

Governor's FY 2023 Budget

Staff Presentation to the House Finance
Committee
February 3, 2022

Governor's FY 2023 Budget

- Overview of Governor's budget
 - Spends over \$600 million in one-time surplus funds
 - Fully commits \$1.1 billion in fiscal recovery funds – over next 5 years
 - Funds new collective bargaining agreements
 - Proposes \$350 million in new GO debt
 - Projects \$220 million budget gap for FY 2024

Recent Timeline

- Preliminary FY 2021 Closing – Sept 1
- REC/CEC Q1 – Mid-November
- ARPA “Down Payment” – Jan 4
- Governor’s FY 2023 Budget – Jan 20
 - 2022 - H 7122 & 7123 introduced & referred
- Agencies Q2 – Jan 30
- FY 2021 Audited Closing – Jan 31
- Budget Office Q2 – Feb 15

Budget Briefings, Publications & Hearings

- December 16 – 2021-H 6494 Sub A
- Jan 25 & 27 – Budget at a Glance
- Feb 3 – Governor's Budget Overview
- House Fiscal Staff Budget Analysis
- Feb 8 – Article hearings begin

Governor's FY 2023 Budget

Finance Committee Review

- Briefing - Overview
- Article hearings through March
 - 15 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
 - ARPA Proposals

References

- Materials are on line on the Assembly website - <http://www.rilegislature.gov>
 - House Fiscal Reports
 - 2022 session
 - Prior session document links
 - 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 2023 Budget

- ***FY 2021 Closing***
- FY 2022 Revised Budget
- FY 2023 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

FY 2021 Audited

	Enacted	Audited	Diff.
Opening	\$156.2	\$156.2	\$ -
<i>Adjustment</i>	107.8	98.0	(9.8)
Other Revenues	4,218.1	4,531.6	213.5
Total Revenues	\$4,482.0	\$4,685.7	\$203.7
To Rainy Day	(131.0)	(137.2)	(6.3)
Expenditures	(3,982.6)	(4,078.6)	(96.0)
Transfers	(87.0)	(87.0)	-
Closing Surplus	281.4	382.9	101.5
Reappropriation	-	(8.4)	(8.4)
Free Surplus	\$281.4	\$374.2	\$93.0
\$ in millions			8

FY 2021 Audit Major Items

- Closing audit released this week
- Largest changes from preliminary were known at the time the FY 2023 budget was submitted
 - Mostly Medicaid
- \$0.5 million difference from Gov. assumptions
- Closing results should be viewed over 2 year window

FY 2021 Closing

- Technical accounting for reimbursement from FEMA forced unbudgeted state expense in FY 2021 - gets reversed in FY 2022
 - First happened in FY 2020

Closing Balance Impact	FY 2021	FY 2022	2 Year
Increase to Budget Surplus	\$93.0	\$-	\$93.0
FEMA Resources to FY 2022	-	\$216.5	216.5
Total	\$93.0	\$216.5	\$309.5

\$ in millions

Revenue Revisions: FY 2021

	Nov 2019	May 2020	Nov 2020	May 2021	Audit
Personal Income	\$1,495.7	\$1,295.8	\$1,450.4	\$1,540.0	\$1,615.5
Business Taxes	456.2	418.2	458.2	422.9	500.5
Sales & Use Taxes	1,397.0	1,262.2	1,390.8	1,475.1	1,524.1
Other Taxes	64.1	60.4	73.9	61.2	61.2
Total Taxes	\$3,413.0	\$3,036.6	\$3,373.3	\$3,499.2	\$ 3,701.3
Departmental	410.0	403.0	390.0	398.0	402.6
Other Misc.	14.7	12.1	10.3	13.8	9.6
Lottery	395.5	265.2	272.5	288.9	301.8
Unclaimed Prop.	8.4	9.0	10.3	15.6	16.3
Total	\$4,241.6	\$3,725.9	\$4,056.4	\$4,215.5	\$4,431.6

\$ in millions

Closing - Expenditures

Excluding FEMA issue spending is \$60.5 million below:

- \$8.4 million unspent & re-appropriated
- Remainder is mostly Medicaid savings
 - ESH billing issue
 - Other caseload savings
 - Complex tracking and federal guidance interpretation

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Revenues

- Revenue estimates are driven by trends, collections to date, and the economic forecasts
 - Immediate impact of COVID -19 related restrictions– near term
 - Sustained economic impact

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

- Forecast includes impacts of Infrastructure Investment and Jobs Act
 - Gradual simulative effect begins in 2023
- Assumptions
 - Federal Reserve begins to raise rates in March 2023
 - No impact of Build Back Better – not law
 - Price inflation will slow in 2023

November 2021

Consensus Revenue Estimates

	FY 2021 Audit	FY 2022 Rev.	Change to Enact	FY 2023 Estimate	Change to FY 22
Personal Income	\$1,615.5	\$1,656.6	\$107.2	\$1,704.1	\$47.5
Business Taxes	500.5	518.4	31.2	510.5	(7.9)
Sales & Use Taxes	1,524.1	1,610.0	125.4	1,635.2	25.2
Other Taxes	61.2	60.8	(4.0)	67.4	6.6
Total Taxes	\$3,701.3	\$3,845.8	\$259.8	\$3,917.2	\$71.4
Departmental	402.6	419.2	(3.1)	252.4	(166.8)
Other Misc.	9.6	11.3	(1.1)	10.7	(0.6)
Lottery	301.8	393.3	17.4	391.1	(2.2)
Unclaimed Prop.	16.3	14.7	0.5	11.8	(2.9)
Total	\$4,431.6	\$4,684.3	\$273.6	\$4,583.2	\$(101.1)

\$ in millions

November CEC

FY 2022 Caseload Estimating Conference

<i>Medical Assistance</i>	<i>Enacted</i>	<i>Nov CEC</i>	<i>Chg.</i>
All Funds	\$2,923.3	\$2,982.0	\$58.7
General Revenues	1,016.2	978.9	(37.3)
<i>Cash Assistance</i>			
All Funds	\$113.7	\$99.5	\$(14.2)
General Revenues	27.4	27.4	0.1
<i>Private DD Services</i>			
All Funds	\$295.6	\$294.8	\$(0.7)
General Revenues	126.9	122.3	(4.6)
Total (\$ in millions)	\$3,332.7	\$3,376.4	\$43.7

November CEC

FY 2023 Caseload Estimating Conference

<i>Medical Assistance</i>	<i>Enacted</i>	<i>Nov CEC</i>	<i>Chg.</i>
All Funds	\$2,923.3	\$2,989.8	\$66.5
General Revenues	1,016.2	1,132.3	116.1
<i>Cash Assistance</i>			
All Funds	\$113.7	\$128.0	\$14.3
General Revenues	27.4	28.1	0.7
<i>Private DD Services</i>			
All Funds	\$295.6	306.9	\$11.4
General Revenues	126.9	142.8	15.9
Total (\$ in millions)	\$3,332.7	\$3,424.8	\$92.1

Budget Gap

- Budget Office projected \$220 budget gap for FY 2023 in summer
- Effectively erased with updated info through Nov 15

BO Current year surplus – Q1	
FY 2021 Prelim Closing	(267)
Nov Rec	(274)
Nov CEC	42
Other Q1	36
Total	\$618

\$ in millions

Current Year

- The *current year* showed a significant surplus vs enacted expectations
 - Additional savings after Q1 with preliminary audit and other adjustments
- The Governor's budget spends most of that – leaves \$135M for use in FY 2023
 - Major one time IT and capital commitments
 - Employee contracts -wage increases
 - Pension debt and other obligations

Governor's Budget

	FY 2021	FY 2022	FY 2023
Opening Surplus	\$156.2	\$375.0	\$135.5
Reappropriated Surplus	5.3	8.4	
Adjustment to opening	(13.2)	-	-
FEMA Related Adjustment	106.3	212.7	-
Revenues	4,431.6	4,690.3	4,750.4
Rainy Day Fund	(137.2)	(152.0)	(146.6)
Available Revenues	\$4,549.0	\$5,134.4	\$4,750.4
Expenditures	\$3,936.6	\$4,988.9	\$4,739.3
Total Surplus*	\$383.4	\$135.5	\$ 8.0

\$ in millions * includes reappropriated surplus

Governor's FY 2023 Budget

- FY 2021 Closing
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- ***Governor's Recommended Solution***
- Operating Budget Overview
- Capital Budget Overview
- Out-years

