

Budget Status

Staff Presentation to the House Finance
Committee
May 20, 2020

Summary

- Results of the May Revenue & Caseload Conference decrease available resources for the FY 2020 revised & FY 2021 budgets by \$815 M
 - *Governor's budget solved a projected problem a fraction of that that size*
- *Issues not accounted for total over \$50M bringing total gap closer to \$900M*
 - *Identified federal relief opportunities not sufficient alone even if completely flexible*

Summary – Budget Solve

Governor's Budget Solve - Jan	FY 21	FY 20	Total
Revenues	\$79.7	\$16.7	\$96.3
HHS Caseload/Other	57.3	7.5	64.8
UHIP Ongoing	(23.1)	-	(23.1)
Locals	6.7	3.5	10.2
Commerce	(10.3)	-	(10.3)
Higher Education	(0.5)	-	(0.5)
Debt Service	3.6	2.7	6.3
New Programs/Initiatives	(12.1)	-	(12.1)
Other Adjustments	(3.8)	1.0	(2.9)
Total Solution	\$97.5	\$31.4	\$128.7

Summary – REC/CEC Impact

Changes to Gov.	FY 2020	FY 2021	Total
REC Changes	\$(280.9)	\$(515.8)	\$(796.7)
*Changes to Gov.	(1.7)	(1.3)	(3.0)
Subtotal	(282.6)	(517.1)	(799.7)
Minus May CEC	(43.5)	97.5	54.0
Changes to Gov.	5.2	(19.9)	(14.7)
Subtotal CEC	\$(38.3)	\$77.6	\$39.3
Combined REC/CEC	(244.3)	(594.7)	(839.0)
Less Rainy Day adj.	8.5	15.5	24.0
Impact to Gov. Budget	\$(235.8)	\$(579.1)	\$(814.9)

*revised value of Governor's revenue proposals not final

Summary – New Issues

Items not accounted for	FY 2020	FY 2021
Eleanor Slater Hospital – IMD Mix	\$20.0	\$?
Eleanor Slater Hospital - Forensic	15.0	30.0
Other FMAP Relief	(13.1)	?
Education Aid Data Updates	-	8.3
Other Q3 items	(9.0)	?
Viability of other initiatives	?	?
Increased Budget Gap Solve	\$12.9	\$38.3

\$ in millions

Summary – Budget Status

	FY 2020	FY 2021	Total
REC/CEC Impact to Gov. Budget	\$235.8	\$579.1	\$814.9
New Issues	12.9	38.6	\$51.5
Increased Budget Gap Solve	\$248.7	\$617.7	\$866.4

\$ in millions

- Each year likely requires different approach for solving problems

Current Budget Status

- May Revenues
- May Caseload
- FY 2020 Third Quarter Report
- Governor's Recommended Solution

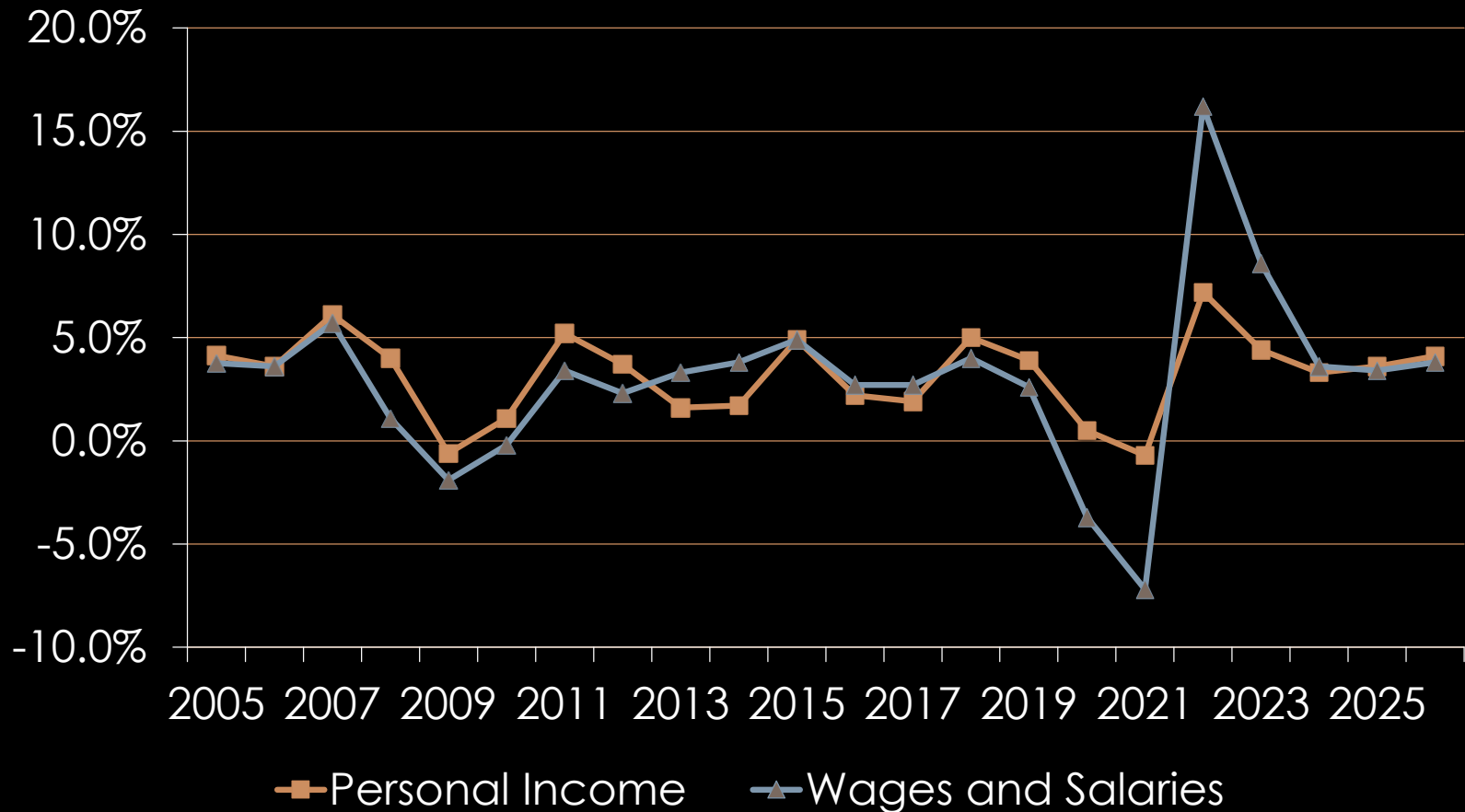
Revenues

- Revenue estimates are driven by trends, collections to date, and the economic forecasts
 - Immediate impact of COVID -19 related restrictions– near term
 - Sustained economic impact

Forecast Changes

Selected Concepts	FY 2020	FY 2021	FY 2022
<i>Nonfarm Employment – jobs in thousands</i>			
November 2019	505.7	508.0	509.7
May 2020	480.3	421.6	475.8
Change	-25.4	-86.4	-34.0
<i>Wage & Salary Income Growth %</i>			
November 2019	5.1	4.2	4.1
May 2020	-3.7	-7.2	16.2
Change	-8.7	-11.3	12.0
<i>Unemployment Rate %</i>			
November 2019	3.6	3.6	3.9
May 2020	7.4	15.9	7.5
Change	3.8	12.3	3.6

Revenue Drivers: May



Revenue Drivers : May



May 2020

Consensus Revenue Estimates

	FY 2019 Reported	FY 2020 Rev.	Change to Nov.	FY 2021 Estimate	Change to Nov.
Personal Income	\$1,397.0	\$1,358.9	\$(82.9)	\$1,295.8	\$(199.9)
Business Taxes	441.7	427.0	(18.3)	418.2	(38.0)
Sales & Use Taxes	1,286.0	1,288.4	(63.0)	1,262.2	(134.8)
Other Taxes	61.9	73.2	(5.6)	60.4	(3.7)
Total Taxes	\$3,186.6	\$3,147.5	\$(169.8)	\$3,036.6	\$(376.4)
Departmental	416.7	440.5	(3.0)	403.0	(7.0)
Other Misc.	12.4	29.1	(1.9)	12.1	(2.7)
Lottery	397.3	268.6	(108.5)	265.2	(130.3)
Unclaimed Prop.	11.6	12.2	2.3	9.0	0.6
Total	\$4,024.6	\$3,897.9	\$(280.9)	\$3,725.9	\$(515.8)

