

Governor's FY 2021 Budget

Staff Presentation to the House Finance
Committee
February 4, 2020

Governor's FY 2021 Budget

- January 14 - Governor's State of the State address
- January 16 - Budget due
 - 2020 - H 7170 and 7171 introduced and referred to Finance
- Most supporting documents provided with submission

Budget Briefings, Publications & Hearings

- December 3 – Budget Status
- Jan 21 & 28 – Budget at a Glance
- February 4 – Governor's Budget Overview
- February 5 – Article hearings begin
- House Fiscal Staff Budget Analysis
- Early May – Consensus Revenue and Caseload Estimating Conference

Governor's FY 2021 Budget

Finance Committee Review

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

References

- Materials are on line on the Assembly website - <http://www.rilegislature.gov>
 - House Fiscal Reports
 - Tabs for 2020 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 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

FY 2019 Preliminary

	Enacted	Current	Diff.
Opening	\$52.5	\$52.5	\$0.0
Revenues	4,018.9	4,020.9	2.1
Rainy Day	(122.1)	(122.2)	(0.1)
Expenditures	(3,933.8)	(3,921.8)	12.0
Closing Surplus	25.5	39.5	14.0
Reappropriation	-	(10.3)	(10.3)
Free Surplus	\$25.5	\$29.2	\$3.7

\$ in millions

FY 2019 Closing

- As with prior years, FY 2020 budget counted on surplus from FY 2019 to help fund expenses for which there were no current revenues
- Preliminary FY 2019 data shows \$3.7 million gain to that assumption
 - Audited data increased that to \$5.0 million

FY 2019 Closing

- Audited spending higher \$2.3 million
- Revenues higher by \$3.7 million
 - Medicaid adjustments
 - Technical change to treatment of tax contingency contracts

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

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Economic Forecast

- Revenue Estimating Conference adopts a consensus economic forecast
 - It takes testimony from IHS Markit
 - The firm builds U.S. macroeconomic models from which it derives its Rhode Island forecasts
 - Updated in November
 - Will be updated again in May along with revenues

Economic Forecast

- November forecast slightly more optimistic than May 2019 forecast
- Growth rates in FY 2020 for personal income, wage & salary, personal consumption projected to be somewhat higher
 - Wage & salary also higher for FY 2021
- Consumer spending growth will slow over next few years

Economic Forecast

- Forecast assumptions
 - No new U.S. tariffs
 - Beyond those already implemented or scheduled
 - Fed will cut rates by another 0.25% by December (occurred in November)
 - Will help stock market & homebuilding sector
 - Boeing cleared to resume deliveries of 737 MAX in early 2020
 - Downside risks abroad are avoided
 - “no-deal Brexit” avoided, Saudi oil production restored, other global hot spots don’t worsen

FY 2020 – HFAS Dec 3

	Enacted	Current	Diff.
Opening	\$25.5	\$39.5	\$14.0*
Revenues	4,178.7	4,178.8	0.1
Rainy Day	(126.1)	(126.2)	(0.1)
Expenditures	(4,077.6)	(4,098.5)*	(20.9)
Total FY 2020	\$0.5	\$(6.5)	\$(7.0)

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

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)*	(20.9)
Total FY 2020	\$0.5	\$24.8	\$24.4

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

Current Year

- The *current year* had a \$6.5 million deficit – HFAS Dec 3
 - Primarily from unmet expenditure savings outpacing 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

Current Year – 12/3

- Revenues are up by \$0.1 million
- Closing resources increase rainy day transfer by \$0.1 million
- Expenditures appear up by \$23.1 million net of re-appropriations and November Caseload savings
- Closing surplus down by \$7.0 million
- Governor's FY 2020 revised ends with \$24.8 million balance for use in FY 2021

Current Year – 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

Current Year: EOHHS Agencies

HFS Estimate	General Revenues		
	Enacted	Q1	Diff
EOHHS	\$1,002.3	\$991.1	\$(11.2)
BHDDH	196.4	197.4	1.0
DCYF	165.1	187.0	21.9
DHS (incl. Healthy Aging)	66.7	65.3	(1.4)
Office of Veterans Services	25.5	28.4	2.9
DOH	31.0	31.0	-
Total	\$1,486.9	\$1,500.2	\$13.2

\$ in millions

DCYF FY 2019

	State Funds*
FY 2019 Enacted	\$161.6
FY 2019 Q1 – DCYF	\$176.5
FY 2019 Gov.	\$173.6
FY 2019 Q3 – DCYF	\$179.9
FY 2019 Assembly Final*	\$179.9
FY 2019 Actual*	\$183.2
Overspend	\$3.3

\$ in millions

*Adjusted for \$2.5M child care block grant funds sub for GR

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: 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: Deloitte Settlement

- Enacted budget assumes state keeps \$33.2 million of \$50 million settlement to offset costs
 - EOHHS for design & other consultants
 - DHS for allowable staffing costs

Agency	FY 2020 Enacted	FY 2020 Revised	Chg. to Enacted	FY 2021 Req.
EOHHS	\$6.6	\$6.5	\$(0.1)	\$-
DHS	24.7	24.7	-	-
HSRI	1.9	1.9	-	-
Total	\$33.2	\$33.1	\$(0.1)	\$-

\$ in millions

Current Year: Deloitte Settlement

- Disposition of \$50 million in proceeds from Deloitte settlement
- Enacted budget assumes state keeps at least \$33.2 million
 - Still awaiting federal decision
- EOHHS Q1 report says rev. budget projects \$28.9 million - \$4.3 million less
 - No information on which expenses change
 - State cost may be shifting to IT funds

Current Year - Changes

Reappropriation	\$10.3
Legislature*	(2.4)
EOHHS/BHDDH Closing Correction	1.5
EOHHS/DHS: Caseload Conference	(12.5)
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\$ 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

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Current Year - Governor

- Risks and Issues
 - Q2 Reports - fewer outstanding than usual
 - Unclear how accurate as agencies instructed to adhere close to Gov. revised budget
 - Unresolved Deloitte issue
 - Undisclosed adjustments pending
 - Caseload enrollment adjustment made outside public, statutory process
 - Projected surplus exceeds value of “scoops”
 - Constraints on spending in non deficit agencies?

