current year spending
  - Revised budget assumes success of certain initiatives
- DMV computer system
- Potential for cyclical economic event
- Demographic issues

# Governor's FY 2018 Budget

Staff Presentation to the  
House Finance Committee  
February 2 , 2017

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