

Governor's FY 2021 Budget: Articles

Staff Presentation to the House Finance
Committee
February 5, 2020

Introduction

- Article 16 - Veterans Services
 - Veterans' Home Assessment
 - Cemetery Charges
- Article 4, Section 3
 - DCYF Child Welfare Information System Replacement
- Corrective Action Plan Update
 - DCYF
 - Veterans' Home

Article 16, Veterans' Home

- Veterans' Home funding is derived from 4 sources
 - Resident contributions
 - General Revenues
 - Restricted Receipts
 - Other general revenues / state funds
 - Federal per diem rate towards cost of care
 - Federal reimbursement for construction projects

Eligibility for Admission to the Home

- Served 90 days or more during a foreign war or conflict where U.S. issued a medal
 - Or acquired a service-related disability/disease
- Honorably discharged
- Requiring a nursing home level of care
- Lived in RI at least 2 years prior to application or RI resident or draftee when entered service

Article 16, Veterans' Home

- Federal reimbursement for each resident based on their level of care
- Per diems for federal FY 2020
 - Dormitory: \$48.50 (\$17,703)
 - Skilled Nursing: \$112.36 (\$41,011)
 - 70% or higher VA disability pension: \$452.86 (\$165,294)
 - These rates are set annually in October

Article 16, Veterans' Home

- Resident Contributions
 - Residents pay 80% of their income
 - After deductions & allowances for personal needs and other items
 - 80% assessment is split:
 - 80% to general fund
 - \$4.5 million for FY 2020
 - 20% to a restricted receipt account for expenses at the Home
 - \$1.0 million for FY 2020

Maintenance Fee Calculation

- Gross income minus taxes
- Apply Deductions:
 - Allowance for spousal & dependent support
 - 50% of income related to battle wounds
 - Purple Heart
 - Guardianship fees
 - Medicare Part B
 - \$150 monthly personal needs allowance
- Multiply by 80%

Maintenance Fee Calculation

- Resident contributions capped at
 - Cost of care
 - Personnel & contract costs
 - Operating supplies
- Calculated annually – June 30
 - Rules & regulations – by Director
 - Currently \$160,107 annually
 - After federal per diem, \$120,000 annually or \$10,000 per month
 - Contributions vary widely by resident

Maintenance Fee Calculation

Examples	A	B	C
Resident Monthly Income	\$11,270	\$6,500	\$780
Personal Needs Allowance	(150)	(150)	(150)
Other Deductions	-	(400)	-
Net Income	\$11,120	\$5,950	\$630
Assessment at 80%	\$8,896	\$4,760	\$504
<i>Difference from \$10K Cap</i>	<i>\$1,104</i>	<i>\$5,240</i>	<i>\$9,496</i>
<i>80% To General Fund</i>	<i>\$7,117</i>	<i>\$3,808</i>	<i>\$403</i>
<i>To Home RR Account</i>	<i>\$1,779</i>	<i>\$952</i>	<i>\$101</i>
Annual Equivalent	\$106,752	\$57,120	\$6,048

Article 16, Veterans' Home

- Changes calculation
 - Personal needs allowance increases from \$150 to \$300
 - Income assessment increases from 80% to 100%
- Shifts all funds to the restricted account
 - Current law requires an amount equal to 20% of maintenance fees to be deposited into the account
 - Article changes this to 100%
 - FY 2021 budget shifts \$4.5 million from general fund to the Home's account

Maintenance Fee Calculation

Example A	Current Law	Art. -16
Resident Monthly Income	\$11,270	\$11,270
Personal Needs Allowance	(150)	(300)
Other Deductions	-	-
Net Income	\$11,120	\$10,970
Assessment	\$8,896	\$10,000
<i>To General Fund</i>	<i>\$7,117</i>	<i>-</i>
<i>To Home RR Account</i>	<i>\$1,779</i>	<i>\$10,000</i>
Annual Equivalent	\$106,752	\$120,000