\$ in millions

Revenue Revisions : FY 2020

	Nov Change to Enacted	May Change to Nov.	Total Change to Enacted
Personal Income	\$15.0	\$(82.9)	(\$67.9)
Business Taxes	(14.4)	(18.3)	(\$32.7)
Sales & Use Taxes	11.6	(63.0)	(\$51.4)
Other Taxes	26.2	(5.6)	\$20.6
<i>Total Taxes</i>	<i>\$38.4</i>	<i>\$(169.8)</i>	<i>(\$131.4)</i>
Departmental	(5.0)	(3.0)	(\$8.0)
Other Misc.	2.4	(1.9)	\$0.5
Lottery	(35.7)	(108.5)	(\$144.2)
Unclaimed Prop.	-	2.3	\$2.3
Total	\$0.1	\$(280.9)	\$(280.8)

\$ in millions

Revenues: May REC

- FY 2021 reflects impacts of revised forecast
- Federal tax law changes also account for estimated \$11 million reduction
 - Personal Income - \$7.4 million
 - Businesses – \$3.6 million

FY 2020 Caseload

FY 2020 Caseload Estimating Conference

<i>All Funds</i>	<i>Nov CEC</i>	<i>May CEC</i>	<i>Chg.</i>
Medical	\$2,445.5	\$2,492.3	\$46.7
Governor's Proposals	(19.0)	0.5	19.5
<i>Subtotal - Medical</i>	<i>\$2,426.6</i>	<i>\$2,492.8</i>	<i>\$66.2</i>
CEC - Cash	\$115.7	\$114.3	\$(1.4)
Gov. Proposals	-	-	-
<i>Subtotal - Cash</i>	<i>\$115.7</i>	<i>\$114.3</i>	<i>\$(1.4)</i>
Total	\$2,542.3	\$2,607.1	\$64.9

\$ in millions

FY 2020 Caseload

FY 2020 Caseload Estimating Conference

General Revenues	Nov CEC	May CEC	Chg.
Medical	\$965.3	\$921.6	\$(43.8)
Governor's Proposals	(5.2)	-	5.2
Subtotal - Medical	\$960.2	\$921.6	\$(38.6)
CEC - Cash	\$29.2	\$29.4	\$0.3
Gov. Proposals	-	-	-
Subtotal - Cash	\$29.2	\$29.4	\$0.3
Total	\$989.4	\$951.0	\$(38.3)

\$ in millions

FY 2020 Caseload

Change to Medical Assistance	General Revenues	Total
FMAP Relief	\$(51.3)	\$-
FMAP Relief Clawback	(3.7)	(3.7)
Hepatitis C Expenses	(4.2)	(12.4)
Hospital Expenses	(4.3)	(9.1)
<i>Savings - Subtotal</i>	<i>\$(63.4)</i>	<i>\$(25.2)</i>
COVID-19 Enrollment/ redetermination delay	16.1	54.0
Long Term Care Expenses	4.6	9.8
Other Expenses	4.1	27.6
<i>Expenses – Subtotal</i>	<i>\$24.8</i>	<i>\$91.4</i>
Total (\$ in millions)	\$(38.6)	\$66.2

FY 2021 Caseload

- Medical Assistance
 - \$279.7 million increase for FY 2021
 - \$77.0 million from general revenues
 - Projected increased enrollment related to COVID-19
 - Through first quarter of FY 2021
 - Assuming an additional 25,000
 - Rite Care program for children & parents
 - Expansion program
 - Increase hospital & nursing homes rates
 - Monthly payments to managed care plans

FY 2021 Caseload

FY 2021 Caseload Estimating Conference

<i>All Funds</i>	<i>Nov CEC</i>	<i>May CEC</i>	<i>Chg.</i>
Medical	\$2,468.2	\$2,777.6	\$309.3
Governor's Proposals	(26.6)	(56.3)	(29.6)
<i>Subtotal - Medical</i>	<i>\$2,441.6</i>	<i>\$2,721.3</i>	<i>\$279.7</i>
CEC - Cash	\$117.8	\$114.2	\$(3.5)
Gov. Proposals	4.7	4.7	-
<i>Subtotal - Cash</i>	<i>\$122.5</i>	<i>\$118.9</i>	<i>\$(3.5)</i>
Total	\$2,564.1	\$2,840.3	\$276.1

\$ in millions

FY 2021 Caseload

FY 2021 Caseload Estimating Conference

General Revenues	Nov CEC	May CEC	Chg.
Medical	\$970.9	\$1,067.8	\$96.9
Governor's Proposals	2.0	(17.9)	(19.9)
Subtotal - Medical	\$972.9	\$1,049.9	\$77.0
CEC - Cash	\$29.0	\$29.6	\$0.6
Gov. Proposals	4.1	4.1	-
Subtotal - Cash	\$33.1	\$33.7	\$ 0.6
Total	\$1,006.0	\$1,083.6	\$77.6

\$ in millions

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Current Budget Status

- May Revenues
- May Caseload
- **FY 2020 Third Quarter Report**
- Governor's Recommended Solution

Current Year

- The *current year* had a \$6.5 million deficit – HFAS Dec 3
 - Unmet expenditure savings, Medicaid enrollment declines and onetime savings
- Governor's budget resolves that with
 - Improved closing balance
 - One time revenues
 - Debt service, medical, cost shifts, local aid data update
 - Ends w/ \$24.8 million balance for FY 2021

Current Year: *Third Quarter*

Expenditure Changes to Gov. Revised Budget

General Government	\$(7.9)
Medicaid Match Relief (FMAP)	(68.0)
EOHHS: Caseload Conference	16.3
BHDDH	32.3
Other Human Services	(2.4)
Education	(0.9)
Public Safety	(2.9)
Environment	0.5
Total	\$(32.9)

\$ in millions

General Government Agencies: Q3

- \$7.9 million below the Governor's revised budget
 - DOA - \$2.9 million in savings
 - Debt service savings
 - Turnover savings
 - DOR - \$4.4 million in savings
 - Mostly turnover
 - DBR - \$0.7 million in savings
 - Turnover and operating savings

Human Services Agencies: Q3

BHDDH – Spending Change	GR
ESH – Medicaid Billing - IMD Compliance	\$20.0
ESH – Medicaid Billing - Forensic Unit	15.0
DD – Person-Centered Employment	(2.5)
Other Expenses	(0.2)
Total	\$32.3

\$ in millions

Human Services Agencies:

Q3

- Eleanor Slater Hospital billing issues
 - Governor's recommended budget includes \$119.6 million/\$60.1 million from Medicaid
 - 3rd quarter report includes a loss of Medicaid funds totaling \$35.0 million
 - BHDDH has billed \$16.0 million from Medicaid but stopped billing
 - No further billing means general revenue impact could be over \$45.0 million

Human Services Agencies:

Q3

- Eleanor Slater Hospital billing issues
 - Cannot bill for almost 100 forensic patients
 - \$60 million a year
 - Needs to be entirely state funded so there is a \$30 million cost for FY 2021 and out years.
 - Remaining 100 patients
 - How certain is Medicaid ?