Governor's Solution

- *Revenues*
- Medicaid/EOHHS Agencies
- Locals
- Commerce
- Departments and Agencies
 - Statewide
 - Initiatives
 - Debt and Other

Revenues Changes

Total Changes	FY 2023	FY 2024	FY 2027
Military Pensions Exemption	\$(0.7)	\$(2.1)	\$(5.8)
Corporate Minimum Tax -\$25	\$(0.8)	\$(1.6)	\$(1.6)
Trade-in Value - Motorcycles	\$(0.1)	\$(0.2)	\$(0.2)
Delinquent Tax Interest Rates	\$(2.5)	\$(6.3)	\$(7.2)
Total	\$(4.1)	\$(10.2)	\$(14.8)

\$ in millions

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Medicaid/EOHHS Agencies

- Long Term Care
- Managed Care/Hospitals/Other
- BHDDH
 - Eleanor Slater Hospital
 - Division of Developmental Disabilities
- DHS
- DCYF

Medicaid/EOHHS Agencies

Medicaid	GR	All
Post-Partum Expansion	\$(4.3)	\$(6.6)
Cover All Kids	(1.9)	(1.9)
Nursing Home Rate at 3%	(1.3)	(3.1)
Meals on Wheels	(0.2)	(0.4)
Perry/Sullivan – Enhanced HCBS	17.7	38.6
Total	\$10.1	\$26.6

\$ in millions

Medicaid/EOHHS Agencies

- Eleanor Slater Hospital
 - FY 2023 budget separates the Benton facility from rest of the hospital
 - Creates a new psychiatric hospital
 - Allows better opportunity to claim Medicaid
 - Forensic psychiatric patients will no longer be counted with medical & non-forensic patients

Medicaid/EOHHS Agencies

- Psychiatric Hospital
 - 52-bed stand-alone hospital
 - 83.0 FTE – 76 existing; 5 new admin positions
 - CEO, Chief Medical Officer, Chief Nursing Officer, CFO & Chief Quality Officer
 - Similar titles but different pay grades than ESH

New Psychiatric Hospital	Total
Staffing & Operating	\$29.8
5.0 New FTE (start date of 9/1/2022)	0.8
Total	\$30.6

\$ in millions

Medicaid/EOHHS Agencies

- Eleanor Slater Hospital
 - New footprint ~150 patients total
 - Burillville and Cranston
 - \$100+M capital project proposed
 - Remaining 667.4 FTEs
 - Retains administrative structure
 - Chief Operating Officer
 - Chief of Operations and Financial Management
 - Chief Medical Officer
 - Chief Nursing Officer
 - Chief of Quality Assurance

Medicaid/EOHHS Agencies

Division of Developmental Disabilities 2-year impact	GR	All
DSP hourly rate reimbursement to \$18	\$(16.1)	\$(35.0)
DD Loan Write-Off	(12.6)	(12.6)
Transition & Technology Fund	(5.2)	(9.0)
Total	\$(33.9)	\$(56.6)

\$ in millions

Medicaid/EOHHS Agencies

DHS	GR	All
Child Care Reimbursement Rates	\$ -	\$(4.7)
Child Care Eligibility at 200%	-	(2.7)
Child Care Enrollment v. Attendance	-	(1.5)
Child Care Coverage Expansion	-	(0.4)
RI Works Income Disregard & Resource Limit	-	(0.3)
Total	\$ -	\$(9.5)

\$ in millions

Child Care Assistance Program

- FY 2022 revised
 - Continue waiving family co-pays & paying based on enrollment vs attendance
 - Implemented in response to COVID
 - Enacted budget & November CEC assume both ended December 31, 2021
 - Continued through emergency rules & regulations
 - 2021 Assembly limited co-pays to 7% of income
 - Assumed to begin January 1, 2022
 - \$1.9 million from federal funds

Child Care Assistance Program

- FY 2023 includes 4 proposals - \$9.2 million
 - Pay providers based on enrollment instead of attendance
 - Increase center-based rates based on 2021 market rate survey
 - Rates increase between 3% & 12.4%
 - Depending on age & quality rating
 - Income eligibility goes from 180% to 200% FPL
 - Expand eligibility to students in state higher ed
 - Enacted as pilot for FY 2022 only

Rhode Island Works

- FY 2023 includes 2 proposals
 - Increase monthly benefit by excluding income
 - Increase monthly disregard from \$170 to \$300
 - 2021 Assembly allowed new earned income to be disregarded for up to 6 months, until gross income >185% FPL, or until lifetime limit is reached, whichever is first
 - Increase resource limit from \$1,000 to \$5,000
 - Resources include real and personal property
 - \$250,000 from federal funds for both changes

Medicaid/EOHHS Agencies

New or Increased DHS Grants	GR
Senior Services Support	\$200,000
Boys & Girls Club	100,000
RI Community Food Bank	100,000
Coalition Against Domestic Violence	100,000
Day One	50,000
Institute for Nonviolence	50,000
Higher Ground International*	50,000
Refugee Dream Center *	50,000
Total	\$700,000

\$ in millions/*new grant

EOHHS Agencies

- Maintains enacted funding for enhanced staffing and accreditation efforts
 - Current year savings from slow hiring retained in budget

DCYF	GR	All
Enhanced Claiming	\$(0.9)	\$-
Female Psychiatric Residential Treatment Facilities	2.3	12.1
Total	\$1.4	\$12.1

\$ in millions

Governor's Solution

- Revenues
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Education Aid

- Governor adds \$39.5 million
 - \$0.5 million more than current service estimate
 - \$5.4 million more for direct aid to schools
 - \$0.8 million is for FY 2022 data correction
 - \$4.9 million less for school construction
 - Governor's out-year estimates show decline in base aid funding
 - Increased costs will be offset by population decline
 - Prior out years – assumed 2% annual
- Current recommendation reflects 2.3%

Education Aid Out-Years

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Direct Aid	2.1%	-1.1%	1.2%	1.3%	1.5%
Teacher Retirement	5.5%	5.5%	5.5%	5.5%	5.5%
School Construction*	10.7%	10.3%	7.5%	4.8%	4.5%
Net Growth	3%	0.3%	2.1%	2.0%	2.2%

**Assumes passage of 2nd school construction bond*

Education Aid

- Starts with formula calculation
 - **Current law = \$25.9 million reduction**
 - Holds harmless from losses ~ \$49.7 million
 - March 2022 updated expected in April
 - Net add of \$23.7 million vs enacted
 - \$0.8 million adjustment for FY 2022 data error
 - Current law adjustment ~ \$0.4 million
 - Holds districts harmless from losses ~\$0.5 million
 - Adds \$1.0 million for Central Falls stabilization
 - \$0.7 million less for fewer group home beds

Education Aid

- Teacher Retirement \$130.9 million
 - \$6.9 million more than enacted
- School Construction Aid \$88.5 million
 - Aid now exceeds prior \$80M appropriations
 - \$250 million GO bond approved by voters in 2018
 - Upfront support for state share of projects
 - Approval triggered temporary incentives to for certain projects – drives reimbursement growth
 - Projects must begin by 2022 or 2023
 - No new general revenues for SBA Fund
 - \$9.0 million in FY 2022 revised

Education Aid

- Governor assumes new \$250 million GO for 2022 Ballot
 - \$200 million for more upfront support for state share of traditional projects supported through debt
 - \$50 million to recapitalize School Building Authority fund
 - Smaller projects for communities that do not have capital reserve funds - equity concerns

COVID - 19 Relief

- Federal Acts provided significant resources for education entities
- Includes over \$500 million to districts

Education Funds	CARES	CCA	ARPA	Total
Governor's Fund	\$8.7	\$11.0	\$6.2	\$25.9
K-12	46.4	184.8	415.1	646.3
Public Higher Ed	28.7	52.9	90.8	172.4
Total	\$83.8	\$248.7	\$512.1	\$844.6

\$ in millions

Local Aid – General Aid Programs

	FY 2022 Enacted	FY 2022 Gov. Rev.	FY 2023 Gov. Rec.
Dist. Communities	\$12.4	\$12.4	\$12.4
PILOT*	46.1	46.1	46.1
Motor Vehicle Excise*	139.7	126.5	166.6
Total	\$198.1	\$185.0	\$225.1

