

Governor's FY 2016 Budget: Articles

Staff Presentation to the House Finance
Committee
March 31, 2015

Introduction

- Article 10 Sect. 5 – Bond Premiums
- Article 12 – Tobacco Settlement
- Article 13 – Restricted Receipt Acct.
- Article 14 Excl. Sec. 1 – State Budget
- Article 21 – Transportation
- Article 26 – Division of Motor Vehicles

IT Funds

- Info. Technology & Investment Fund
 - Created by 2011 Assembly for acquiring IT improvements
 - Hardware
 - Software
 - Maintenance
 - Designed to create pool of resources for projects instead of borrowing

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IT Funds

- 2011 Assembly dedicated land sale revenue to fund
- 2012 Assembly transferred \$9.0 million
- 2014 Assembly
 - Transferred no less than \$10.0 million from tobacco refinancing
 - 10 % of \$1 surcharge on wireless & land lines to Fund
 - Effective, July 1, 2015

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IT Funds

Revenues	FY 2015 Enact.	FY 2015 Rev.	FY 2016 Gov.
Balance Fwd.	\$8,548,882	\$5,178,270	\$10,544,466
Land Sales	-	4,255,000	-
Txfers : Gen. Fund/Tobacco	10,000,000	7,342,128	-
Bond Premiums	-	6,375,431	-
10% phone	-	-	1,500,000
Total Revenues	\$18,548,882	\$23,150,829	\$12,044,466
Expenditures	\$3,075,377	\$12,606,363	\$7,462,590
Fund Balance	\$15,473,505	\$10,544,466	\$4,581,876

Article 10 § 5 – Bond Premiums

- Bond premiums net of issuance costs become part of RICAP Fund
 - Premium paid in exchange for higher interest rates – frequency depends on market
 - FY 2014 - \$3.3 million to Road & Bridge
 - FY 2013 - \$3.0 million to Gen. Fund & \$7.0 million to Road & Bridge
 - FY 2015 Gov - \$6.4 million to IT Fund
- 2014 new bonds have premiums dedicated to Road & Bridge not RICAP

Article 10 § 5 – Bond Premiums

- Section 5 transfers \$6.4 million from the Capital Fund into IT Investment Fund by June 30th
 - Support Unified Health Infrastructure Project
 - Frees up general revenues for other uses

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Article 10 § 5 – Bond Premiums

- 1st and 2nd quarter reports showed a \$4.2 million deficit in OHHS and DHS for UHIP
- Corrective action plans suggested the use of other funding sources
 - Information Technology Fund or other
- Governor includes \$4.4 million in FY 2015 and \$1.9 million in FY 2016 from IT Fund

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UHIP

	FY 2015			FY 2016	
	Enact.	Req.	Gov. Rev.	Req.	Gov. Rec.
Gen Rev	\$9.3	\$13.4	\$8.9	\$7.0	\$5.7
IT Fund	-	-	4.4	-	2.0
Federal	29.9	48.7	44.9	28.6	32.7
Total	\$39.1	\$62.0	\$58.3	\$35.6	\$40.4

In millions

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Art. 12 – Tobacco Settlement

- 2014 Assembly authorized the Tobacco Settlement Financing Corporation to raise additional funds
 - Not less than \$20.0 million through refunding of bonds
 - \$5.0 million each to General Fund and Municipal Road & Bridge Revolving Fund
 - Remaining would go into Info. Tech. Fund
 - Final yield: \$36.3 million, \$16.3 million more than minimum

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Art. 12 – Tobacco Settlement

	Current Law	Art. 12	Diff.
General Fund	\$5.0	\$24.0	\$19.0
Road & Bridge	5.0	5.0	-
IT Investment	26.3	7.3	(19.0)
Total	\$36.3	\$36.3	\$-

In millions

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Article 13 – Restricted Receipts

- All revenues = general revenue, unless otherwise noted – RIGL 35-3-14 (a)
- 10% indirect charge unless:
 - Prohibited
 - Charitable
 - Exempt
- Overhead charges similar to federal funds
 - For infrastructure and administration

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Article 13 – Restricted Receipts

- Exempts from 10% charge:
 - Donations & grants from nonprofits to DOH
 - State loan repayment match in DOH
 - Rhode Island Health Benefit Exchange
 - Defined contribution administration
 - Judiciary technology surcharge
 - National school breakfast & lunch program at Davies Career and Technical Center

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Article 13 – Restricted Receipts

