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	$ -
Adjustment	*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

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

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

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			
Medical Assistance	***Enacted***	***Nov CEC***	***Chg.***
All Funds	$2,923.3	$2,982.0	$58.7
General Revenues	1,016.2	978.9	(37.3)
Cash Assistance			
All Funds	$113.7	$99.5	$(14.2)
General Revenues	27.4	27.4	0.1
Private DD Services			
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			
Medical Assistance	***Enacted***	***Nov CEC***	***Chg.***
All Funds	$2,923.3	$2,989.8	$66.5
General Revenues	1,016.2	1,132.3	116.1
Cash Assistance			
All Funds	$113.7	$128.0	$14.3
General Revenues	27.4	28.1	0.7
Private DD Services			
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
- FY 2022 Revised Budget
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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**
Cranston	*13.4*	*13.4*	*26.8*
East Providence	*9.3*	*9.3*	*18.5*
Pawtucket	*22.1*	*22.1*	*44.3*
Providence	*65.7*	*65.7*	*131.4*
Warwick	*11.8*	*11.8*	*23.7*
Woonsocket	*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
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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)	$ -	$(338.0)
Pension	(61.8)	-	(61.8)
Clean/Drinking Water Match	(21.9)	-	(21.9)
IT Transfer	(50.0)	-	(50.0)
FEMA Reserve	-	(15.0)	(15.0)
DD Homes	(12.6)	-	(12.6)
Correctional Industries	-	(1.7)	(1.7)
Job Classification Study	-	(2.0)	(2.0)
Total	**$(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

- FY 2021 Closing
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- ***Operating Budget Overview***
- Capital Budget Overview
- Out-years

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

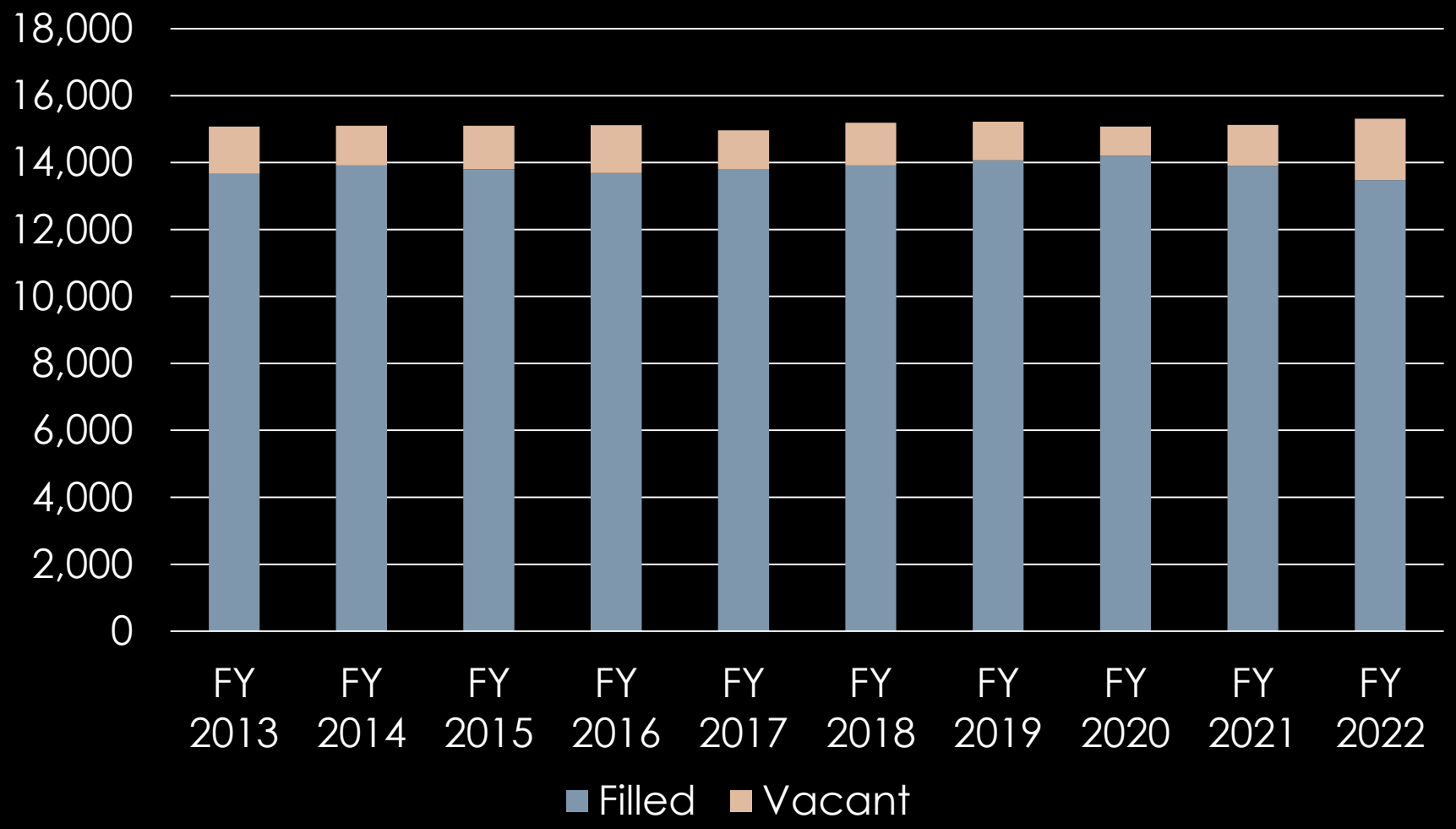
General Revenues	FY 2022 Revised	FY 2023	Total
COLA & Retention Bonuses	$65.0	$61.3	$126.3
Medical Benefits	(2.7)	(5.8)	(8.5)
Total	**$62.3**	**$55.5**	**$117.5**