\$ in millions Subject to data updates

Local Aid – Restricted Aid Programs

	FY 2022 Enacted	FY 2022 Gov. Rev.	FY 2023 Governor
Library Resource Aid*	\$9.6	\$9.6	\$9.6
Library Const. Aid	2.1	2.1	1.9
Property Valuation	1.5	1.5	0.4
Total	\$13.2	\$13.2	\$11.8

\$ in millions; *Includes Reference Library Resource Grant to Providence

Local Aid Programs

- Distressed Communities - \$12.4 million
 - Same as enacted
 - Redistribution among eligible communities based on updated data
- 7 recipients
 - Central Falls
 - North Providence
 - Pawtucket
 - Providence
 - West Warwick
 - Woonsocket
 - Cranston receives 50% transition payment out

Local Aid Programs

- PILOT - \$46.1 million
 - Funding represents – 25.7% of the value
 - Law allows up to 27%
 - FY 2022 represented 26.0%
 - \$1.8 million less than full funding
 - Distribution subject to pending data revision
- Motor Vehicle Phase-Out - \$166.6 million
 - \$26.9 million more than enacted
 - Fully funds the current law schedule
 - FY 2023 \$9.9 million lower based on updated data;
 - FY 2022 \$13.1 million lower

COVID - 19 Relief

- Coronavirus State & Local Fiscal Recovery Funds
 - Rhode Island receives \$1,780.2 million
 - \$1,131.1 million to the state
 - \$536.8 million to locals – allocated like CDBG
 - \$112.3 million for capital expenses
 - Enacted budget includes first half for locals
 - FY 2023 includes second half
 - Not all funds pass through state budget

Local Federal Stimulus Aid

Disbursement Type	FY 2022	FY 2023	Total
Entitlement*	\$136.5	\$136.5	\$272.9
<i>Cranston</i>	13.4	13.4	26.8
<i>East Providence</i>	9.3	9.3	18.5
<i>Pawtucket</i>	22.1	22.1	44.3
<i>Providence</i>	65.7	65.7	131.4
<i>Warwick</i>	11.8	11.8	23.7
<i>Woonsocket</i>	14.1	14.1	28.3
Non-Entitlement	29.1	29.1	58.1
County Level	102.9	102.9	205.8
Grand Total	\$268.4	\$268.4	\$536.8

\$ in millions; *Entitlement funds provided directly

Governor's Solution

- Revenues
- Medicaid/EOHHS
- Locals
- *Commerce*
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Commerce

- 2015 Assembly enacted 15 programs with FY 2016 budget in support of Governor Raimondo's economic strategy
 - 5 tax incentive programs
 - 10 other programs, investments & initiatives
 - Partially funded from debt restructuring
- 2016 -2021 Sessions
 - Added & made revisions
 - Extended sunsets
 - Recaptured unused funds

Commerce

- Commerce items \$4.6 million above prior deficit projections
 - Adds funding to some established funds
 - New staffing for Office of Housing and Community Development
 - Changes to approved programs
 - Extends sunsets one year to Dec 31, 2023
- Major additional spending through State Fiscal Recovery funds

Commerce

Current Programs	2016 – 2021	2022 R	2023
Rebuild RI	\$82.2	\$52.5	\$13.5
Cluster Grants	2.4	-	-
Wavemaker	8.6	1.2	1.8
Innovation Initiative	7.5	1.0	1.0
Small Business Assist.	6.0	0.7	0.7
Supply RI	0.9	0.3	0.3
Site Readiness	1.0	1.0	1.0
Air Service Dev.	2.5	-	2.3

\$ in millions

Commerce

Pass-Through	2019	2020	2021	2022R	2023
Commerce Corp.	\$7.5	\$7.4	\$7.4	\$7.7	\$7.9
Airport Impact Aid	1.0	1.0	1.0	1.0	1.0
STAC	0.9	0.9	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	0.14	0.14
Chafee Center	0.5	0.5	0.5	0.5	0.5
Polaris	0.4	0.4	0.4	0.4	0.4
EP Waterfront Comm.	-	0.1	0.1	0.1	0.1

\$ in millions; *Urban Ventures

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Departments and Agencies

- Commitment of one-time funds to one time use – long term operating savings
 - Capital Projects via RICAP funds
 - Matching new federal funds
 - Addressing deferred maintenance
 - Information technology investments
 - Customer service
 - Security
 - Efficiencies
 - Prior liabilities or obligations

One Time Uses

	FY 2022	FY 2023	Total
RICAP	\$(338.0)	\$ -	\$(338.0)
Pension	(61.2)	-	(61.2)
Clean/Drinking Water Match	(21.9)	-	(21.9)
IT Transfer	(50.0)	-	(50.0)
FEMA Reserve	-	(15.0)	(15.0)
DD Homes	(12.6)	-	(12.6)
Correctional Industries	-	(1.7)	(1.7)
Job Classification Study	(2.0)	-	(2.0)
Total	\$(485.7)	(16.7)	\$(502.4)

\$ in millions

Departments and Agencies

- Transition Expenses
 - \$350,000 for transition expenses for newly elected general officers
- Pandemic Recovery Office
 - \$250,000; \$1.0 million from all sources
 - 7.0 new positions
- Public Safety
 - \$1.2 million for State Police vehicles
 - \$1.2 million for equipment
 - \$0.1 million for new forensic scientist

Departments and Agencies

- Higher Education
 - \$0.2 million and 2.0 FTE for State Crime Lab
 - CCRI academic advising - \$0.4 million
 - CCRI professional development - \$0.2 million
 - \$0.1 million for RIC retention & recruitment
- Department of Business Regulation
 - \$1.2 million for E-permitting expansion
 - \$1.1 million for bomb squad equipment

Departments and Agencies

- Environmental Management
 - Permitting
 - \$0.5 million and 6.0 new FTE for permitting
 - To enhance customer service, support businesses, & manage increase in recent permitting activity
 - Governor also adds \$0.6 million in new revenues from 13 new or increased fees
 - Local Agriculture & Seafood Program
 - \$250,000
 - \$150,000 increase

Transportation

- Infrastructure bill includes increased funding for transportation
 - Formula funding
 - DOT - \$239M from FFY 2021 to \$342M in FFY 2022
 - RIPTA - \$35M from FFY 2021 to \$47M in FFY 2022
 - Opportunities to apply for new grants
- One time funds to RICAP
 - Allocates \$100M for state match for 2 years
 - \$71.3M to DOT & \$28.7M to RIPTA

Cannabis

- New Adult Use Marijuana
 - 24.0 new FTEs in five agencies
 - FY 2023 revenues of \$1.2 million
 - Out years average \$18.0 million
- Automatic expungement for marijuana-related possession offenses
 - Court fee revenue loss of \$0.4 million
 - \$0.7 million for AG & Courts to administer
- Medical Marijuana
 - New IT system \$0.7 million

Opioid Stewardship Fund

- 2019 Opioid Stewardship Act
 - Assessment from gross in-state opioid sales
 - Manufacturers
 - Wholesalers
 - Distributors
 - \$5.0 million annually
 - Deposited as restricted receipts
 - Governor proposes administration authority be transferred from DOH to EOHHS

Opioid Stewardship Fund

Dept.	Program	FY 22	FY 23
BHDDH	Access to Treatment & Housing	\$2.0	\$1.6
	Behavioral Health Database	-	0.4
EOHHS	Community-based programs	-	2.2
	Prescription Drug Monitoring Program	-	0.1
	Administrative – Operating	-	0.1
DOH	Naloxone	-	1.0
	Needle Exchange & Resources	0.1	0.1
	Administrative – Operating	0.2	0.2
DOC	Mental Health Services	0.7	0.7
	Medication Assisted Treatment	1.6	2.2
\$ in millions		Total	\$4.6
			\$8.6

Mental Health Court

- Mental Health Court Pilot Program
 - Intended to reduce recidivism & divert volume from criminal courts through treatment, monitoring & additional support
 - Funded from ARPA Fiscal Recovery funds

Agency	FTE	FY 2023	FY 2024	FY 2025	Total
Mental Health Adv.	2.0	\$0.2	\$0.2	\$0.2	\$0.7
Attorney General	2.0	0.2	0.2	0.2	0.6
Judiciary	7.0	1.0	0.9	1.0	2.9
Total	11.0	\$1.4	\$1.4	\$1.4	\$4.2

