

Governor's FY 2024 Budget

Staff Presentation to the House Finance
Committee
February 7, 2023

Governor's FY 2024 Budget

- Overview of Governor's budget
 - Uses \$600 million in one-time surplus funds
 - Revises ARPA commitments from last year
 - Major changes to Education Funding
 - Projects \$125 million budget gap for FY 2025
 - Many new investments

Recent Timeline

- Preliminary FY 2022 Closing – Sept 1
- REC/CEC Q1 – Mid-November
- Governor's FY 2024 Budget – Jan 19
 - 2023 - H 5199 & 5200 introduced & referred
- Agencies Q2 – Jan 30
- FY 2022 Audited Closing – Jan 31
- Budget Office Q2 – Feb 15

Budget Briefings, Publications & Hearings

- Jan 24 & 31 – Budget at a Glance
- Feb 7 – Governor's Budget Overview
- Feb 8 – Article hearings begin
- House Fiscal Staff Budget Analysis

Governor's FY 2024 Budget

Finance Committee Review

- Briefing - Overview
- Article hearings through March
 - 11 articles separate from appropriation
 - Some with multiple sections on different topics
- Subcommittee review of individual agency budgets – March
- Governor's requested amendments and other issues of interest – March/April

References

- Materials are online on the Assembly website - <http://www.rilegislature.gov>
 - House Fiscal Reports
 - 2023 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 2024 Budget

- ***FY 2022 Closing***
- FY 2023 Revised Budget
- FY 2024 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

FY 2022 Audited

	Enacted	Audited	Diff.
Opening	\$382.9	\$382.9	\$ -
<i>Adjustments</i>	212.7	155.3	(57.4)
Other Revenues	5,070.9	5,204.2	133.3
Total Revenues	\$5,666.5	\$5,742.4	\$75.9
To Rainy Day	(163.4)	(167.4)	(4.0)
Expenditures/Transfers	(5,492.8)	(5,345.9)	(146.8)
<i>Closing Surplus</i>	\$ 10.3	\$ 229.1	\$218.7
Reappropriation	-	(19.4)	(19.4)
Free Surplus	\$10.3	\$209.6	\$199.3

\$ in millions

FY 2022 Audit Major Items

- Closing audit released this week
 - Lowers previous surplus by \$6.9 million
- Minor adjustments to revenues
- Multiple changes to expenses
 - Mostly Medicaid
- Closing results should be viewed over 2 year window because of FEMA reimbursement treatment

FY 2022 Closing

- FEMA reimbursement accounting rules cause mismatch across fiscal years
 - Unbudgeted state expenses in FY 20/21 reversed in following year with payback
- **FY 2022 final budget advanced general revenues to avoid overspend recoups in FY 2023**

Closing Balance Impact	FY 2022	FY 2023	2 Year
Pre - FY 2022 FEMA	\$(57.4)	\$ -	\$(57.4)
FY 2022 FEMA Underspend	35.2	(35.2)	-
Total	\$(22.2)	\$(35.2.)	\$(57.4)

\$ in millions

Revenue Revisions: FY 2022

	Nov 2020	May 2021	Enacted	Nov 21	May 2022	FY 2022 Audit
Personal Income	\$1,439.1	\$1,535.0	\$1,549.4	\$1,656.6	\$1,940.8	\$1,985.9
Business Taxes	470.3	455.4	487.2	518.4	576.8	617.1
Sales & Use Taxes	1,439.6	1,484.6	1,484.6	1,610.0	1,644.8	1,685.5
Other Taxes	67.2	64.8	64.8	60.8	59.0	61.9
Total Taxes	\$3,416.2	\$3,539.8	\$3,586.0	\$3,845.8	\$4,221.4	\$4,350.5
Departmental	249.0	251.0	422.3	419.2	427.0	433.1
Other Misc.	12.2	11.0	12.4	11.3	16.9	10.6
Lottery	356.3	375.7	375.9	393.3	389.6	388.6
Unclaim Prop	11.3	14.2	14.2	14.7	16.1	21.4
Total	\$4,045.0	\$4,191.7	\$4,410.7	\$4,684.3	\$5,071.0	\$5,204.2

\$ in millions

Closing - Expenditures

- Non FEMA spend - \$95.6 million less
 - \$19 million unspent & re-appropriated
 - \$15 million of excess CRF offsets
 - \$62 million
 - Non recurring Medicaid caseload adjustments
 - Other caseload savings
 - DCYF staffing and caseload
 - Teacher retirement
 - Other personnel and operating savings

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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: Nov 22

- Likely recession starts in Q4 of 2022
 - Real GDP expected to decline for 3 quarters
 - Unemployment rate rises from 3.5% to 6.0%
 - By end of 2023
 - Inflation moderates
- Other Assumptions
 - COVID-19 pandemic shifts to endemic
 - Russian sanctions remain in place
 - No further federal stimulus
 - Fed continues rate hikes in short term

November 2022

Consensus Revenue Estimates

	FY 2022 Audit	FY 2023 Rev.	Change to Enact	FY 2024 Estimate	Change to FY 23
Personal Income	\$1,985.9	\$1,910.3	\$135.3	\$1,979.6	\$69.3
Business Taxes	617.1	602.6	65.4	601.5	(1.1)
Sales & Use Taxes	1,685.5	1,733.2	70.2	1,721.5	(11.7)
Other Taxes	61.9	80.3	13.4	68.5	(11.8)
Total Taxes	\$4,350.5	\$4,326.4	\$284.4	\$4,371.1	\$44.7
Departmental	433.1	464.0	30.0	280.0	(184.0)
Other Misc.	10.6	37.3	12.8	30.4	(6.9)
Lottery	388.6	418.7	30.9	410.7	(8.0)
Unclaimed Prop.	21.4	14.0	0.9	12.6	(1.4)
Total	\$5,204.2	\$5,260.4	\$358.9	\$5,104.8	\$(155.6)

\$ in millions

November CEC

FY 2023 Caseload Estimating Conference

<i>Medical Assistance</i>	<i>Enacted</i>	<i>Nov CEC</i>	<i>Chg.</i>
All Funds	\$3,229.8	\$3,212.6	\$(17.3)
General Revenues	1,147.4	1,073.1	(74.3)
<i>Cash Assistance</i>			
All Funds	\$122.4	\$111.4	\$(11.1)
General Revenues	27.8	27.7	(0.2)
<i>Private DD Services</i>			
All Funds	\$332.4	\$323.9	\$(8.5)
General Revenues	147.4	133.6	(13.8)
Total	\$3,684.7	\$3,647.9	\$(36.8)

\$ in millions

November CEC

FY 2024 Caseload Estimating Conference

<i>Medical Assistance</i>	<i>Enacted</i>	<i>Nov CEC</i>	<i>Chg. to 23</i>
All Funds	\$3,229.8	\$3,257.0	\$44.5
General Revenues	1,147.4	1,214.3	141.2
<i>Cash Assistance</i>			
All Funds	\$122.4	\$130.9	\$19.5
General Revenues	27.8	29.0	1.3
<i>Private DD Services</i>			
All Funds	\$332.4	\$338.6	\$14.7
General Revenues	147.4	153.5	19.9
Total	\$3,684.7	\$3,726.5	\$78.7

\$ in millions

Current Year

- The *current year* showed a significant surplus vs enacted expectations
- The Governor's budget spends more than half of that in FY 2023
 - Major one time capital commitments
 - Employee contract resolution
 - Short term tax relief
 - Leaves \$250M for use in FY 2024

Budget Gap

- HFAS projected average budget gaps of about \$100M subject to considerable change given numerous uncertainties
- Effectively erased with info through Nov 15

BO Current year surplus – Q1	
FY 2022 Prelim Closing	\$181
Nov Rec	359
Nov CEC	88
Other Q1	(18)
Total	\$610

\$ in millions

Governor's Budget

	FY 2022	FY 2023	FY 2024
Opening Surplus	\$374.4	\$209.6	\$250.4
Reappropriated Surplus	8.4	19.4	-
FEMA Related Adjustment	155.3	243.7	-
Revenues	5,204.2	5,211.3	5,275.4
Rainy Day Fund	(167.4)	(162.6)	(165.8)
Available Revenues	\$5,575.0	\$5,521.4	\$5,360.0
Expenditures	\$5,239.9	\$5,266.6	\$5,302.8
Transfers	(106.0)	(4.4)	(55.0)
Total Surplus*	\$229.1	\$250.4	\$ 2.3

\$ in millions; * Includes reappropriated surplus; audit released 1/31 lowered prelim free surplus in Governor's budget display by \$6.9 million

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Governor's Solution

- *Revenues*
- Medicaid/EOHHS Agencies
- Locals
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Revenues Changes

Total Changes	FY 2023	FY 2024	FY 2025
Gross Earnings Tax	\$(35.6)	\$ -	\$ -
Sales Tax to 6.85%	-	(25.0)	(34.7)
Corporate Minimum Tax -\$25	-	(1.0)	(2.1)
Trade-in Value – Trucks	-	(3.7)	(5.0)
Lottery Contract	(13.5)	(12.8)	1.4
Pawtucket EATs	-	(2.9)	(2.9)
Duplicate License Fees	-	(1.0)	(1.0)
Litter Control Permit Repeal	-	(0.8)	(0.8)
Total	\$(49.1)	\$(47.2)	\$(45.1)