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Budget Year and Out-years

- There are *budget year* and *out-year problems*
 - 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

*corrected from \$184M noted in 12/3 hearing

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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 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

Transfers	FY 20	FY 20 R	Chg.	FY 21	2Yr Chg.
Quasi Total	\$8.2	\$22.1	\$13.9	\$16.1	\$30.0
OSPAR	-	1.0	1.0	-	1.0
UST	-	1.0	1.0	-	1.0
First Wave	5.0	5.0	-	-	-
BHDDH Asset Forfeiture	-	0.5	0.5	-	0.5
Excess DEM Bonds	-	0.3	0.3	-	0.3
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 to:	GR	All
Managed Care Plans	\$12.5	\$52.6
Hospitals	42.1	58.5
LTC – Nursing Facilities	2.9	8.6
LTC – Home & Community Care	(0.1)	(0.2)
Other Services	1.3	3.9
Developmental Disabilities	(1.3)	(2.7)
BHDDH – BH Providers Rate Increase	(3.0)	(3.0)
Total	\$54.4	\$117.7

\$ in millions

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

- 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 & revised others
- 2017 Assembly made minor revisions

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
 - From closing 2 mods
 - Transferring 24 inmates out-of-state
 - Healthcare Savings - \$0.3 million
 - Add to in-house medical staff
 - Decrease trips to hospitals
 - Parole Revision Savings - \$0.2 million
 - Allow for geriatric parole
 - Expanding medical parole

Departments and Agencies

- Corrections
 - Inmate employment \$0.1 million
 - New staff for DLT joint venture
 - Connect employers with inmates being released
- Judiciary
 - \$0.6 million more for indigent defense
 - Based on increased caseloads

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

- Real Jobs - \$7.3 million increase
- Boys and Girls Club grant - \$250,000
 - Eliminates current state funding
- Food Bank grant - \$350,000
 - Add of \$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

Departments and Agencies

- DBR - \$0.6 million
 - Staff and upgrades - \$0.3 million
 - Building Code Training - \$0.1 million
 - Design Professionals - \$0.2 million
 - Shift from restricted receipts to general revenues
 - Not enough receipts to support program
 - Reversal of prior year savings initiative

Universal Pre-K

- Early Childhood/PreK - \$19.6 million
 - \$3.3 million to include district students in funding formula
 - \$1.4 million to add seats
 - Estimated to add 750 new seats in FY 2021
 - Assumes use of federal funds excluded from budget
 - Currently, 78 classrooms or 1,420 students supported from a mix of general revenues and Head Start funds
 - 18 classrooms and 340 seats more than in FY 2019

Initiatives

- K – 12 Initiatives
 - 9.0 New FTE, \$1.7 million all sources
 - 2.0 to support curriculum work
 - 1.0 to support the state's early childhood program
 - 1.0 for PrepareRI, previously grant funded
 - 3.0 school support positions
 - Deputy Commissioner that was already hired
 - 2.0 for the School Building Authority
 - RIHEBC funded
 - English Language Tests - \$115,000

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

Statewide Savings

- Enacted budget assumes general revenue savings of \$4.6 million
 - Budgeted in DOA for later distribution
 - *Budget Office Q1 assumes savings would occur*

Savings Proposals	FY 2020 Enacted	FY 2020 Gov. Achieved	FY 2021 Gov. Achieved
Fraud & Waste Detection	\$(2.0)	\$-	\$-
Injured on Duty	(1.7)	(0.7)	(0.3)
Overtime	(1.0)	(0.6)	-
Total	\$(4.6)	\$(1.3)	\$(0.3)

\$ In millions

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 Jan. 18	14,253.2
Diff. from Enacted/ 21 Gov.	(821.5)