\$ in millions

Governor's FY 2023 Budget

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Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$4,550.8	\$4,731.3	\$180.5
Federal	5,862.7	5,311.0	(551.7)
Restricted	372.7	432.2	59.5
Other	2,334.6	2,350.4	15.8
Total	\$13,120.8	\$12,825.0	\$(295.8)

\$ in millions

Personnel and Operating

- Salaries and Benefits
 - Increase of 4.9% from enacted
 - Understated as some new costs budgeted as operating
 - General revenues increase 3.8%
 - COLA and retention bonus
 - All but RIBCO and State Police
 - Medical Benefit Savings
 - 104.6 new positions
 - Includes 1.3 reduction related to program changes

Cost-of-Living Adjustment

	General Revenues	All Funds
FY 2021 Retro Payment – Year 1	\$20.7	\$29.6
FY 2022 COLA – Year 2	17.4	32.8
Retention Bonus	6.2	10.7
FY 2022 Revised Budget	\$65.0	\$102.6
FY 2023 COLA – Year 3	\$16.9	\$27.8
Retention Bonus	6.3	10.8
FY 2023 Budget	\$61.3	\$100.9
2-Year Total	\$126.3	\$203.5

\$ in millions; excludes RIBCO and State Police

Summary of Statewide Adjustments

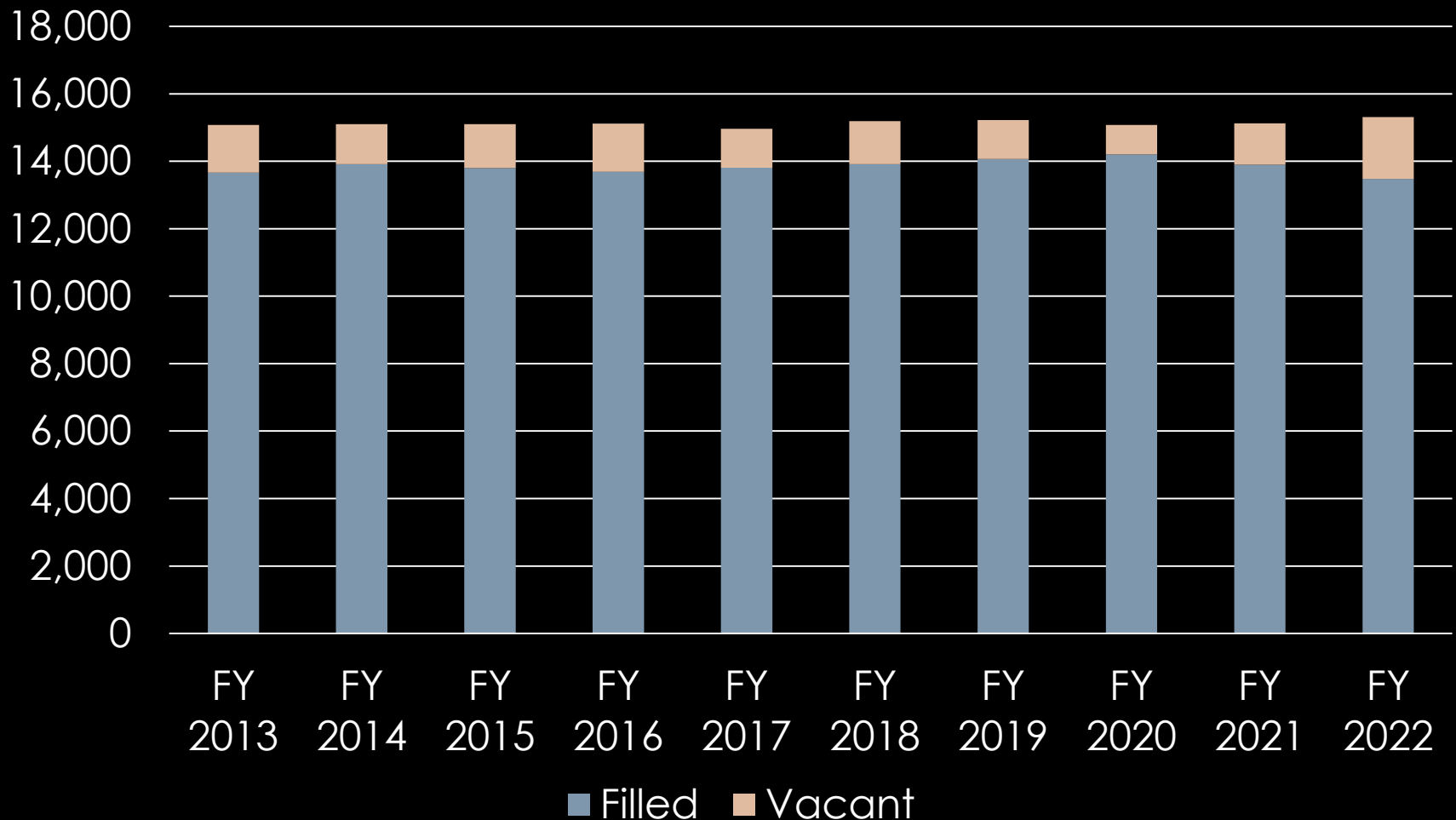
General Revenues	FY 2022 Revised	FY 2023	Total
COLA & Retention Bonuses	\$65.0	\$61.3	\$126.3
Medical Benefits	(2.7)	(5.8)	(8.5)
Total	\$62.3	\$55.5	\$117.5

\$ in millions

Full-time Equivalent Positions

	Total
FY 2020 Avg.	14,205.1
FY 2021 Avg.	13,896.5
FY 2022 Enacted	15,313.2
FY 2023 Gov. Rec.	15,416.5
Diff. from Enacted	103.3
Filled January 1, 2022	13,502.5
Diff. from Enacted	(1,810.7)
Diff. from Gov. Rec.	(1,914.0)
Diff. From FY 2020	(702.6)

Full-time Equivalent Positions



Staffing Changes

- Biggest changes
 - Adult use marijuana – 24
 - New Mental Health Court – 11
 - Eleanor Slater Hospital - 9
 - Pandemic Recovery Office – 7
 - Emergency Medical Dispatch - 6
 - Housing - 5
 - Act on Climate - 4

Expenditures

All Sources	Enacted	Budget	Change
Salaries/Benefits	\$1,903.4	\$1,996.7	\$93.3
Contracted Services	703.7	470.7	(232.9)
Operating	1,126.8	1,490.1	363.3
Local Aid	2,211.4	1,935.9	(275.5)
Assistance & Grants	5,892.1	5,635.3	(256.8)
Capital	452.8	508.0	55.2
Debt Service	252.7	265.5	12.8
Operating Transfers	577.9	522.7	(55.1)
Total	\$13,120.8	\$12,825.0	\$(295.8)

\$ in millions

Personnel and Operating

- Comparisons regarding category of expenditures between years are complicated this year
 - Salaries and benefits are understated
 - Some COLA adjustments are budgeted as operating expenses
 - Assistance, grants and benefits understated
 - Some major benefit payments are budgeted as operating expenses

COVID-19 Relief

- 6 federal acts enacted to address crisis
 - Coronavirus Preparedness & Response Supplemental Appropriations – Mar 6
 - Families First Coronavirus Response – Mar 18
 - CARES – Mar 27
 - Paycheck Protection Program & Health Care Enhancement – April 24
 - Consolidated Appropriations Act – Dec 27
 - American Rescue Plan – March 11, 2021

COVID - 19 Relief

- Coronavirus Relief Fund
 - Use extended to December 31, 2021
 - Had been December 30, 2020

FY 2020	\$231.3
FY 2021	967.6
FY 2022	45.6
FY 2023	2.7
Unallocated*	2.8
Total	\$1,250.0

\$ in millions; *final amounts by year subject to change as invoices are finalized

American Rescue Plan Act

- State & Local Fiscal Recovery Funds
 - RI to get \$1.8 billion over 2 years
 - \$1,131.1 million to the state
 - \$112.3 million for capital project expenses
 - \$536.8 million to locals
- Use spans several state fiscal years
 - Must obligate by Dec. 31, 2024 - **FY 2025**
 - Funded projects must be completed by Dec. 31, 2026 - **FY 2027**
 - Governor programs all funding from FY 2022 through FY 2027