\$ in millions

Governor's Solution

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Medicaid/EOHHS Agencies

- Managed Care/Hospitals/Other
 - Public Health Unwinding
- BHDDH
 - Division of Developmental Disabilities
- DHS
- DCYF

Medicaid/EOHHS Agencies

Medicaid	GR	All
Certified Comm. Behavioral Health Clinics - Feb 1	\$(6.9)	\$(21.7)
Conflict-Free Case Mgt. Jan 1	(6.5)	(14.4)
Abortion Coverage	(0.5)	(0.5)
CEDAR Services	(0.6)	(1.2)
Total	\$(14.4)	\$(37.8)

\$ in millions

Medicaid/EOHHS Agencies

Hospitals - Change to Enacted	GR	All
Hospital Directed Payment	\$ 91.5	\$288.0
Uncompensated Care Payment	(49.8)	(130.3)
Supplemental Payments	(0.8)	(6.1)
Hospital License Fee	(38.1)	(38.1)
Total	\$2.8	\$113.5

\$ in millions

Public Health Emergency

- Since March 2020
 - Enhanced Medicaid match until the end
 - States could not terminate eligibility for those who no longer qualify
- November Caseload Estimate
 - Assumes redetermination of eligibility begins in 3rd quarter of FY 2023
- December 2022 - Federal Action
 - Decoupled match & enrollment from PHE
 - New requirement and phased down match

Public Health Emergency

- End prohibition redeterminations
 - States must start the 12-month redetermination process no later than April
 - Extra match phases down until Dec 2023
 - 5% for last quarter of FY 2023
 - 2.5% for FY 2024 Q1; 1.5% for FY 2024 Q2
 - Adds more targeted requirements
- Governor's budget does not include impact
 - Pending guidance on new rules that may add cost

Medical Assistance: CEC

- Nov Estimate reflects PHE extension - match through Q3 FY 2023
 - More general revenue savings – higher total
 - Delay in redetermination process

Enrollment	FY 2020	FY 2023 Enacted	FY 2023 Nov CEC	FY 2024 Nov CEC
Managed Care	169,930	186,399	193,534	186,267
RH Partners	14,588	14,152	14,152	14,505
RH Options	14,225	13,428	13,360	13,990
Expansion	75,568	104,406	112,440	101,165
Total	274,311	318,385	333,486	315,927

Public Health Emergency

- RI - redeterminations start April 1, 2023
 - Have 14 months to complete delayed renewals
 - 12 months to *initiate* all renewals
 - 2 months after that to *complete* them
 - November estimate assumes about 35,000 individuals will be found ineligible when recheck happens
 - Shielded from termination since March 2020
 - Estimate based on prior data and experience

Medicaid/EOHHS Agencies

Division of Developmental Disabilities	GR	All
DSP hourly rate reimbursement to \$20	\$(13.9)	\$(30.8)
Rate Review Process	TBD	TBD
Total	\$(13.9)	\$(30.8)

\$ in millions

Child Care Assistance Program

- Family Child Care Providers
 - New contract with union
 - Retroactive ~30% from 1/1/22 - 12/31/22
 - 2.5% rate increase effective 1/1/23
 - Training and technology supports
 - 2013 law authorizing collective bargaining arrangement makes economic aspects of contract subject to appropriation/approval
 - \$3.9 million for FY 2023; \$2.8 million for FY 2024
 - Federal funds currently support most expenses

Medicaid/EOHHS Agencies

New or Increased Amounts	GR
Senior Services Support to \$1.2M	\$200,000
Meals on Wheels to \$630k	100,000
Boys & Girls Club to \$450k	100,000
Operation Stand Down*	50,000
Center for Southeast Asians*	25,000
Higher Ground International to \$75K	25,000
Total	\$500,000

*new

EOHHS Agencies

- 12 new beds for female youth assumed to be available in FY 2024
 - Maintains enacted ARPA and RICAP funding to design and construct a new facility
- 3.0 more positions for accreditation
- Updated provider contracts by July 2023

	DCYF	GR	All
Accreditation Staff		\$0.3	\$0.3
Provider Contracts		3.6	7.8
Total		\$3.9	\$8.1

\$ in millions

DCYF – Staffing/Caseloads

- 627 filled positions in January 2023
 - 585 in October 2021
 - Net gain of 42
 - 60 resignations in 2022 through November
 - More than 2020 (26) and 2021 (27) combined
 - Civil service exam for social caseworkers in Jan 23
- Caseloads
 - Average # per worker with full caseload
 - March 2020 – 16.5
 - November 2022 – 12.8

DCYF Providers

- Provider Wage Stabilization Payments
 - \$15.0 million provided over two years
 - Assist with staff retention and hiring issues
 - Intended to relieve associated capped capacity, closed facilities, waiting lists for congregate care programs

Provider Staffing	
Number of FTE w/ salaries under \$75k	1,274
Vacancies in March 2020	183
Vacancies in October 2021	350
Net positions filled in 2022 –thru Nov	(88)
Remaining Vacancies	262

DCYF Providers

- Capacity issues persist
 - Congregate care placement availability unchanged

Date	Placements Available
Feb - 20	343
Oct - 21	240
Jun - 22	241
Jan - 23	233

Governor's Solution

- Revenues
- Medicaid/EOHHS Agencies
- *Locals*
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Education Aid

- Governor adds \$25.7 million
 - Proposes changes to formula calculation
 - Current law calculation would have been \$13.4 million less than enacted for FY 2023
 - Change how poverty is measured
 - Instead of school nutrition program participation
 - Increase in student success factor amount
 - New factor for homeless students
 - One-time supplemental transition fund
 - Many communities would receive less aid

Education Aid

- RIDE required to develop alternate measures to collect student poverty data
 - Not reliant on school nutrition program participation
- Governor recommends use of direct certifications times a factor of 1.6
 - Eligible for free lunch because they receive a means tested benefit
 - 1.6 factor intended to address shortcomings
 - Relies on voluntary participation & excludes some non-citizens

Education Aid

- Public Schools of Choice Fund ~ \$7.9M
 - 2 years of funding to districts for students who move to charter schools
 - Excludes students moving to Davies or Met
 - Districts would receive 60% of lost aid in first year & 30% in second year
 - Charter still gets full funding
- Replaces school of choice density aid
 - \$500 for one year only in districts with at least 5% of resident students in schools of choice

Education Aid

Categorical Funding	FY 2023 Enacted	FY 2024 Gov	Chg. to Enacted
High Cost Special Education	\$4.5	\$9.8	\$5.3
Career and Technical	4.5	4.5	-
Early Childhood	14.9	22.9	8.0
Non-Public Transportation	3.5	3.5	-
Regional District Transportation	5.8	7.2	1.4
English Language Learners	5.0	12.8	7.8
School Choice Density	0.5	-	(0.5)
Total	\$38.6	\$60.6	\$21.9

\$ in millions

- Teacher Retirement \$13.7 million
 - \$1.9 million more than enacted

Education Aid Out-Years

- Governor's out-year estimates show <2% growth in base aid funding
 - Increased costs per student
 - Population declines
- Prior out years – assumed 2% annual
- Non base formula aid assumptions vary
 - High cost special ed & English language learners full funded for FY 2024 only
 - No early childhood expansion after FY 2025

Education Aid Out-Years

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Direct Aid	3.2%	1.3%	1.5%	1.7%	1.8%
Teacher Retirement	1.4%	1.1%	1.5%	1.7%	1.9%
School Construction	16.9%	-5.6%	7.5%	4.8%	4.5%
Net Growth	2.3%	0.0%	1.8%	1.8%	1.9%

- School construction is likely understated

Education Aid

School Construction Out-Year Estimates					
Traditional Program	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
FY 23 Enacted	\$97.7	\$105.0	\$110.0	\$115.0	n/a
FY 24 Gov	103.5	97.7	105.0	110.0	115.0
<i>GO Bonds</i>	<i>15.5</i>	<i>22.8</i>	<i>29.0</i>	<i>37.2</i>	<i>41.1</i>
<i>Central Falls</i>	<i>13.0</i>	<i>11.3</i>	<i>11.3</i>	<i>11.3</i>	<i>11.3</i>
Adjusted FY 2024 Total	\$132.0	\$131.8	\$145.3	\$158.5	\$167.4

\$ in millions

COVID-19 Relief

	FY 2022 Spent	FY 2023 Revised	FY 2024 Gov	Total
Aid to Districts	\$88.5	\$275.3	\$253.9	\$617.7
<i>State Schools</i>	<i>0.1</i>	<i>4.2</i>	<i>4.4</i>	<i>8.7</i>
<i>Central Falls</i>	<i>0.0</i>	<i>10.0</i>	<i>10.9</i>	<i>20.9</i>
<i>All other Districts</i>	<i>88.4</i>	<i>261.1</i>	<i>238.6</i>	<i>588.1</i>
<i>Discretionary</i>	<i>6.2</i>	<i>33.6</i>	<i>21.2</i>	<i>61.0</i>
Total	\$94.7	\$308.9	\$275.1	\$678.7
Total Available				\$599.9
<i>Amount Overstated</i>				<i>\$(78.8)</i>

