January 17 - Governor’s State of the State address

January 19 - Budget Due
  - 2017- H 5175 introduced and referred to Finance
Budget Briefings, Publications & Hearings

- December 6 – Budget Status
- Jan 24, 31 – Budget at a Glance
- February 2 – Governor’s Budget Overview
- House Fiscal Staff Budget Analysis
- February 7 – Article hearings begin
  - House Fiscal Staff Budget Analysis
- Early May – Consensus Revenue and Caseload Estimating Conference
Governor’s FY 2018 Budget

**Finance Committee Review**

- **Briefing - Overview**
- **Article hearings through March**
  - 24 separate articles some with multiple sections affecting different issues
- **Subcommittee review of individual agency budgets – February and March**
- **Governor’s requested amendments and other issues of interest**
Materials are on line on the Assembly website - [http://www.rilin.state.ri.us](http://www.rilin.state.ri.us) under House Fiscal Reports
- Tabs for 2017 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 2018 Budget

- FY 2016 Audited Closing
- FY 2017 Revised Budget
- FY 2018 Revenue-Expenditure Gap
- Governor’s Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Outyears
FY 2016 Closing

- FY 2017 budget counted on surplus from FY 2016 to help fund expenses for which there were no current revenues
- Preliminary FY 2016 data showed $43.9 million gain to that assumption
  - Audited data showed $44.5 million gain
    - Part of RIBCO cola impact shifted from FY 2017
    - Additional $6.1 million Medicaid savings
## FY 2016 Audited

<table>
<thead>
<tr>
<th></th>
<th>Enacted</th>
<th>Current</th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening</strong></td>
<td>$174.9</td>
<td>174.9</td>
<td>$0.0</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>3,635.0</td>
<td>3,663.6</td>
<td>28.6</td>
</tr>
<tr>
<td><strong>Rainy Day</strong></td>
<td>(114.1)</td>
<td>(114.9)</td>
<td>(0.9)</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td>(3,572.6)</td>
<td>(3,547.9)</td>
<td>24.7</td>
</tr>
<tr>
<td><strong>Closing Surplus</strong></td>
<td>123.3</td>
<td>175.7</td>
<td>52.4</td>
</tr>
<tr>
<td><strong>Reappropriation</strong></td>
<td>-</td>
<td>(7.8)</td>
<td>(7.8)</td>
</tr>
<tr>
<td><strong>Free Surplus</strong></td>
<td>$123.3</td>
<td>$167.8</td>
<td>$44.5</td>
</tr>
</tbody>
</table>
Closing - Expenditures

- General revenue spending $24.7 million (0.7%) below budgeted amounts – but areas of overspending

- Appropriation lines overspent even if agency totals were not
  - Over 20% of general revenue lines were overspent... Ongoing pattern
Closing - Expenditures

Spending $24.7 million below:

- $7.8 million unspent & re-appropriated
- $3.5 million DOA – utilities, staffing
- $16.2 million Medicaid savings
- $1.4 million administrative savings - EOHHS
- $0.9 million overspent in BHDDH
- $0.3 million overspent in Corrections before
- $5.5 million RIBCO COLA impact
- <$100 in Judiciary
$16.2 million less for Medicaid  -1.8 %

- $9.1 million less for managed care programs from claiming enhanced Medicaid match & higher rebates
- $2.7 million less for long term care
- $4.4 million less for other programs
  - Pharmacy, hospital & other medical services
Closing - Expenditures

- BHDDH - $0.9 million overspend
  - $0.8 million more for privately provided services in Division of Dev Disabilities
  - $0.1 million more for RICLAS
    - Above $1.6 million added back for unachieved initiative to move people to less intensive setting
  - $1.0 million in unachieved cost shift
  - $1.0 million less at state hospital
    - $0.2 million less from all sources/shift to Medicaid
Governor’s FY 2018 Budget

- FY 2016 Audited Closing
- **FY 2017 Revised Budget**
- FY 2018 Revenue-Expenditure Gap
- Governor’s Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Outyears
Current Year

- The *current year* had a projected surplus of $62.4 million – HFAS Dec 6
  - Major overspending masked by revenue uptick, closing surplus and other savings
  - Unforeseen expenses and unachieved budget savings
## FY 2017 - HFAS Dec 6

<table>
<thead>
<tr>
<th></th>
<th>Enacted</th>
<th>Current</th>
<th>Diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening</td>
<td>$123.3</td>
<td>$175.1</td>
<td>$51.8*</td>
</tr>
<tr>
<td>Revenues</td>
<td>3,674.7</td>
<td>3,719.6</td>
<td>44.8</td>
</tr>
<tr>
<td>Rainy Day</td>
<td>(113.9)</td>
<td>(116.6)</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Expenditures</td>
<td>(3,683.7)</td>
<td>(3,715.7)*</td>
<td>32.0</td>
</tr>
<tr>
<td>Total FY 2017</td>
<td>$ 0.4</td>
<td>$62.4</td>
<td>$62.0</td>
</tr>
</tbody>
</table>