Human Services Agencies:

Q3

- DCYF - \$4.6 million in saving
 - Mostly staffing
 - Some placement savings
 - Still \$16 million above enacted
 - Savings appear to be limited to current year

Education Agencies: Q3

- \$0.9 million below the Governor's revised budget for similar items*
 - Elementary and Secondary Education
 - \$0.6 million from not having spring SAT testing
 - \$0.1 million from updated categorical aid
 - School resource officers
 - Early childhood
 - \$0.2 million from admin
 - *BO Q3 does not reflect Gov. proposal to increase Central Falls aid by \$0.5 million

Public Safety Agencies: Q3

- \$2.9 million below Governor's revised budget for similar items*
 - Corrections - \$0.2 million savings
 - Public Safety - \$1.6 million savings
 - Courts - \$0.7 million savings
 - AG/Military Staff - \$0.2 million savings each
 - *BO Q3 does not reflect Gov. proposal to Shift expenses restricted receipts
 - Other savings likely understated

Environment Agencies: Q3

- 3rd Quarter Report: \$0.5 million above Governor's revised budget
 - DEM
 - \$0.4 million more for eastern equine encephalitis response - not properly accounted for in original recommendation

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FY 2019 Audited

	Enacted	Final	Diff.
Opening	\$52.5	\$52.5	\$0.0
Revenues	4,018.9	4,024.6	5.7
Rainy Day	(122.1)	(122.3)	(0.2)
Expenditures	(3,933.8)	(3,924.0)	9.8
Closing Surplus	25.5	39.5	15.3
Reappropriation	-	(10.3)	(10.3)
Free Surplus	\$25.5	\$30.5	\$5.0

\$ in millions

Current Year – Projected Spending Changes -12/3

Reappropriation	\$10.3
Legislature*	(2.4)
EOHHS/BHDDH Closing correction	1.5
EOHHS/DHS: Caseload Conference	(12.5)
EOHHS/DHS/DCYF/BHDDH: Other*	25.7
Providence Place Mall Debt Service	(3.6)
Undistributed Savings*	2.3
Other *	(0.4)
Total	\$20.9

* Items different than Budget Office Q1 estimates

FY 2020 – Governor

	Enacted	Current	Diff.
Opening	\$25.5	\$40.8	15.3*
Revenues	4,178.7	4,197.1	18.4
Rainy Day	(126.1)	(126.8)	(0.7)
Expenditures	(4,077.6)	(4,086.3)*	(8.7)
Total FY 2020	\$0.5	\$24.8	\$24.4

\$ in millions; *Includes \$10.3 million reappropriation

Current Year – Governor’s FY 2020 Solution – Major Items

Cost Shifts – Opioid Assessment	\$4.0
Caseload Estimate Alteration	4.8
HHS Agencies Corrective Actions	2.8
Debt Service Update	2.7
Car Tax Data Update	4.0
Central Falls School Aid	(0.5)
Statewide Savings – unachieved	(1.7)
Quasi and other Transfers	16.7
Other	(1.4)
Total Impact to 2020 Deficit	\$31.3

Budget Year and Out-years

- FY 2021 Revenue-Expenditure Gap
 - FY 2021 was estimated in June to have a gap of approximately \$130 million
 - Budget Office July estimate: \$208.6 million
 - Expenditures much higher than prior projections
 - School Aid, Medicaid, UHIP ongoing costs
 - HFAS revised estimate to about \$122 million gap plus \$6.5 million current year issue

Summary – Budget Solve

Governor's Budget Solve - Jan	FY 21	FY 20	Total
Revenues	\$79.7	\$16.7	\$96.3
HHS Caseload/Other	57.3	7.5	64.8
UHIP Ongoing	(23.1)	-	(23.1)
Locals	6.7	3.5	10.2
Commerce	(10.3)	-	(10.3)
Higher Education	(0.5)	-	(0.5)
Debt Service	3.6	2.7	6.3
New Programs/Initiatives	(12.1)	-	(12.1)
Other Adjustments	(3.8)	1.0	(2.9)
Total Solution	\$97.5	\$31.4	\$128.7

Governor's Solution

- *Revenues*
- Caseload/HHS/UHIP
- Locals
- Commerce
- Departments and Agencies
 - Higher Ed
 - Initiatives
 - Debt and Other

Revenues Changes

Revenues - \$96.3 million

- Adult Use Marijuana - \$21.8 million
- Transfers - \$32.8 million
- Tax Changes - \$27.3 million
- Enhanced Collections - \$8.7 million
- Fees – \$5.7 million

Revenues Changes

Quasi Transfers	FY 20	FY 20 R	Chg.	FY 21	2Yr Chg.
Resource Recovery	\$ -	\$5.0	\$5.0	\$5.0	\$10.0
RI Housing	1.5	1.5	-	1.1	1.1
IB/MRBF	4.0	12.9	8.9	5.0	13.9
RISLA	1.5	1.5	-	2.0	2.0
QDC	1.2	1.2	-	-	-
NBC	-	-	-	2.0	2.0
RIHEBC	-	-	-	1.0	1.0
Quasi Total	\$8.2	\$22.1	\$13.9	\$16.1	\$30.0
Other Transfers	5.0	7.8	2.8	-	2.8
Grand Total	\$13.2	\$29.9	\$16.7	\$16.1	\$32.8

\$ in millions

Revenues Changes

Tax Changes - \$27.3 million*	
Earned Income Tax Credit	\$(1.1)
Sales Tax Expansion	13.1
Alcohol Tax Changes	9.1
Tobacco Regulation Changes	1.4
Controlling Interest Transfer Tax	(0.0)
Hotel Tax 1% increase	4.7

\$ in millions; *net of expenses

Revenues Changes

Enhanced Collections* - \$8.7 million

Reciprocal Payment Offset Program	\$4.9
Workplace Tax Compliance	3.8

\$ in millions; *net of expenses

Revenues Changes

Fees	Revenue	Dedicated Spend	Net New Revenue
DMV	\$3.7	\$0.0	\$3.7
DEM	0.9	0.5	0.4
Business/Licensing	1.0	0.6	0.4
Other	1.4	0.2	1.2
Total	\$7.0	\$1.3	\$5.7

\$ in millions

Revenues Changes

Change to Dedicated Charges - \$6.9 million

OSPAR charge per barrel	\$1.9
Job Development Fund Assessment to large non-profits	1.4
Real Estate Conveyance Tax -	3.6

- Changes to dedicated funding mechanisms
 - Not direct deficit resolutions but impacts to users and programs

Governor's Solution

- Revenues
- Caseload/HHS/UHIP
- EOHHS Agencies
- Locals
- Commerce
- Departments and Agencies
 - Higher Ed
 - Debt and Other
 - Initiatives

Medicaid/EOHHS Agencies

Changes to Medicaid program

- Managed care plans
 - Full Risk Arrangement
 - Adult Co-payments & Pharmacy Utilization
 - Doula Services
 - Rite Share Enhancements
- Hospital Payments
- Nursing home increase limited to 1%

Medicaid

Impact: Managed Care Plans	GR	All
November Caseload Estimate	\$7.1	\$30.2
Full Risk Arrangement	(5.1)	(15.7)
Adult co-pays (incl. pharmacy)	4.3	17.8
Pharmacy Utilization	0.5	1.5
Rite Share Enrollment	5.2	19.0
Doula Services	(0.1)	(0.2)
Total	\$12.3	\$52.6

\$ in millions

Medicaid

Impact: Hospitals	GR	All
Freeze Rates at FY 2020 Level	\$7.1	\$20.3
Hospital License Fee at 6%	32.3	32.3
DSH - pending federal delay	[30.3]	[64.5]
Eliminate Outpatient UPL	1.5	4.6
NICU Rates to In-plan services	1.2	2.5
GME Payment	-	(1.2)
Total	\$42.1	\$58.5

\$ in millions

Medicaid

Impact: Long Term Care/Other	GR	All
Limit October 1 st nursing home rate increase to 1%	\$3.1	\$7.5
Dual Eligible Utilization Management	0.3	0.9
Long Term Care - Total	\$3.4	\$8.4
High Utilizers	\$2.1	\$6.1
Ambulance Rates	(0.8)	(2.2)
Other Services – Total	\$1.3	\$3.9