\$ in millions; excludes CARES Act funding

Local Aid – General Aid Programs

	FY 2023 Enacted	FY 2023 Gov. Rev.	FY 2024 Governor*
Dist. Communities	12.4	12.4	12.4
PILOT	48.4	48.4	50.2
Motor Vehicle Excise	231.0	231.0	234.7
Total	291.8	291.8	297.3

\$ in millions, *Subject to data updates

Local Aid – Restricted Aid Programs

	FY 2023 Enacted	FY 2023 Gov. Rev.	FY 2024 Governor
Library Resource Aid*	11.0	11.0	11.5
Library Const. Aid	1.9	1.9	2.1
Property Valuation	0.4	0.6	0.9
Total	13.3	13.5	14.5

\$ 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
- Likely recipients
 - Central Falls
 - North Providence
 - Pawtucket
 - Providence
 - West Warwick
 - Woonsocket
 - May be subject to change based on data revision

Local Aid Programs

- PILOT - \$50.2 million
 - Assumes 27% - full funding
 - \$1.7 million more than enacted
 - Distribution subject to pending data revision
- Car Phase-Out - \$234.7 million
 - \$3.8 million more than enacted
 - Fully funds the current law schedule
 - Future increases tied to sales tax revenue growth

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*
- Departments and Agencies
 - Statewide
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Commerce

- 15 programs authorized in FY 2016 budget
 - 5 tax incentive programs
 - 10 other programs, investments & initiatives
 - Partially funded from debt restructuring
- 2016 - 2022 Sessions
 - Added & made revisions
 - Extended sunsets
 - Recaptured unused funds

Commerce

Current Programs	2016 – 2022	2023 R	2024
Rebuild RI	\$134.7	\$13.5	\$26.4
Cluster Grants	2.4	-	-
Wavemaker	10.2	3.2	4.0
Innovation Initiative	8.5	1.0	2.0
Small Business Assist.	6.6	0.7	3.3
Supply RI	1.2	0.3	1.0
Site Readiness	3.0	1.0	1.0
Air Service Dev.	2.0	2.3	2.3

\$ in millions

Commerce

Pass-Through	2020	2021	2022	2023 R	2024
Commerce Corp.	\$7.4	\$7.4	\$7.7	\$7.9	\$8.3
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	0.5	1.0	1.0
Minority Business*	0.14	0.14	0.10	0.14	0.14
Chafee Center	0.5	0.5	0.4	0.5	0.5
Polaris	0.4	0.4	0.4	0.5	0.5
EP Waterfront Comm.	0.1	0.1	0.1	0.1	0.1

\$ in millions; *Urban Ventures

Governor's Solution

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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
 - Replacing toll revenue
 - Information technology investments
 - Customer service
 - Security
 - Prior liabilities or obligations

One-Time Uses

	FY 2023	FY 2024	Total
RICAP	\$242.4	\$ -	\$242.4
Rainy Day Fund Supplement	-	55.0	55.0
Local Roads /Water Projects Match	34.0	-	34.0
IT Projects	-	27.0	27.0
Debt Defeasance	-	35.0	35.0
Utility Tax Relief	35.6	-	35.6
RIBCO Placeholder	25.7	-	25.7
Commerce Investments	-	35.0	35.0
Workers' Compensation	4.4	-	4.4
Other	1.5	17.3	18.8
Total	\$343.6	\$169.4	\$513.0
\$ in millions			

One-Time Uses

- Debt Defeasance
 - \$35.0 million from general revenues to pay down existing debt
 - Pending evaluation of state's financial advisors
 - Out years assume \$4.5 million annual savings
- Wrongful conviction payments
 - Governor adds \$1.5 million for FY 2023 & \$250K for FY 2024
 - FY 2022 final budget had \$1.2 million
 - \$0.6 million spent

One-Time Uses

- Digital Credentials - \$1.0 million
 - 2022 Assembly requirement eff. July 1, 2023
 - DLT to provide a digital credential
 - in addition to paper
 - All publicly-subsidized workforce & training programs
- Workers' Comp Fund - \$4.4 million
 - Prevent employer rate increase
 - Similar to Unemployment Insurance add authorized for FY 2023
 - \$100 million from ARPA in Sept. 2022
 - Achieved lower tax schedule

Departments and Agencies

- Human Services Rates & Benefit Analysis
 - \$1.5 million provided for FY 2023
 - Programs funded through Medicaid, DCYF, BHDDH, Human Services, & Health
 - Analysis of rates due 1/1/23; Final report due 4/1/23
 - Departments must include recommended rates in budget requests starting October 1, 2023
 - Office submitted status report in January 2023
 - Additional time needed to meet statutory requirements
 - Governor adds \$0.6 million to continue work in FY 2024

Departments and Agencies

- Elementary and Secondary Education
four new staff to support programs
 - All Course Network
 - Multilingual Learner Support
 - Transformation Specialist
 - Support state's persistently lowest-achieving schools
 - Direct interaction, strategic planning, recommend service providers
 - Assessment Specialist/Support
 - Plus \$0.4 million is for professional development

Higher Education

- Fresh Start Scholarship - \$2.5 million
 - CCRI to target adults with some college credits but no degree
 - Path to regain eligibility for federal assistance
- Rhode Island Reconnect - \$8.3 million
 - Mostly ARPA - but 3 state funded staff
 - Higher Ed Academies proposal from last year
 - Coaching and wrap around services for 16+ to continue education

Higher Education

- Rhode Island Longitudinal Data System
 - Transfer from URI and establish in state law
 - New state support of \$0.6 million
 - 7.0 full-time equivalent employees
 - 3.0 are new & 4.0 shifted from URI
- Higher Ed Affordability Study- \$0.2 million
 - Examine the affordability of higher education & implications of expanding state-funded scholarship programs

Departments and Agencies

- Corrections
 - Multiple new CO classes
 - 32.0 new staff for behavioral management and restrictive housing units
 - Changes to in-person monitoring requirements of incapacitated inmates
 - Overtime savings assumed
 - RIBCO settlement placeholder
 - Pre-Covid housing density assumptions

Department of Public Safety

- State Police
 - Diversity and Equity Unit
 - Job Task Analysis
 - Drug Recognition Training
 - Professional Development
 - 59th Training Academy
 - Graduate 40 troopers in April 2024
 - Trainee Troopers Compensation
 - Increase pay
 - Eliminate meal reimbursement requirement

Department of Public Safety

- State Police
 - Fleet Operations – Civilian Manager
 - One time resources for vehicle purchases
 - Ongoing replacement plan
 - Digital Forensic Analyst
 - Help address backlog of cases
 - Portsmouth Barracks renovations
 - Funding rescinded because of scope changes
 - \$0.1 million for study of appropriate Aquidneck Island presence

Departments and Agencies

- Environmental Management
 - Litter Removal
 - New initiative to encourage trash/litter removal from state parks, beaches & management areas
 - \$100,000 from general revenues for adopt-a-roadway programs, marketing campaigns, etc.
 - Local Agriculture & Seafood Program
 - \$700,000 total for FY 2024
 - Continues one time \$500k increase for another year
 - One time vehicle replacement - \$161,000

Transportation

- Federal Infrastructure Act –
 - Formula funding
 - Additional \$110M annually through FFY 2026
 - Opportunities to apply for new grants
- 2022 Assembly allocated \$100M for state match for 2 years
- Governor adds \$87.8 million to prefund additional years of state match

Opioid Funds

- Settlement and related funds budgeted over multiple years and uses
- January Report include some proposed uses

Agency	FY 2023	FY 2024	2-Year Total
EOHHS	\$10.9	\$4.2	\$15.1
BHDDH	10.1	7.0	17.2
Health	5.6	3.6	9.2
Corrections	2.9	1.3	4.2
Total	\$29.5	\$16.2	\$45.6

\$ in millions

Governor's FY 2024 Budget

- FY 2022 Closing
- FY 2023 Revised Budget
- FY 2024 Revenue-Expenditure Gap
- Governor's Recommended Solution
- ***Operating Budget Overview***
- Capital Budget Overview
- Out-years

Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$5,042.2	\$5,302.8	\$260.6
Federal	5,708.4	5,526.0	(182.3)
Restricted	453.5	386.8	(66.7)
Other	2,398.4	2,535.4	137.0
Total	\$13,602.5	\$13,751.1	\$148.6

\$ in millions

Expenditures

All Sources	Enacted	Budget	Change
Salaries/Benefits	\$2,030.6	\$2,090.3	\$59.7
Contracted Services	616.7	561.0	(55.7)
Operating	1,507.7	1,187.6	(320.1)
Local Aid	2,119.4	2,179.9	60.5
Assistance & Grants	5,928.5	5,927.2	(1.3)
Capital	590.2	686.3	96.1
Debt Service	265.5	328.6	63.0
Operating Transfers	543.8	790.2	246.4
Total	\$13,602.5	\$13,751.1	\$148.6

\$ in millions

Personnel and Operating

- Salaries and Benefits
 - Increase of 2.9% from enacted
 - General revenues increase 3.4%
 - Known settled contracts
 - Placeholder for unsettled contracts
 - RIBCO
 - 136.0 new positions
 - Assumes current year staffing difficulties end