*Includes $7.8 million reappropriation
## Current Year Changes to Enacted Budget: Dec 6 HFAS

<table>
<thead>
<tr>
<th>Reappropriation</th>
<th>$7.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislature*</td>
<td>(1.3)</td>
</tr>
<tr>
<td>OHHS: Caseload Conference</td>
<td>4.7</td>
</tr>
<tr>
<td>OHHS: Other Programs</td>
<td>11.2</td>
</tr>
<tr>
<td>RIBCO Arbitration</td>
<td>9.4</td>
</tr>
<tr>
<td>Courts*</td>
<td>1.8</td>
</tr>
<tr>
<td>Other *</td>
<td>(1.6)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$32.0</strong></td>
</tr>
</tbody>
</table>

* Items different than Budget Office Q1 estimates
Current Year

- 17 agencies were projecting to spend more than authorized in FY 2017
  - Some included new items that may overstate actual overspend
Current Year

- Revenues are up by $44.8 million
- Added resources increase rainy day transfer by $2.7 million
- Expenditures appear up by $19.4 million net of re-appropriations and November Caseload increase
- Closing surplus up by $62.0 million
- Governor’s FY 2017 revised ends with $78.0 million balance for use in FY 2018
## Current Year: Gov. Revised Solution

| Description                                                                 | Amount  \\n|----------------------------------------------------------------------------|---------|
| Dec 6 HFAS est. Additional Surplus                                         | $62.0   |
| Debt Service/Audit Adjustments                                             | 12.3    |
| Judiciary                                                                  | 1.3     |
| Clean Diesel Delay                                                        | 2.0     |
| State Police Contract                                                     | (1.0)   |
| Post CEC Medicare Part B Adjustment                                        | 1.5     |
| License Plate shift to 2018 - Net                                           | 2.0     |
| Other Adjustments                                                          | (2.5)   |
| **Total Gov. additional Surplus**                                          | **$77.6** |
Governor’s FY 2018 Budget

- FY 2016 Audited Closing
- FY 2017 Revised Budget
- **FY 2018 Revenue-Expenditure Gap**
- Governor’s Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Outyears
Budget Year and Out-years

- There are budget year and out-year problems
  - FY 2018 was estimated in July to have a gap of approximately $182 million
  - Budget Office estimated higher gap of $185 million
    - Revenue projection differences and other adjustments to long term savings
- Revenue and expenditure trends through Q1 reduced that to $112 million
Governor’s FY 2018 Budget

- FY 2016 Audited Closing
- FY 2017 Revised Budget
- FY 2018 Revenue-Expenditure Gap
- Governor’s Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Outyears
## FY 2018: Governor’s Solution

<table>
<thead>
<tr>
<th>FY 2017 extra surplus</th>
<th>$77.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>59.6</td>
</tr>
<tr>
<td>Medicaid &amp; EOHHS Agencies</td>
<td>45.8</td>
</tr>
<tr>
<td>Locals</td>
<td>0.6</td>
</tr>
<tr>
<td>Commerce</td>
<td>(36.3)</td>
</tr>
<tr>
<td>Higher Education</td>
<td>(10.5)</td>
</tr>
<tr>
<td>Debt and Shifts</td>
<td>8.4</td>
</tr>
<tr>
<td>Other Issues, Initiatives &amp; Adjustments</td>
<td>(33.3)</td>
</tr>
<tr>
<td><strong>Total Governor Solution</strong></td>
<td><strong>$112</strong></td>
</tr>
</tbody>
</table>
Governor’s Solution

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

Revenues - $59.6 million
- Tax Changes - $8.7 million
- Enhanced Collections - $36.3 million
- Scoops/Transfers - $14.0 million
- Other – $0.6 million
Revenues Changes

<table>
<thead>
<tr>
<th>Tax Changes - $8.7 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarettes: up 50 cents per pack</td>
</tr>
</tbody>
</table>

- Additional language proposed to clarify existing law on what is taxable to aid enforcement
- Also enhances the penalties for noncompliance
- No direct revenues assumed
# Revenues Changes

<table>
<thead>
<tr>
<th>Enhanced Collections* - $36.3 million</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Remote Sellers</td>
<td>$34.7</td>
</tr>
<tr>
<td>Revenue Agents/Data Analysts</td>
<td>$1.6</td>
</tr>
<tr>
<td>*net of costs</td>
<td></td>
</tr>
</tbody>
</table>

- Also new enforcement powers and penalties proposed
- Scope of sales tax enforcement expanded
- No direct revenues assumed
## Revenues Changes

