Governor’s FY 2021 Budget: Articles

Staff Presentation to the House Finance Committee
February 5, 2020
Introduction

- Article 16 - Veterans Services
  - Veterans’ Home Assessment
  - Cemetery Charges
- Article 4, Section 3
  - DCYF Child Welfare Information System Replacement
- Corrective Action Plan Update
  - DCYF
  - Veterans’ Home
Article 16, Veterans’ Home

- Veterans’ Home funding is derived from 4 sources
  - Resident contributions
    - General Revenues
    - Restricted Receipts
  - Other general revenues / state funds
  - Federal per diem rate towards cost of care
  - Federal reimbursement for construction projects
Eligibility for Admission to the Home

- Served 90 days or more during a foreign war or conflict where U.S. issued a medal
  - Or acquired a service-related disability/disease
- Honorably discharged
- Requiring a nursing home level of care
- Lived in RI at least 2 years prior to application or RI resident or draftee when entered service
Federal reimbursement for each resident based on their level of care

- Per diems for federal FY 2020
  - Dormitory: $48.50 ($17,703)
  - Skilled Nursing: $112.36 ($41,011)
  - 70% or higher VA disability pension: $452.86 ($165,294)

- These rates are set annually in October
Resident Contributions

- Residents pay 80% of their income
  - After deductions & allowances for personal needs and other items
- 80% assessment is split:
  - 80% to general fund
    - $4.5 million for FY 2020
  - 20% to a restricted receipt account for expenses at the Home
    - $1.0 million for FY 2020
Maintenance Fee Calculation

- Gross income minus taxes
- Apply Deductions:
  - Allowance for spousal & dependent support
  - 50% of income related to battle wounds
    - Purple Heart
  - Guardianship fees
  - Medicare Part B
  - $150 monthly personal needs allowance
- Multiply by 80%
Resident contributions capped at
- Cost of care
  - Personnel & contract costs
  - Operating supplies

Calculated annually – June 30
- Rules & regulations – by Director
- Currently $160,107 annually
  - After federal per diem, $120,000 annually or $10,000 per month
- Contributions vary widely by resident
# Maintenance Fee Calculation

<table>
<thead>
<tr>
<th>Examples</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Monthly Income</td>
<td>$11,270</td>
<td>$6,500</td>
<td>$780</td>
</tr>
<tr>
<td>Personal Needs Allowance</td>
<td>(150)</td>
<td>(150)</td>
<td>(150)</td>
</tr>
<tr>
<td>Other Deductions</td>
<td>-</td>
<td>(400)</td>
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</tr>
<tr>
<td>Net Income</td>
<td>$11,120</td>
<td>$5,950</td>
<td>$630</td>
</tr>
<tr>
<td><strong>Assessment at 80%</strong></td>
<td><strong>$8,896</strong></td>
<td><strong>$4,760</strong></td>
<td><strong>$504</strong></td>
</tr>
<tr>
<td><strong>Difference from $10K Cap</strong></td>
<td><strong>$1,104</strong></td>
<td><strong>$5,240</strong></td>
<td><strong>$9,496</strong></td>
</tr>
<tr>
<td><strong>80% To General Fund</strong></td>
<td><strong>$7,117</strong></td>
<td><strong>$3,808</strong></td>
<td><strong>$403</strong></td>
</tr>
<tr>
<td><strong>To Home RR Account</strong></td>
<td><strong>$1,779</strong></td>
<td><strong>$952</strong></td>
<td><strong>$101</strong></td>
</tr>
<tr>
<td><strong>Annual Equivalent</strong></td>
<td><strong>$106,752</strong></td>
<td><strong>$57,120</strong></td>
<td><strong>$6,048</strong></td>
</tr>
</tbody>
</table>
Article 16, Veterans’ Home

- Changes calculation
  - Personal needs allowance increases from $150 to $300
  - Income assessment increases from 80% to 100%
- Shifts all funds to the restricted account
  - Current law requires an amount equal to 20% of maintenance fees to be deposited into the account
    - Article changes this to 100%
  - FY 2021 budget shifts $4.5 million from general fund to the Home’s account
# Maintenance Fee Calculation