ARPA State Fiscal Recovery Funds Timeline

FY 2021: March 2021 ARPA becomes law

- 
- \$1,131M - fiscal recovery funds
 - May 2021 interim final rule
 - June 2021 compliance & reporting guidance
 - July 2021 (FY 2022) most recent FAQs updated
 - Dec. 31, 2024 funds must be obligated by (FY 2025)
 - \$112M capital projects fund
 - Sept. 2021 guidance
 - Sept. 24 application opens
 - December 27, 2021 deadline to request funding (FY 2022)
 - September 24, 2022 deadline to submit grant plan (FY 2023)

FY 2027: All funds must be spent by December 31, 2026

State & Local Fiscal Recovery Funds

A. Respond to the public health emergency (PHE) and its economic impacts

B. Respond to workers performing essential work during COVID-19 PHE by providing premium pay to eligible workers

**ARPA specifies
four eligible
uses**

C. Provision of government services to the extent of the reduction in revenue due to the COVID-19 PHE

D. To make necessary investments in water, sewer or broadband infrastructure

American Rescue Plan Act

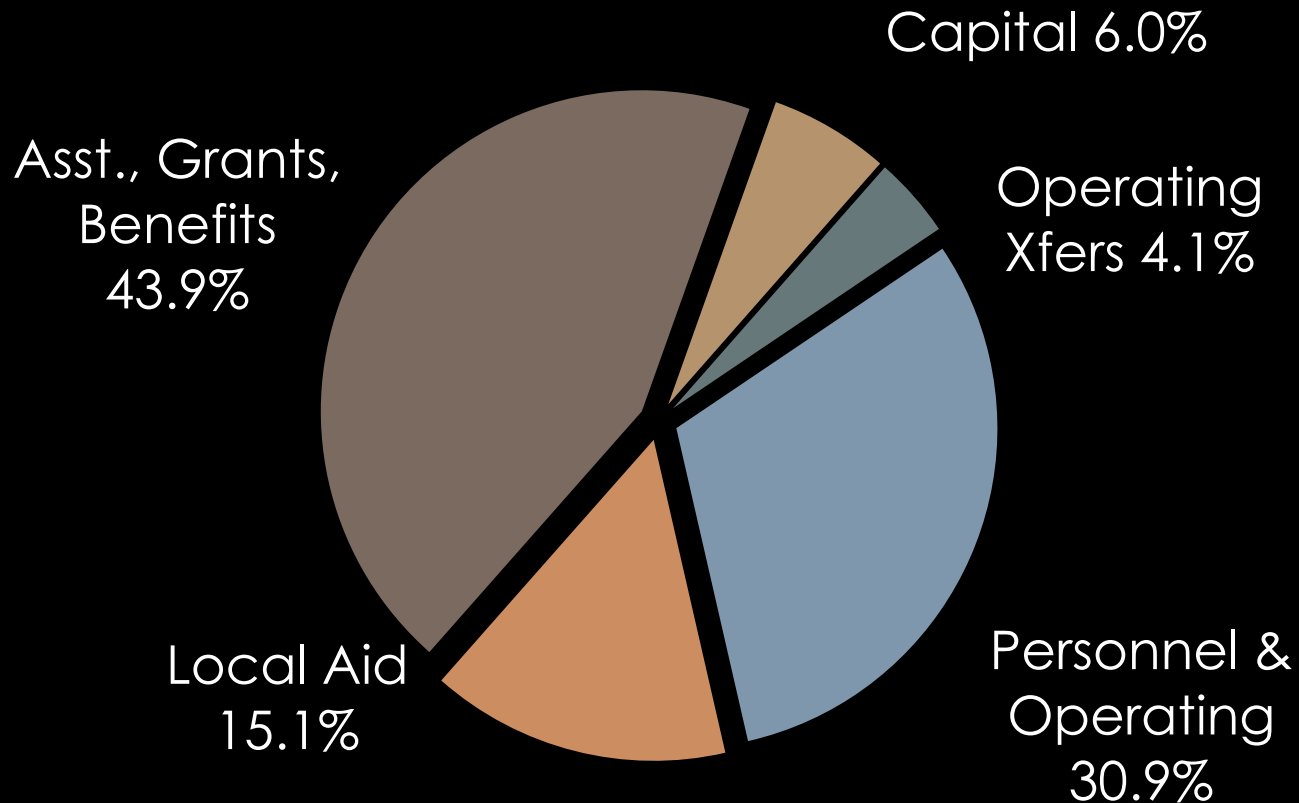
- Governor programs all funding from FY 2022 through FY 2027 to over 50 projects
 - FY 2022 allocation appear in 2022-H 7122
 - Includes \$119 approved on Jan 4
 - Remaining allocations in Art 1 2022-H 7123
 - Sec.1 - FY 2023 allocations
 - Sec. 16 - FY 2024-27 & item descriptions by agency
 - Projects mostly one time
 - Some likely create expectation of future support
 - Some funding replaces current state support

COVID - 19 Relief

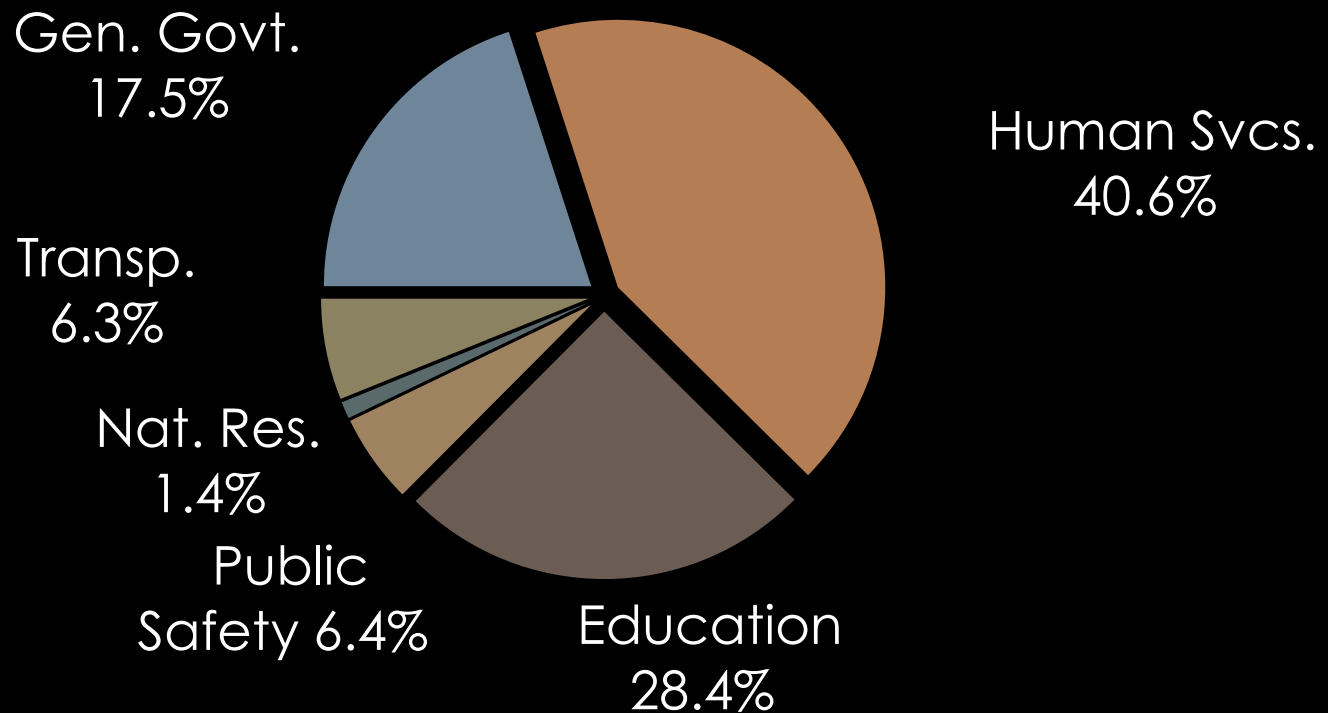
State Fiscal Recovery Funds - Category	Amount
Housing	\$250.0
Economic and Workforce Development	211.8
Small Business & Impacted Industry	180.5
Public Health	152.3
Children, Families and Education	118.6
Behavioral Health	42.4
Public Infrastructure & Technology	26.5
Climate	132.0
Administration	\$17.0
Total	\$1,131.1