<table>
<thead>
<tr>
<th>Scoops/Transfers - $14.0 million</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Bank</td>
<td>$1.0</td>
</tr>
<tr>
<td>Resource Recovery</td>
<td>$6.0</td>
</tr>
<tr>
<td>RI Health &amp; Educational Bldg. Corp</td>
<td>$1.2</td>
</tr>
<tr>
<td>Turnpike and Bridge</td>
<td>$2.6</td>
</tr>
<tr>
<td>Narragansett Bay Commission</td>
<td>$2.5</td>
</tr>
<tr>
<td>Medical Marijuana Excess Receipts</td>
<td>$0.7</td>
</tr>
</tbody>
</table>
## Revenues Changes

<table>
<thead>
<tr>
<th>Other - $0.6 million</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Apprentice fees</td>
<td>$(0.05)</td>
</tr>
<tr>
<td>Employee misclassifications</td>
<td>$0.1</td>
</tr>
<tr>
<td>Electrical trades violations</td>
<td>$0.1</td>
</tr>
<tr>
<td>Employer wage &amp; hour violations</td>
<td>$0.15</td>
</tr>
<tr>
<td>Failure to maintain payroll records</td>
<td>$0.3</td>
</tr>
<tr>
<td>Increase rent charge to PUC</td>
<td>$0.16</td>
</tr>
<tr>
<td>Eisenhower House rent to RR</td>
<td>$(0.15)</td>
</tr>
</tbody>
</table>
Governor’s Solution

- Revenues
- *Medicaid/EOHHS*
- Locals
- Commerce
- Departments and Agencies
  - Higher Ed
  - Debt and Other
  - Initiatives
Medicaid Solution: $45.8 million

- OHHS - $39.0 million in savings
  - Net of $1.6 million revenue loss
- BHDD - $1.4 million in savings
- DCYF - $6.4 million in savings
- DHS - $1.0 million add
Medicaid/EOHHS Agencies

- Changes to Medicaid program
- Wage increases and program expansions
- Increases are offset by changes to current programs and way the state delivers some benefits
Changes to enrollment options & rates

Healthy Aging in the Community Proposal

- Modifying Rhody Health Options Program aka Integrated Care Initiative to exclude those who are not considered “long term stay” in a nursing facility
  - Over 90 days
- Impacts Neighborhood Health Plan of RI, nursing homes and home & community care providers
## Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Healthy Aging in the Community (HA)</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated Care Initiative – Exclude longer term NH residents from managed care</td>
<td>$7.9</td>
<td>$16.2</td>
</tr>
<tr>
<td>NH – Acuity Rate Reduction</td>
<td>5.2</td>
<td>10.7</td>
</tr>
<tr>
<td>NH - Census Reduction – 2.5%</td>
<td>2.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Home &amp; Comm. Care Expansion</td>
<td>(3.3)</td>
<td>(6.8)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$12.3</strong></td>
<td><strong>$25.2</strong></td>
</tr>
</tbody>
</table>
Proposals also impact

