



FY2020 Supplemental Budget

6.16.20

Balancing FY2020 - Strategies

- Overview
- Fund **Transfers**
- **Shifts** General Revenue Expenditures to Federal Emergency Funds
- **Reconciliation** of Current Year Revenue and Expenditures

Balancing FY2020 - Strategies

Overview

Balancing FY2020 – Overview

- After May Revenue and Caseload Conferences, we had \$249 million deficit
- Rainy Day Fund with \$197.6 million balance
 - Estimates precarious- 1-month in to unprecedented economic collapse
 - Rainy Day Fund feeds RICAP program. RDF drawdowns impact ability to make capital investments in out-years

Revenue Estimating Conference

FY2020	Nov.2019	May.2020	Change	% Change
Personal Income Tax	\$1,441.8	\$1,358.9	(\$82.9)	-5.7%
General Business Taxes	445.3	427.0	(18.3)	-4.1%
Sales and Use Taxes	1,351.4	1,288.4	(63.0)	-4.7%
Other Taxes	78.8	73.2	(5.6)	-7.1%
Other Revenues	861.5	748.7	(112.8)	-13.1%
Total	\$4,178.8	\$3,896.2	(\$282.6)	-6.8%

\$ in millions. Totals may vary due to rounding.

Caseload Estimating Conference

- \$38.3 million in general revenue savings based on the May 2020 Caseload Estimating Conference
 - Expecting increase in Medicaid enrollment due to high unemployment rates, but impact is mitigated by FMAP relief
 - MOE requirements for enhanced FMAP – states cannot change terms of coverage or terminate Medicaid benefits during pandemic
 - Estimate includes 10.0 percent rate increase for nursing homes
 - Without the 6.2 percentage point increase, general revenue Medicaid expenses would increase by \$12.6 million

Balancing FY2020 – Rainy Day Fund

- State uses 97% of available resources
 - 3% flows to Rainy Day Fund
 - Balance builds to equivalent of 5% of available resources
 - Excess flows to RICAP funds for pay-as-you-go capital project investment
- Withdrawals from RDF means reduction/elimination of overflow to RICAP fund
 - Governor's budget included \$197.4M in RICAP spending in FY2020; \$140.8M in FY2021
 - Roughly \$125M deposit into RICAP annually

Balancing FY2020 - Strategies

Fund Transfers

Balancing FY2020 – Transfers

\$37.4 million in transfers from quasi-public/public agencies to the General Fund by June 30, 2020.

Agency	Enacted FY2020	Governor Revised FY2020	Final FY2020	Change From Governor
RI Infrastructure Bank - Municipal Road & Bridge Program	\$4.0	\$12.9	\$21.8	\$8.9
RI Housing	1.5	1.5	1.5	-
Quonset Development Corporation	1.2	1.2	1.2	-
RI Resource Recovery	-	5.0	-	(5.0)
RI Student Loan Authority	1.5	1.5	1.5	-
DEM - Oil Spill Prevention, Administration, and Response (OSPAR)	-	1.0	-	(1.0)
DEM - Underground Storage Tank Trust	-	1.0	-	(1.0)
DEM - Non=Point Pollution Control Bond Fund	-	0.1	0.1	-
DEM - Rocky Point Park Fund	-	0.2	0.2	-
BHDDH - Asset Forfeiture Restricted Receipts	-	0.5	0.5	-
DBR - Medical Marijuana Fund	-	-	0.1	0.1
Commerce RI - Rebuild RI Tax Credit Fund	-	-	5.0	5.0
Commerce RI - First Wave Closing Fund	5.0	5.0	5.0	-
Commerce RI Air Service Development Fund	-	-	0.5	0.5
Total	\$13.2	\$29.9	\$37.4	\$7.5

\$ in millions

Balancing FY2020 – Transfers

Rebuild RI Tax Credit Program

- Eliminates \$10.0 million appropriation made in the FY2020 Budget as Enacted.
- Transfers \$5.0 million from the Rebuild Rhode Island Tax Credit Fund to the General Fund.