**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

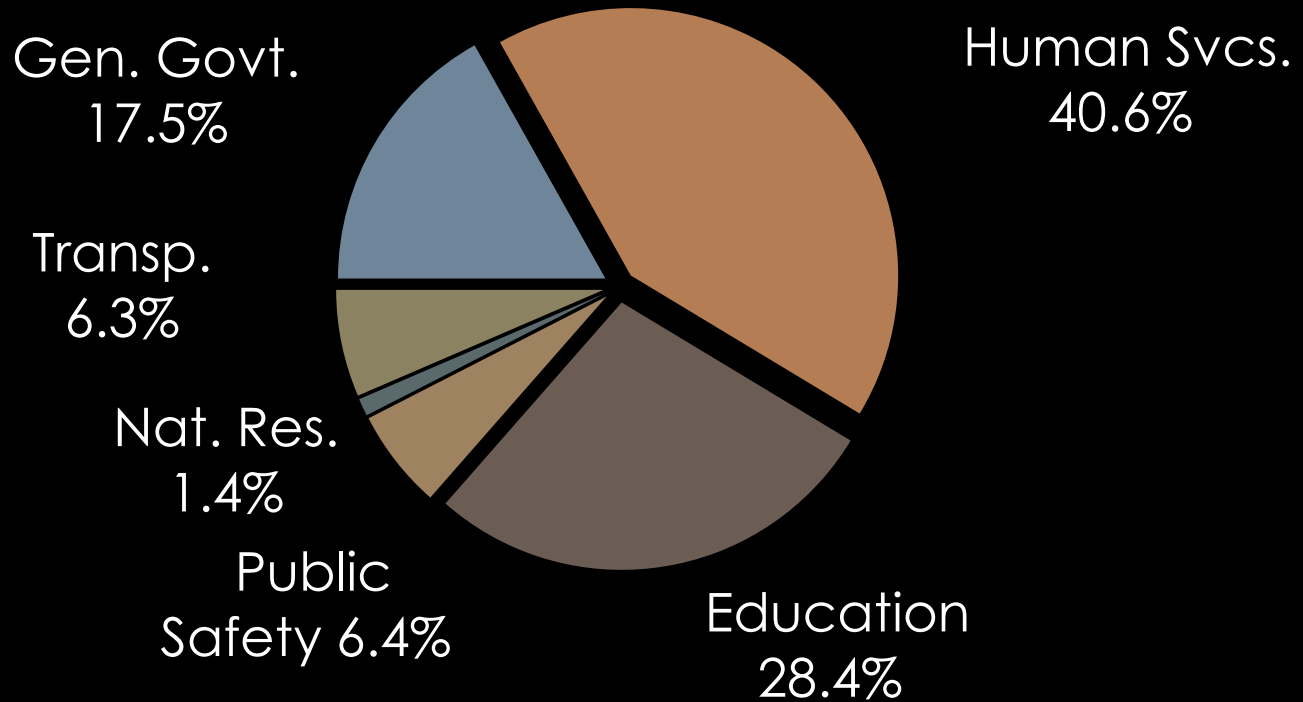
Centralized Services

- 2017 Assembly authorized establishment of internal service funds for centralized services
 - Information technology, capital asset management & maintenance, & HR
- Costs previously budgeted in DOA
 - Long term impacts and transparency concerns continue

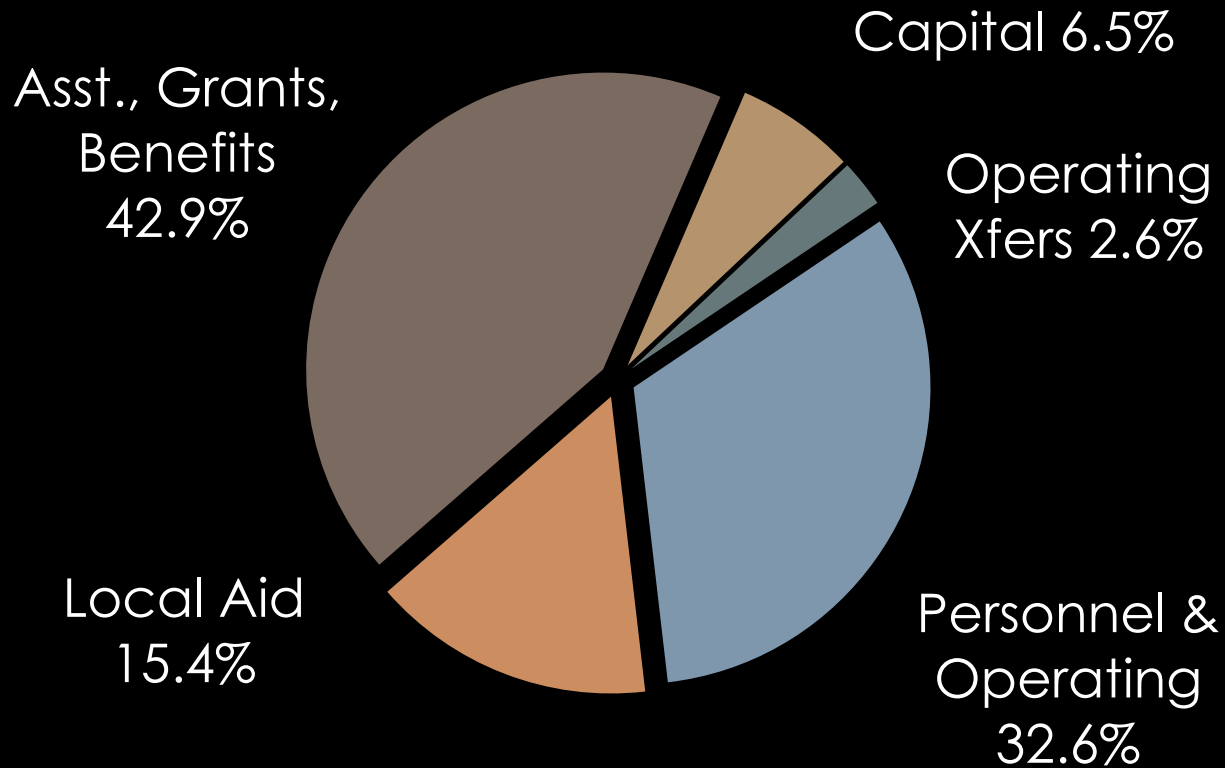
Personnel and Operating

- Transparency issues
 - Unidentified changes in agencies against rosters shown in the personnel supplement
 - Usually when new positions are added
 - Dilutes usefulness of the personnel supplement
 - A few classification issues persist from last year
 - Many positions charged to different agencies