- Payments to managed care plans, hospitals, and long term care providers
- Community based providers for adults with developmental disabilities in BHDDH
- State employees in RICLAS and at the state hospital also at BHDDH
## Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Impact to:</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed Care Plans</td>
<td>$18.7</td>
<td>$36.3</td>
</tr>
<tr>
<td>Hospitals</td>
<td>12.1</td>
<td>29.5</td>
</tr>
<tr>
<td>LTC – Nursing Facilities</td>
<td>9.4</td>
<td>19.4</td>
</tr>
<tr>
<td>LTC – Home &amp; Community Care</td>
<td>(5.2)</td>
<td>(10.7)</td>
</tr>
<tr>
<td>Insurers &amp; Others</td>
<td>5.6</td>
<td>4.2</td>
</tr>
<tr>
<td>Developmental Disabilities</td>
<td>(3.5)</td>
<td>(7.1)</td>
</tr>
<tr>
<td>Eleanor Slater Hospital</td>
<td>4.9</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$42.0</strong></td>
<td><strong>$79.7</strong></td>
</tr>
</tbody>
</table>
## Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Impact: Managed Care Plans</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>HA – Exclude Longer Term Residents</td>
<td>$11.7</td>
<td>$24.1</td>
</tr>
<tr>
<td>Administrative Rates</td>
<td>0.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Provider Incentive Program &amp; Performance Goal Program</td>
<td>3.8</td>
<td>4.7</td>
</tr>
<tr>
<td>FQHC Payment</td>
<td>1.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Patient Liability &amp; Residency Req.</td>
<td>1.1</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$18.6</strong></td>
<td><strong>$36.2</strong></td>
</tr>
</tbody>
</table>
### Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Impact: Hospitals</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freeze at FY 2017 Rates</td>
<td>$4.3</td>
<td>$12.5</td>
</tr>
<tr>
<td>1% Rate Reduction – 1/1/2018</td>
<td>0.9</td>
<td>2.6</td>
</tr>
<tr>
<td>UPL Payment – Reduce by 50%</td>
<td>4.0</td>
<td>9.9</td>
</tr>
<tr>
<td>Eliminate GME Payment</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Behavioral Healthcare Inpatient Rates</td>
<td>1.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>$12.2</td>
<td>$29.5</td>
</tr>
</tbody>
</table>
## Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Impact: Nursing Facilities</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>HA – Longer Term Residents from Managed Care</td>
<td>($3.9)</td>
<td>($7.9)</td>
</tr>
<tr>
<td>HA- Acuity Payment Adjustment</td>
<td>5.2</td>
<td>10.7</td>
</tr>
<tr>
<td>HA - Nursing Home Utilization – 2.5% reduction in census</td>
<td>2.5</td>
<td>5.1</td>
</tr>
<tr>
<td>Freeze Rates at FY 2017 level</td>
<td>5.6</td>
<td>11.5</td>
</tr>
<tr>
<td>Total</td>
<td>($9.4)</td>
<td>($19.4)</td>
</tr>
</tbody>
</table>
## Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Impact: Home &amp; Community Care</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>HA – Expansion</td>
<td>($3.3)</td>
<td>($6.8)</td>
</tr>
<tr>
<td>Increase Home Care Rates</td>
<td>(2.5)</td>
<td>(5.2)</td>
</tr>
<tr>
<td>Patient Liability Collections</td>
<td>0.6</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>($5.2)</strong></td>
<td><strong>($10.7)</strong></td>
</tr>
</tbody>
</table>
## Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Impact: Insurers &amp; Others</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurers - Children’s Health Account</td>
<td>$3.6</td>
<td>-</td>
</tr>
<tr>
<td>Benefit coordination w/ Medicare &amp; Veterans Admin.</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Estate Recoveries</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Medicare Part B Payment</td>
<td>1.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Total</td>
<td>$5.6</td>
<td>$4.2</td>
</tr>
</tbody>
</table>
## Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Dev. Disabilities Program</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Spending &amp; Caseload</td>
<td>($4.8)</td>
<td>($9.8)</td>
</tr>
<tr>
<td>Direct Care Workers</td>
<td>(3.0)</td>
<td>(6.2)</td>
</tr>
<tr>
<td>Residential Placements</td>
<td>2.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Approvals &amp; Review Process</td>
<td>2.3</td>
<td>4.7</td>
</tr>
<tr>
<td>SIS Resource Levels</td>
<td>0.8</td>
<td>1.7</td>
</tr>
<tr>
<td>RICLAS</td>
<td>(0.9)</td>
<td>(1.8)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>($3.5)</strong></td>
<td><strong>($7.1)</strong></td>
</tr>
</tbody>
</table>
## Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Hospital Reorganization</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Close Pinel &amp; move patients to DCYF Youth Assessment Center</td>
<td>$2.1</td>
<td>$4.0</td>
</tr>
<tr>
<td>Transfer patients to lower cost non-hospital setting</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Privatize Lab &amp; Non-patient Laundry</td>
<td>0.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Close 1 Intermediate Care Fac.</td>
<td>0.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Staffing &amp; Other Medical Changes</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4.9</strong></td>
<td><strong>$8.1</strong></td>
</tr>
</tbody>
</table>
# Medicaid/EOHHS Agencies

<table>
<thead>
<tr>
<th>Impact: Other</th>
<th>GR</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCYF – Caseload</td>
<td>$6.4</td>
<td>$6.4</td>
</tr>
<tr>
<td>DHS - Subsidized Child Care</td>
<td>(1.0)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Total</td>
<td>$5.4</td>
<td>$5.4</td>
</tr>
</tbody>
</table>
Other Issues

- Article 12 - seeks approval for new programs not funded in budget
  - Asthma Treatment Program
    - DOH pilot program using federal funds
    - State would pay for services
  - Opioid Treatment Centers for Excellence
    - Using BHDDH federal funds for start-up
    - State would have to pay for services
Other Issues

- Unachieved savings from FY 2017 appear as new savings in FY 2018
  - Patient Liability
    - Change included in FY 2017 budget to increase collections
    - No new system change to increase recoveries
  - Residency Requirements:
    - Verifying that a recipient lives in RI
Medicaid/EOHHS Agencies

Other Issues

- Reinventing Medicaid
  - Estate Recoveries
    - No statutory language for any changes to expand scope
  - Coordination of Benefits with Medicare & Veterans Administration
    - Guarantee that the state is the payor of last resort
Governor’s Solution

- Revenues
- Medicaid/EOHHS
- Locals
- Commerce
- Departments and Agencies
  - Higher Ed
  - Corrections
  - Initiatives
  - Debt and Other
Locals

Locals $0.6 million less

- Education Aid - $3.9 million less
  - Formula education aid
  - Policy Choices and law changes
- Local Aid - $3.3 million more
  - PILOT full funding – $3.2 million more
  - Library Construction - $0.1 million more
Education Aid

- Funds 7th year of formula
  - Adds $40.0 million based on updated data
  - Adds $4.1 million in stabilization funding to Central Falls, Davies and Met
  - $0.7 million less for group home aid
- Distributions calculated by Dept. based on transition guidance in law
  - Gaining communities fully phased in
  - Subject to change with March data
Education Aid

