Governor’s FY 2018 Budget: Articles

Staff Presentation to the House Finance Committee
May 11, 2017
Introduction

- Article 4 – Division of Motor Vehicles
- Article 7 – State Funds
- New – State Purchases
- New – Sale of State Owned Property
- New – Rotary Funds
- New – Child Care Subsidies
Information Technology Investment Fund

- Two of the requested amendments impact the Information Technology Investment Fund
  - Article 4 – $1.50 DMV Technology Surcharge
  - New Article – Sale of State Owned Property
Information Technology Investment Fund

- Created by 2011 Assembly for acquiring information technology improvements
  - Hardware
  - Software
  - Maintenance
- Designed to create pool of resources for projects instead of borrowing
Information Technology Investment Fund

- 2011 Assembly
  - Land sale revenue dedicated to fund
- 2012 Assembly
  - One time revenues added $9.0 million
- 2014 Assembly
  - Authorized no less than $10.0 million from tobacco refinancing
    - $26.3 million was actual yield
  - Dedicated 10% of $1 surcharge on phones
## Information Technology Fund

<table>
<thead>
<tr>
<th>Projects</th>
<th>FY 2017 Rev.</th>
<th>FY 2018 Rec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Yr. Balance</td>
<td>$26.9</td>
<td>$13.4</td>
</tr>
<tr>
<td>New Receipts</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Available Resources</strong></td>
<td><strong>$28.4</strong></td>
<td><strong>$14.9</strong></td>
</tr>
<tr>
<td>Projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unified Health Infrastructure Project</td>
<td>$4.9</td>
<td>$ -</td>
</tr>
<tr>
<td>Time and Attendance System</td>
<td>3.7</td>
<td>-</td>
</tr>
<tr>
<td>Budget Development System</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td>E-Permitting</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td>All Other &amp; TBD</td>
<td>2.9</td>
<td>9.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$15.0</strong></td>
<td><strong>$9.6</strong></td>
</tr>
<tr>
<td><strong>Year End Balance</strong></td>
<td><strong>$13.4</strong></td>
<td><strong>$6.5</strong></td>
</tr>
</tbody>
</table>
Article 4 – DMV

- Division of Motor Vehicles
  - License Plate Reissuance Delay
  - Highway Maintenance Account
  - Technology Surcharge
    - Requested change in disposition from original article
2006 Assembly authorized borrowing for a new DMV computer system
- Debt funded from unspecified charge
- $1.50 technology surcharge implemented for period of 7 years through FY 2014
  - Law restricted use for debt service only

2009 Assembly extended surcharge from 7 to 10 years through FY 2017
- Expanded use to include project costs
Article 4, Section 1–Technology Surcharge

- Article 4, Section 1:
  - Extends $1.50 technology surcharge for 5 years through June 30, 2022
  - Expands use to include on-going enhancements

- Article 7 exempts these receipts from state indirect cost recovery
Surcharge has averaged $2.1 million recently and generated $2.2 million in FY 2016

- 5 extra years = $10.4 million to $11 million
- FY 2018 budget assumes use of $2.1 million
  - Continued implementation costs
  - Enhancements
# Article 4, Section 1—Technology Surcharge

<table>
<thead>
<tr>
<th></th>
<th>FY 2008-2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Year Balance</td>
<td>N/A</td>
<td>$906,523</td>
<td>$2,153,248</td>
<td>$1,153,593</td>
</tr>
<tr>
<td>Receipts</td>
<td>16,922,631</td>
<td>2,186,713</td>
<td>2,080,345</td>
<td>2,080,000</td>
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<tr>
<td>HPE Transfer</td>
<td>-</td>
<td>2,000,000</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Available</strong></td>
<td><strong>$16,922,631</strong></td>
<td><strong>$5,093,236</strong></td>
<td><strong>$4,233,593</strong></td>
<td><strong>$3,233,593</strong></td>
</tr>
<tr>
<td>Project Expenses</td>
<td>4,524,433</td>
<td>1,804,936</td>
<td>3,080,000</td>
<td>2,080,000</td>
</tr>
<tr>
<td>Debt Service</td>
<td>11,491,675</td>
<td>1,135,052</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td>$906,523</td>
<td>$2,153,248</td>
<td>$1,153,593</td>
<td>$1,153,593</td>
</tr>
</tbody>
</table>
Settlement between RIMS vendor and state announced April 12

- State to make $7.0 million in payments
  - $1.5 million outstanding cost for development already assumed in budget
  - $5.5 million in additional payments beyond prior agreement as part of the settlement
Amendment will send the proposed $1.50 surcharge extension revenues to IT fund