\$ in millions

Medicaid

Dev. Disabilities Program	GR	All
Current Spending & Caseload	(\$4.0)	(\$8.8)
Wage Increase - 1/1/2021	(1.0)	(2.0)
Residential Rebalancing	0.8	1.7
Privatize RICLAS	[2.9]	[6.4]
<i>RICLAS Savings</i>	6.6	14.1
<i>Community Providers</i>	(3.1)	(6.8)
<i>Consultant</i>	(0.5)	(1.0)
Total	(\$1.3)	(\$2.7)

\$ in millions

Medicaid

BHDDH Housing/Alternative Programs	GR	All
Rate Increase for BH Providers	\$(3.0)	\$(3.0)
Thresholds Program	(0.5)	(0.5)
Access to Independence	(0.1)	(0.1)
Total	(\$3.6)	(\$3.6)

\$ in millions

EOHHS Agencies

- DCYF Governor Rev – \$256.2 million
 - \$185.7 million general revenues
 - \$20.6 million more than enacted
 - \$1.3 million less from general revenues compared to Q1 projections
- DCYF Governor FY 2021 - \$263.6 million
 - \$186.8 million general revenues
 - \$21.7 million more than enacted
 - Entitlement Adjustment - \$18.1 million
 - Identified savings Initiatives - \$6.8 million
 - Approx. \$2.7 less than HFAS Q1 estimate

EOHHS Agencies

DCYF	GR	All
Additional Licensing Staff	\$2.5	\$3.3
Federal Funding Optimization	3.3	0.0
Legal Staff	0.2	0.2
Child Protective Services	0.3	0.5
Private Agency Contracts	0.5	0.6
Total	\$6.8	\$4.5

\$ in millions

EOHHS Agencies

DHS	GR	All
November Caseload Estimate	\$1.4	(\$0.5)
Child Care Reimbursement Rates	(3.9)	(3.9)
Child Care Coverage Expansion	(0.2)	(0.2)
RI Works Expansion & Clothes Allowance	-	(0.6)
RI Veterans' Home	1.8	(1.6)
Total	(\$0.7)	(\$6.8)

\$ in millions

EOHHS Agencies

- DHS - \$3.8 million additional spending
 - Including new child care initiatives
 - Increased rates for infants, toddlers, & preschool
 - Expand child care to students in a RI public institution of higher education
- DOH - \$1.0 million
 - New home visiting state support
 - Preventive and prenatal services
 - Matches Medicaid; adds to current federal funds

EOHHS Agencies

- Veterans Services - \$1.6 million all sources
- Home Operations - \$1.4 million all sources
 - Reflects shift of resident collections to restricted receipts and increased collections
 - Based on current year expenses
 - \$0.3 million less than revised budget
- RI Serves - \$153,000 from general revenues

UHIP

- House Fiscal deficit projections did not assume same ongoing state support
 - \$11M of \$33.2M budgeted from settlement
 - Some services not needed as development is completed
 - *Likely too aggressive/optimistic*
- OMB deficit assumes same spending
 - Comes from state resources
 - Governor's FY 2021 budget same
 - \$23.1 million more than HFAS deficit assumptions

UHIP – FY 2021

EOHHS/DHS	FY 2021 Gov. Rec.
Design, Dev & Implementation	\$21.0
Maintenance & Operating	25.6
Other Contracted Services (DHS)	17.0
Subtotal Contracted Services	\$63.6
Staffing & Other Operations	14.2
Total	\$77.7
State Share	\$22.1

\$ in millions

Governor's Solution

- Revenues
- Caseload/HHS/UHIP
- *Locals*
- Commerce
- Departments and Agencies
 - Higher Ed
 - Corrections
 - Initiatives
 - Debt and Other

Locals

- \$10.4 million less than original estimates
 - Education Aid - \$16.2 million more
 - Formula education aid - \$11.9 million
 - Teacher retirement – \$2.4 million
 - Multilingual Learners - \$2.5 million
 - Group Home Aid/Central Falls - \$0.6 million less
 - Billing locals for audiology services - \$0.2 million
 - Local Aid - \$26.5 million less
 - Motor Vehicle Excise Tax - \$18.6 million less 2 years
 - \$11.8 million less than current law
 - Distressed Communities - \$6.2 million less

Education Aid

- Funds 10th year of formula
 - Adds \$32.0 million based on updated data
 - Adds \$0.4 million for Central Falls
 - \$0.5 million added in the current year
 - \$0.2 million less for fewer group home beds
- FY 2021 is final year of phase-in adjustments
 - Districts receive aid as produced by formula
 - Formula does not “expire”

Education Aid

- ELL or “multilingual learner” aid - \$7.5M
 - Support for English language learners in most intensive programs
 - \$2.5 million more
 - New legislation specifies uses of funds
- Teacher Retirement
 - \$118.4 million
 - \$6.0 million more than enacted
 - \$1.2 million less than prior estimate

Education Aid

- School Resource Officers
 - 3-year program, reimburses 1/2 costs of new SROs in middle and high schools
 - \$2.0 million for final year
 - \$1.0 million from Opioid funds
 - Governor includes proposal to expand aid to new mental health professionals in schools
 - \$0.5 million for SROs, \$1.5 million for new mental health staff
 - Does not extend sunset

Education Aid

- School Construction Aid \$80 million
 - \$79.1 million - Traditional
 - \$0.9 million – SBA Fund
- Same total funding
 - Final split based on traditional program cost
 - Excess from traditional aid gets transferred to Fund
 - For FY 2020, excess must be used for technical assistance to districts
 - In FY 2019, \$2.9 million grants distributed to districts

Education Aid

- \$250 million GO bond approved by voters
 - Upfront support for state share of projects
 - Approval also triggered temporary incentives to enhance aid for certain projects
 - Projects must begin by 2022 or 2023
 - Out-year forecast includes impact from incentives & activity
 - \$81.9 million FY 2022
 - Growing to \$130.8 million for FY 2025
 - Was missing from prior Gov. forecast
 - Subject to significant revision based on activity

Local Aid – General Aid Programs

	FY 2020 Enacted	FY 2020 Gov. Rev.	FY 2021 Governor
Dist. Communities	\$12.4	\$12.4	\$6.2
PILOT	46.1	46.1	46.1
Motor Vehicle Excise	94.3	90.3	100.7
Total	\$152.7	\$148.7	\$153.0

\$ in millions

Local Aid Programs

- Distressed Communities
 - \$6.2 million
 - Half the enacted
 - Redistribution among communities based on data
- 7 recipients
 - Central Falls
 - North Providence
 - Pawtucket
 - Providence
 - West Warwick
 - Woonsocket
 - Cranston

Local Aid Programs

- PILOT - \$46.1 million
 - Funding represents – 26.2% of the value
 - Same as enacted level
 - Law allows up to 27%
- Motor Vehicle Phase-Out - \$100.7 million
 - \$6.5 million more than enacted
 - \$11.8 million less than current law
 - Adds 5 years to schedule

Governor's Solution

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

Commerce

- FY 2021 budget funds commerce programs at \$8.6 million above levels assumed in FY 2021 projections
 - Adds funding to established funds
 - Defunds ongoing programs
- Changes to approved programs
 - Extends sunsets from Dec 2020 to Dec 2023
 - Initial extension related to receipt of updated long term plan due December 2019
 - Evaluations due June 2020

Commerce

Current Programs	2016 - 2017	2018 - 2019	2020 R	2021
Rebuild RI	\$26.0	\$23.7	\$10.0	\$22.5
Cluster Grants	0.8	-	0.1	0.4
Wavemaker	1.8	0.8	1.6	2.1
Innovation Initiative	1.0	1.0	1.0	1.0
P-Tech	0.9	-	0.2	0.2
I-195 Redev. Fund	25.0	2.0	-	1.0
Small Business Assist.	5.5	-	0.5	0.8
Supply RI	-	-	0.3	0.3

\$ in millions

Commerce

Pass-Through	2017	2018	2019	2020R	2021
Commerce Corp.	\$7.4	\$7.2	\$7.5	\$7.4	\$7.4
Airport Impact Aid	1.0	1.0	1.0	1.0	1.0
STAC	1.2	0.8	0.9	0.9	0.9
Innovative Research	1.0	1.0	1.0	1.0	1.0
Minority Business*	-	0.14	0.14	0.14	0.15
International Trade*	0.4	0.4	0.5	0.5	0.5
Polaris	0.3	0.3	0.4	0.4	0.4

\$ in millions; *different recipient?