<table>
<thead>
<tr>
<th>Example A</th>
<th>Current Law</th>
<th>Art. -16</th>
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<tbody>
<tr>
<td>Resident Monthly Income</td>
<td>$11,270</td>
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<table>
<thead>
<tr>
<th></th>
<th>Example B</th>
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<tr>
<td>Resident Monthly Income</td>
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<td>(300)</td>
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<th>Example C</th>
<th>Current Law</th>
<th>Art. -16</th>
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<tr>
<td>Resident Monthly Income</td>
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<tr>
<td>Personal Needs Allowance</td>
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<tr>
<td>Other Deductions</td>
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</tr>
<tr>
<td>Net Income</td>
<td>$630</td>
<td>$480</td>
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<tr>
<td>Assessment</td>
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<tr>
<td>Difference from Cap</td>
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<td>$9,520</td>
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<tr>
<td>To General Fund</td>
<td>$403</td>
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<td>$5,760</td>
<td></td>
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</table>
Budget assumes additional revenue of $1.0 million from income change
- Equal to $4,470 annual increase per resident
- Estimate assumes 20% increase on $5.2 million of projected collections
  - Actual impact varies widely
    - A few residents would pay less
    - Most residents would pay more
  - Based on November census, collections could be up to $1.2 million
## Veterans’ Home Expenses

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>General Revenues</td>
<td>$22.9</td>
<td>$24.7</td>
<td>$19.9</td>
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<tr>
<td>Federal Funds</td>
<td>$10.4</td>
<td>$10.2</td>
<td>$10.4</td>
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<tr>
<td>Restricted Receipts</td>
<td>$1.0</td>
<td>$2.3</td>
<td>$6.4</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$34.2</strong></td>
<td><strong>$37.2</strong></td>
<td><strong>$36.7</strong></td>
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</table>

$ in millions, excludes capital
## Maintenance Fee Collections

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Collections</th>
<th>General Revenues</th>
<th>Restricted Receipts</th>
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<tbody>
<tr>
<td>2019</td>
<td>$5.2</td>
<td>$4.2</td>
<td>$1.0</td>
</tr>
<tr>
<td>2018</td>
<td>$4.9</td>
<td>$3.9</td>
<td>$1.0</td>
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<tr>
<td>2017</td>
<td>$4.8</td>
<td>$3.8</td>
<td>$1.0</td>
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<tr>
<td>2016</td>
<td>$4.3</td>
<td>$3.5</td>
<td>$0.9</td>
</tr>
<tr>
<td>2015</td>
<td>$4.6</td>
<td>$3.7</td>
<td>$0.9</td>
</tr>
</tbody>
</table>

$ in millions
The RI Veterans’ Memorial Cemetery receives a plot allowance for each veteran burial from federal govt
- Set annually by U.S. Veterans Administration
- Currently $796

No federal allowance for non-veteran spouses or dependents
Current law requires fee for non-veterans
- Equal to the cost of the grave liner
- Cemetery charges manufacturer price
  - Fee varies based on size - 30 inch is most common

<table>
<thead>
<tr>
<th>Liner</th>
<th>FY 2020 Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>30” Grave</td>
<td>$210</td>
</tr>
<tr>
<td>32’ Grave</td>
<td>$260</td>
</tr>
<tr>
<td>36’ Grave</td>
<td>$300</td>
</tr>
<tr>
<td>Child Size</td>
<td>$140</td>
</tr>
<tr>
<td>Cremation</td>
<td>$110</td>
</tr>
</tbody>
</table>
## Article 16 - Veterans’ Cemetery

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Grave Liner Collections</th>
<th>Full Burials</th>
<th>Cremation Burials</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$73,800</td>
<td>628</td>
<td>210</td>
</tr>
<tr>
<td>2018</td>
<td>$122,459</td>
<td>623</td>
<td>206</td>
</tr>
<tr>
<td>2017</td>
<td>$72,740</td>
<td>744</td>
<td>215</td>
</tr>
<tr>
<td>2016</td>
<td>$69,125</td>
<td>735</td>
<td>197</td>
</tr>
<tr>
<td>2015</td>
<td>$73,800</td>
<td>740</td>
<td>185</td>
</tr>
</tbody>
</table>
Article 16 proposes to replace grave liner fee with fee equal to the federal plot allowance