- Eliminates debt service as use of funds
  - Debt paid off in FY 2016
- Maintains sunset provision of June 30, 2022
New Article – Sale of State Owned Property

- Current law: revenues from land sales are deposited into IT Investment Fund
  - Excludes I-195 Surplus Land
- New article
  - Revenues from sale of state-owned residential properties would be used to cover the debt owed on state advances made decades ago
  - Remaining funds would then go into the IT Fund
State made investments to assist in the establishment of new system to serve individuals w/ developmental disabilities

- Replace state-operated Ladd School
  - State purchased properties
  - Also made advanced payments to entities to help move individuals to community settings

- Agencies required to return payment if:
  - It closes
  - No longer licensed/certified by BHDDH
Receipts tied to properties are $13.3 million
- $9.4 million from residential homes
  - 152 properties of which 107 are state-owned
- $3.9 million community day centers

Essentially allows the state’s proceeds from its own properties to cancel the debt owed by entities using those facilities.
Article 7 – State Funds

- Restricted Receipts
  - Medical Marijuana
  - Indirect Cost Recovery
  - Parks & Recreation Merchandising
  - Eisenhower House
- Performance Improvement
- Taxation Contingency Contracts
- 2 requested amendments
  - First submitted 2/14 - heard 2/28 with Article
Article 7 – Requested Amendments

- Second GBA requested on May 4th
  - Authorizes a new restricted receipt account for DCYF to receive donations/grants from non-profit organizations
  - Currently deposited as general revenues
    - If funds are not spent in the same year, DCYF can request that they be reappropriated
      - Not always requested
New Article – State Purchases

- Division of Purchases is contracting authority responsible for state
  - Except certain quasi-public authorities
- There are currently 2 systems in use
  - RI Vendor Information Program
    - Vendors submitted 5,923 bids in last 12 months
    - System is 20 years old
  - RI Financial Accounting Network System
    - Invoicing payments
    - 25,000 registered vendors
- Systems do not interface
New Article – State Purchases

- Authorizes chief purchasing Officer to establish an administrative fee
  - Not more than 1.0% of MPA from vendors
  - 917 master price agreement vendors
    - Pre-qualified and provided pricing
    - 2-3 year term; with option to renew
- Fees would be deposited into a restricted account
  - Early estimates suggest $600,000 in FY 2018
  - More in FY 2019
New Article – State Purchases

- E-procurement System
  - Streamline purchasing process
    - Improved efficiencies from posting & managing solicitations
    - E-notification to vendors of awards
  - Manage certification process
    - Minority and women business enterprise
- Available to municipalities
  - Participation will be encouraged
    - Not required
Cost of system development and annual maintenance – TBD
- Issued bid solicitation in November
  - Bids were due December 8, 2016
  - DOA still reviewing bid proposals

Would take 1 year to convert current system to e-procurement
- Outreach and training vendors
- Reporting requirements
  - Collections and uses
New Article – Rotary Funds

- Authorizes internal service funds for centralized services under control of Department of Administration, including:
  - Information technology
  - Capital asset management & maintenance
  - Human resources
- Agencies receiving these services would reimburse DOA on a monthly basis
  - Process to be established by state controller
Proposal in article is to comply with finding by Auditor General
- significant deficiency – repeat finding
Department also conducted a study
- Majority of states use internal service fund methodology for centralized services
Internal Service/Rotary Funds

- **Current Law**
  - Cost allocation language is required to allow the internal service fund to charge other state agencies
  - Limited to specific internal service accounts listed with specific expenditure limits
- First added by the 2005 Assembly
State uses internal service funds to reimburse one agency for services provided to another

- Example: Central Utilities such as electricity costs
  - 12 others listed in Appropriations Act
Internal Service/Rotary Funds

- Useful in creating true cost centers in budgets
- Allows for the capture of the full cost of certain activities
- May hamper accurate budgeting and fiscal management
  - Funds end in surplus or deficit
  - Or volumes of adjustments are made in the user agencies
Internal Service/Rotary Funds

- Potential lack of budget transparency
  - Accounts treated as offline since expenditures are in user agencies
  - More difficult to exercise same level of scrutiny
- Consistent treatment of overhead functions
- Agency flexibility in managing budget targets
# Internal Service/Rotary Funds

<table>
<thead>
<tr>
<th>Division</th>
<th>FY 2018 Recommended</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FTE</td>
<td>General Revenues</td>
<td>All Funds</td>
</tr>
<tr>
<td>Capital Asset Management and Maintenance</td>
<td>136.5</td>
<td>$34.5</td>
<td>$40.7</td>
</tr>
<tr>
<td>Human Resources</td>
<td>103.8</td>
<td>8.6</td>
<td>11.9</td>
</tr>
<tr>
<td>Information Technology</td>
<td>194.0</td>
<td>22.1</td>
<td>42.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>434.4</strong></td>
<td><strong>$65.3</strong></td>
<td><strong>$94.9</strong></td>
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</tbody>
</table>