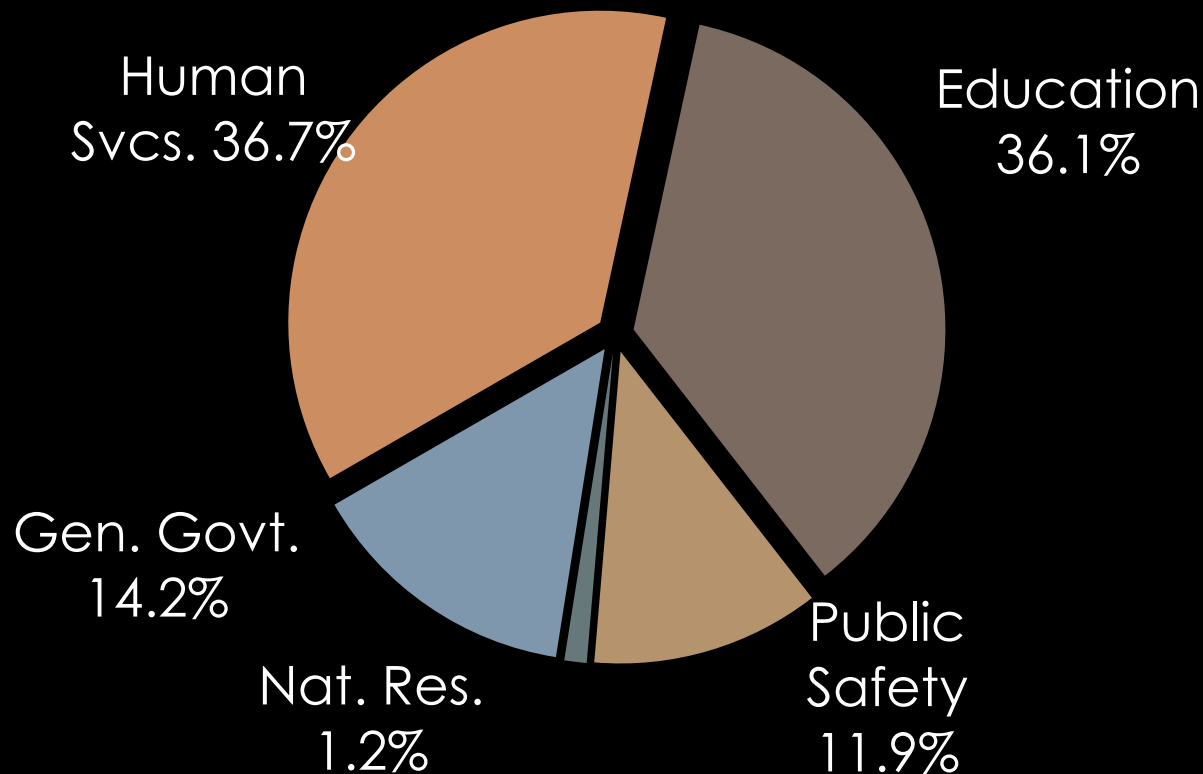
All Funds by Function: Governor FY 2021



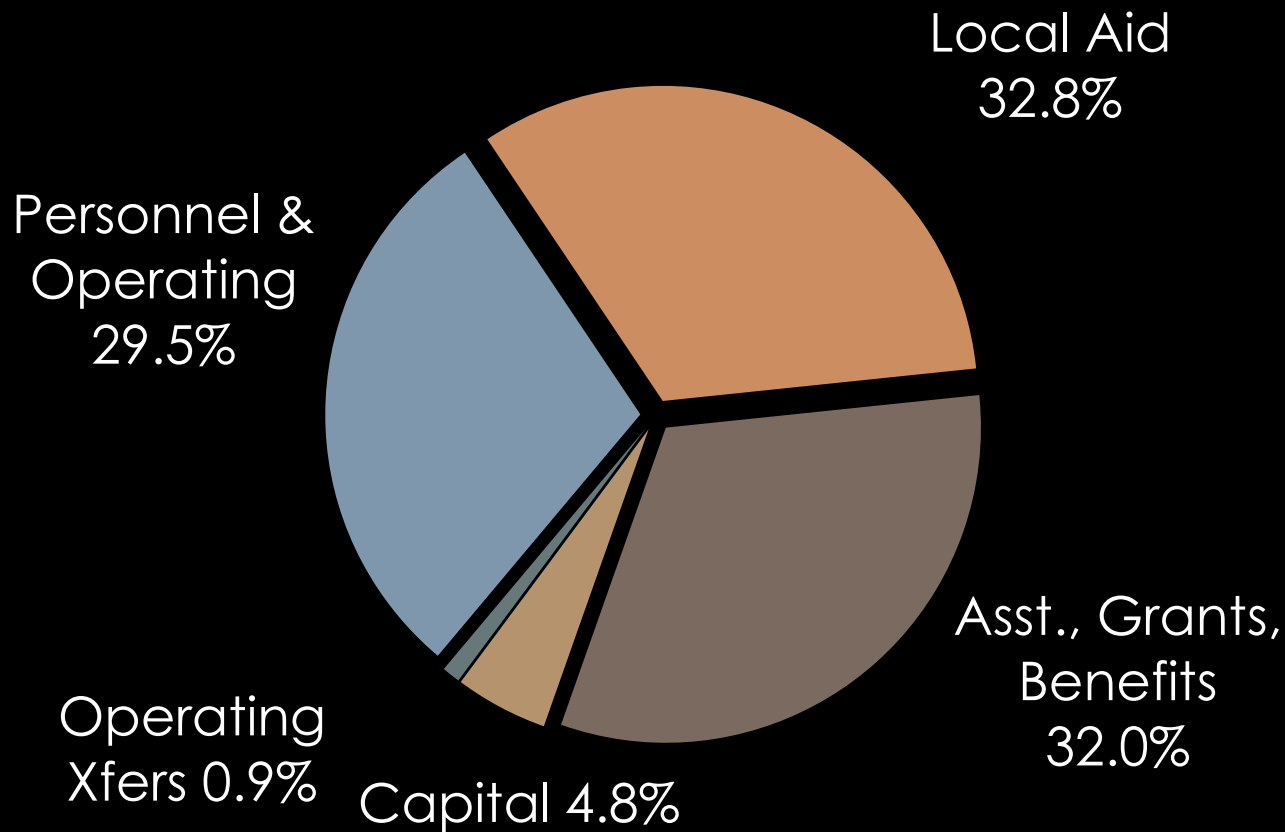