Rebuild RI Tax Credit Program Status

Budget	Appropriation	Awarded*
2016 Enacted (Final)	\$1,000,000	\$31,672,729
2017 Enacted (Final)	25,000,000	63,485,977
2018 Enacted (Final)	12,500,000	29,055,000
2019 Enacted (Final)	11,200,000	28,343,333
2020 Enacted	10,000,000	1,653,848
<i>Subtotal - Activity to Date</i>	<i>\$59,700,000</i>	<i>\$154,210,887</i>
2020 Governor's Revised	10,000,000	1,653,848
2020 Final	(15,000,000)	
Total	\$34,700,000	\$154,210,887

* Rebuild RI tax credits combined with and Rebuild RI sales and use tax exemptions.

Balancing FY2020 – Transfers

Rebuild RI Tax Credit Program- *Illustration*

	Estimated Cash Flow Summary for Rebuild RI										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Balance*	\$49.4	\$23.7	\$24.1	\$7.5	\$8.6	\$8.3	\$19.5	\$38.2	\$47.7	\$52.7	\$51.0
Combined Draw Downs**	(10.6)	(22.1)	(41.6)	(23.9)	(25.3)	(13.8)	(6.3)	(0.5)	(0.0)	(6.7)	(0.0)
Estimated Appropriation^	(15.1)	22.5	25.0	25.0	25.0	25.0	25.0	10.0	5.0	5.0	1.0
Ending Balance	23.7	24.1	7.5	8.6	8.3	19.5	38.2	47.7	52.7	51.0	51.9

* Ending balance based on proposed FY2020 Final adjustments to Rebuild

**Includes tax credits and sales tax exemptions. Amounts take into consideration all projects as of January 1, 2020, including Fane Tower.

^ Appropriation levels for FY2021 through FY2030 have been chosen for demonstration purposes only. Consideration was given to keeping annual appropriations below \$25.0 million, while covering the draw downs, and leaving a reasonable ending balance (Senate Fiscal Staff estimates).

Balancing FY2020 – Transfers

Air Service Development Fund

- Fund supports development of additional direct airline routes to major metropolitan areas out of T.F. Green Airport
- Budget requires \$486,668 of program reserves to be transferred to the General Fund by June 30, 2020

Air Service Development Fund

Budget	Appropriation	To RIAC
2016 Final	-	-
2017 Final	1,500,000	1,500,000
2018 Final	500,000	500,000
2019 Final	500,000	-
2020 Enacted	-	-
<i>Subtotal - Activity to Date</i>	<i>\$2,500,000</i>	<i>\$2,000,000</i>
2020 Governor's Revised	-	-
2020 Final	(486,668)	-
Total	\$2,013,332	\$2,000,000

Balancing FY2020 - Strategies

Shifting General Revenue Expenditures to Federal Funds

Balancing FY2020 – Shifts

\$158.4 million in savings related to shifting of expenses related to emergency response related activities to CARES Act and other federal emergency relief funding.

- EOHHS/DCYF/DHS/BHDDH - \$66.8 million (FMAP)
- ELSEC - \$41.9 million
- Department of Public Safety - \$22.5 million
- Higher Education - \$15.0 million

Agency	Savings
EOHHS	\$55.2
ELSEC	41.9
DPS	22.5
Higher Ed	15.0
BHDDH	9.2
DOH	6.3
DCYF	2.4
DOC	1.4
DEM	1.2
DOA	1.0
Gov	0.6
DBR	0.5
DHS	0.4
Commerce RI	0.3
EMA	0.2
SOS	0.2
BOE	0.1
Military	0.1
DOR	0.1
Pub. Def.	0.0
DLT	-
Total	\$158.4

\$ in millions

Balancing FY2020 – Shifts

EOHHS/DCYF/DHS/BHDDH

Federal Medical Assistance Percentage (FMAP) Relief

- Savings: \$66.8 million
- Families First Coronavirus Response Act (FFCRA):
 - Increased federal share of Medicaid expenses by 6.2 percentage points
 - Effective January 1 through the end of the quarter when emergency ends
 - Applies to the last two quarters of FY2020 (January 1 – June 30)
 - State share reduced from 47.05% to 40.85%
 - If emergency remains in effect one day into the next quarter (July 1), State will see additional savings in FY2021 (approx. \$41.6 million)

Balancing FY2020 – Shifts

EOHHS/DCYF/DHS/BHDDH

Federal Medical Assistance Percentage (FMAP) Relief

- Approximately \$33.4 million in savings *per quarter* between EOHHS, BHDDH, DCYF, and DHS
 - Note: EOHHS savings already captured in May 2020 CEC estimate

FMAP Relief (Approx.)	FY2020 Q3	FY2020 Q4	Total
EOHHS	\$27,500,000	\$27,500,000	\$55,000,000
BHDDH	4,600,000	4,600,000	9,200,000
DCYF	1,150,000	1,150,000	2,300,000
DHS	130,000	130,000	260,000
Total	\$33,380,000	\$33,380,000	\$66,760,000

Balancing FY2020 – Shifts

Education Maintenance of Effort

- Required to limit reductions of state education support
- Recipients must satisfy MOE in funding in FY2020 and FY2021 for both ELSEC and higher education, based on average of FY2017 - FY2019.