- Accounts or authority exist in current law
 - Except for Rhode Island Health Benefit Exchange account
 - Account created in Article 28
- Some receipts being exempt already fall under blanket exemption
- Application of charges not consistent with current law
 - Not accounted for in the budget
 - May have fiscal impact in both years

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Article 13 – Restricted Receipts

Account	FY 2014 Revenue	Fiscal Impact
Misc. Donations/Nonprofits	\$-	N/A
Loan Repayment Match	\$175,000	N/A
Health Benefit Exchange	N/A	N/A
DC Plan Administration	\$ 251,358	\$25,135
Judiciary Tech. Surcharge	\$180,000	N/A
Davies Breakfast & Lunch*	\$321,339	\$32,134
Total	\$927,697	\$57,269

*exempt under current law

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Article 14 – State Budget

- Article 14 (excluding Section 1)
 - Budget Submission Date
 - Changes to Revenue Estimating Conference and Caseload Estimating Conference

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Article 14 – State Budget

- Delays statutory budget submission date one month
 - Changes from 3rd Thursday in January to 3rd Thursday in February
 - In years when there is a new Governor, from 1st Thursday in February to 2nd Thursday in March
- Next year, budget would be submitted on February 18 instead of January 21

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Article 14 – State Budget

- 2004 General Assembly changed date from 3rd Wednesday in February to the 3rd Thursday in January
 - For new Governors: on or before 1st Thursday in February
- Assembly has granted extensions for differing reasons

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Article 14 – State Budget

Governor Submits Budget to Legislature States with Fiscal Year Beginning July 1

Gov. Submits	Frequency of Budget			Total	
	Annual	Biennial	Comb.		
Prior to January	5	8	-	13	28%
January	9	9	2	20	43%
February	9	4	-	13	28%
Total	23	21	2	46	100%
	50%	46%	4%	100%	
Prior to February	14	17	2	33	72%

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Article 14 – State Budget

- Makes changes to the Revenue and Caseload Estimating Conferences
 - Frequency/Timing
 - Participants and Process
 - Scope

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Article 14 – State Budget

- Revenue Estimating Conference
 - 1990 Assembly established Conference
 - Consists of House Fiscal Advisor, Senate Fiscal Advisor and Budget Officer
 - To determine *“official estimates of anticipated state revenues upon which the executive budget shall be based and beyond which appropriations by the legislature and expenditures by the state shall not exceed”*

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Article 14 – State Budget

- Revenue Estimating Conference
 - Chair rotates among principals
 - None presides for two meetings in a row
 - They do not vote
 - Principals must agree and are bound to the Conference recommendations
 - Must adopt consensus economic forecast
 - Retain outside entity to produce forecast

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Article 14 – State Budget

- Revenue Estimating Conference
 - Principals hear testimony from Labor and Training, Taxation, Lottery, Treasurer and others as needed
- Principals each develop estimates using this data
- Consensus reached on each estimate
- Proceedings occur in open public meetings

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Article 14 – State Budget

- Timing
 - Conference meets twice: Nov. & May
 - Considers current & budget year revenues
 - Nov forms basis for executive budget
 - May meeting for final Assembly enactment
 - Additional meetings are allowed if principal feels existing estimates need revision
 - Article 14 requires additional conference within 1st 10 days of February – separate request to delay budget submission

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Article 14 – State Budget

- Participants and Process
 - Article 14 removes consensus economic forecast provision
 - Article 14 requires DOR and a “legislative economist” to provide revenue estimates to conference principals to reconcile
 - Principals currently prepare their own estimates and publically review each one along with methodology

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Article 14 – State Budget

- Scope
 - Changes primary purpose of conferences from “preparing forecasts & revenue estimate” to “reconciling” forecasts & estimates between DOR & *legislative economist*
 - Removes cash assistance from estimating purview of Caseload Estimating Conference
 - Adds “associated” costs to Medicaid scope

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Article 14 – State Budget

- Caseload Estimating Conference
 - 1991 Assembly established Conference to mirror the Revenue Estimating Conference
 - For producing official estimates of anticipated medical assistance and public assistance caseloads
 - Entitlements based on income or other criteria
 - Operates similar to Revenue Estimating Conference

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Article 14 – State Budget

Cash Assistance	Medical Assistance
RI Works	Hospitals /DSH
Child Care	Long Term Care
Supplemental Security Income	Managed Care
General Public Assistance	Rhody Health Partners /Options
	Other Medical Services
	Medicaid Expansion
	Pharmacy