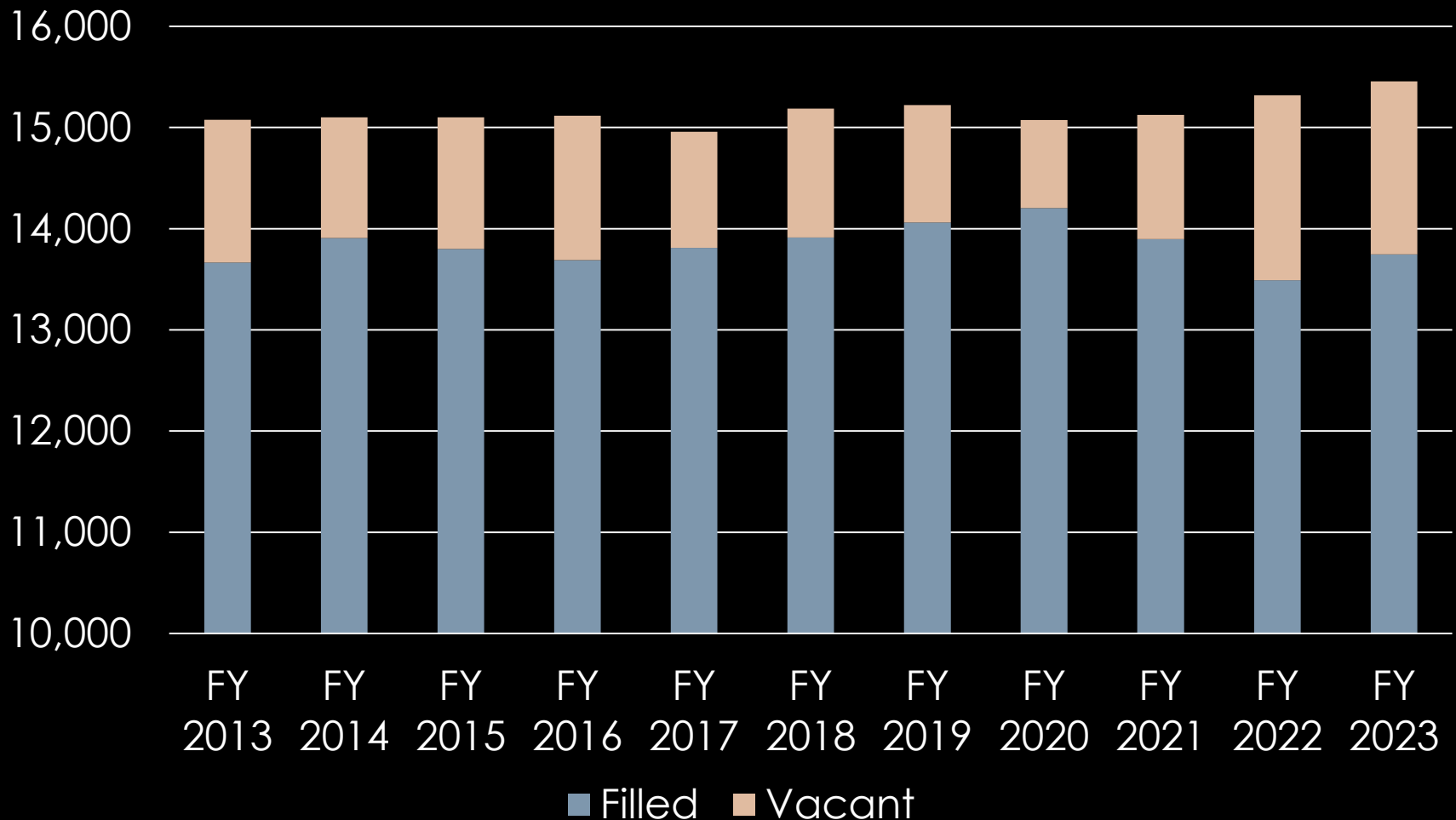
Staffing Changes

- Biggest changes
 - DOC restrictive housing/behavioral management units – 32
 - Department of Housing – 21
 - Health – 28
 - Includes 8 for water infrastructure projects
 - DOA for performance management, audits, purchasing, financial management – 12
 - EOHHS – 11
 - Includes 3 for Public Health Emergency unwinding

Full-time Equivalent Positions

	Total
FY 2021 Avg.	13,896.5
FY 2022 Avg.	13,490.8
FY 2023 Enacted	15,455.5
FY 2024 Governor	15,591.5
Change to Enacted	136.0
Filled January 14, 2023	13,746.8
<i>Vacant</i>	<i>(1,708.7)</i>
Change From FY 2022	(256.0)

Full-time Equivalent Positions



Personnel and Operating

- Statewide Utilities \$20 million
 - Spread across agencies
 - Notable increases for agencies on Pastore Campus
- Fleet Expenses \$5 million
 - Gas, insurance etc.

American Rescue Plan Act

- State & Local Fiscal Recovery Funds
 - \$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 advances future funding to FY 2024 to ensure timely obligation of funds

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

- Congress expanded scope to include additional types of infrastructure upgrades in December 2022
- Governor advances funding to FY 2024
 - 6 new projects & excludes 1 approved
 - \$40.7 million is unallocated
 - Total funding unchanged for most approved projects
 - Timing changes

COVID - 19 Relief

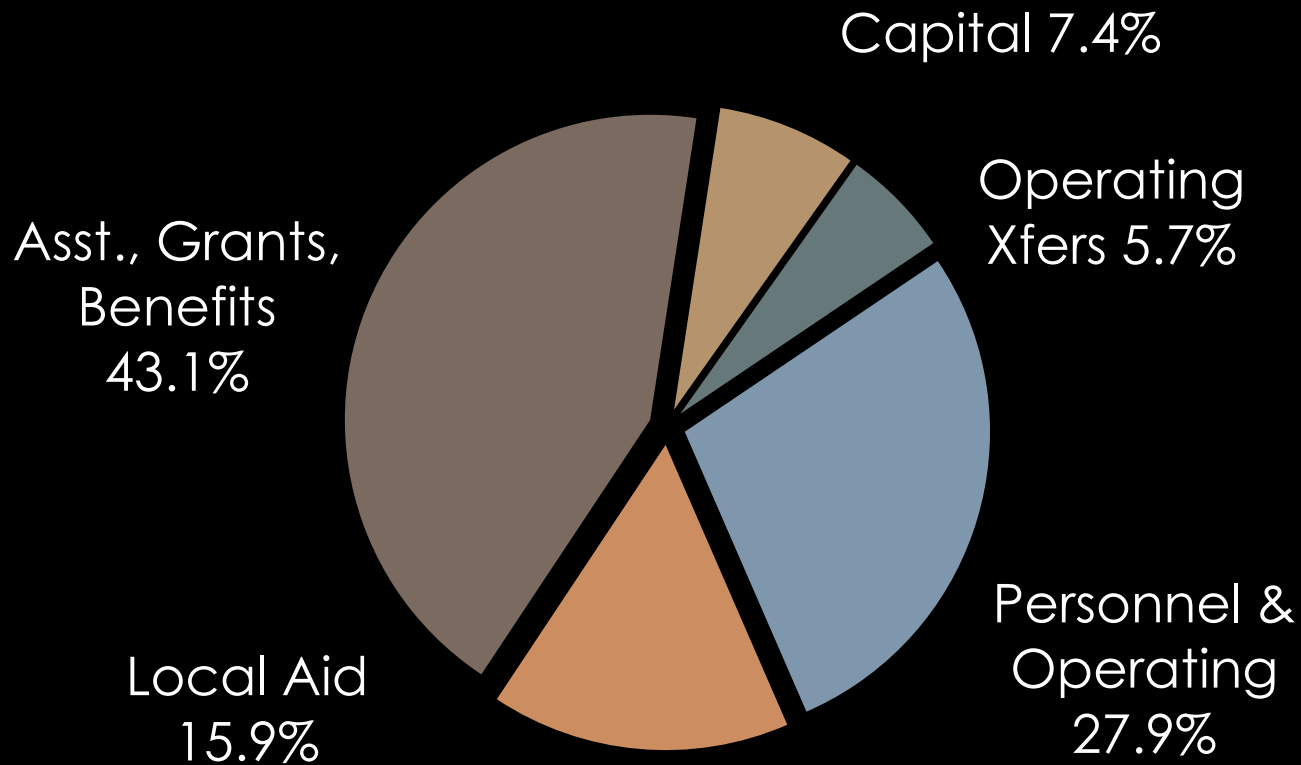
- Major changes
 - Removes Blue Economy - was \$70 million
 - South Quay - \$25 million more
 - Homelessness - \$30 million more plus expanded use
 - RI Reconnect - \$8.0 million
 - Out of School Time Learning - \$4.0 million