\$ in millions

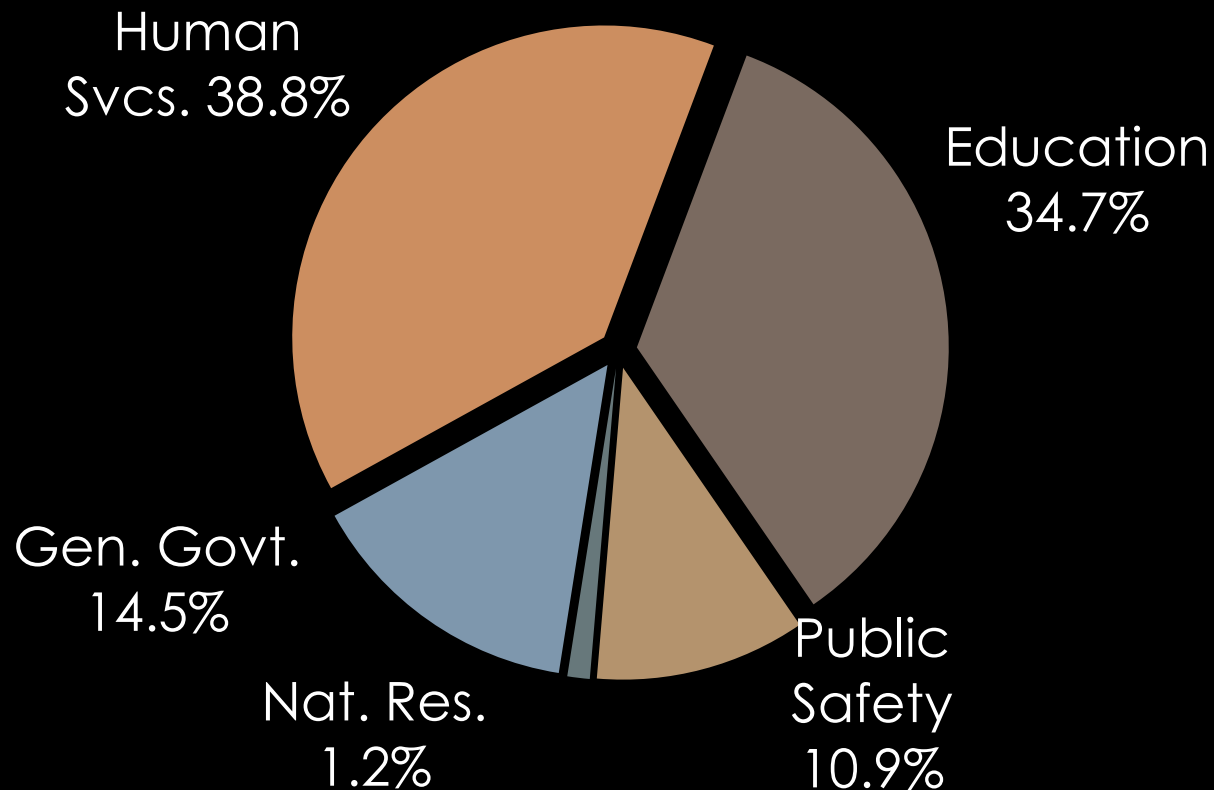
All Funds by Category: Governor FY 2023



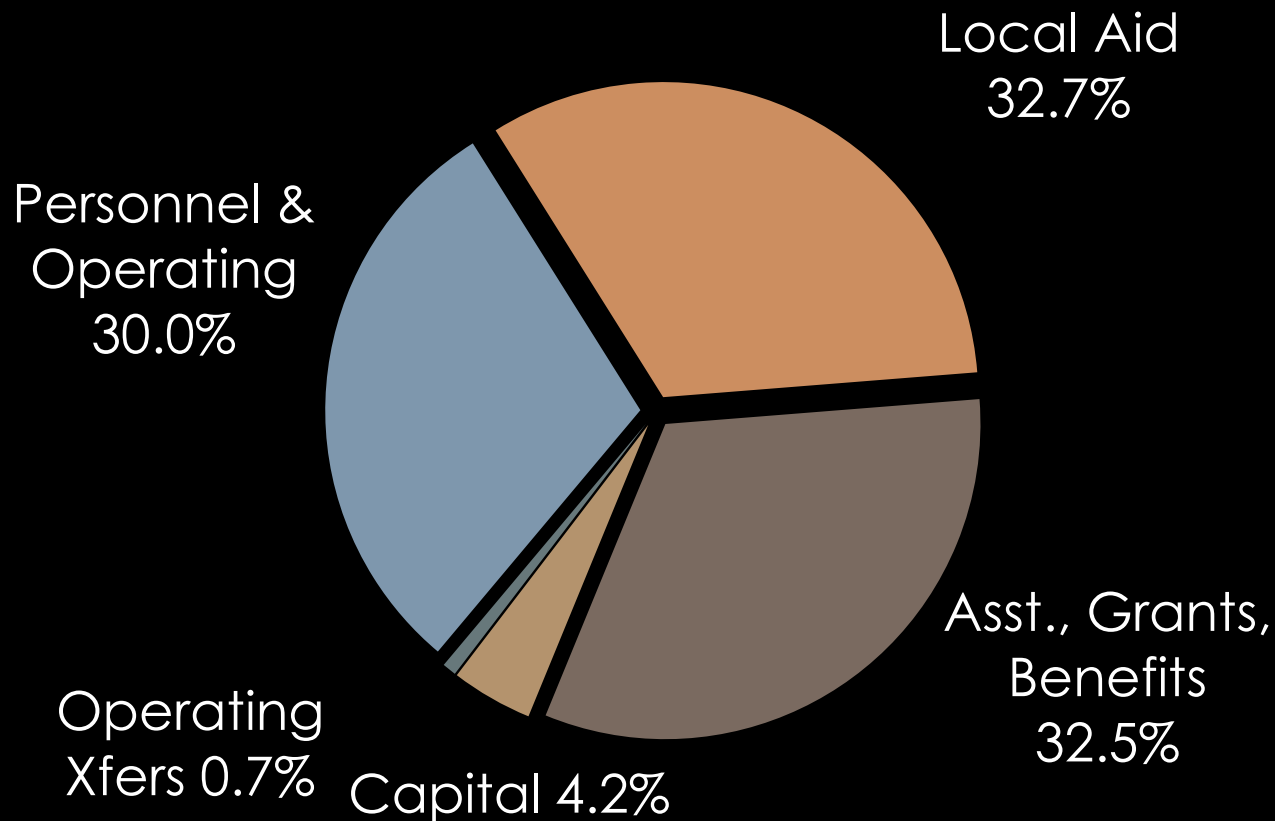
All Funds by Function: Governor FY 2023



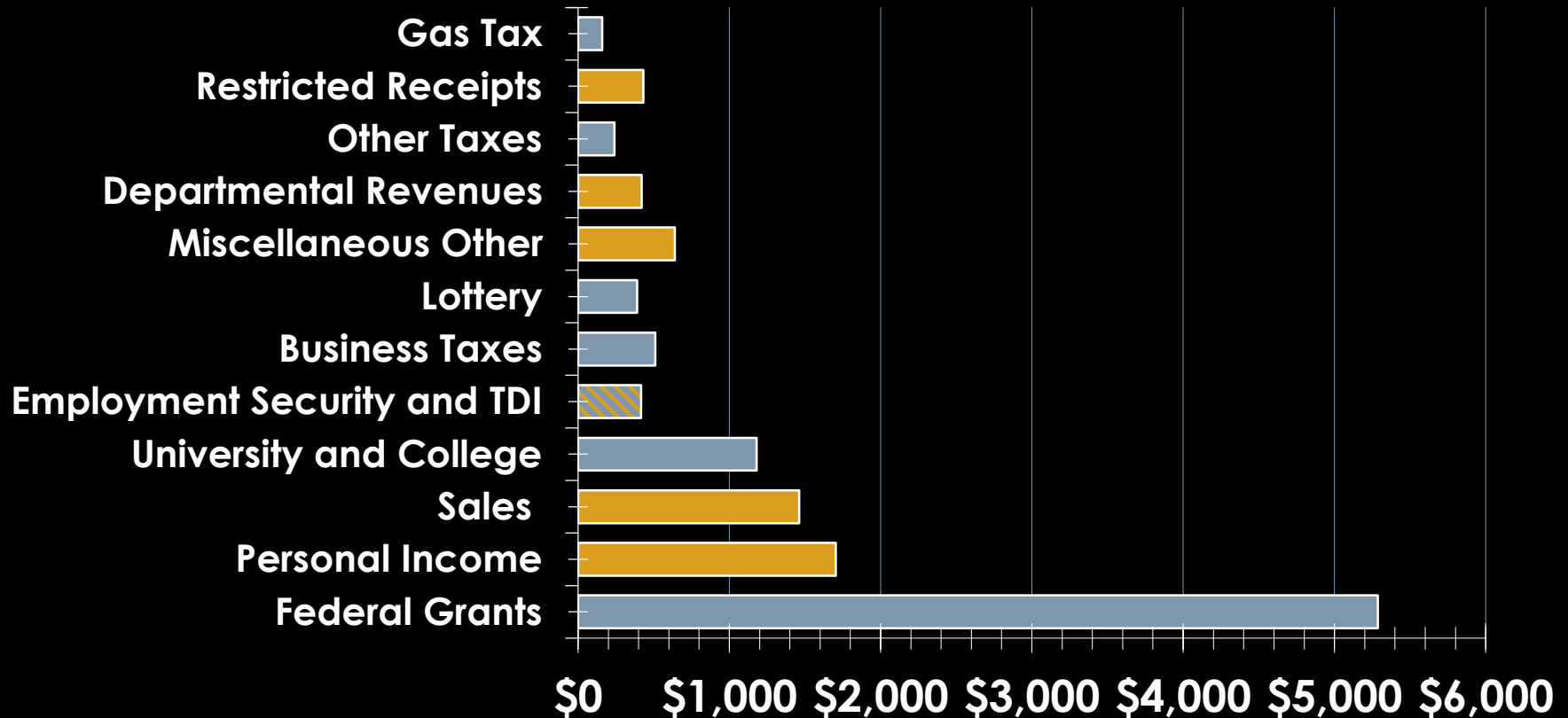
