STATE OF RHODE ISLAND
DEPARTMENT OF ADMINISTRATION

OFFICE OF MANAGEMENT & BUDGET

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MEMORANDUM

To:	The Honorable Marvin L. Abney Chairman, House Finance Committee
	The Honorable Ryan W. Pearson Chairman, Senate Finance Committee
From:	Jonathan Womer Director, Office of Management & Budget
Date:	June 6, 2021
Subject:	**Amendments to FY 2021 Revised Appropriations Act (21-H-6121)**

The Governor requests that several amendments be made to Article 1 of the FY 2021 Revised Appropriations Act. The amendments include changes to the appropriation amounts in Article 1, Relating to Making Revised Appropriations in Support of FY 2021. A description of the amendments requested is provided below.

The Governor's Budget Amendments (GBA 2 and 3) submitted on April 12, 2021 are adjusted herein to reflect the most recent expectations regarding federal financial participation for the Eleanor Slater Hospital (ESH). Due to the possible IMD status change of the ESH, the assumptions for retroactive April 1, 2020 and go-forward Medicaid participation are updated and being reflected in this amendment (GBA 13) and the following amendment (GBA 14). This amendment recognizes a total of $4,746,273 in now possibly unallowable Medicaid reimbursement for FY 2020 which is reflected in FY 2021 as a prior year fund balance adjustment and this new adjustment will have an impact to the FY 2022 closing surplus. This adjustment is comprised of the elimination of the prior estimated reimbursement of $5,323,500 offset by the ability to bill for patients who are not between the ages of 22 and 64 and would not be considered part of the IMD exclusion worth an estimated $577,227.

Additionally, as detailed below, this amendment includes miscellaneous changes, updates, and corrections impacting various agencies.

If you have any questions regarding these amendments, please feel free to call me or my staff at 574-8430.

JW: 21-Amend-13

Attachments

cc: Sharon Reynolds Ferland, House Fiscal Advisor
James E. Thorsen, Director of Administration
Stephen Whitney, Senate Fiscal Advisor
Joseph Codega Jr., Deputy Budget Officer

ARTICLE 1, RELATING TO MAKING REVISED APPROPRIATIONS IN SUPPORT OF FY 2021 SECTION 1, REVISED APPROPRIATIONS IN SUPPORT OF FY 2021

Department of Administration

Decrease Federal Funds in the Accounts and Control program, Page 2, Line 26 by $2,000,000 from $2,055,520 to $55,520. This decrease removes $2.0 million in Coronavirus Relief Funds designated for the acquisition of a grants management system by the Office of Accounts and Control. A forthcoming Governor's Budget Amendment will detail an alternative method of financing supporting the development of this system (21-DOA4).

Increase General Revenue in the General Program, Page 4, Line 2 by $300,000 from $600,000 to $900,000. This amendment reflects an addition of a further $100,000 relative to amendment 21-DOA1 submitted in GBA 7 (an increase of $200,000), and aligns the level of financing in the Tort/Court Award fund with anticipated FY 2021 outlays of $900,000 based on information provided by the Attorney General's Office (21-DOA1).

Insert New Line in the Statewide program, after Page 6, Line 13, entitled "LIUNA Settlement Liability" in the amount of $4,688,688. This amendment reflects an updated estimate of the state's obligation to retroactively finance unpaid compensation to LIUNA members for calendar years 2012 through (the first half of) 2021, pursuant to a pending settlement agreement between union membership and the Department of Administration anticipated in June 2021. The Governor's FY 2022 Budget included $4.3 million for this purpose; this amendment moves financing for this liability from FY 2022 to FY 2021 (in accordance with accrual accounting expense recognition procedures). Further examination of historical payroll data since the publication of the Governor's FY 2022 Budget on March 11, 2021, has also given rise to a $0.4 million increase in the estimated settlement liability (21-DOA2).

Department of Labor and Training

Decrease Federal Funds in the Governor's Workforce Board program, Page 9, Line 34 by $787,685 from $37,062,783 to $36,275,098. This amendment withdraws excess funds that were inadvertently included in the FY 2021 Revised Budget for the Skills RI AHS Recruitment program (21-DLT1).

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Increase General Revenues in the Hospital and Community Rehabilitative Services program, Page 20, Line 12 by $7,809,635 from $119,400,651 to $127,210,286. While the Budget Office is not aware of any official determination by the Executive Office of Health and Human Services, the state Medicaid authority, due to recent discussions surrounding a potential designation of Eleanor Slater Hospital as an Institute for Mental Disease (IMD) and accompanying federal Medicaid reimbursement eligibility status change, this amendment eliminates the full original estimated federal reimbursement for fiscal year 2021 ($10,000,000) and makes a corresponding increase in general revenues. As an offset to this adjustment, however, it is assumed that BHDDH would be able to be reimbursed for those patients over the age of 64 who are not included in the IMD exclusion for Medicaid billing provided that the appropriate discharge processes, procedures and efforts established by ESH are met. The Medicaid IMD exclusion prohibits the use of federal Medicaid financing for care provided to patients in mental health and substance use disorder residential treatment facilities larger than 16 beds for patients between the ages of 22 and 64. The conservative estimated amount for being able to obtain federal Medicaid reimbursement for the allowable ESH population is $2,190,365 (22-BHDDH1). Though not reflected in the above-stated line item change, 21-BHDDH2 reflects a $1,138,083 increase relative to the third quarter net reduction of $4.7 million (contained in GBA 7, 21-BHDDH2) to correct for the exclusion from this figure of additional general revenue funding for the proposed increase to the FY 2021 Hospital Licensing Fee (included in the Governor's FY 2021 Revised Budget).

Decrease Federal Funds in the Hospital and Community Rehabilitative Services program, Page 20, Line 13 by $7,809,635 from $16,500,065 to $8,690,430. This is a federal funds reduction corresponding to the increase in general revenues shown above (22-BHDDH1).

SECTION 3, INTERNAL SERVICE FUND AUTHORIZATIONS

Increase State Assessed Fringe Benefit Internal Service Fund, Page 34, Line 34, by $10,804,000 from $37,518,277 to $48,322,277. This increase is necessary to fully finance anticipated outlays from the Assessed Fringe Benefit (AFB) Fund for extraordinary separation costs ($4,500,000) and incentive payments resulting from the State's FY 2021 Voluntary Retirement Incentive (VRI) Program ($6,000,000). The General Fund impact of the increase in agency contributions to the AFB Fund is already accounted for in the Governor's Recommended Budget. This amendment simply aligns the ISF requested expenditures with the existing General Fund request and recent experience. To accommodate the AFB Fund's extraordinary exposure in the fourth quarter due to VRI-related outlays, the FY 2021 AFB rate was increased to 5.6 percent of direct/regular salary starting in pay period 18 (beginning 2/14/2021) and continuing through pay period 26 (inclusive of a 90 percent payroll accrual for pay period 1 of FY 2022). Increased funding is also requested for the Employee Assistance Program ($204,000) and the State's contribution to the DLT Worker's Comp Administrative Fund ($100,000) based actual year-to-date expenditures. The Employee Assistance Program expense had previously been part of the State's healthcare contract but was split out to a separate expense when the State switched to Blue Cross/Blue Shield, but this separate expense was not accounted for in the enacted budget. The enacted budget for the State's contribution to the Worker's Comp Administrative Fund was based on prior year (FY 2020) spending, but actual expenses in the current year have returned to the levels seen in fiscal years 2018 and 2019 (21-DOA3).