Maintenance Fee Calculation

Example B	Current Law	Art. -16
Resident Monthly Income	\$6,500	\$6,500
Personal Needs Allowance	(150)	(300)
Other Deductions	(400)	(400)
Net Income	\$5,950	\$5,800
Assessment	\$4,760	\$5,800
<i>Difference from \$10k Cap</i>	<i>\$5,240</i>	<i>\$4,200</i>
<i>To General Fund</i>	<i>\$3,808</i>	<i>-</i>
<i>To Home RR Account</i>	<i>\$952</i>	<i>\$5,800</i>
Annual Equivalent	\$57,120	\$69,600

Maintenance Fee Calculation

Example C	Current Law	Art. -16
Resident Monthly Income	\$780	\$780
Personal Needs Allowance	(150)	(300)
Other Deductions	-	-
Net Income	\$630	\$480
Assessment	\$504	\$480
<i>Difference from Cap</i>	\$9,496	\$9,520
<i>To General Fund</i>	\$403	-
<i>To Home RR Account</i>	\$101	\$480
Annual Equivalent	\$6,048	\$5,760

Article 16 - Veterans' Home

- Budget assumes additional revenue of \$1.0 million from income change
 - Equal to \$4,470 annual increase per resident
 - Estimate assumes 20% increase on \$5.2 million of projected collections
 - Actual impact varies widely
 - A few residents would pay less
 - Most residents would pay more
 - Based on November census, collections could be up to \$1.2 million

Veterans' Home Expenses

	Enacted	FY 2020 Rev.	Gov. Rec.
General Revenues	\$22.9	\$24.7	\$19.9
Federal Funds	\$10.4	\$10.2	\$10.4
Restricted Receipts	\$1.0	\$2.3	\$6.4
Total	\$34.2	\$37.2	\$36.7

\$ in millions, excludes capital

Maintenance Fee Collections

Fiscal Year	Total Collections	General Revenues	Restricted Receipts
2019	\$5.2	\$4.2	\$1.0
2018	\$4.9	\$3.9	\$1.0
2017	\$4.8	\$3.8	\$1.0
2016	\$4.3	\$3.5	\$0.9
2015	\$4.6	\$3.7	\$0.9

\$ in millions

Article 16 - Veterans' Cemetery

- The RI Veterans' Memorial Cemetery receives a plot allowance for each veteran burial from federal govt
 - Set annually by U.S. Veterans Administration
 - Currently \$796
- No federal allowance for non-veteran spouses or dependents

Article 16 - Veterans' Cemetery

- Current law requires fee for non-veterans
 - Equal to the cost of the grave liner
 - Cemetery charges manufacturer price
 - Fee varies based on size - 30 inch is most common

Liner	FY 2020 Fee
30" Grave	\$210
32' Grave	\$260
36' Grave	\$300
Child Size	\$140
Cremation	\$110

Article 16 - Veterans' Cemetery

Fiscal Year	Grave Liner Collections	Full Burials	Cremation Burials
2019	\$73,800	628	210
2018	\$122,459	623	206
2017	\$72,740	744	215
2016	\$69,125	735	197
2015	\$73,800	740	185

Article 16 - Veterans' Cemetery

- Article 16 proposes to replace grave liner fee with fee equal to the federal plot allowance
 - Updated annually on October 1
- Estimated to generate \$0.4 million
 - Based on full burials only, not cremated interments
 - Would go to General Fund
 - Revenues are not assumed in the Budget

Article 16 - Veterans' Cemetery

- Article applies to all interments
 - Including cremation burials & niches
 - Would generate \$0.7 million
 - \$0.3 million more than Gov. estimates

	Current Fee	Art. 16	Chg.
Full Burial	\$140-\$300	\$795	\$656-\$496
Cremation Burial	\$110	\$796	\$686
Cremation Niche	-	\$796	\$796