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Article 14 – State Budget

FY 2016 CEC Estimate		
	General Revenues	All Funds
Cash Assistance	\$29.8	\$108.7
Medical Assistance	\$948.7	\$2,457.7
Total (in millions)	\$978.5	\$2,566.4

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Article 14 – State Budget

- Staffs track trends in utilization and costs from monthly reports
 - Fluctuations: monthly, seasonally, yearly
- Staffs use Dept. testimony, data and assumptions along with economic forecast and proven data trends to create estimates

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Article 14 – State Budget

Cash Assistance	FY 2016 - Gen. Rev.	FY 2016 – All Funds
RI Works	\$0	\$33,336,990
Child Care	\$9,668,635	\$55,252,500
SSI	\$18,705,407	\$18,705,407
General public assistance	\$1,445,560	\$1,445,560
Total	\$29,819,602	\$108,740,457

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Article 14 – State Budget

- Cash Assistance estimate includes:
 - average number of people per month/year
 - average cost per month/year
 - additional expenses: transportation, work supports, tax intercepts, transaction fees
 - All have a state cost/risk
- Medical assistance not done on per person basis
 - Built on utilization and growth trends

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Article 14 – State Budget

- Revenues
 - Approximately half of the states use a consensus process
 - One third of states estimate revenues twice a year – about one quarter do it more frequently
 - Appears that in 20 states, a combination of executive agencies, Governor and Legislators prepare the estimate

(Information from National Conference of State Legislatures and National Association of State Budget Officers 2008 report)

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Article 14 – State Budget

Revenue Estimating				
	NASBO		NCSL	
Binding Estimate	32	64%	26	52%
Consensus Estimate	26	52%	22	44%
When Estimates are Made				
Once a Year	15	30%		
Twice	18	36%		
Three Times	3	6%		
Four or more Times	9	18%		

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Article 21– Transportation

- Delays the transfer of fees collected by DMV to DOT
- Transportation Related fees
 - Worth \$52.8 million
 - Titles, inspections, registrations
- Phased in transfer enacted by 2014 Assembly

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Article 21– Transportation

- Current law; 25% transferred in FY 2016, 75% in FY 2017, all fees transferred in FY 2018

FY 2016 (25%)	FY 2017 (75%)	FY 2018 (100%)
\$13.2	\$39.6	\$52.8
(in millions)		

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Article 21– Transportation

- FY 2016 transfer would be eliminated
- Remaining transfers made pursuant to current law
- Budget assumes use of \$13.2 million as general revenues in FY 2016
- Lost fees offset by \$20 million from Rhode Island Capital Plan funds

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Article 21– Transportation

- Fees were to be used for operations
- Currently, RICAP and surcharges enacted by 2012 Assembly used for state match
- RICAP cannot be used for operating
- RICAP is limited; approx. \$150 million
 - Enacted: 25% of all RICAP
 - Recommended: 35% of all RICAP

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DOT Operating Sources

Source	Current Plan	Governor FY 2016
Gasoline Tax*	\$27.7	\$27.7
Emission Inspections	\$11.8	\$11.8
Rental Car Surcharge	\$3.0	\$3.0
Good Driving Dismissal	\$0.4	\$0.4
Surcharges (2012)	-	\$16.8
DMV Fees (2014)	\$13.2	-
Total (In millions)	\$56.1	\$59.7

*Excludes debt service and transfers

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Article 21– Transportation

- RIPTA receives 5% of funds in account
- Removal of \$13.2 million results in loss of \$0.6 million in FY 2016
- FY 2016 deficit projected at \$5.0 million
 - Includes \$1.7 million debt service paid from general revenues

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Article 26 – License Plate Issuance Delay

- Delays the mandatory reissuance of fully reflective license plates
 - September 1, 2015 to September 1, 2016
- Administration is rethinking the plans for potential revision

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Article 26 – License Plate Issuance Delay

- Third postponement
 - 2013 Assembly postponed to 2015
 - 2011 Assembly postponed to 2013
- Estimated 863,000 plates to be reissued
- New plates still issued
 - At the time of initial registration
 - Upon registration renewal

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Article 26 – License Plate Issuance Delay

- Assumed implementation costs - \$5.3 million, over two years
 - \$2.6 million each year
 - Costs shifted from FY 2016 and FY 2017 to FY 2017 and FY 2018
- November 2014 REC - \$2.5 million from payments for plates
 - FY 2016 Budget assumes \$0.1 million in savings from postponement

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