- Updated annually on October 1
- Estimated to generate $0.4 million
  - Based on full burials only, not cremated interments
  - Would go to General Fund
  - Revenues are not assumed in the Budget
Article 16 - Veterans’ Cemetery

- Article applies to all interments
  - Including cremation burials & niches
  - Would generate $0.7 million
    - $0.3 million more than Gov. estimates

<table>
<thead>
<tr>
<th></th>
<th>Current Fee</th>
<th>Art. 16</th>
<th>Chg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Burial</td>
<td>$140-$300</td>
<td>$795</td>
<td>$656-$496</td>
</tr>
<tr>
<td>Cremation Burial</td>
<td>$110</td>
<td>$796</td>
<td>$686</td>
</tr>
<tr>
<td>Cremation Niche</td>
<td>-</td>
<td>$796</td>
<td>$796</td>
</tr>
</tbody>
</table>
Governor’s budget documents include proposal to collect on probate estates over $15,000
- Estimated to generate $280,000 in FY 2021
- Budget does not excludes the funding
Agency corrective action plan proposed $0.5 million in the current year
- Not included in revised budget
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
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: Veterans’ Home

<table>
<thead>
<tr>
<th></th>
<th>GR</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019 Final</td>
<td>$26.5</td>
<td>$37.1</td>
</tr>
<tr>
<td>Enacted</td>
<td>$22.9</td>
<td>$34.2</td>
</tr>
<tr>
<td>Q1 Report</td>
<td>$25.7</td>
<td>$38.5</td>
</tr>
<tr>
<td>Q1 to Enacted</td>
<td>$ 2.9</td>
<td>$ 4.3</td>
</tr>
<tr>
<td>Rev. Request</td>
<td>$23.0</td>
<td>$35.6</td>
</tr>
<tr>
<td>Gov. Revised</td>
<td>$24.7</td>
<td>$37.2</td>
</tr>
<tr>
<td>Q2 Report</td>
<td>$24.7</td>
<td>$37.2</td>
</tr>
<tr>
<td>Gov. Rev. to Q2</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

$ in millions, excludes capital
Corrective Action Plan

- Veterans Services
  - Corrective Action Plan submitted Dec. 16
    - Lowered deficit to $2.0 million
    - Submitted proposals to achieve $0.6 million
    - January 15 report lowered estimated savings from $0.6 million to $0.1 million
  - Q2 report is consistent with Governor’s Revised Budget
  - RI National Guard report?
Article 4 - Debt Management Act Joint Resolution

- Enacted in 1994
- Subsequently amended to increase Assembly’s approval role
- Ensures that debt with a state tie was not issued without legislative review
- Result of Commission chaired by Rep. Linda Kushner
Public Debt Management Act

Certain quasi-public agencies are exempt:

- Infrastructure Bank
- Rhode Island Housing & Mortgage Finance Corporation
- Rhode Island Health & Educational Building Corporation
# New Requested Debt

<table>
<thead>
<tr>
<th>Certificates of Participation</th>
<th>Amount</th>
<th>Annual Debt</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Resource Planning IT</td>
<td>$54.8</td>
<td>$2.9 - $8.7</td>
<td>General Revenues</td>
</tr>
<tr>
<td>Child Welfare IT System</td>
<td>17.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Eleanor Slater Hospital – Regan Bldg.</td>
<td>12.0</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Southern Barracks State Police</td>
<td>35.0</td>
<td>2.9</td>
<td></td>
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<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$118.8</strong></td>
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<td></td>
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<tr>
<td><strong>Motor Fuel Revenue Bonds</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Henderson Bridge &amp; Other</td>
<td>$64.2</td>
<td>$2.0 - $7.3</td>
<td>Gas Tax</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$183.0</strong></td>
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</table>