COVID - 19 Relief

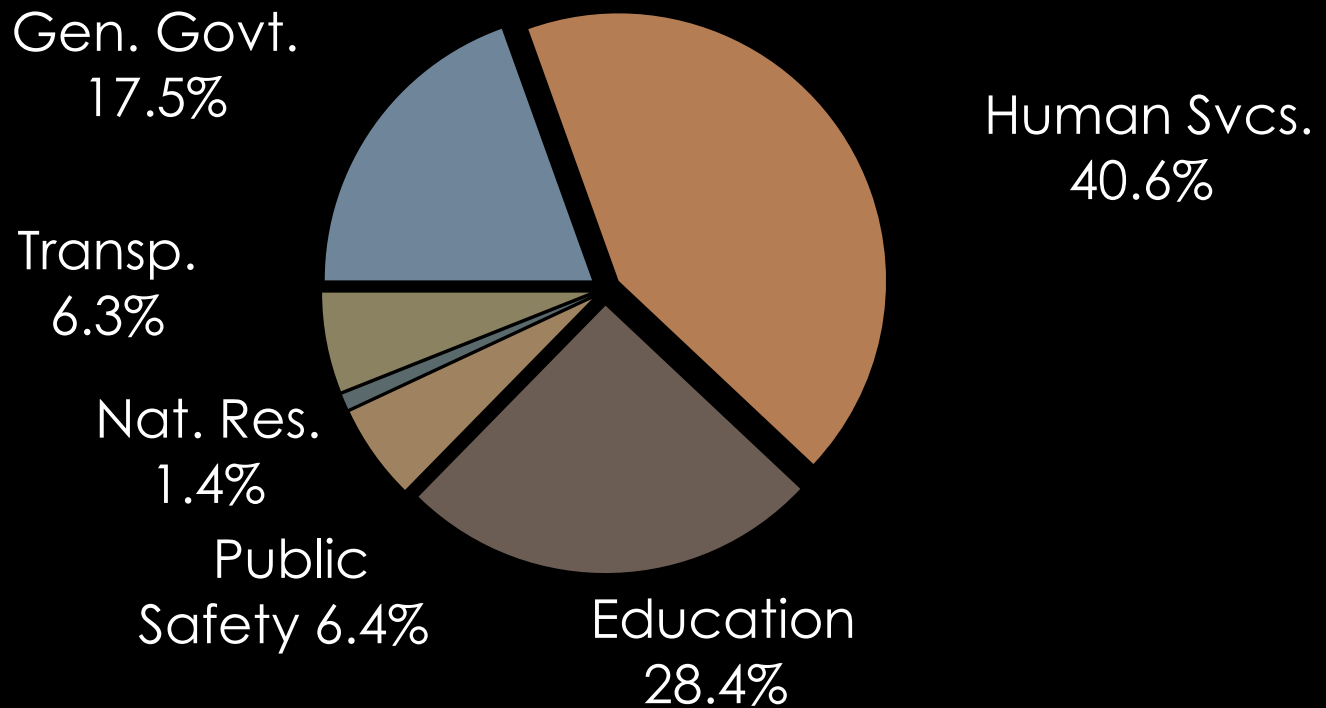
State Fiscal Recovery Funds - Category	Enacted	Gov.	Chg.
Housing	\$250.0	\$280.0	\$30.0
Economic & Workforce Development	130.0	83.0	(47.0)
Small Business & Impacted Industry	164.0	169.0	5.0
Public Health	271.7	183.5	(88.2)
Children, Families and Education	120.4	124.4	4.0
Behavioral Health	55.1	56.7	1.6
Public Infrastructure & Technology	0.5	27.5	27.0
Climate	122.5	147.5	25.0
Administration	17.0	18.9	1.9
Uncommitted	-	40.7	40.7
Total	\$1,131.1	\$1,131.1	\$ -