General Revenues by Function: Governor FY 2023



General Revenues by Category: Governor FY 2023

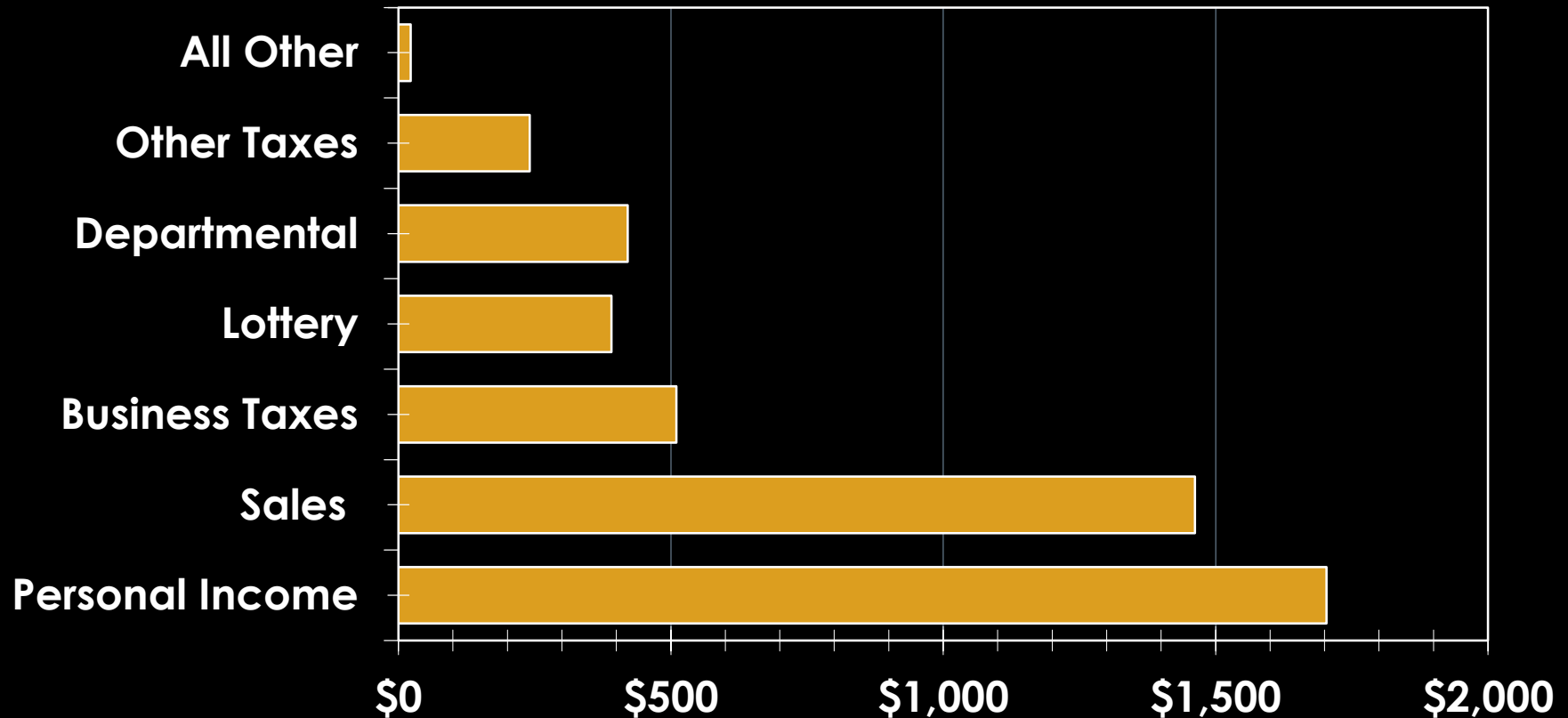


All Sources (\$ millions)



General Revenue Sources

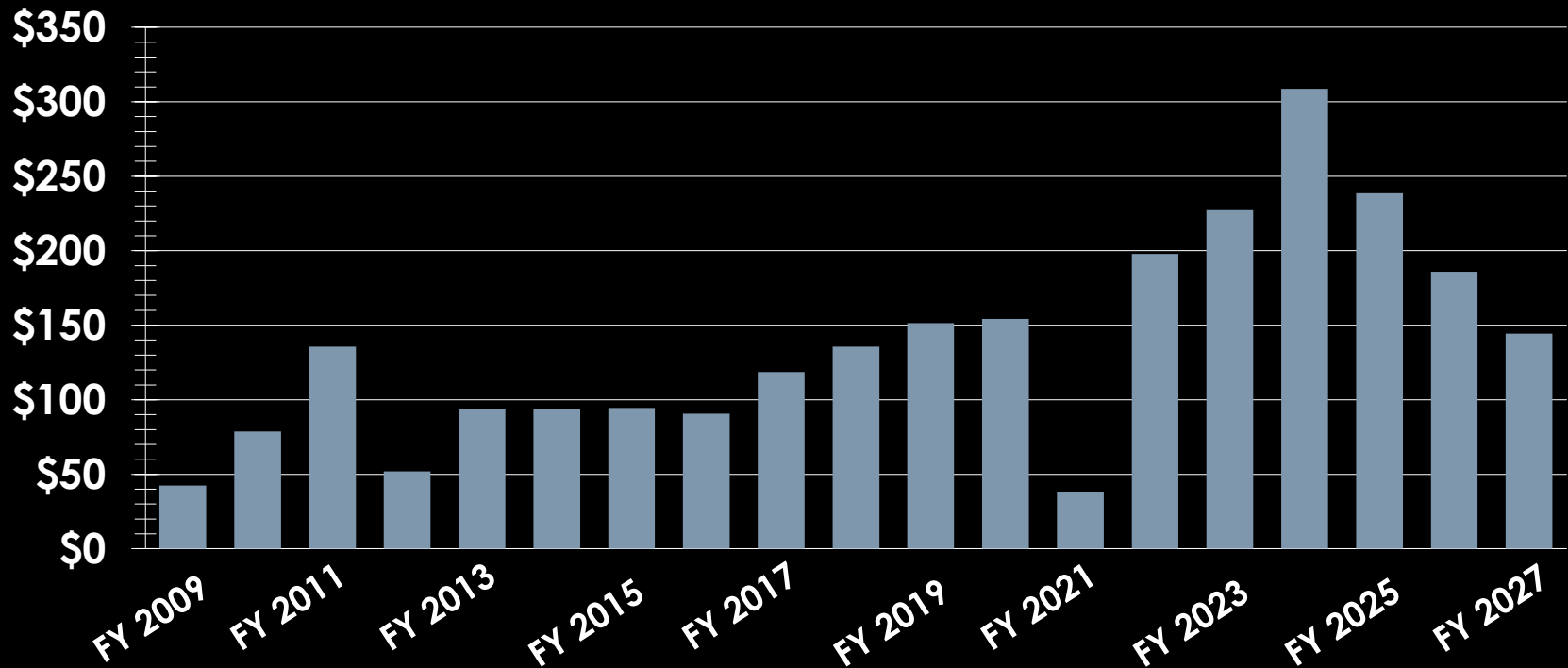
(\$ millions)