Commerce

- Rebuild RI
 - Prefunding tax credits taken over time
 - \$22.5 million for FY 2020; prior assumption \$15 million
 - Total set-aside increases to \$82.2 million
 - Current cap on credits \$210M and expires 12/20
 - Estimated \$146 million awarded to date
 - Article 11 increases cap to \$250 million
 - Extends sunset to 12/23
 - Reduces the percentage of total project funding available for award in limited circumstances
 - Out-years assume need for over \$50 million/yr

Commerce

- Site Readiness
 - Facilitate development & investment
 - \$1.0 million for site readiness
 - \$0.4 million for 5 Commerce Corp. fellowships
 - \$21.5 million from new G.O. Bonds for development
 - Legislation establishes roles for Quonset or Commerce to contract with locals for development assistance at agreed upon sites
 - Elements of prior proposals not enacted

Commerce

- Related Issues
 - Minimum wage increase
 - Job development fund extension to non-profit employers
 - Noted in revenue section
 - Housing

Commerce

- Housing Reorganization
 - Establishes 7-member Council above 17-member steering committee
 - Replaces 28-member HRC, 4-member committee
 - Doubles conveyance tax on value over \$0.5 million
 - Yields \$0.8 million annually
 - Funds financial & technical assistance for locals
 - Including offsetting increased educational expenses
 - Proposes new \$25.0 million G.O. bond

Governor's Solution

- Revenues
- Caseload/HHS/UHIP
- Locals
- Commerce
- *Departments and Agencies*
 - Higher Ed
 - Public Safety
 - Initiatives
 - Debt and Other

Departments and Agencies

- Higher Education
 - \$0.3 million is for 4th year of RI Promise Scholarship
 - Reflects tuition increase for FY 2021 and similar number of students as the FY 2020 experience
 - Includes \$0.3 million for 3 new advisors for CCRI

Departments and Agencies

- Department of Corrections
 - High Security Savings - \$0.8 million
 - Close 2 mods – transfer 24 inmates out-of-state
 - Healthcare Savings - \$0.3 million
 - Add to in-house medical staff, fewer hospital visits
 - Parole Revision Savings - \$0.2 million
 - Allow for geriatric parole
 - Expanding medical parole
 - Inmate employment \$0.1 million
 - New staff for DLT joint venture

Departments and Agencies

- Attorney General
 - \$1.7 million in new settlement revenue from spending \$0.4 million on staff (4)
 - Assumes more staff=more settlements
 - Unclear how this was calculated
 - No proposed law change on jurisdiction like last year
 - \$0.3 million for other new staff (4)
 - \$0.4 for complex litigation services
 - Public Defender
 - \$0.3 million for 3 new staff

Departments and Agencies

- Early Childhood/PreK
 - \$3.3 million to include district students in funding formula
 - \$1.4 million to add seats
- K – 12 Initiatives
 - 9.0 New FTE - \$1.7 million all sources
 - English Language Tests - \$115,000

Departments and Agencies

- Real Jobs - \$7.3 million increase
- End \$250,000 Boys & Girls Club grant
- Food Bank grant - \$350,000
 - Up \$175,000
- Year Up - \$250,000 new grant
 - Current support from Contingency Fund
- Contingency Fund - \$0.1 million increase
- Parks and Rec - \$0.7 million
 - For additional maintenance and parks staff

Debt Service

- Debt Service - \$6.3 million savings
 - Garrahy Courthouse Parking
 - \$3.3 million more over FY 2020 & FY 2021
 - Delayed occupancy
 - GO debt
 - \$5.2 million savings over FY 2020 & FY 2021
 - Providence Place - \$3.6 million savings
 - Fidelity Job Rent Credits - \$0.2 million less
 - Other debt savings - \$0.7 million

Cost Shifts

- Opioid
 - \$4.0 million in current year general revenue spending swapped for these new restricted receipts to reduce deficit
 - FY 2020 authorized collection but did not identify specific spending
 - FY 2021 spending is on new items

Governor's Solution

<i>\$ in millions</i>	FY 21	FY 20	Total
Revenues	\$79.7	\$16.7	\$96.3
HHS Caseload/Other	57.3	7.5	64.8
UHIP Ongoing	(23.1)	-	(23.1)
Locals	6.7	3.5	10.2
Commerce	(10.3)	-	(10.3)
Higher Education	(0.5)	-	(0.5)
Debt Service	3.6	2.7	6.3
New Programs/Initiatives	(12.1)	-	(12.1)
Other Adjustments	(3.8)	1.0	(2.9)
Total Solution	\$97.5	\$31.4	\$128.7

Governor's FY 2021 Budget

- FY 2019 Audited Closing
- FY 2020 Revised Budget
- FY 2021 Revenue-Expenditure Gap
- Governor's Recommended Solution
- ***Operating Budget Overview***
- Capital Budget Overview
- Out-years

Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$4,077.6	\$4,247.8	\$170.2
Federal	3,325.4	3,323.1	(2.2)
Restricted	311.4	348.9	37.5
Other	2,256.3	2,275.2	18.9
Total	\$9,970.6	\$10,195.0	\$224.4

\$ in millions

Personnel and Operating

- Salaries and Benefits
 - Increase of 3.2% from enacted
 - General revenues increase 2.0%
 - Reflects updated benefit rates
 - Includes \$3.5 million of medical benefit savings from general revenues

Full-time Equivalent Positions

	Total
FY 2019 Avg.	14,062.1
FY 2020 Enacted	15,074.7
FY 2020 Gov. Rev.	15,095.7
Diff. from Enacted	21.0
FY 2021 Gov. Rec.	15,074.7*
Diff from Enacted	-
Filled April 25	14,238.3
Diff. from Enacted/ 21 Gov.	(836.4)

**includes 240 new positions*

Staffing Changes

- Biggest changes
 - BHDDH - down 204
 - Privatization of RICLAS
 - State-run system for adults w/ dev. disabilities
 - DOT – 45
 - Health - 42
 - DCYF – 42 (includes 11 social workers)
 - Adult marijuana - 13 for DBR
 - DOC -12 for discharge planning & others
 - RIDE - 9

Expenditures

	Enacted	Budget	Change
Sal/Ben	\$1,835.4	\$1,871.4	\$36.0
Contracted Services	347.9	375.1	27.2
Operating	1,011.7	1,077.3	65.6
Local Aid	1,519.9	1,572.4	52.6
Assistance & Grants	4,326.2	4,247.8	170.2
Capital	480.4	392.7	(87.6)
Debt Service	268.0	270.0	2.0
Operating Transfers	181.1	263.5	82.4
Total	\$9,970.6	\$10,195.0	\$224.4