Veterans' Probate Estates

- Governor's budget documents include proposal to collect on probate estates over \$15,000
 - Estimated to generate \$280,000 in FY 2021
 - Budget does not excludes the funding
- Agency corrective action plan proposed \$0.5 million in the current year
 - Not included in revised budget

Current Year: Office of Veterans Services Q1

- Veterans' Home - \$2.9 million over
 - Governor's budget assumed an operational review by EOHHS would reduce expenses at the Home
 - \$1.2 million overtime savings
 - \$0.6 million janitorial services
 - \$0.8 million medical services
 - Assembly concurred

Current Year: Office of Veterans Services

- EOHHS operational review did not occur in FY 2019
 - Veterans' Home implemented some measures to reduce contract costs
 - Acuity-based model for nursing pool staff
 - Occupational & physical therapy delivery changes
 - As of 12/3 = unclear what specific efforts were underway to review OT & other services
 - Subsequent hearing 12/16 provided update on process – promise of more info

Current Year: Office of Veterans Services

- RI National Guard & EOHHS launched operational review of Home
 - Report expected January 31; HFS has not yet received this report
- Revised budget lowered projected deficit to \$1.9 million

Current Year: Veterans' Home

	GR	All Funds
FY 2019 Final	\$26.5	\$37.1
Enacted	\$22.9	\$34.2
Q1 Report	\$25.7	\$38.5
Q1 to Enacted	\$ 2.9	\$ 4.3
Rev. Request	\$23.0	\$35.6
Gov. Revised	\$24.7	\$37.2
Q2 Report	\$24.7	\$37.2
Gov. Rev. to Q2	\$ -	\$ -

\$ in millions, excludes capital

Corrective Action Plan

- Veterans Services
 - Corrective Action Plan submitted Dec. 16
 - Lowered deficit to \$2.0 million
 - Submitted proposals to achieve \$0.6 million
 - January 15 report lowered estimated savings from \$0.6 million to \$0.1 million
 - Q2 report is consistent with Governor's Revised Budget
 - RI National Guard report?

Article 4 - Debt Management Act Joint Resolution

- Enacted in 1994
- Subsequently amended to increase Assembly's approval role
- Ensures that debt with a state tie was not issued without legislative review
- Result of Commission chaired by Rep. Linda Kushner

Article 4 - Debt Management Act Joint Resolution

- Public Debt Management Act
- Certain quasi-public agencies are exempt:
 - Infrastructure Bank
 - Rhode Island Housing & Mortgage Finance Corporation
 - Rhode Island Health & Educational Building Corporation

New Requested Debt

Certificates of Participation	Amount	Annual Debt	Source
Enterprise Resource Planning IT	\$54.8	\$2.9 - \$8.7	General Revenues
Child Welfare IT System	17.0	2.0	
Eleanor Slater Hospital – Regan Bldg.	12.0	1.0	
Southern Barracks State Police	35.0	2.9	
Subtotal	\$118.8		
Motor Fuel Revenue Bonds			
Henderson Bridge & Other	\$64.2	\$2.0 - \$7.3	Gas Tax
Total	\$183.0		
\$ in millions			

Funding Considerations

- State's overall debt structure
 - Net tax supported debt would decrease by \$19.9 million to \$1,917.2 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