- $25.0 million for categorical aid
- Most categorical funds at enacted level
  - $4.5 million for High Cost Special Ed
  - $4.5 million for Career & Tech
  - $6.4 million for Transportation

- Out years assumed growth
  - Lack of increase part of budget solve
  - New out year estimates hold flat
Education Aid

- Early Childhood
  - $6.2 million, $1.1 million more
  - With matching federal money will add 4 classrooms from 56 to 60

- Density Aid: Year 2 of a 3-year program
  - $0.9 million, $0.6 million less
  - 6 districts eligible for $100 per student enrolled in charter or state school
    - District must have at least 5% of students enrolled at school of choice
Edcuation Aid

- High Cost ELL
  - $2.5 million for 2nd year of funding
    - 2016 Assembly enacted as 1 year program
  - Support for English language learners in most intensive programs
  - Based on 10% of core instruction amount, adjusted for state share ratio
  - Governor proposes legislation to make funding permanent
Education Aid

- **Recovery High School**
  - For students recovering from a substance abuse disorder
  - $500,000 for 2\(^{nd}\) year of funding
  - 2016 Assembly enacted for 1 year only
  - Change to current law would be required

- **Teacher Retirement**
  - $100.7 million, $1.6 million more
Education Aid

- Traditional School Construction Aid
  - $70.9 million
- New School Building Authority Fund
  - $9.1 million
- Same as enacted but final split will be based on costs for traditional program
  - Current law requires traditional aid be transferred to Fund
## Local Aid – General Aid Programs

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>FY 2017 Enacted</th>
<th>FY 2017 Revised</th>
<th>FY 2018 Rec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dist. Communities</td>
<td>$12.4</td>
<td>$12.4</td>
<td>$12.4</td>
</tr>
<tr>
<td>PILOT</td>
<td>42.0</td>
<td>42.0</td>
<td>45.2</td>
</tr>
<tr>
<td>Motor Vehicle Excise</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$64.4</strong></td>
<td><strong>$64.4</strong></td>
<td><strong>$67.6</strong></td>
</tr>
</tbody>
</table>
# Local Aid – Restricted Aid Programs

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>FY 2017 Enacted</th>
<th>FY 2017 Revised</th>
<th>FY 2018 Rec.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Library Resource*</td>
<td>$ 9.4</td>
<td>$ 9.4</td>
<td>$ 9.4</td>
</tr>
<tr>
<td>Library Construction</td>
<td>2.2</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Property Revaluation</td>
<td>0.6</td>
<td>0.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Oversight Reimburse.</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 12.3</strong></td>
<td><strong>$ 12.3</strong></td>
<td><strong>$ 12.7</strong></td>
</tr>
</tbody>
</table>

*Includes Reference Library Resource Grant to Providence
Local Aid Programs

- Distressed Communities - $12.4 million
- Same as enacted
- Redistribution among communities based on data

- 7 qualify
  - Johnston receives 50% transition payment for entry
  - Central Falls
  - North Providence
  - Pawtucket
  - Providence
  - West Warwick
  - Woonsocket

- Cranston receives 50% transition payment out
Local Aid Programs

- PILOT - $45.2 million
  - Full funding – 27% of the value
  - $3.2 million more than FY 2017
- Car Tax Phase-Out - $10 million
  - Enacted level
  - FY 2017 and FY 2018 distributions still pending updates
  - Budget proposes change for FY 2019
Local Aid Programs

- Library Resource Aid - $9.4 million
  - 22.8% of eligible expenses
  - Law allows up to 25%
  - FY 2018 same as FY 2017

- Library Construction Aid - $2.3 million
  - Full funding
Local Aid Programs

- Property Valuation Reimbursements -
  - FY 2017 - $0.8 million
  - FY 2018 - $0.9 million
  - Reimbursements to 7 communities in each year
Governor’s Solution

- Revenues
- Medicaid/EOHHS
- Locals
- Commerce
- Departments and Agencies
  - Higher Ed
  - Corrections
  - Initiatives
  - Debt and Other
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 and revised others
Commerce

- FY 2018 Budget increases funding for commerce programs by $36.3 million above levels assumed in FY 2018 projections

- Adds funding to established funds
- Mix of one-time and ongoing programs
  - Changes to approved programs
## Current Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>2016</th>
<th>2017</th>
<th>2017R</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing Fund</td>
<td>$5.0</td>
<td>$7.0</td>
<td>$8.5</td>
<td>$-</td>
</tr>
<tr>
<td>I-195 Redevelopment</td>
<td>25.0</td>
<td>-</td>
<td>-</td>
<td>10.1</td>
</tr>
<tr>
<td>Rebuild RI Tax Credits</td>
<td>1.0</td>
<td>25.0</td>
<td>25.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Wavemaker Fellowships</td>
<td>1.8</td>
<td>5.0</td>
<td>3.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Anchor Institution</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>-</td>
</tr>
<tr>
<td>Streetscape Improvement</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Current Programs</td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>Industry Cluster Grants</td>
<td>$0.8</td>
<td>$0.5</td>
<td>$-</td>
<td></td>
</tr>
<tr>
<td>Innovation Initiative</td>
<td>2.0</td>
<td>1.5</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>P-Tech</td>
<td>0.9</td>
<td>1.2</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>Small Biz Innovative Research</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td></td>
</tr>
</tbody>
</table>
## Proposed Programs