$ 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

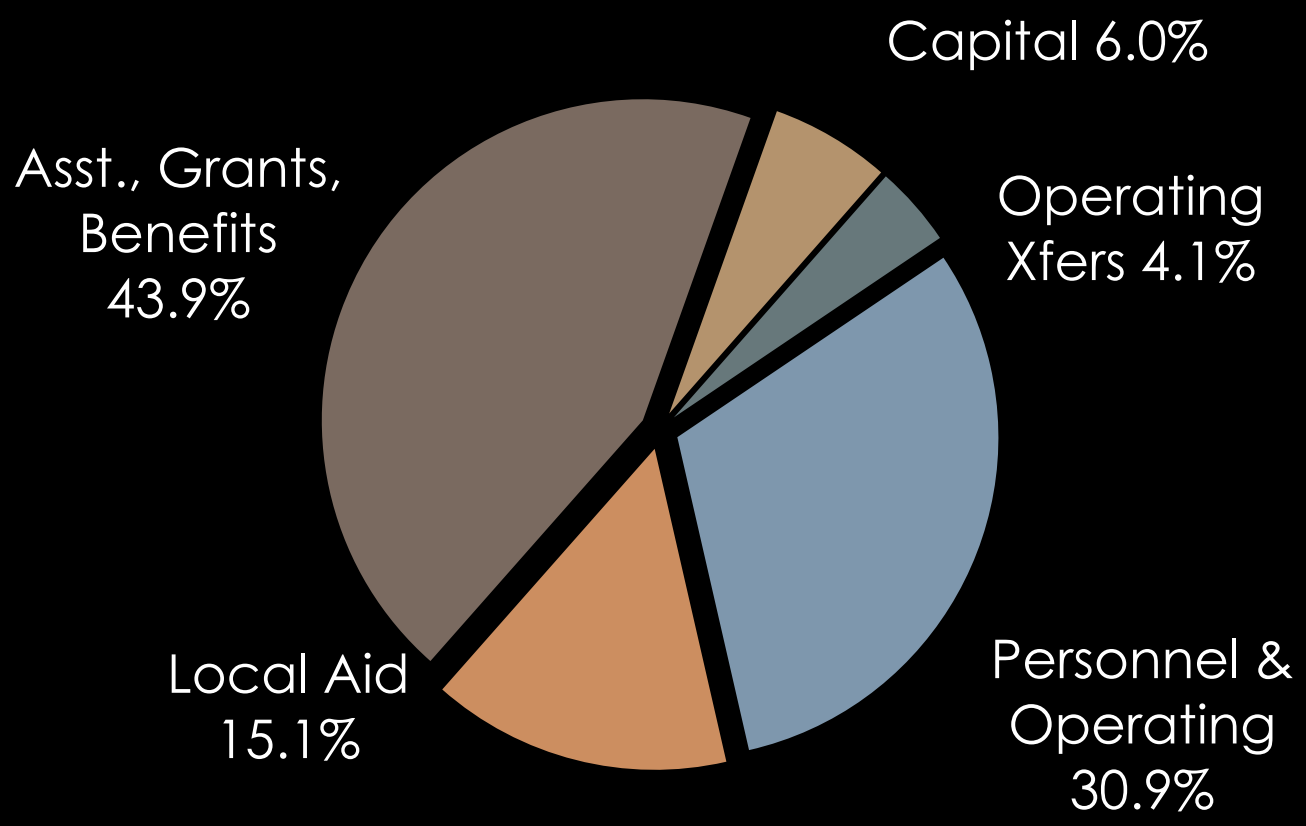
- Governor programs all funding from FY 2022 through FY 2027 to over 50 projects
  - FY 2022 allocation appear in 2022-H 7122
    - Includes $119 approved on Jan 4
  - Remaining allocations in Art 1 2022-H 7123
    - Sec.1 - FY 2023 allocations
    - Sec. 16 - FY 2024-27 & item descriptions by agency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