All Funds by Category: Governor FY 2021



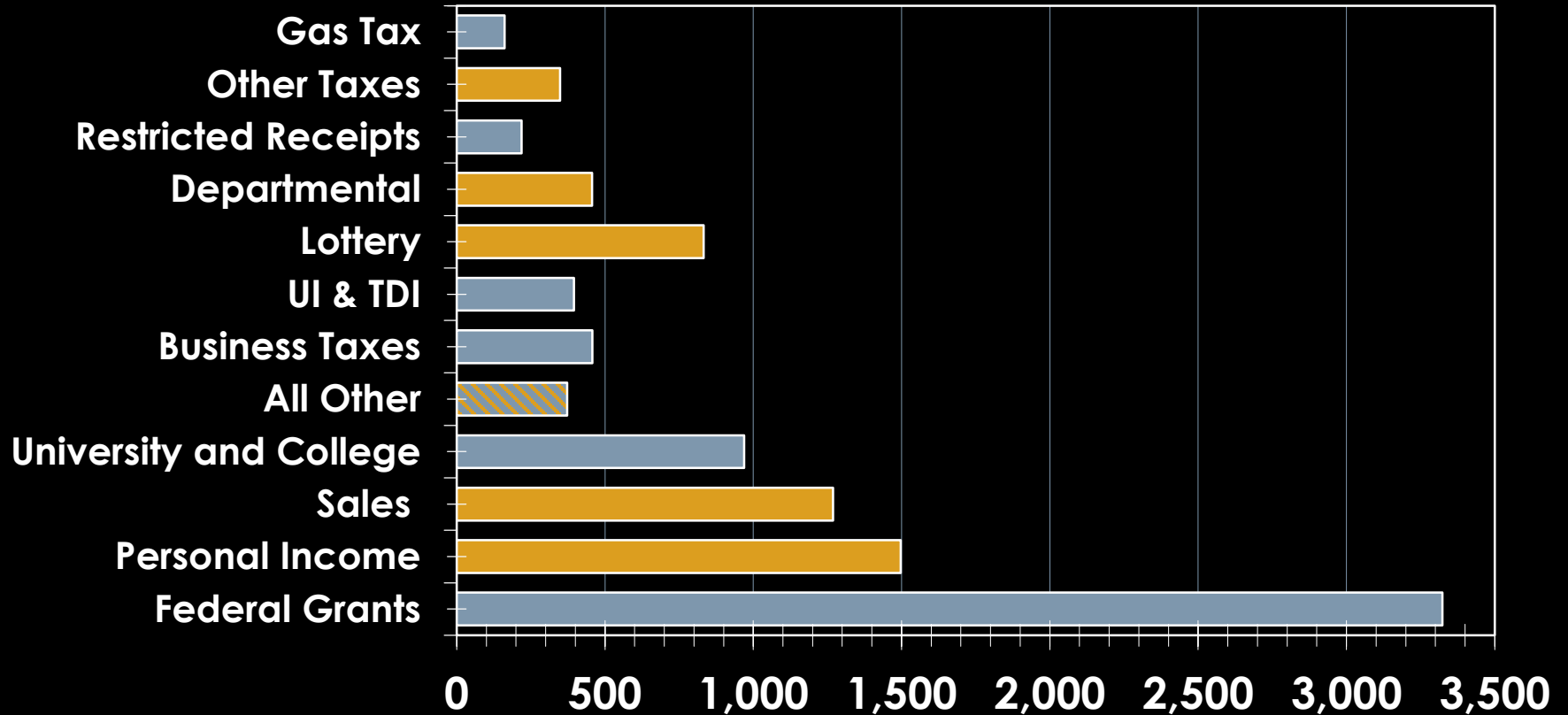
General Revenues by Function: Governor FY 2021