Maintenance of Effort (MOE) Requirements

	Average FY2017-FY2019	FY2020 Governor	<i>Difference</i>	FY2021 Governor	<i>Difference</i>
Elementary and Secondary	\$1,047.2	\$1,130.3	\$83.1	\$1,175.2	\$128.0
Higher Education (no debt service)	184.8	200.7	15.9	202.3	17.5
Total			\$99.0		\$145.5

\$ in millions

Balancing FY2020 – Shifts

Elementary and Secondary Education

- Savings: \$41.7 million
- Coronavirus Aid, Relief and Economic Security Act (CARES) Act (3.27.20)
- RI to receive \$46.4 million for Elementary and Secondary Emergency Relief (ESSER)
 - Allocation based on federal formula of federal Title I, Part A funds for low-income students
 - 90.0% (\$41.7 million) must be distributed to districts to purchase technology to support online learning, and administrative planning during long-term school closures
 - 9.5% (\$4.4 million) of set aside to be used for competitive grants for hardest hit districts
 - No more than 0.5% (\$231,750) to be used for administrative costs at RIDE
- ESSER funds may be used to supplant existing funding. LEAs may use ESSER funds to take the place of state funds for allowable activities.

Balancing FY2020 – Shifts

Elementary and Secondary Education

FY2020 Budget

- Reduces education aid by amount of ESSER funds received by each district (\$41.7 million total)
- Appropriates \$41.7 million in federal ESSER funds to RIDE to distribute to the districts
- Appropriates \$50.0 million in other CARES Act funds to districts in proportion to the ESSER distribution
- Appropriates \$4.4 million of ESSER set aside funds to be used for competitive grants for hardest hit districts
- Reduces FY2020 general revenue operating support for the Department by \$231,750

Balancing FY2020 – Shifts

Higher Education

- Savings: \$15.0 million
- CARES Act provides support to institutions of higher education responding to the COVID-19 emergency
 - \$29.5 million available for Rhode Island public institutions
 - \$28.7 million in Higher Education Emergency Relief (HEER) fund
 - \$851,375 in Higher Education Strengthening Institutions Program (SIP) grants.
- HEER fund requires the institutions to use at least 50.0 percent of the funds as emergency aid to students and SIP encourages that as much as possible be used for student grants.

Balancing FY2020 – Shifts

Higher Education

FY2020 Budget

- Reduces general revenue for higher education by \$15.0 million and appropriates \$29.5 million in federal funds

Institution	HEER Funding				General Revenue	
	Student Aid	Institutional funds	SIP	Total	Reduction	Balance
CCRI	\$5.0	\$5.0	\$0.5	\$10.5	(\$5.4)	\$5.1
RIC	3.7	3.7	0.4	7.8	(4.0)	3.8
URI	5.6	5.6	0.0	11.2	(5.5)	5.7
Total	\$14.3	\$14.3	\$0.9	\$29.5	(\$15.0)	\$14.5

- Leaves institutions \$200,000 after required student aid distribution

Balancing FY2020 – Shifts

Public Safety and Health

- DPS Savings: \$22.5 million
- DOH Savings: \$6.3 million

CARES Act – Corona Relief Fund (CRF)

- U.S. Treasury guidance (issued 4/22/20) specifically states that payroll and other expenses related to public safety, public health, health care, and human services dedicated to mitigating/responding to COVID-19 are presumptive eligible expenses

Balancing FY2020 – Shifts

Child Care Shifts- \$2.2 million

- Shifts DCYF child care expenses from general revenues to federal funds
- Shifting costs between federal grant programs within the Department of Human Services frees up more flexible Social Services Block Grant (SSBG)
- SSBG funds can be used to offset child care expenses incurred by DCYF for children in foster care

Other Child Care Investments

- \$1.4 million in additional federal funds in DHS to support child care for essential and healthcare workers during the COVID-19 pandemic.
 - \$1.2 million
 - Temporary increase in child care rates for child care providers. Increase lasts from 6.1.20 – 8.1.20 for providers that reopen. Providers allowed to reopen on 6.1.20 under guidelines that incorporate social distancing/cleanliness
 - \$200,000
 - Partnership w/ Care.com to provide free access to premium services for frontline and healthcare workers. Allowing them to find free or reduced cost child care during the pandemic.