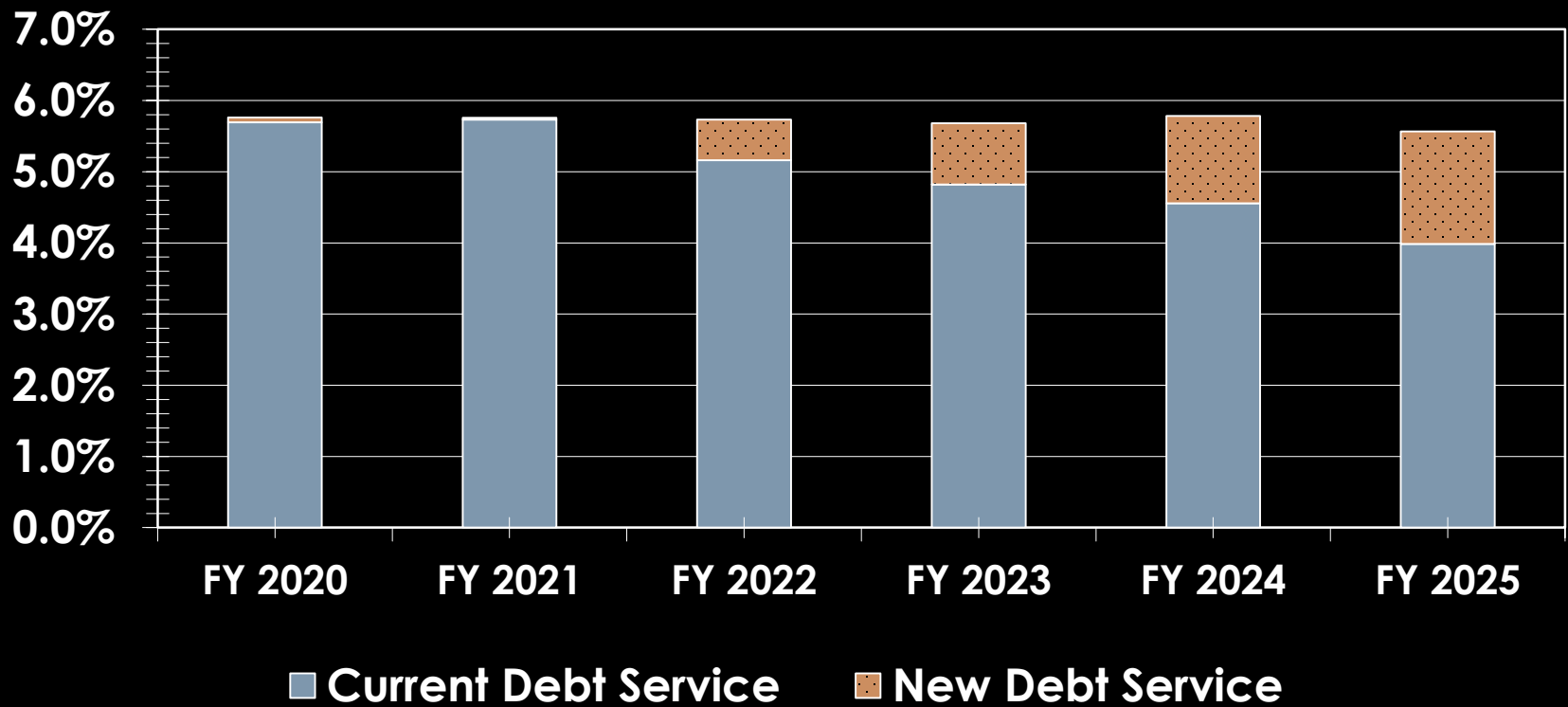
- Debt as a percent of personal income would decrease from 3.1% in FY 2019 to 2.6% into FY 2025
- Likely to be higher as projects are added
- Treasurer's January debt capacity letter
 - Update to PFMB Debt Affordability Study
 - Bond capacity for 2020 ballot: \$208.3 million
 - Significantly lower than debt proposed in budget
 - Appears to assume faster issuance schedule than typical of capital projects

Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2020	\$243.4	5.8%
2021	252.7	5.8%
2022	261.8	5.8%
2023	265.5	5.8%
2024	276.0	5.9%
2025	\$267.7	5.6%

*Millions

Debt Service as Percent of Useable Revenues



Project Considerations

- Does the project need to be done?
- Is the project ready to be done?
 - When will it start?
 - Is it well thought through and ready for funding/financing?
 - What will the operating budget impacts be?
 - Maintenance costs, staff savings?
 - When will it be complete?