Governor's FY 2023 Budget

- FY 2021 Closing
- FY 2022 Revised Budget
- FY 2023 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- ***Capital Budget Overview***
- ***Out-years***

Rhode Island Capital Plan Funds



Rhode Island Capital Plan Funds

- Resources in Fund have grown over time
- Intended purpose
 - Lower 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
- Use of rainy day fund to balance FY 2020 budget interrupted normal flow
 - Payback occurred in FY 2021

Rhode Island Capital Plan Funds

- \$1,104.7 million for FY 2023 – FY 2027
- Approximately \$221 million annually
 - 26% for Transportation
 - 12% for Higher Education
 - State buildings & facilities
 - Courts, prisons, hospitals
 - Dams, piers, parks

Assembly Role

- Appropriate Pay-Go (Article 1)
- Approve General Obligation Bond Referenda (Article 5)
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner) (Article 4)
 - Approve or reject resolution
 - Generally appropriate debt service

New Requested Debt – GO

November 2022

Ballot #	Project	Amount	Annual Debt
1	Higher Education Total	\$62.0	\$5.0
	<i>URI Narragansett Bay Campus</i>	50.0	4.0
	<i>CCRI Renovations & Modernization</i>	12.0	1.0
2	Rhode Island School Buildings	250.0	20.1
3	Environment and Recreation	38.0	3.0
	Total	\$350.0	\$28.1

\$ in millions; annual debt assumes 5% rate and 20 year term

New Requested Debt - GO

Q3 - Environment and Recreation	Amount
Municipal Resiliency	\$16.0
Small Business Energy Grants & Loans	5.0
Narragansett Bay & Watershed Restoration	3.0
Forest Restoration	3.0
Brownfields Remediation & Econ Development	4.0
State Land Acquisition Program	3.0
Local Land Acquisition Matching Grants	2.0
Local Rec. Development Matching Grants	2.0
Total	\$48.5

\$ in millions

New Requested Debt – Revenue Bonds

Project	Amount	Annual Debt	Source
URI Facilities Service Sector Upgrades	\$13.0	\$1.2	General revenues, tuition, fees
URI Utility Infrastructure Phase II	15.5	1.4	
Total	\$29.5	\$2.6	

\$ in millions

Funding Considerations

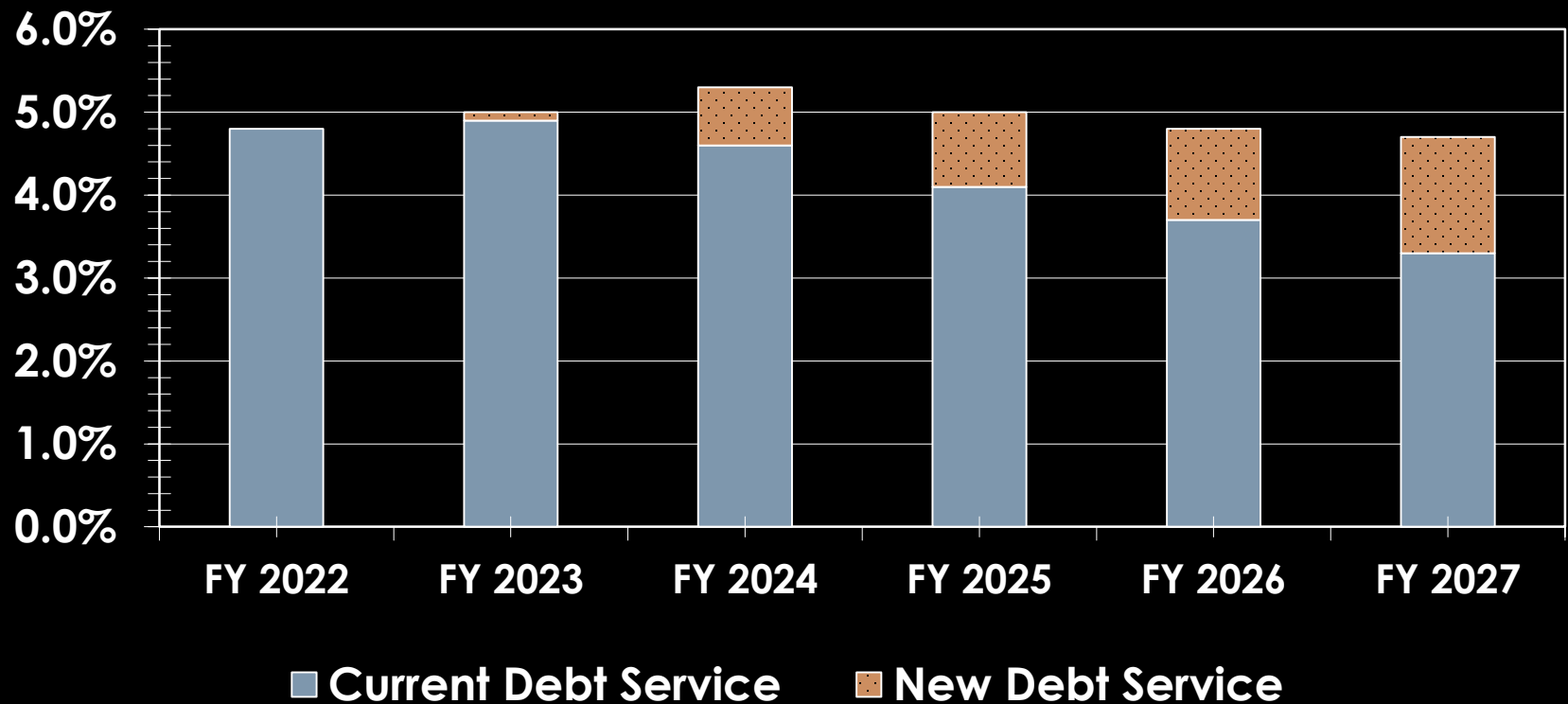
- State's overall debt structure
 - Net tax supported debt would decrease by \$43.9 million to \$1,899.9 million
 - Debt as % of personal income would drop from 2.9% in FY 2021 to 2.3% into FY 2027
 - Past practice indicates it will be higher as more projects are added

Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2022	\$224.9	4.8%
2023	\$236.2	5.0%
2024	263.6	5.4%
2025	256.7	5.1%
2026	256.0	5.0%
2027	252.5	4.8%

\$ in millions

Debt Service as Percent of Useable Revenues



Out-Years

- As submitted the budget has out year deficits averaging \$200 million annually
 - Use of surplus in current budget
 - Other program growth
- Annual expenditures still outpace projected revenues
- May not capture all expenses
 - Education and Pre-K growth
 - Unsettled employee contracts

Uses – Growth Rates

Item	Est. Annual Growth
State Personal Income	3.0%
Nonfarm Employment	0.6%
Taxes	3.0%
Total Revenues	2.6%
Total Expenditures	2.8%
Salaries & Benefits – 23% of total	2.7%
Medicaid 27% of total	2.6%

Out-Years

- New personnel agreements represent significant increase to prior out year growth assumptions
 - Not included in summer budget gap projections
 - 7.5% from assumed FY 2022 base
 - Assumptions are usually more modest
- Decisions on use of new and onetime funds have long term implications

Governor's FY 2023 Budget

- Risk and Opportunities
 - There may be additional Medicaid claiming relief in the current year
 - Unresolved employee contracts
- Staff will continue to analyze budget and federal legislation
 - Additional guidance on infrastructure fund use just released

Governor's FY 2023 Budget

Staff Presentation to the House Finance
Committee
February 3, 2022