\$ in millions

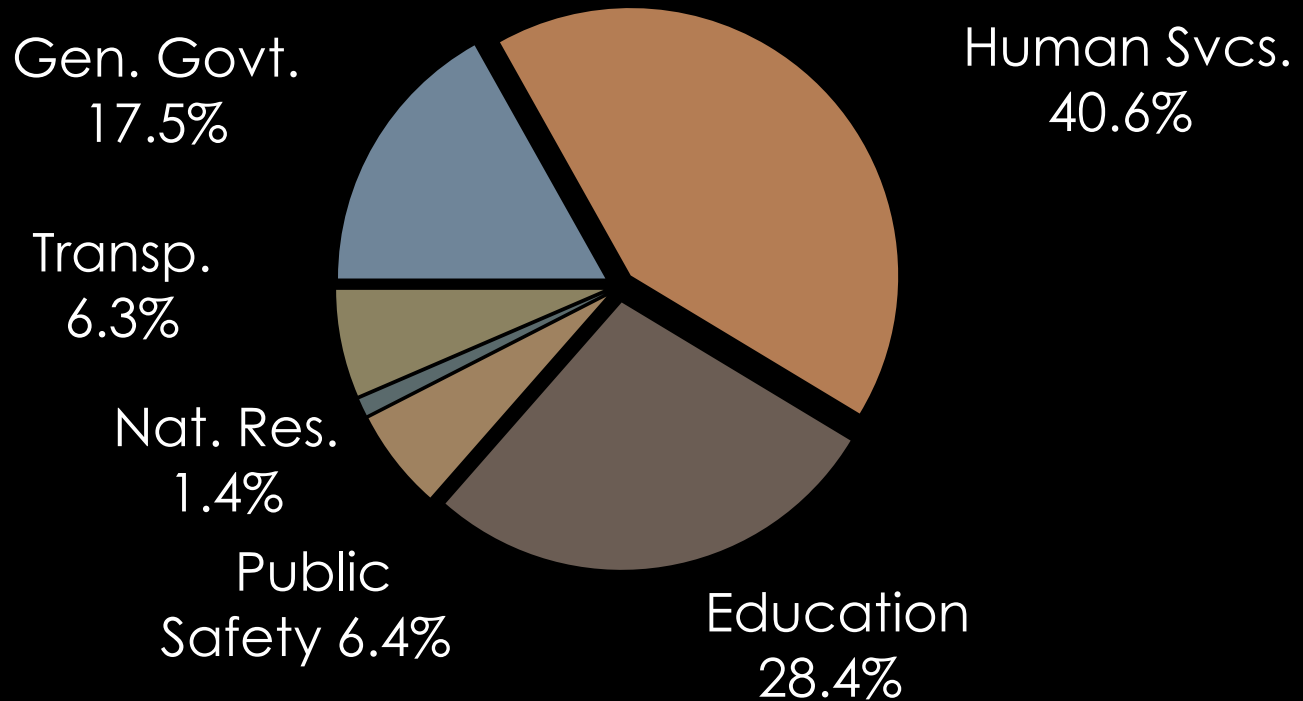
Personnel and Operating

- Contracted Services
 - Increases 7.8% from enacted
 - General revenues increases 56.6%
 - \$ 15.1 million in contracted UHIP costs shift back to GR
 - 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

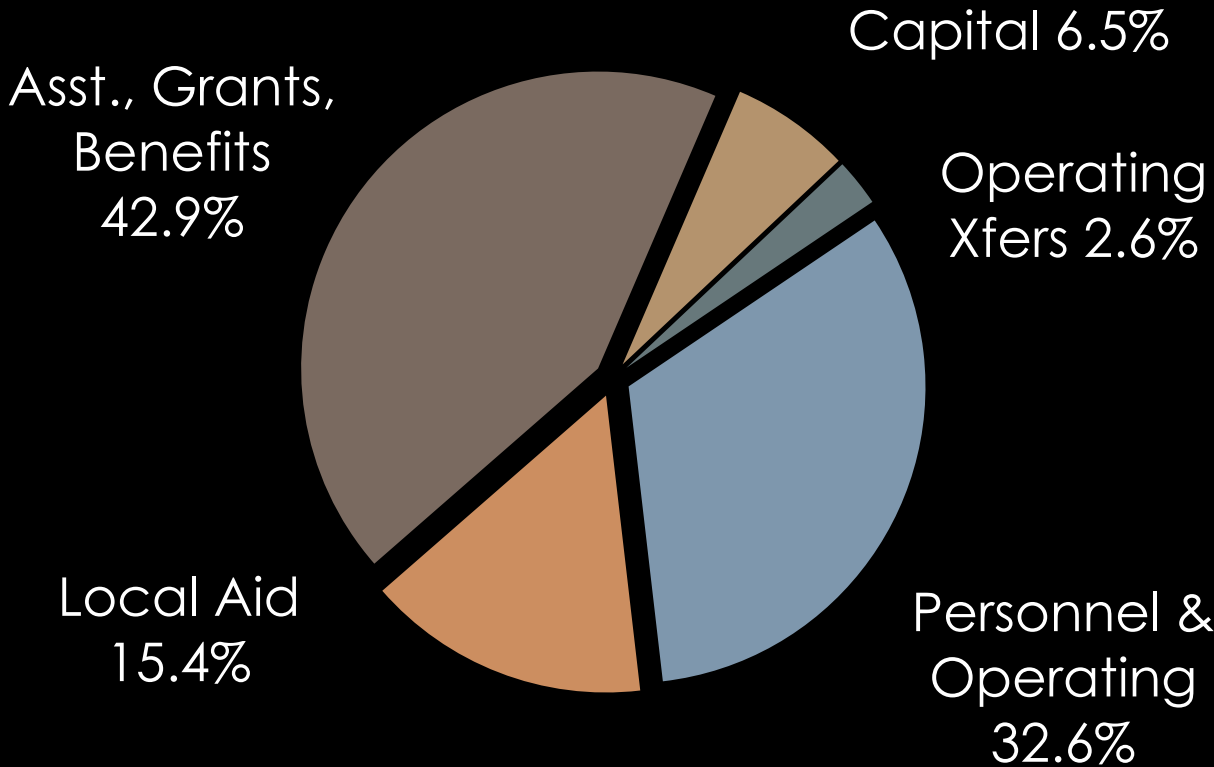
Personnel and Operating

- Operating Costs
 - Increase 6.5% from enacted
 - 11.9% increase from general revenues
 - Shift of \$4.2 million in Nursing Education Center lease costs from capital to operating
 - Excluding this, general revenue increase is 6.1%
 - Includes money for license plate reissuance
 - Offsetting revenues for this expense
 - Includes \$3.0 million more for ISF billings