<table>
<thead>
<tr>
<th>Proposed Programs</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing Investment Tax Credit</td>
<td>$3.25</td>
</tr>
<tr>
<td>Job Training Tax Credit</td>
<td>2.0</td>
</tr>
<tr>
<td>Municipal Technical Assistance</td>
<td>0.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5.5</strong></td>
</tr>
</tbody>
</table>
Commerce

Extends existing tax credits to more entities and makes them refundable

- Manufacturing Investment Tax Credit
- Job Training Tax Credit

- Municipal Technical Assistance
  - evaluate and streamline zoning, planning and permitting
Expands Support to Polaris
- Adds $300,000 to provide $550,000 total
- Technical assistance to RI manufacturers

National Security Infrastructure
- $200,000 for grants and loans
- Support national security infrastructure
- Strategies to repurpose surplus defense facilities and properties
Governor’s Solution

- Revenues
- Medicaid/EOHHS
- Locals
- Commerce
- Departments and Agencies
  - Higher Ed
  - Corrections
  - Initiatives
  - Debt and Other
Higher Education

- $10.0 million for new RI Promise Scholarship
  - Cover 2 years of tuition & mandatory fees for qualifying RI residents
  - Full cost projected to be $30 million by FY 2021
  - Current year includes start up & prep at RIC/URI

- $0.5 million in new general revenue support for Dual Enrollment program
  - Funded from tuition savings fees
  - Demand has exceeded $1.3 million appropriation since beginning of program
Initiatives

- K – 12 Initiatives - $0.6 million
  - Advance Coursework Network - $250,000
  - ELL Regulations - $60,000
  - GED Waivers - $65,000
  - Kindergarten Entry Profile Survey - $200,000
Initiatives

- Justice Reinvestment - $0.5 million
  - Pre-Arrest Diversion Program - $0.2 million
    - Mental health program in Public Defender’s budget
  - Batterers’ Intervention – $0.1 million
    - Support for domestic violence intervention programs
  - Recovery Houses - $0.2 million
Public Safety Personnel - $3.3 million

- New Department of Public Safety personnel - $1.8 million
  - Includes new commissioner and support staff
  - Other civilian employees
- EMA merged and new FTE
- Contract settlements- $1.3 million
Initiatives

- Environment - $3.1 million
  - Outdoor recreation investment - $2.5 million
  - Electric vehicle rebate - $0.3 million
  - Local Ag. & Seafood grants - $0.1 million
    - Provides total of $0.2 million
- Conservation district grants - $50,000
Initiatives

- Other noteworthy items
  - Division of Taxation computer system support - $1.0 million
  - Support for Volvo Ocean Race - $0.8 million
  - Minimum Wage Increase to $10.50
  - Changes to program administration
    - Lead
    - Health Care Utilization
Health & Human Services - $1.9 million
- Bus Passes- $0.3 million for elderly/disabled
- Head Start - $0.4 million
- Health Care Innovation - $0.3 million
  - Spending and Trend Analysis
- Tobacco Control - $0.5 million
- DOC Mental Health Initiatives – $0.4 million
Debt and Other $8.4 million

- $12.5 million from impact of 38 studios settlement
  - Next payment likely due in FY 2020/21

- Delay of License plate reissuance
Statewide Savings Initiatives

- Fraud and Waste - $3.5 million
  - Extension of current year initiative not implemented yet
- Workers Compensation - $1.3 million
  - Outsource administration
- E-Procurement - $0.4 million
<table>
<thead>
<tr>
<th>FY 2017 extra surplus</th>
<th>$77.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>59.6</td>
</tr>
<tr>
<td>Medicaid &amp; EOHHS Agencies</td>
<td>45.8</td>
</tr>
<tr>
<td>Locals</td>
<td>0.6</td>
</tr>
<tr>
<td>Commerce</td>
<td>(36.3)</td>
</tr>
<tr>
<td>Higher Education</td>
<td>(10.5)</td>
</tr>
<tr>
<td>Debt and Shifts</td>
<td>8.4</td>
</tr>
<tr>
<td>Other Issues, Initiatives &amp; Adjustments</td>
<td>(33.3)</td>
</tr>
<tr>
<td><strong>Total Governor Solution</strong></td>
<td><strong>$112</strong></td>
</tr>
</tbody>
</table>
Governor’s FY 2018 Budget