COVID - 19 Relief

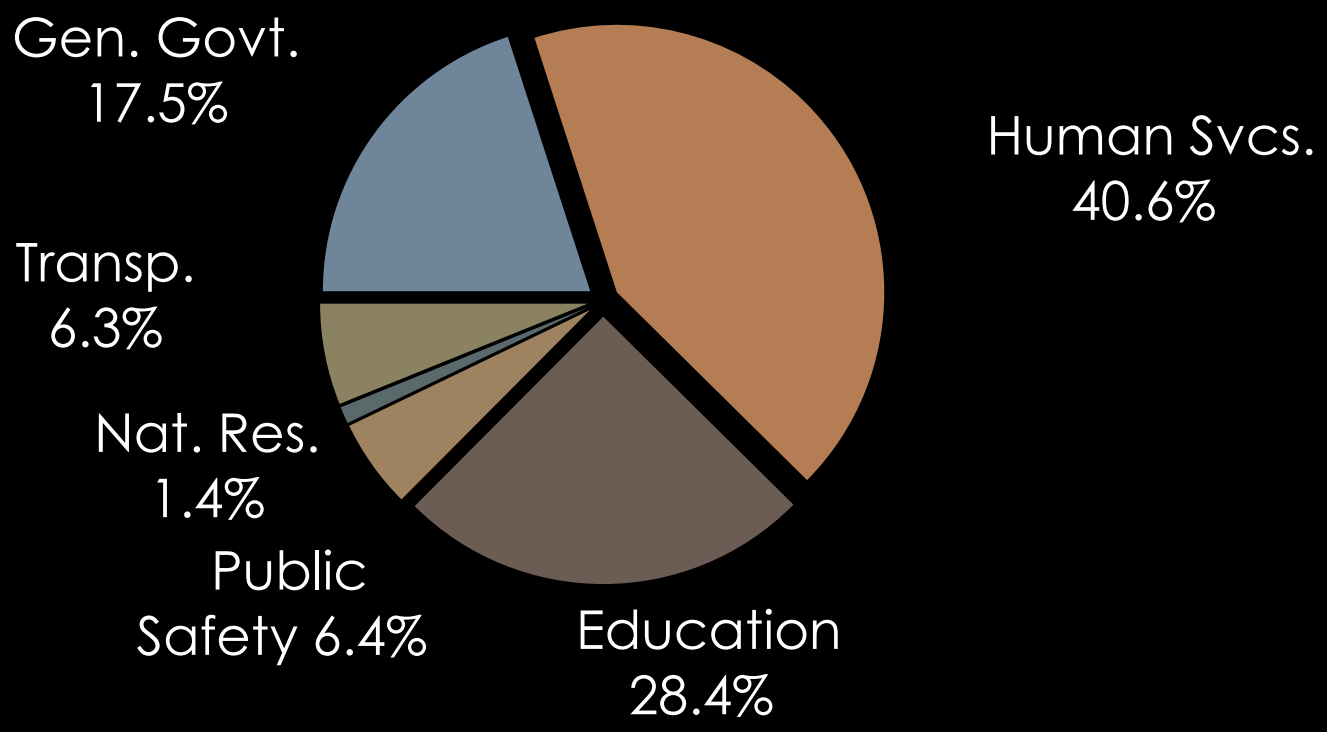
State Fiscal Recovery Funds - Category	Amount
Housing	$250.0
Economic and Workforce Development	211.8
Small Business & Impacted Industry	180.5
Public Health	152.3
Children, Families and Education	118.6
Behavioral Health	42.4
Public Infrastructure & Technology	26.5
Climate	132.0
Administration	17.0
Total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