Balancing FY2020 - Strategies

Reconciliations

Balancing FY2020 – Reconciliation

Reconciliation to Current Spending (3rd Quarter Surpluses)

- \$6.6 million in savings based on reconciling current service level spending and third quarter projections
- Savings primarily related to reduced personnel expenses such as overtime and turnover and lower than planned operating and contracted services costs

Agency	Savings
DOA	\$1.3
DBR	0.7
DOR	3.0
Legislature	7.2
HRC	0.1
EOHHS	0.7
OCA	0.1
DCYF	4.9
DOH	0.4
DHS	1.1
BHDDH	0.6
DC	0.0
ELSEC	0.8
DOC	2.4
Judiciary	0.7
Military	0.6
DPS	1.6
PD	0.1
DEM	0.4
Total	\$6.6

\$ in millions

Balancing FY2020 – Reconciliation

Unemployment Insurance

FY2020 Budget

- \$1.4 billion in additional funds to support increased unemployment benefit claims (federal: \$1.1 billion, other: \$340.0 million)
- DLT projects the UI Trust Fund to go into the “red” by August 2020 w/o additional funding
- Those collecting UI will seamlessly continue to receive benefits because the program automatically receives federal UI funds in the form of a loan
- Employer’s tax rates for UI are based on reserve ratio of UI Trust Fund and employer’s UI account balance and taxable wage base

Note: Federal Coronavirus Relief Funds may be used to pay benefits, possibly delaying UI Trust Fund debt and accompanying increase in employer taxes.

Balancing FY2020 – Reconciliation

Eleanor Slater Hospital (ESH)

- Provides long-term acute hospital services to forensic, psychiatric, and medical patients
- In August 2019, ESH met the criteria of being an Institute of Mental Disease (IMD)
- State not permitted to bill Medicaid for patients when ESH is in IMD status (occurs when majority of patients have a primary diagnosis of mental illness)

- Agency’s federal deficit was originally anticipated to be \$20.6 million
- State cannot bill for any forensic patients, increasing the deficit by \$15.0 million.
- Most recent estimate has increased the projected deficit to a total of **\$63.4 million.**

FY2020 Eleanor Slater Hospital Deficit

Item	Impact
Federal Compliance and Billing Issues	(\$50,076,706)
UHIP Receivable	(14,647,698)
Enhanced FMAP	1,279,606
Total Market Profits	(\$63,444,798)

Balancing FY2020 – Reconciliation

Statewide Personnel Savings - \$2.0 million

- Medical Benefits Holiday Savings: \$1.5 million
 - Agencies and employees will not be assessed for half of one pay period
 - By delaying medical appointments and procedures, the state's self-insured health fund will end the year with a surplus.
- State Employee Workshare: Just under \$500,000
 - Non-essential state employees allowed to participate
 - Financially advantageous to employees at salary levels of approximately \$69,500 and below
 - Employees will work 60.0 percent of their regular hours, three business days, and receive WorkShare benefits for the remaining 40.0 percent.
 - First seven weeks of the program, participating employees would receive their regular UI payment, plus an additional \$600 weekly unemployment insurance bonus, while for the final five weeks, payments would be at regular UI levels

Balancing FY2020 – Reconciliation

DHS – Deloitte Settlement

- Deloitte agreed to make a \$50.0 million cash payment to settle for the disruptions and expenses associated with UHIP
- The State received the funds in February 2020
 - Governor’s Budget assumed that \$21.1 million would be returned to the federal government and the State would retain the rest to offset ongoing UHIP costs
 - Final agreement returned \$19.9 million to the feds, freeing up an additional \$1.1 million for the State