Funding Considerations

- Should a project be financed or pay-as-you-go?
 - More pay-go equals less future debt service
 - Rhode Island Capital Plan funds available as pay-go for all or part of certain projects
 - Limited to physical assets
 - IT fund created for technology projects

Assembly Role

- Appropriate Pay-Go
- Approve General Obligation Bond Referenda
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner)
 - Approve or reject resolution
 - Generally appropriate debt service

Article 4, Section 3- DCYF Child Welfare Info System

- Rhode Island Children's Information System (RICHIST) - 1998
 - Central registry system for children
 - Personal and familial characteristics
 - Legal status and court activity
 - Placement and living arrangements
 - Service plans and case assignments
 - Financial System
 - Federal funding including eligibility information
 - Tracks vendor payments

Article 4, Section 3- DCYF Child Welfare Info System

- Some prior DCYF technology requests
 - FY 2017 capital request proposed upgrade to system
 - Mobile accessibility, standalone web portal
 - Not funded
 - FY 2019
 - \$0.1 million from Information Technology Investment funds provided for mobile technology compatible with the system

Article 4, Section 3- DCYF Child Welfare Info System

- Article identifies reasons for upgrades
 - Old system lacks:
 - Mobile access from field
 - Access to real-time info
 - Configurability
 - Age makes technical support difficult
 - New System
 - Provides advanced analytics and data
 - Allows quicker responses to changes in policy

Article 4, Section 3- DCYF Child Welfare Info System

- Authorizes borrowing \$17.0 million
 - Describes \$28.0 million project
 - Identifies \$11.0 million from federal funds
 - Funding assumed over FY 2021 – FY 2023
 - \$3.3 million, \$16.5 million, \$8.2 million respectively
 - Total cost of \$19.7 from general revenues
 - Annual debt service of \$2.0 million
 - Assumes 10 years and 2.75% interest

Issues to Consider

- What are the best practices for these projects?
 - Custom IT project vs existing product?
- How accurate are cost estimates?
 - Initial cost based on other state comparison
 - Will Issue RFI soon and update information

Issues to Consider

- Impact on maintenance costs?
 - Enacted budget includes \$2.2 million for system maintenance
 - \$0.8 million from general revenues
- Federal funding share
 - How will this work?
 - Risk to state?

Current Year: DCYF

- Received Q1 report on November 7
- DCYF - \$21.9 million
 - Mostly unachieved savings - \$17.3 million
 - Total caseload through Q1 is similar to enacted budget assumptions
 - Budget assumed youth would be moved to less costly placements
 - Placement cost differential about \$80k average
 - Has not occurred
 - Staffing - \$5.3 million
 - Despite hiring surge, overtime increasing
 - Dec 16 hearing reviewed issues and options

Current Year: DCYF

	GR	All Funds
FY 2019 Final	\$180.7	\$248.2
Enacted	\$165.1	\$229.9
Q1 Report	\$187.0	\$255.4
Enacted to Q1	\$ 21.9	\$ 25.6
Rev. Request	\$187.5	\$259.2
Gov. Revised	\$185.7	\$256.2
Q2 Report	\$185.2	\$256.0
Gov. Rev. to Q2	\$ (0.5)	\$ (0.2)

\$ in millions

Corrective Action Plan: DCYF

- Q1 gen. revenue deficit of \$21.9 million
 - Corrective Action Plan submitted Dec. 16
- Governor Revised – \$256.2 million
 - \$1.3 million less from general revenues than Q1 projection
- Updated Expense Report - January 23
 - Table/List of Expenses and Initiatives; no written report
- DCYF Q2 report – January 31
 - Surplus of \$0.5 million to Gov. Rev.

Corrective Action Plan: DCYF

- Monthly Expense Report Initiatives
 - Recruit & retain more foster homes
 - From October 2, 2019 to January 2, 2019
 - Licensed Kinship homes increased from 284 to 553
 - Licenses pending for over 6 months reduced from 203 to 77
 - Renegotiate Private Agency Contracts and Review Service Contracts
 - Maximize Federal Funds
 - Rhode Island Training School Operating Review

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