General Revenues by Category: Governor FY 2021

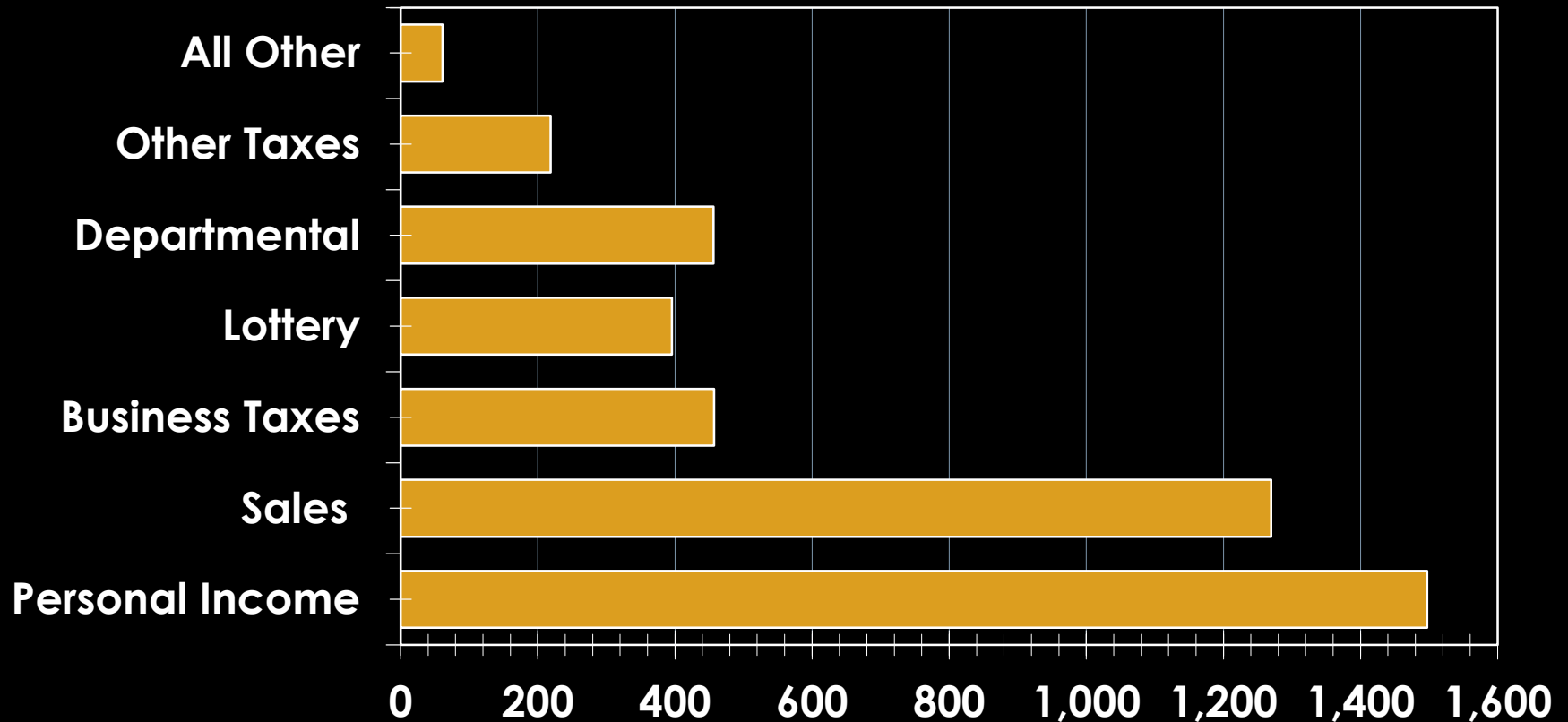


All Sources *(\$ millions)*



General Revenue Sources

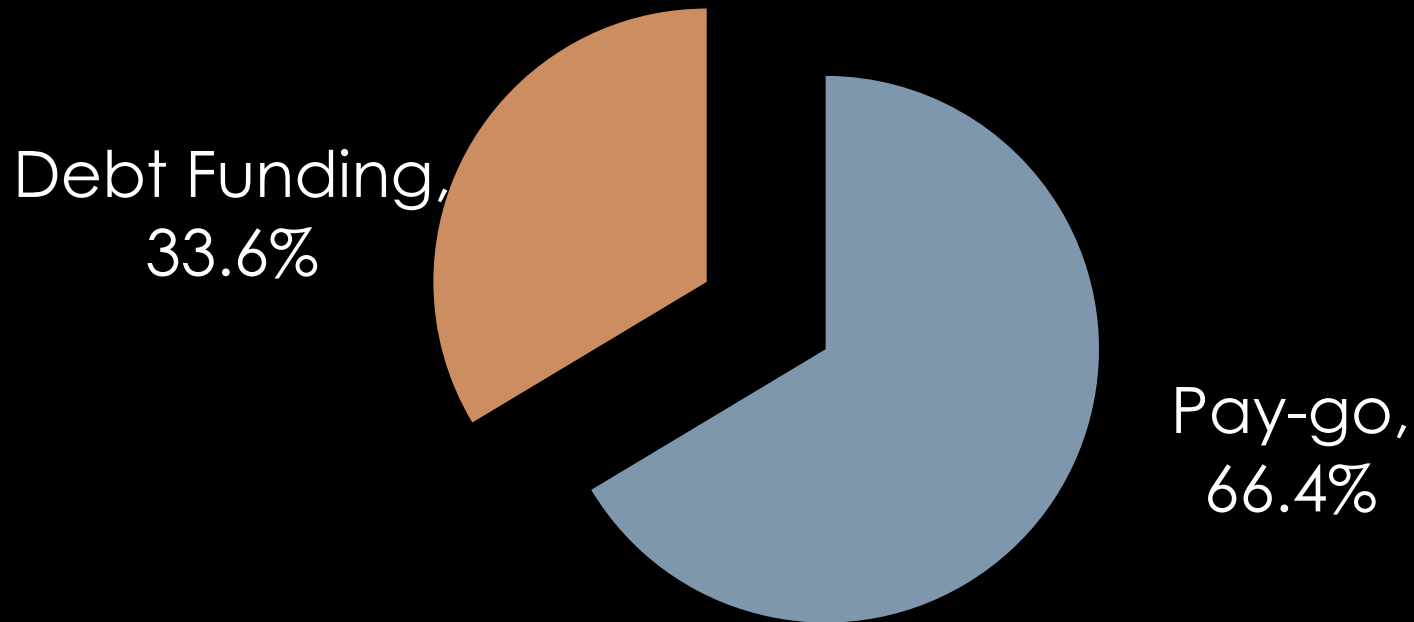
(\$ millions)