Balancing FY2020 – Reconciliation

EOHHS – CNE Settlement

- At May 2020 CEC, EOHHS indicated that a \$956,856 general revenue payment was made to Care New England
 - Settled expenses incurred by hospitals for children in DCYF custody and adults awaiting behavioral health placements
 - Called “administratively necessary days” – inpatient hospitalization where care can be provided in a setting other than a hospital (awaiting foster home, abuse/neglect investigation, behavioral health placement, etc.)
 - Appears that there were issues identifying eligibility or other impediment to payment by EOHHS
 - Made final payment for approximately 150 cases at Women & Infants, Kent, and Butler

Balancing FY2020 – Reconciliation

BHDDH- Person-Centered Supported Employment Program

- Savings: \$2.5 million
- Implementation delays of the Person-Centered Supported Employment Performance Program within BHDDH.
- The PCSEPP promotes integrated employment opportunities for individuals with intellectual and/or developmental disabilities.

Balancing FY2020 – Reconciliation

DCYF Savings

- Turnover – \$3.8 million general revenue savings
 - Governor’s Budget funded 620 FTE positions but average of 585 filled
- Child care – \$2.2 million general revenue savings – shifts to federal block grant funds
- Placements – \$1.1 million general revenue savings
 - Fewer children in congregate settings, fewer children removed from their homes and entering care
- Coronavirus Relief Fund – \$2.0 million in federal funds for a quarantine facility at Zambarano to isolate positive cases, extension of VEC program, stipends for foster families, cleaning and PPE

Balancing FY2020 – Balance Sheet

FY2020 Supplemental

- Roughly \$249M deficit post-May conferences
- Outside of conference adjustments:
 - \$7.6M in additional revenue
 - \$89.2M in spending cuts
- FY2020 Final Deficit: \$114.3M
- FY2020 Rainy Day Fund Transfer: \$120M
- Final Est. Balance: \$5.7M

	FY2018 Audited	FY2019 Audited	FY2020 Revised
Opening Surplus			
Free Surplus	\$61,660,230	\$52,525,379	\$30,502,912
Reappropriated Surplus	10,338,899	10,057,409	10,296,451
Subtotal	\$71,999,129	\$62,582,788	\$40,799,363
Revenues			
Enacted/Actual/Estimated	3,908,384,435	4,024,579,618	4,178,800,000
Governor			18,341,028
Assembly			(274,982,530)
Total Revenues	3,908,384,435	\$4,024,579,618	\$3,922,158,498
To Cash Stabilization Fund	(119,101,340)	(122,313,150)	(118,579,842)
From Cash Stabilization Fund			
Total Available Resources	\$3,861,282,224	\$3,964,849,256	\$3,844,378,019
Expenditures			
Actual/Enacted/Current Svcs.	3,798,699,436	3,924,049,893	4,077,594,991
Reappropriations			10,296,451
Nov. Caseload Estimating Conference			(12,492,517)
Governor			10,869,370
Assembly			(127,553,956)
Total Expenditures	3,798,699,436	3,924,049,893	3,958,714,339
Total Surplus	62,582,788	40,799,363	(114,336,320)
Transfer from Rainy Day Fund			120,000,000
Reappropriations	(10,057,409)	(10,296,451)	
Free Surplus	\$52,525,379	\$30,502,912	\$5,663,680
<i>Operating Surplus/(Deficit)</i>	<i>922,558</i>	<i>(11,726,016)</i>	<i>(144,839,232)</i>
Rainy Day Fund	\$198,502,233	\$203,855,250	\$77,633,071

Balancing FY2020 – Supplemental Budget

Expenditures by Source	FY2019 Final	FY2020 Enacted	FY2020 Governor	Change to Enacted	FY2020 Revised	Change to Enacted	Change to Governor
General Revenue	\$3,924.0	\$4,077.6	\$4,086.3	\$8.7	\$3,958.7	(\$118.9)	(\$127.6)
Federal Funds	3,118.7	3,325.4	3,325.2	(0.2)	4,840.3	1,514.9	1,515.1
Restricted Receipts	259.6	311.4	383.2	71.9	365.2	53.8	(18.1)
Other Funds	2,075.4	2,256.3	2,267.1	10.8	2,629.4	373.1	362.3
Total	\$9,377.7	\$9,970.6	\$10,061.8	\$91.1	\$11,793.5	\$1,822.9	\$1,731.8
FTE Authorization	15,209.7	15,074.7	15,095.7	21.0	15,074.7	-	(21.0)

\$ in millions. Totals may vary due to rounding.

FY2020 Supplemental Budget