$ 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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net Tax Supported Debt Service*</th>
<th>Pct. of Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$243.4</td>
<td>5.8%</td>
</tr>
<tr>
<td>2021</td>
<td>252.7</td>
<td>5.8%</td>
</tr>
<tr>
<td>2022</td>
<td>261.8</td>
<td>5.8%</td>
</tr>
<tr>
<td>2023</td>
<td>265.5</td>
<td>5.8%</td>
</tr>
<tr>
<td>2024</td>
<td>276.0</td>
<td>5.9%</td>
</tr>
<tr>
<td>2025</td>
<td>$267.7</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

*Millions
Debt Service as Percent of Useable Revenues

- FY 2020
- FY 2021
- FY 2022
- FY 2023
- FY 2024
- FY 2025

Legend:
- Current Debt Service
- New Debt Service
Project Considerations

- Does the project need to be done?
- Is the project ready to be done?
  - When will it start?
  - Is it well thought through and ready for funding/financing?
    - What will the operating budget impacts be?
      - Maintenance costs, staff savings?
  - When will it be complete?
Funding Considerations

- Should a project be financed or pay-as-you-go?
  - More pay-go equals less future debt service
  - Rhode Island Capital Plan funds available as pay-go for all or part of certain projects
    - Limited to physical assets
    - IT fund created for technology projects
Assembly Role

- Appropriate Pay-Go
- Approve General Obligation Bond Referenda
  - Voters approve or reject
  - Debt service automatic
- Other Financing (Kushner)
  - Approve or reject resolution
  - Generally appropriate debt service
Rhode Island Children’s Information System (RICHIST) - 1998

- Central registry system for children
  - Personal and familial characteristics
  - Legal status and court activity
  - Placement and living arrangements
  - Service plans and case assignments

- Financial System
  - Federal funding including eligibility information
  - Tracks vendor payments
Some prior DCYF technology requests

- FY 2017 capital request proposed upgrade to system
  - Mobile accessibility, standalone web portal
  - Not funded

- FY 2019
  - $0.1 million from Information Technology Investment funds provided for mobile technology compatible with the system
Article 4, Section 3- DCYF Child Welfare Info System

- Article identifies reasons for upgrades
  - Old system lacks:
    - Mobile access from field
    - Access to real-time info
    - Configurability
      - Age makes technical support difficult
  - New System
    - Provides advanced analytics and data
    - Allows quicker responses to changes in policy
Authorizes borrowing $17.0 million

- Describes $28.0 million project
  - Identifies $11.0 million from federal funds
- Funding assumed over FY 2021 – FY 2023
  - $3.3 million, $16.5 million, $8.2 million respectively
- Total cost of $19.7 million from general revenues
  - Annual debt service of $2.0 million
  - Assumes 10 years and 2.75% interest
Issues to Consider

- What are the best practices for these projects?
  - Custom IT project vs existing product?
- How accurate are cost estimates?
  - Initial cost based on other state comparison
  - Will Issue RFI soon and update information
Issues to Consider

- **Impact on maintenance costs?**
  - Enacted budget includes $2.2 million for system maintenance
    - $0.8 million from general revenues

- **Federal funding share**
  - How will this work?
  - Risk to state?
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: DCYF

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<th></th>
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<td><strong>$ (0.5)</strong></td>
<td><strong>$ (0.2)</strong></td>
</tr>
</tbody>
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$ in millions
Corrective Action Plan: DCYF

- Q1 gen. revenue deficit of $21.9 million
  - Corrective Action Plan submitted Dec. 16
- Governor Revised – $256.2 million
  - $1.3 million less from general revenues than Q1 projection
- Updated Expense Report - January 23
  - Table/List of Expenses and Initiatives; no written report
- DCYF Q2 report – January 31
  - Surplus of $0.5 million to Gov. Rev.
Corrective Action Plan: DCYF

Monthly Expense Report Initiatives

- Recruit & retain more foster homes
  - From October 2, 2019 to January 2, 2019
    - Licensed Kinship homes increased from 284 to 553
    - Licenses pending for over 6 months reduced from 203 to 77

- Renegotiate Private Agency Contracts and Review Service Contracts

- Maximize Federal Funds

- Rhode Island Training School Operating Review
Governor’s FY 2021 Budget: Articles

Staff Presentation to the House Finance Committee
February 5, 2020