\$ in millions

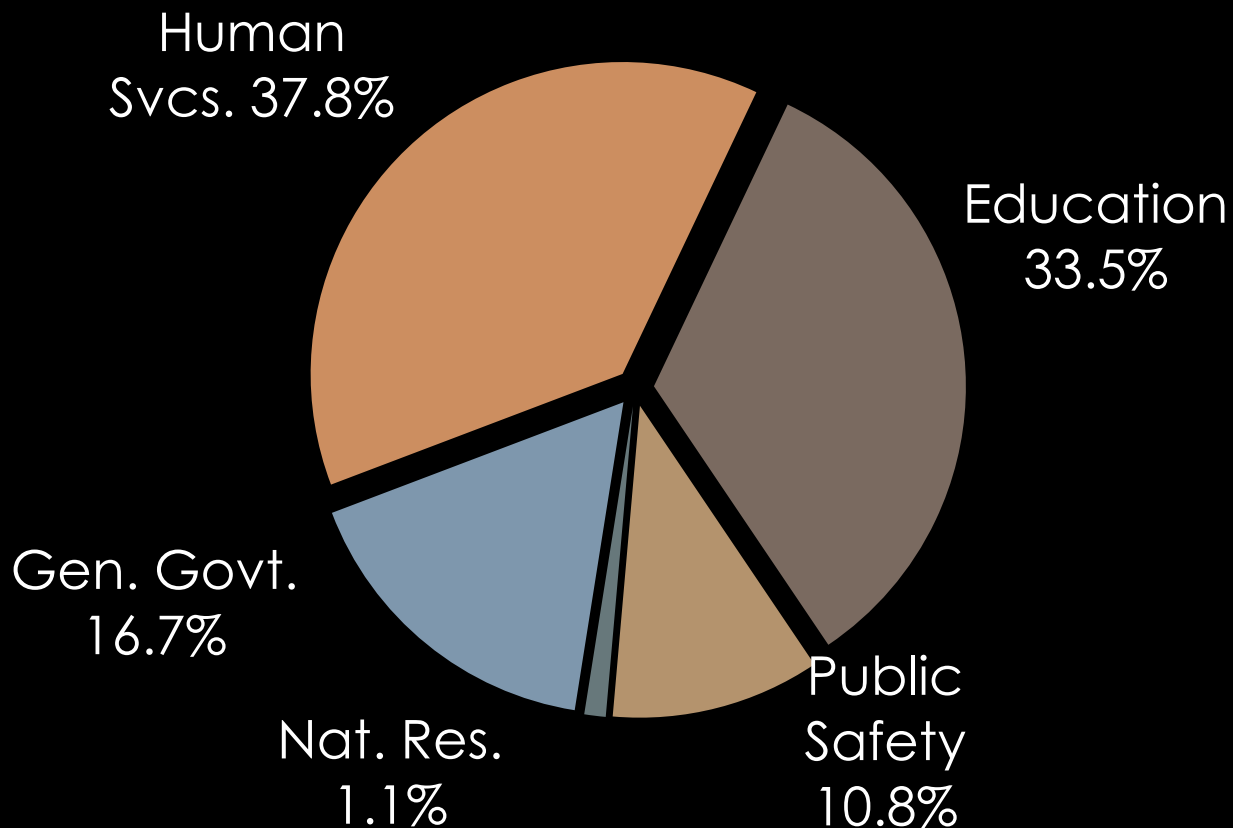
All Funds by Category: Governor FY 2024



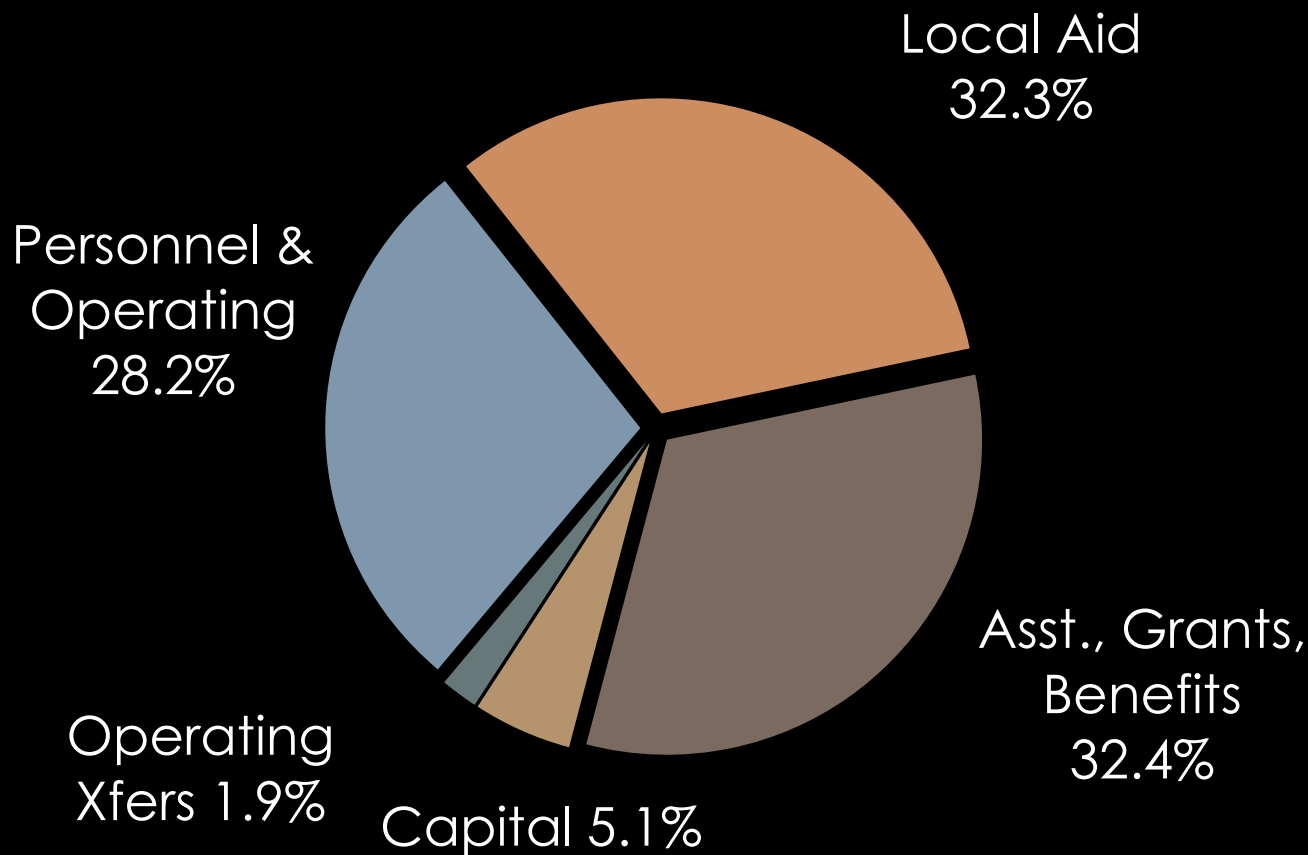
All Funds by Function: Governor FY 2024



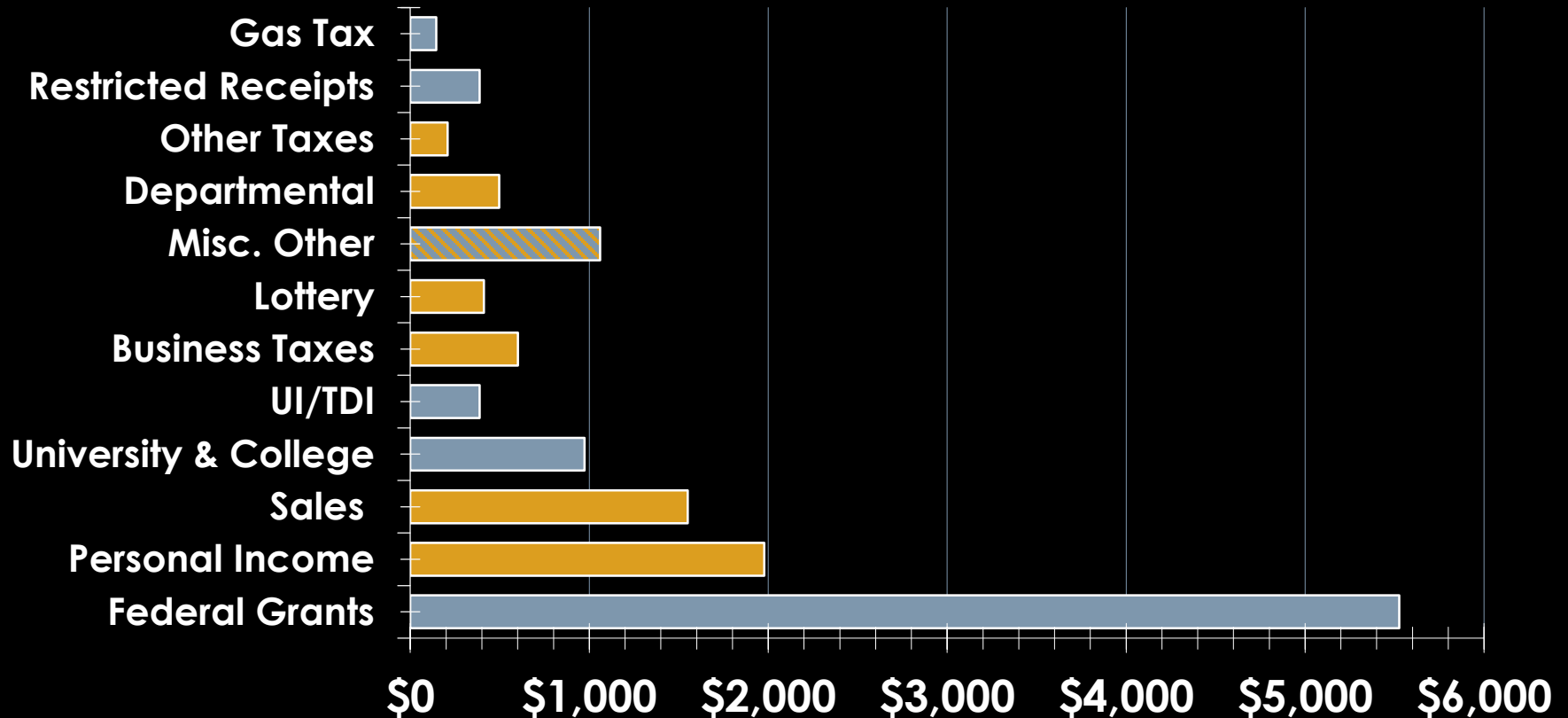
General Revenues by Function: Governor FY 2024