Governor's FY 2021 Budget

- FY 2019 Audited Closing
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- Out-years

Capital Budget Funding



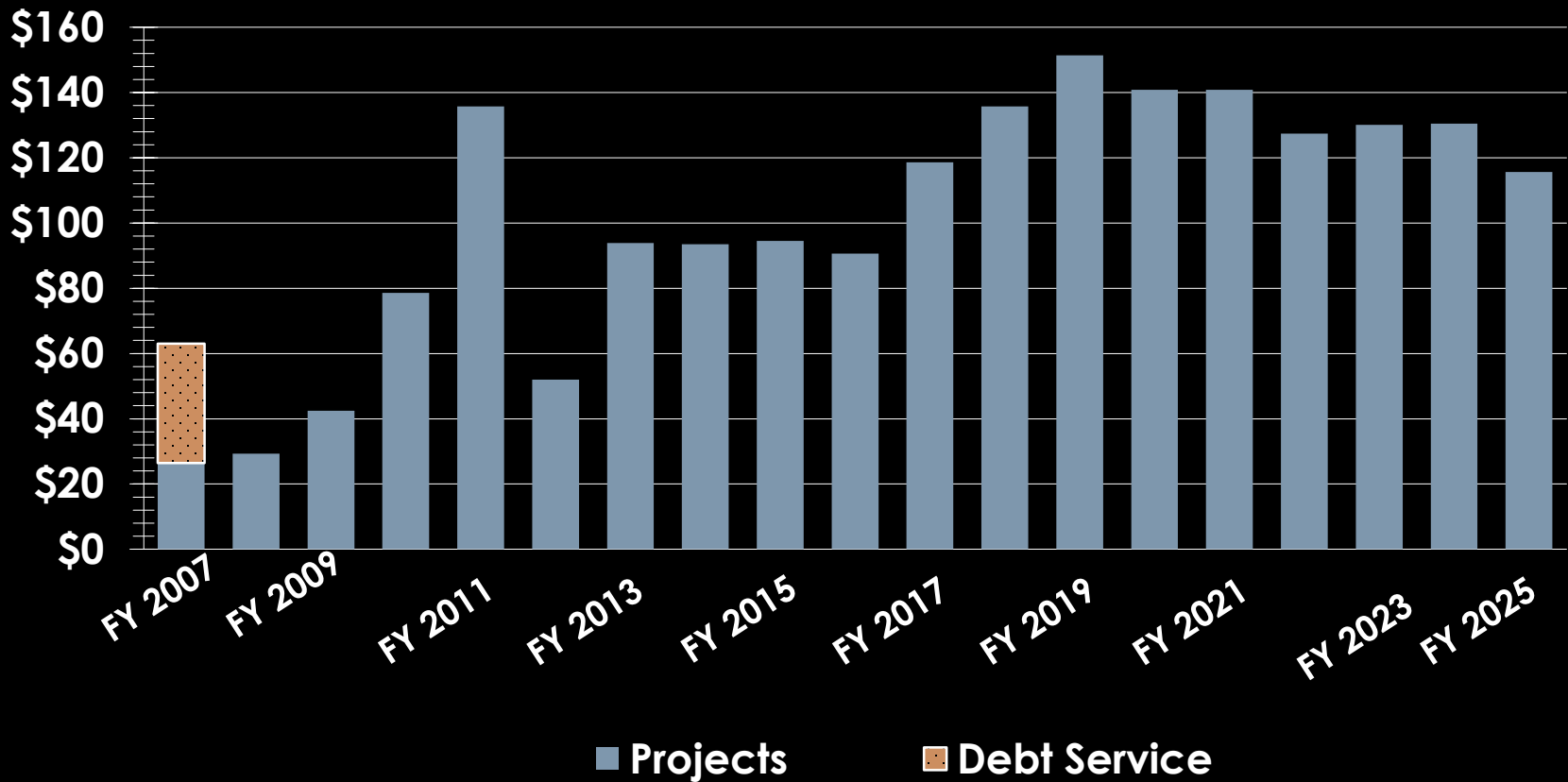
Rhode Island Capital Plan Funds

- 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
- Intended purpose:
 - Lowering the state's borrowing needs
 - Annual \$27.2 million is being used in lieu of borrowing to match federal transportation funds
 - Extend the life of facilities
 - Prevent the need for costly replacements

Rhode Island Capital Plan Funds

- \$644.4 million for FY 2021 – FY 2025
- Approximately \$129 million annually
 - 27% for Transportation
 - 20% for Higher Education
 - State buildings & facilities
 - Courts, prisons, hospitals
 - Dams, piers, parks
- Significant proposed funding changes to be considered

Assembly Role

- Appropriate Pay-Go (Article 1)
- 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 – 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 - GO

Q1: Higher Education	Amount
URI Fine Arts Center	\$57.3
RIC Clarke Science Building	38.0
CCRI Renovations and Modernization	12.0
Center for Ocean Innovation	10.0
Total	\$117.3

\$ in millions

New Requested Debt - GO

Q2: Environmental & Recreational	Amount
State Beaches, Parks & Campgrounds	\$35.0
Local Recreation Projects	4.0
Natural & Working Lands	3.0
Clean Water and Drinking Water	15.0
Total	\$64.0

\$ in millions

New Requested Debt - GO

Q3: Housing, Cultural, Infrastructure	Amount
Housing Opportunities	\$25.0
Port of Davisville Infrastructure at Quonset	20.0
Industrial Site Development	21.5
Early Childhood Care & Education	15.0
Cultural Arts & the Economy Grants	5.0
State Preservation Grants	1.0
Total	\$87.5