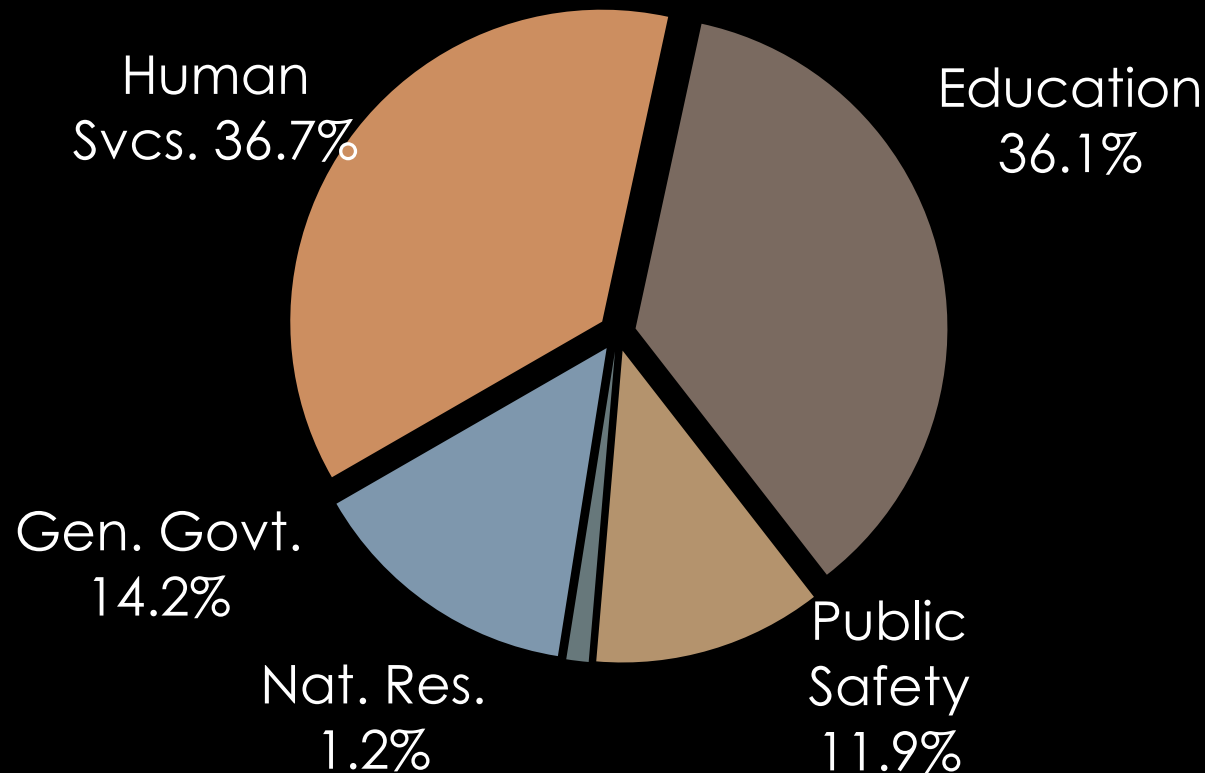
All Funds by Function: Governor FY 2021



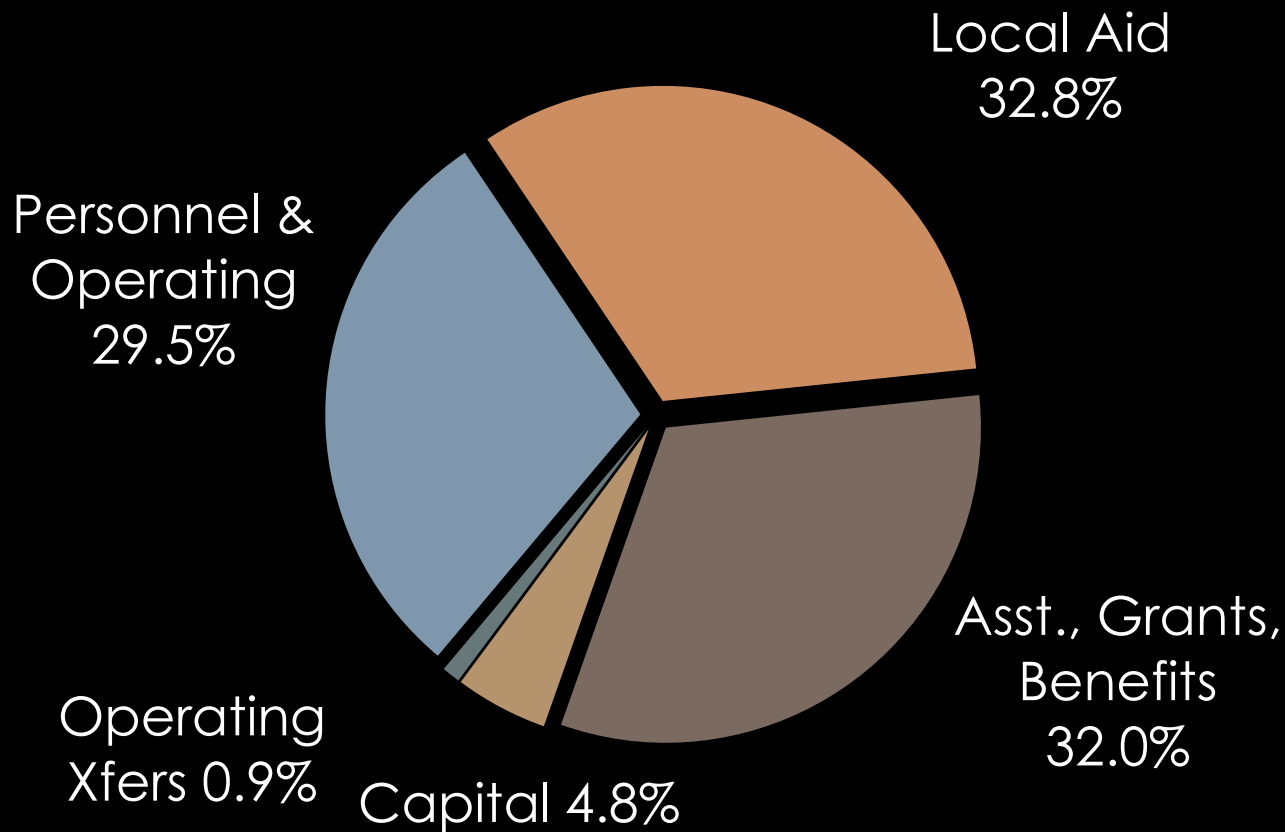
All Funds by Category: Governor FY 2021



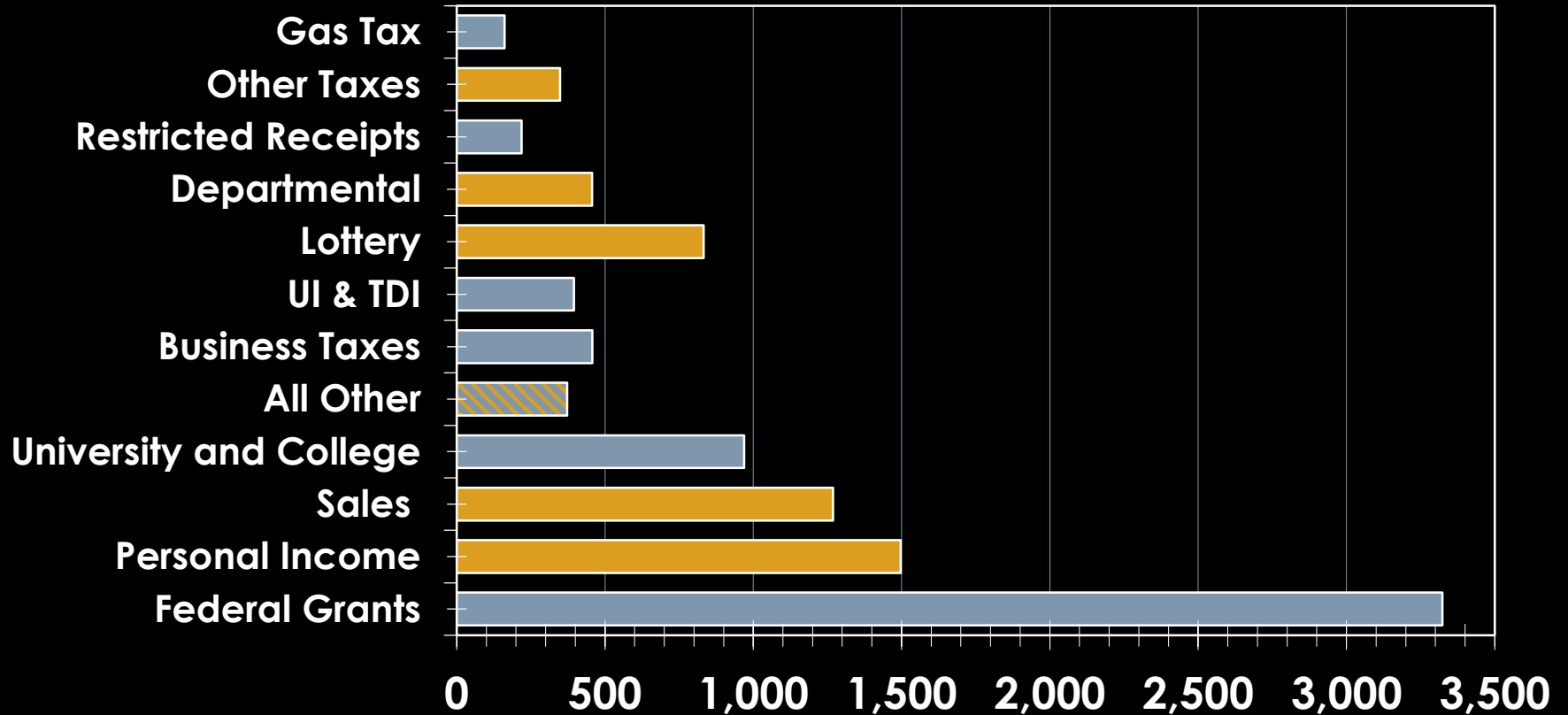
General Revenues by Function: Governor FY 2021