$ in millions
Eligibility for subsidized child care
Rhode Island Works recipients
  - Also receive monthly cash assistance payment
Low income families <= 180% of poverty
  - Represents over 80% of participants
2013 Assembly enacted one-year transition program
  - Effective Oct. 1, 2013

Pilot program allowed families to maintain eligibility if income increases up to 225%
  - Was reported that families were turning down raises in order to maintain eligibility
  - Had to first be eligible at 180% of poverty

2014 Assembly extended it another 2 years – expired September 30, 2016
New Article – Child Care Subsidies

- 2016 Assembly provided another extension to September 30, 2017
- New article makes pilot program permanent
  - A family whose income exceeds 180% can receive subsidized child care until income exceeds 225%
  - Coincides with federal changes related to subsidized child care
* Eligibility lowered from 225% to 180% of federal poverty
Child Care: Funding Sources

- Temporary Assistance to Needy Families (TANF) Block Grant
- Child Care Development Block Grant (CCDF) - requires general revenue match
  - All states will have new requirements under CCDF Reauthorization
  - New article in coordination w/ federal changes
- General Revenues
  - Match and excess above other sources
## CCDF Reauthorization

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Minimum 12-month continuous eligibility</td>
<td>If no longer eligible b/c of higher income or lack of verification during re-certification process will continue to get 12 months of child care unless income exceeds 85% of median (=300% of poverty)</td>
</tr>
<tr>
<td>3 month job search</td>
<td>Continued child care if unemployed &amp; searching for a job</td>
</tr>
<tr>
<td>Homeless children</td>
<td>Outreach to homeless families to access child care</td>
</tr>
</tbody>
</table>
## Income Thresholds

<table>
<thead>
<tr>
<th>Family Size</th>
<th>180%</th>
<th>225%</th>
<th>300%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>$28,836</td>
<td>$36,045</td>
<td>$48,060</td>
</tr>
<tr>
<td>3</td>
<td>$36,288</td>
<td>$45,360</td>
<td>$60,480</td>
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<tr>
<td>4</td>
<td>$43,740</td>
<td>$54,675</td>
<td>$72,900</td>
</tr>
<tr>
<td>5</td>
<td>$51,192</td>
<td>$63,990</td>
<td>$85,320</td>
</tr>
<tr>
<td>6</td>
<td>$58,644</td>
<td>$73,305</td>
<td>$97,740</td>
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<tr>
<td>7</td>
<td>$66,114</td>
<td>$82,643</td>
<td>$110,190</td>
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<tr>
<td>8</td>
<td>$73,602</td>
<td>$92,003</td>
<td>$112,670</td>
</tr>
</tbody>
</table>

*equivalent to 85% of median income*
## Child Care

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Children</th>
<th>Annual Cost Per Child</th>
<th>Total Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Gen Rev</td>
</tr>
<tr>
<td>2013</td>
<td>6,909</td>
<td>$7,048</td>
<td>$9.6</td>
</tr>
<tr>
<td>2014*</td>
<td>7,113</td>
<td>$6,918</td>
<td>$9.7</td>
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<tr>
<td>2015</td>
<td>7,838</td>
<td>$6,823</td>
<td>$9.7</td>
</tr>
<tr>
<td>2016</td>
<td>8,537</td>
<td>$7,181</td>
<td>$11.4</td>
</tr>
<tr>
<td>2017</td>
<td>9,000</td>
<td>$7,400</td>
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<tr>
<td>2018</td>
<td>9,422</td>
<td>$7,323</td>
<td>$13.4</td>
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</table>

*Transition program began October 1

$ in millions
# Child Care – Transition Program

<table>
<thead>
<tr>
<th>FY</th>
<th>Timeframe</th>
<th>Cost</th>
<th>Children</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>10/1/2013 – 6/30/2014</td>
<td>$0.1</td>
<td>18</td>
</tr>
<tr>
<td>2015</td>
<td>7/1/2014 – 6/30/2015</td>
<td>$1.1</td>
<td>226</td>
</tr>
<tr>
<td>2016</td>
<td>7/1/2015 – 6/30/2016</td>
<td>$1.5</td>
<td>310</td>
</tr>
<tr>
<td>2017</td>
<td>7/1/2016 – 9/30/2017</td>
<td>$2.5</td>
<td>445</td>
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</table>
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