\$ 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

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

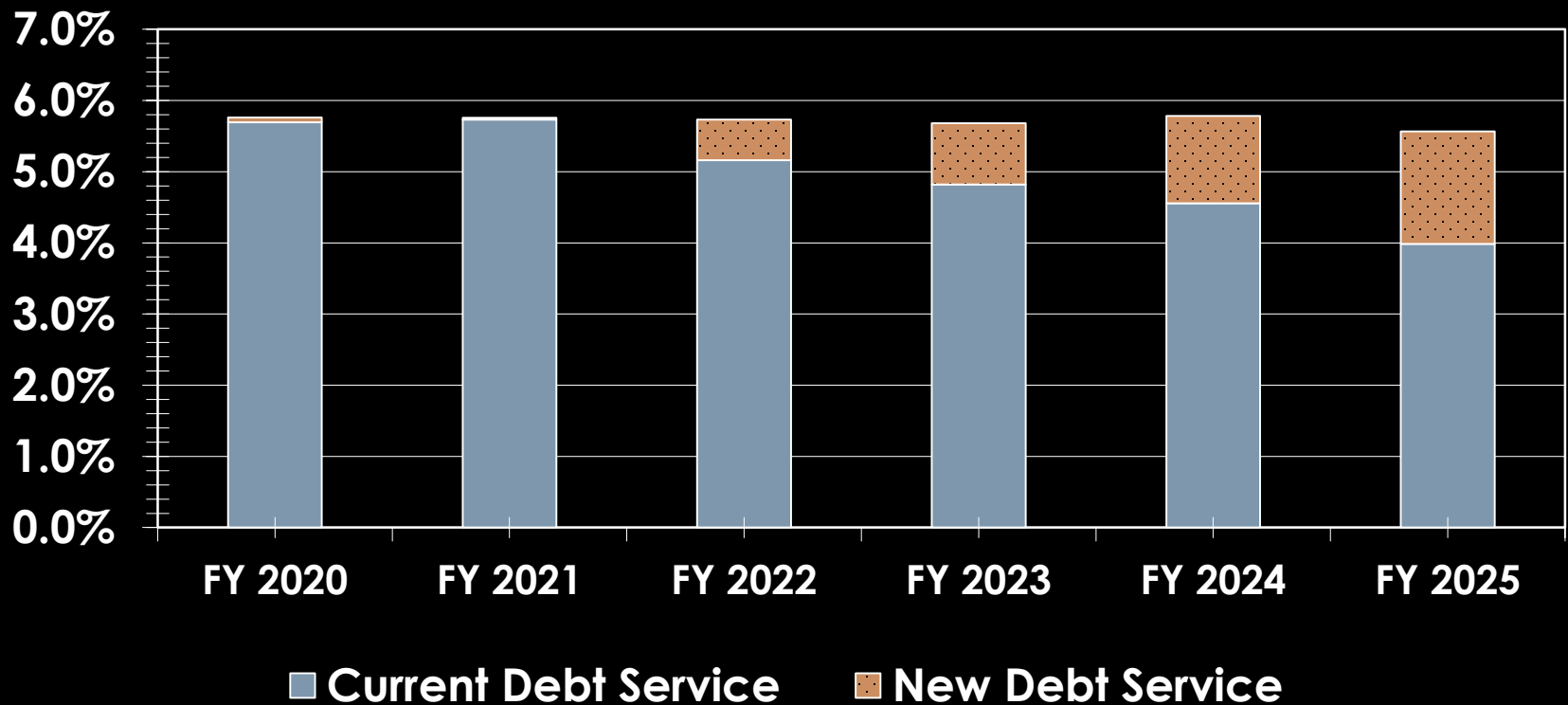
- Debt as a percent of personal income would decrease from 3.1% in FY 2019 to 2.6% into FY 2025
- Likely to be higher as projects are added
- Treasurer's January debt capacity letter
 - Update to PFMB Debt Affordability Study
 - Bond capacity for 2020 ballot: \$208.3 million
 - Significantly lower than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

*\$ in millions

Debt Service as Percent of Useable Revenues



Out-year Projections

- Five-year forecast required by statutes
- FY 2022 gap
 - One-time items in current budget gap
 - Scoops and use of one time revenues
 - Programs not reflected in FY 2021 budget
 - Growth in car tax
 - May not account for exhaustion of non general revenues for scholarships

Budget Office Deficit Estimates

	Estimated	Share Useable Revenues
FY 2022	(\$31.4)	0.7%
FY 2023	(\$64.7)	1.5%
FY 2024	(\$138.5)	3.0%
FY 2025	(\$153.9)	3.3%

\$ in millions

Uses – Growth Rates

Item	Est. Annual Growth
Jobs	0.0%
State Personal Income	3.6%
Taxes	3.2%
Total Revenues	2.7%
Total Expenditures	3.2%
Salaries & Benefits – 23% of total	3.2%
Medicaid – 30% of total	2.5%

Issues and Risks to the Forecast

- Revenue estimates & economic issues
- Caseload uncertainty
 - Nursing home repayments
 - UHIP functionality
 - Reset selected caseload estimates w/o consensus
- Control of current year spending
 - Transparency issues in structure
- Major out-year commitments
 - Not all appear captured in forecast

Next up

- Wednesday
 - Veterans Affairs Article 16
 - Update on current year issues
 - Article 4 Section 3 - DCYF IT System
 - Update on current year issues
- Thursday
 - Article 9 Local Aid
 - RRC scoops
 - Other Quasi scoops

Governor's FY 2021 Budget

Staff Presentation to the House Finance
Committee
February 4, 2020