General Revenues by Category: Governor FY 2021

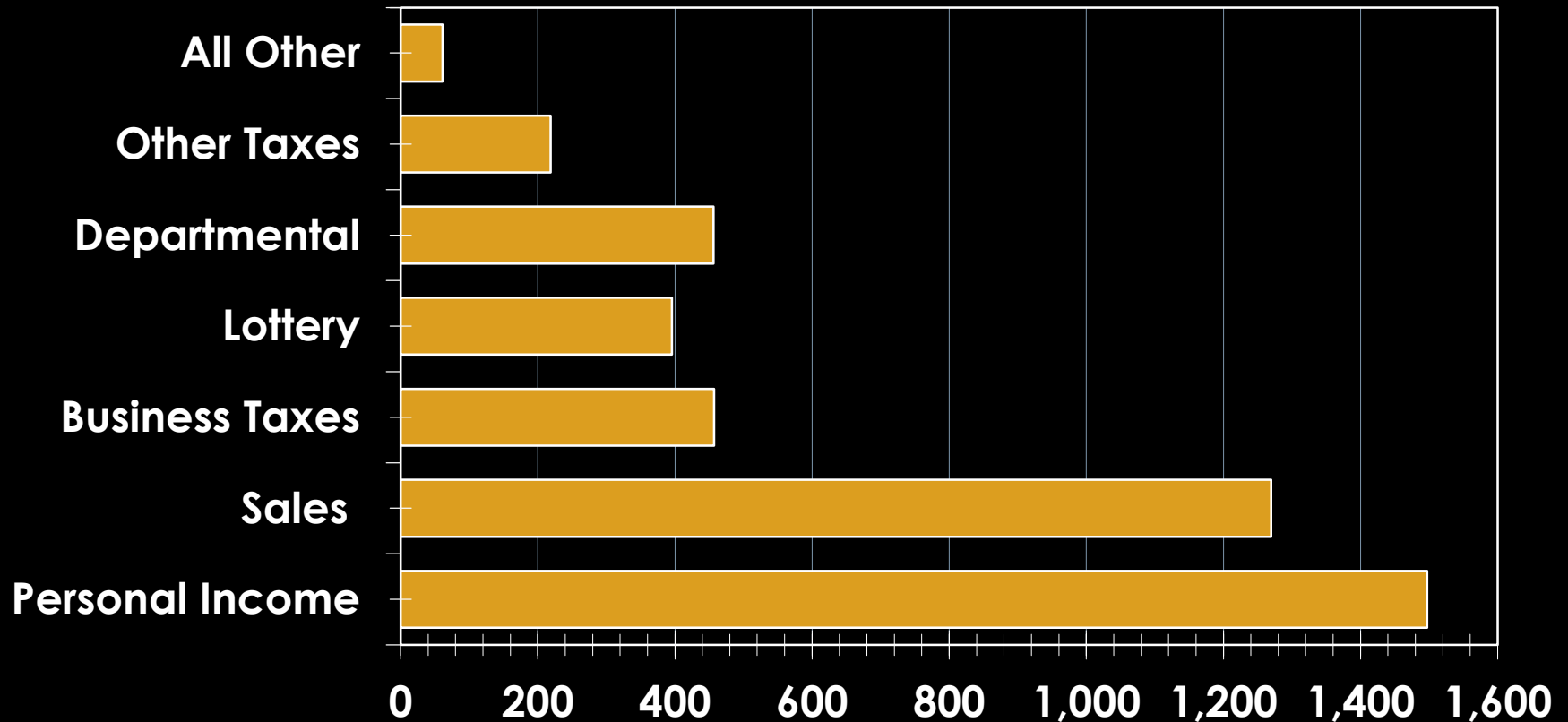


All Sources *(\$ millions)*



General Revenue Sources

(\$ millions)



New Requested Debt – GO November 2020

Ballot Questions	Amount	Annual Debt
Higher Education	\$117.3	\$9.4
Environment & Recreation	64.0	5.1
Housing, Cultural, Infrastructure	87.5	7.0
Total	\$268.8	\$21.6

Assumes 5% rate & 20 year term
\$ in millions

New Requested Debt

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

\$ in millions

Summary of Opportunities

- Individual and business stabilization mitigates impact to major revenue sources
 - Income/employment protection
- Direct GR Medicaid relief
 - Offset by certain costs to obtain
 - Limitations on terminations
 - Other prohibitions
 - Waivers sought and granted for additional spend

Summary of Opportunities

- Maximize use of time sensitive CRF funds
 - Eligible current state expenses
 - Substitute current general revenue support where possible
 - Creative repackaging?
- Maximize flexible federal & other sources
 - Block grants
 - Fewer use restrictions
 - Less time sensitive
 - Available for all of FY 2021

COVID-19 Relief

- On April 13 RI requested that FEMA waive 25% state share
- RIEMA planned and paid expenses of \$134.1 million as of May 19
 - Mostly ventilators & personal protective equipment
 - Other state agencies also have eligible expenses

As of May 19	EMA	All
Expenditures	\$24.2	\$47.5
Encumbrances	109.9	136.2
Total	\$134.1	\$183.7

\$ in millions

COVID-19 Relief

- Three possibilities on state match
 - 100% waiver granted – *optimal*
 - **State Coronavirus Relief funds (\$1.25B) can be used to meet state match – next best**
 - Expenses get shifted to Coronavirus Relief funds to avoid direct general revenue expense to cover match
 - *Worst case -more significant share of those funds are not available for other state needs, budget relief*

Estimated Uses

Item/Issue (est.)	FEMA	CRF	Medicaid	Other
PPE/Equip	150	50		
Hospital Surge	60	20		
Wage Support	-	10		
Nursing Home Rate	-	?	10	
Hospitals/Providers?	-	200		?
Future Testing?	-	150		85
Other	?	50		
Total	\$210	\$480	\$10	\$85

Summary – Budget Status

	FY 2020	FY 2021	Total
REC/CEC Impact to Gov. Budget	\$235.8	\$579.1	\$814.9
New Issues	12.9	38.6	\$51.5
Increased Budget Gap Solve	\$248.7	\$617.7	\$866.4

- Each year likely requires different approach for solving problems

Rainy Day Fund

FY 2020	Enacted	Revised	Diff.
Opening Balance	\$25.5	\$40.8	\$15.3
Revenues	4,178.7	4,197.1	18.4
Cash Stabilization Fund	(126.1)	(126.8)	(0.7)
Total Available Resources	\$4,078.1	\$4,111.1	\$33.0
Expenditures	\$4077.6	\$4,086.3	\$8.7
Free Surplus	0.5	24.8	24.4
<i>Operating Surplus/(Deficit)</i>	<i>(25.0)</i>	<i>(5.7)</i>	<i>19.3</i>
Budget Stabilization & Cash Reserve	\$198.5	\$211.0	\$12.5

\$ in millions

State & Local: Treasury

- May 4 guidance suggests most flexibility will be with public safety & public health expenses
 - Allows for general revenue relief
 - Potentially tens of millions - **DOC not likely option now**

General Revenues	FY 2020 Gov. Revised	FY 2021 Governor
Health	\$30.9	\$33.0
Public Safety	\$105.3	\$105.7
Corrections	\$238.3	\$242.1
Per Quarter	\$34.0	\$34.7

\$ in millions

Summary

- Results of the May Revenue & Caseload Conference decrease available resources for the FY 2020 revised & FY 2021 budgets by \$815 M
 - *Governor's budget solved a projected problem a fraction of that that size*
- *Issues not accounted for total over \$50M bringing total gap closer to \$900M*
 - *Identified federal relief opportunities not sufficient alone even if completely flexible*

Budget Status

Staff Presentation to the House Finance
Committee
May 20, 2020