General Revenues by Category: Governor FY 2024

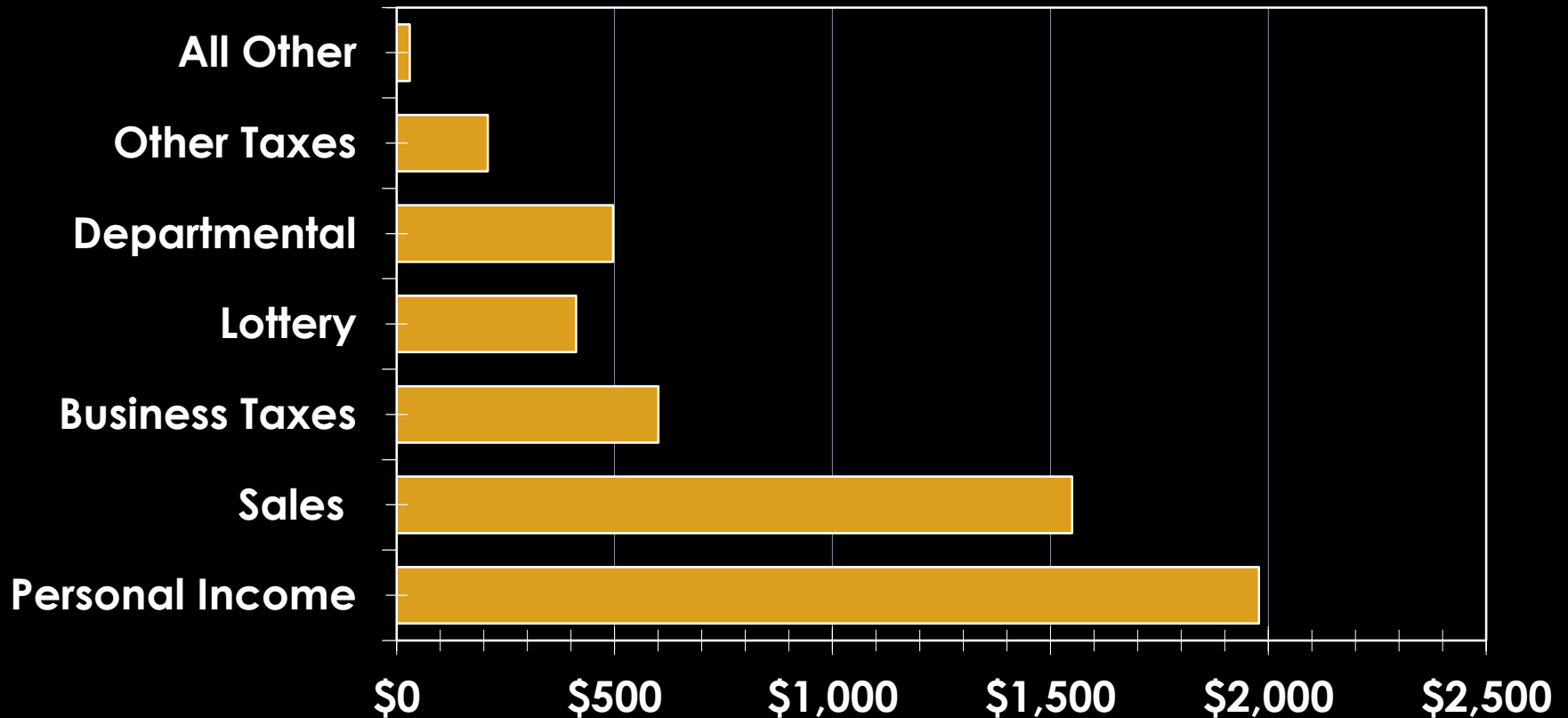


All Sources *(\$ millions)*



General Revenue Sources

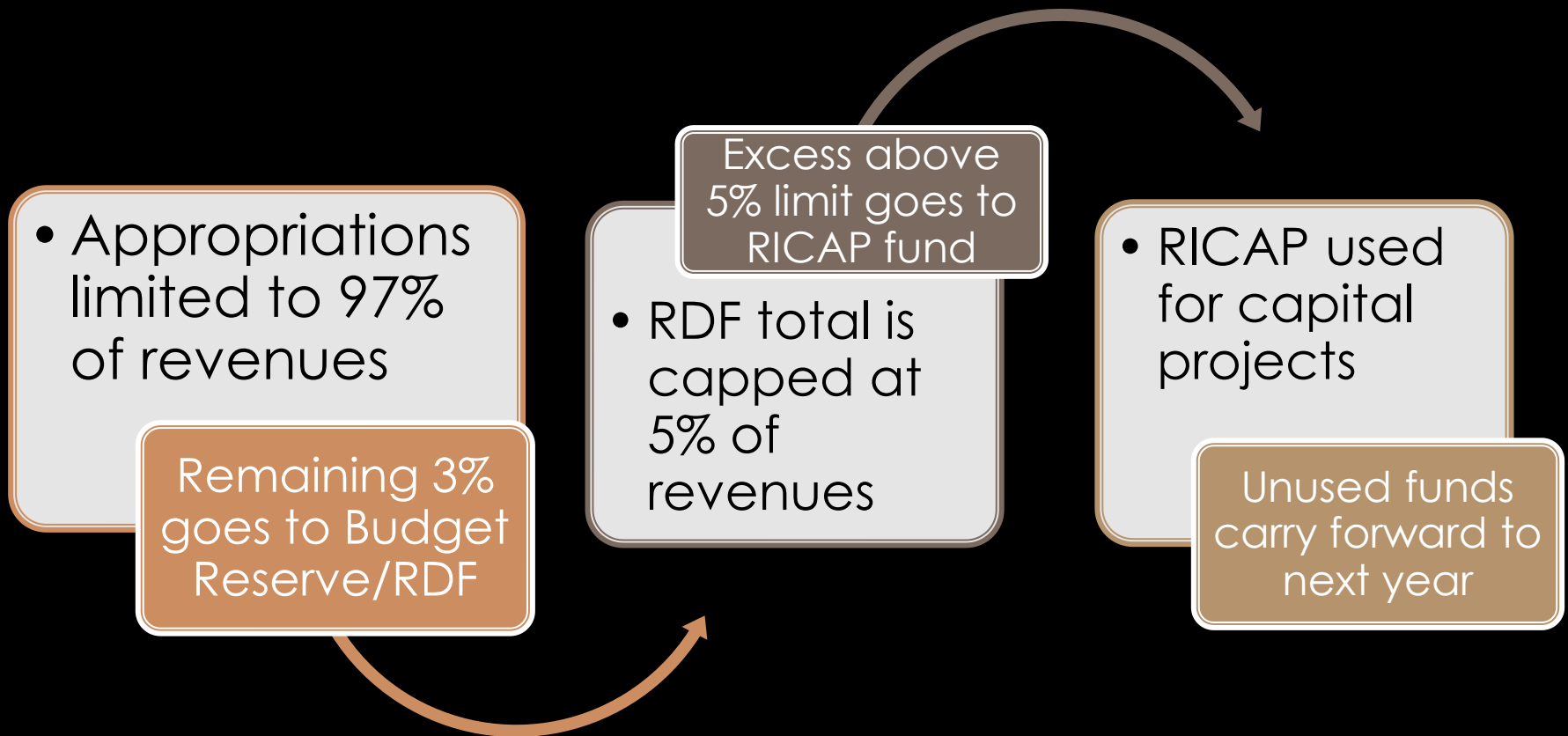
(\$ millions)



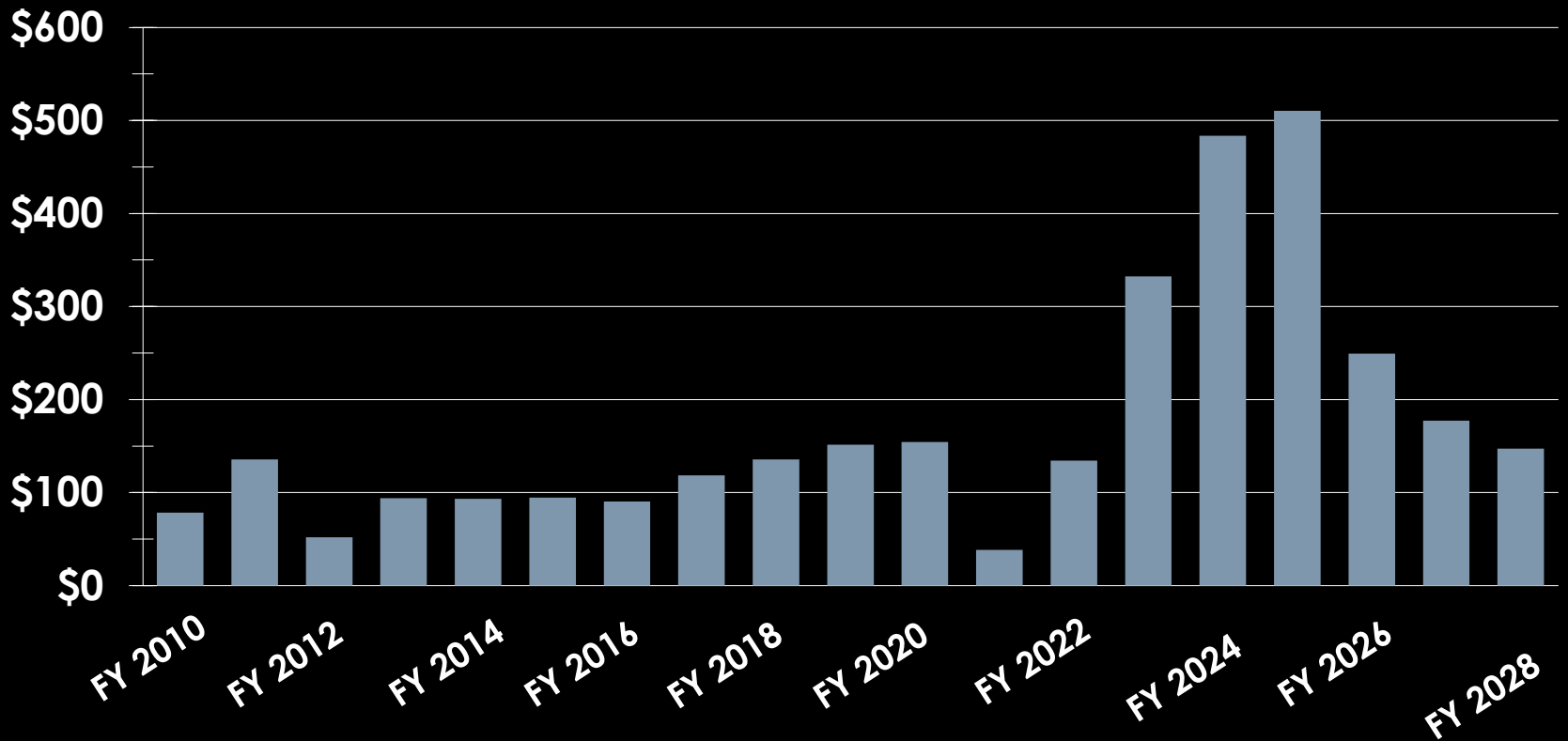
Governor's FY 2024 Budget

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- **Capital Budget Overview**
- **Out-years**

Rhode Island Capital Plan Funds



Rhode Island Capital Plan Funds



Rhode Island Capital Plan Funds

- Resources grew after use restricted to capital by constitutional amendment
 - Intended purpose
- Use of rainy day fund to balance FY 2020 budget interrupted normal flow
 - Payback occurred in FY 2021
- Deposits from non-recurring surpluses
 - 2022 Assembly transferred \$578.0 million
 - Gov recommends \$242.4 million

RICAP Fund

FY 2024 Governor	FY 21	FY 22	FY 23	FY 24
Balance	\$62.2	\$149.8	\$699.9	\$795.3
Annual: amounts over 5% cap	-	116.4	170.5	160.5
Premiums & Interest	6.1	5.1	-	-
Payback & One-Time	120.0	563.0	257.4	-
Total	\$188.3	\$834.3	\$1,127.8	\$955.9
Projects	(38.4)	(134.4)	(332.5)	(483.4)
Balance	\$149.8	\$699.9	\$795.3	\$472.5