- FY 2016 Audited Closing
- FY 2017 Revised Budget
- FY 2018 Revenue-Expenditure Gap
- Governor’s Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Outyears
## Expenditures

<table>
<thead>
<tr>
<th></th>
<th>Enacted</th>
<th>Budget</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen. Rev.</td>
<td>$3,683.7</td>
<td>$3,792.7</td>
<td>$109.0</td>
</tr>
<tr>
<td>Federal</td>
<td>2,957.1</td>
<td>3,081.8</td>
<td>124.8</td>
</tr>
<tr>
<td>Restricted</td>
<td>257.0</td>
<td>273.8</td>
<td>16.8</td>
</tr>
<tr>
<td>Other</td>
<td>2,040.9</td>
<td>2,099.7</td>
<td>58.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8,938.7</strong></td>
<td><strong>$9,248.1</strong></td>
<td><strong>$309.3</strong></td>
</tr>
</tbody>
</table>
All Funds by Function: Governor FY 2018

- Human Svcs. 40.6%
- Education 28.4%
- Transp. 6.3%
- Public Safety 6.4%
- Nat. Res. 1.4%
- Gen. Govt. 17.5%
All Funds by Category: Governor FY 2018

- Personnel & Operating: 31.0%
- Local Aid: 14.7%
- Asst., Grants, Benefits: 44.6%
- Capital: 7.8%
- Operating Xfers: 1.9%
- Personnel & Operating: 31.0%
General Revenues by Function: Governor FY 2018

- Human Svcs. 36.7%
- Education 36.6%
- Public Safety 12.2%
- Nat. Res. 1.2%
- Gen. Govt. 13.3%
General Revenues by Category: Governor FY 2018

- Local Aid: 31.4%
- Asst., Grants, Benefits: 33.0%
- Personnel & Operating: 29.4%
- Operating Xfers: 1.3%
- Capital: 4.9%
Personnel and Operating

- Salaries and Benefits
  - Increase of 2.2% from enacted
  - General revenues increase 2.7%
- Reflects updated benefit rates
- Adds $24 million to fill 200+ new positions
  - Some are for revenue enhancements
  - Many replace positions that will be held vacant or eliminated
- FTE authorization increases by 114.8
Classification Issues

- FY 2017 and FY 2018 include total of $0.9 million from general revenues for classification and compensation study
  - Completion – Summer 2017 – more than a year later than last year’s estimate
- Continues work begun with 2013 study and review of the personnel system
Personnel Initiatives

- Administrative Changes
  - Repeals Assembly notification in determining cabinet directors’ salaries
  - Limits rights for certain staff to return to prior positions after probation dismissal
  - Adds more positions to unclassified service
<table>
<thead>
<tr>
<th></th>
<th>Regular</th>
<th>3rd Party</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016 Avg.</td>
<td>13,097.9</td>
<td>591.7</td>
<td>13,689.6</td>
</tr>
<tr>
<td>FY 2017 Enacted</td>
<td>14,206.8</td>
<td>745.8</td>
<td>14,952.6</td>
</tr>
<tr>
<td>FY 2017 Rev.</td>
<td>14,289.1</td>
<td>745.8</td>
<td>15,034.9</td>
</tr>
<tr>
<td>Governor FY 18</td>
<td>14,321.6</td>
<td>745.8</td>
<td>15,067.4</td>
</tr>
<tr>
<td>Jan 7 Filled</td>
<td>13,184.4</td>
<td>613.4</td>
<td>13,797.8</td>
</tr>
<tr>
<td>Diff from Enacted</td>
<td>(1,022.4)</td>
<td>(132.4)</td>
<td>(1,154.8)</td>
</tr>
<tr>
<td>Diff from Gov.</td>
<td>(1,137.2)</td>
<td>(132.4)</td>
<td>(1,269.6)</td>
</tr>
</tbody>
</table>

Full-time Equivalent Positions
Transparency issues

- Staffing authorizations for appointing authorities increasingly separate from funding allocations
  - Governor’s office “charging” agencies for several staff members based on policy area of responsibility
  - Centralizes 90 new positions into EOHHS as required under current law
    - Funding is left in sending agencies; FTE count in EOHHS
Contracted Services

- Decreases 14.7% from enacted
  - Primarily related to UHIP
  - General revenues decrease 5.5%
- 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
Contracted Services

- General Assembly requirements:
  - list privatization contracts
  - quarterly reports of non-state employee expenditures for legal and other services
  - 5.5% assessment to be paid to the retirement system - Pension Reform
Operating Costs

- Increase 3.3% from enacted
  - Nearly half of the increase relates to how lottery activity is accounted for
  - Another 38% is related to Higher Education sources
- 3.4% decrease from general revenues
  - Largely reflects savings initiatives noted earlier
Governor’s FY 2018 Budget

- FY 2016 Audited Closing
- FY 2017 Revised Budget
- FY 2018 Revenue-Expenditure Gap
- Governor’s Recommended Solution
- Operating Budget Overview
- **Capital Budget Overview**
- Outyears
Capital