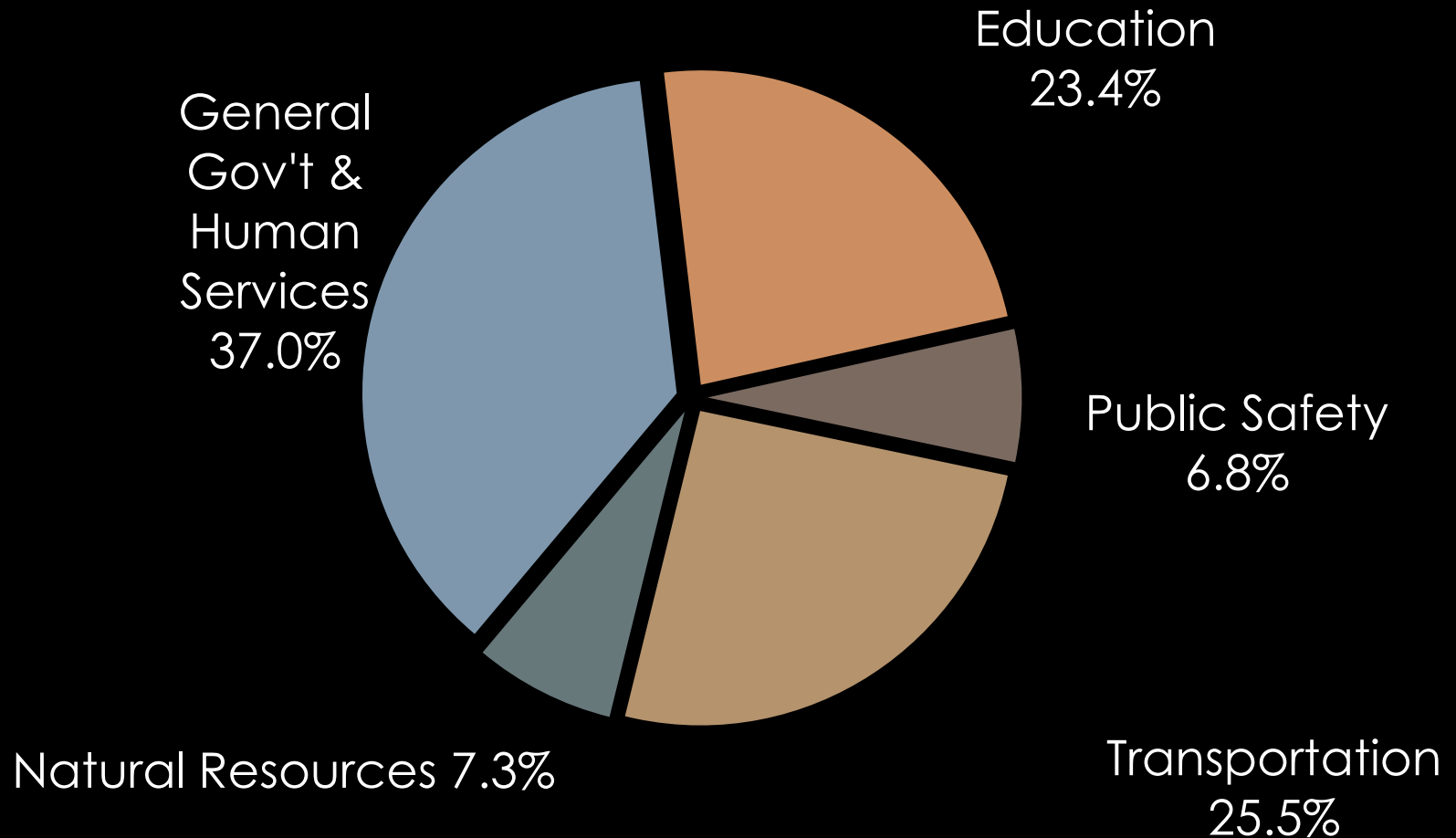
\$ in millions

RICAP Fund

FY 2024 Governor	FY 25	FY 26	FY 27	FY 28
Balance	\$472.5	\$133.9	\$38.5	\$19.3
Annual: amounts over 5% cap	171.9	154.0	158.1	273.9
Total	\$644.4	\$287.8	\$196.6	\$293.1
Projects	(510.5)	(249.3)	(177.3)	(146.5)
Balance	\$133.9	\$38.5	\$19.3	\$146.7

\$ in millions

RICAP – Governor FY 2024 – FY 2028



Rhode Island Capital Plan Funds

- \$1,567.7 million for FY 2024 – FY 2028
- Approximately \$314 million annually
 - 26% for Transportation
 - 20% for Higher Education
 - State buildings & facilities
 - Courts, prisons, hospitals
 - Dams, piers, parks
- Governor recommends new large commitments from RICAP

Rhode Island Capital Plan Funds

- Major new investment last year
 - Transportation match
 - Zambarano
 - Pastore
 - State House
 - Higher Education
 - Bay Campus
- New spending for FY 2024
 - Some updated pricing

Rhode Island Capital Plan Funds

- Eleanor Slater Hospital Reorganization
 - \$25.0 million for accreditation & program operational issues – double prior funding
- Pastore Hospital Buildings
 - \$10.0 million unspecified future projects
- Davies School Replacement/Renovation
 - \$35.0 million
- URI Athletic Fields - \$43.3 million

Assembly Role

- Appropriate Pay-Go (Article 1)
- Approve General Obligation Bond Referenda – every other year
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner)
 - Approve or reject resolution
 - Generally appropriate debt service
 - No resolutions included – likely needed

Funding Considerations

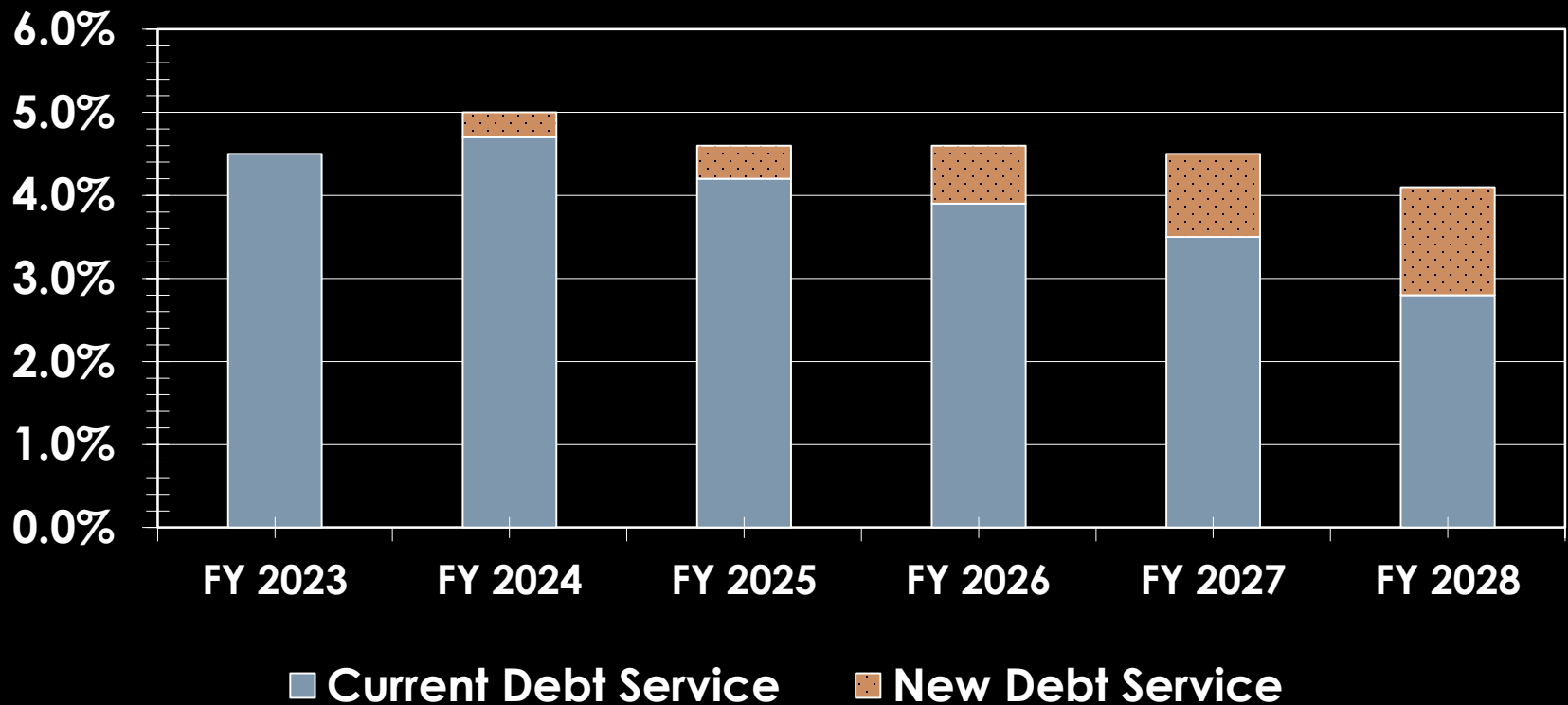
- State's overall debt structure
 - Net tax supported debt would increase by \$137.2 million to \$2,059.8 million
 - Debt as % of personal income would drop from 2.5% in FY 2022 to 2.4% into FY 2028
 - Past practice indicates it will be higher as more projects are added

Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2023	\$234.2	4.5%
2024	\$264.4	5.0%
2025	\$253.3	4.8%
2026	\$259.5	4.7%
2027	\$258.1	4.6%
2028	\$240.7	4.2%

\$ in millions

Debt Service as Percent of Useable Revenues



Out-Years

- As submitted the budget has out year deficit of \$125 million for FY 2025
 - Average of \$60 million annually
 - Use of surplus in current budget
 - Other program growth
- Annual expenditures outpace revenues
- May not capture all expenses
 - Education and Pre-K growth
 - Caseloads and rate reform
 - Unsettled employee contracts

Uses – Growth Rates

Item	Est. Annual Growth
State Personal Income	4.3%
Nonfarm Employment	0.2%
Taxes	2.7%
Total Revenues	2.3%
Total Expenditures	1.9%
Salaries & Benefits – 22% of total	4.1%
Medicaid 30% of total	2.8%

Governor's FY 2024 Budget

- Risks and Opportunities
 - FEMA reimbursement assumptions
 - Economic downturn severity
 - Capacity to implement current initiatives
 - Staffing challenges
 - Capital project pricing
 - ESH & RISPH Operations
 - Spending transparency
 - Centralized services
 - New IT investments

Governor's FY 2024 Budget

- Risks and Opportunities
 - PHE unwinding to begin April 1
 - Over 300,000 enrollees must have eligibility reconfirmed
 - **Readiness to proceed has major implications**
 - Old backlogs persist
 - Staffing levels below expectations
 - Technology issues resolved?
 - Potential to jeopardize federal funds for non compliance

Governor's FY 2024 Budget

- Upcoming article hearings this week
 - Wednesday, February 8 at 4:00 p.m.
 - Utility Tax relief
 - Gas Tax and Transportation
 - Thursday, February 9 at the Rise
 - New state leases
 - Finance Issues

Governor's FY 2024 Budget

Staff Presentation to the House Finance
Committee
February 7, 2023