- FY 2018 – FY 2022
- $4.7 billion outlays
  - Average $946.4 million per year
  - $987.7 million from financing $3,744.1 million from current revenue
Capital Budget Funding

- Pay-go, 79.1%
- Debt Funding, 20.9%
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

- Resources in the Fund have grown over time
- Being used for its intended purpose: lowering the state’s borrowing needs
  - Annual $27.2 million is being used in lieu of borrowing to match federal transportation funds
Rhode Island Capital Plan Funds

- $650.9 million for FY 2018 – FY 2022
- Approximately $130 million annually
  - 30% for Transportation
  - 22% for Higher Education
Improvements for state buildings
- Courts, prisons, hospitals

State facilities
- Dams, piers, parks

Designed to extend the life of facilities
- Prevent the need for costly replacements
Assembly Role

- Appropriate Pay-Go (Articles 1 & 10)
- 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

<table>
<thead>
<tr>
<th>Project and Debt Type</th>
<th>Amount Borrowed</th>
<th>Annual Debt</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of Participation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Improv. State Facilities</td>
<td>12.0</td>
<td>1.7</td>
<td>Energy savings</td>
</tr>
<tr>
<td>Confined Aquatic Dredged Material Disposal Cells</td>
<td>10.5</td>
<td>1.4</td>
<td>Users fees, Gen. Rev.</td>
</tr>
<tr>
<td>URI Energy Performance - Phase III</td>
<td>11.6</td>
<td>1.1</td>
<td>Energy savings</td>
</tr>
<tr>
<td>Revenue Bonds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>URI White Horn Brook Apartments</td>
<td>88.8</td>
<td>5.9</td>
<td>Dorm fees, tuition, Gen. Rev.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$139.1</strong></td>
<td><strong>$12.1</strong></td>
<td></td>
</tr>
</tbody>
</table>
Funding Considerations

- State’s overall debt structure
  - Net tax supported debt would decrease by $414.0 million to $1,521.1 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
Debt as a percent of personal income would increase from 3.1% in FY 2017 to 3.4% into FY 2018

- Refunding of state debt
- Would then drop to 2.2% in FY 2022, but likely to be higher based on projects being added
  - Does not assume any new referenda will go before voters in November 2018 or 2020
    - Departure from past practice
## Funding Considerations – Debt Service

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Tax Supported Debt Service*</th>
<th>Pct. of Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$197.7</td>
<td>5.3%</td>
</tr>
<tr>
<td>2018</td>
<td>$227.8</td>
<td>5.9%</td>
</tr>
<tr>
<td>2019</td>
<td>$231.9</td>
<td>5.9%</td>
</tr>
<tr>
<td>2020</td>
<td>$253.4</td>
<td>6.3%</td>
</tr>
<tr>
<td>2021</td>
<td>$252.6</td>
<td>6.2%</td>
</tr>
<tr>
<td>2022</td>
<td>$238.3</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

*Millions
Debt Service as Percent of Useable Revenues

Chart showing debt service trends from FY 2017 to FY 2022, with a breakdown between current debt service and new debt service.
Out-year Projections

- Five-year forecast required by statutes
- FY 2019 gap
  - One-time items in the resolution of the current budget gap
    - Use of Surplus
    - Scoops
  - Programs not reflected in FY 2018
  - Tiverton Casino assumed to mitigate MA gaming losses in prior forecasts
  - Sales tax growth stronger based on remote sales initiative
## Budget Office Deficit Estimates

<table>
<thead>
<tr>
<th>Estimated</th>
<th>Share Useable Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019</td>
<td>$(150.0)</td>
</tr>
<tr>
<td>FY 2020</td>
<td>$(184.1)</td>
</tr>
<tr>
<td>FY 2021</td>
<td>$(192.6)</td>
</tr>
<tr>
<td>FY 2022</td>
<td>$(194.1)</td>
</tr>
</tbody>
</table>
## Uses – Growth Rates

<table>
<thead>
<tr>
<th>Item</th>
<th>Est. Annual Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs</td>
<td>0.4%</td>
</tr>
<tr>
<td>State Personal Income</td>
<td>3.2%</td>
</tr>
<tr>
<td>Taxes</td>
<td>2.6%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>2.0%</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>2.7%</td>
</tr>
<tr>
<td>Salaries &amp; Benefits – 25% of total</td>
<td>3.4%</td>
</tr>
<tr>
<td>Medicaid – 30% of total</td>
<td>4.0%</td>
</tr>
</tbody>
</table>
Issues and Risks to the Forecast

- Medicaid savings and caseloads
  - UHIP impacts
  - Future federal action
- Control of current year spending
  - Revised budget assumes success of certain initiatives
- DMV computer system
- Potential for cyclical economic event
- Demographic issues
Governor’s FY 2018 Budget

Staff Presentation to the House Finance Committee
February 2, 2017