$ in millions

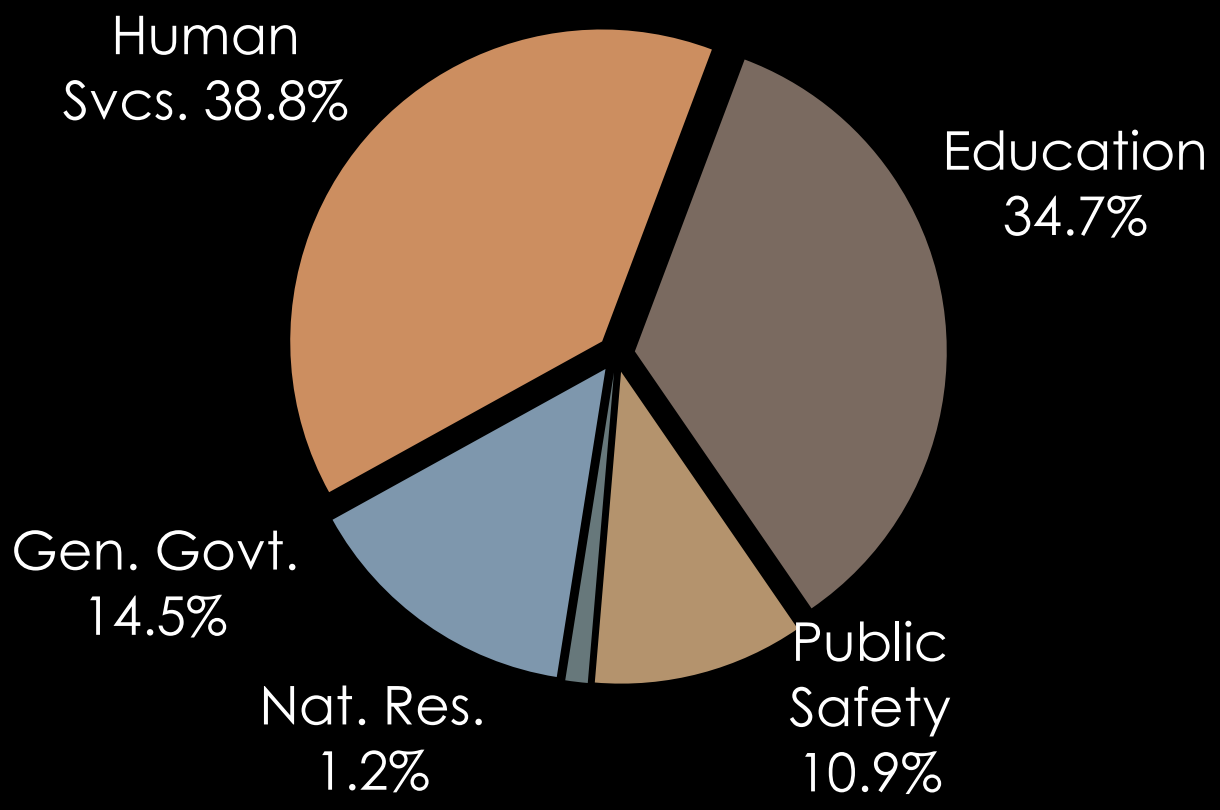
All Funds by Category: Governor FY 2023



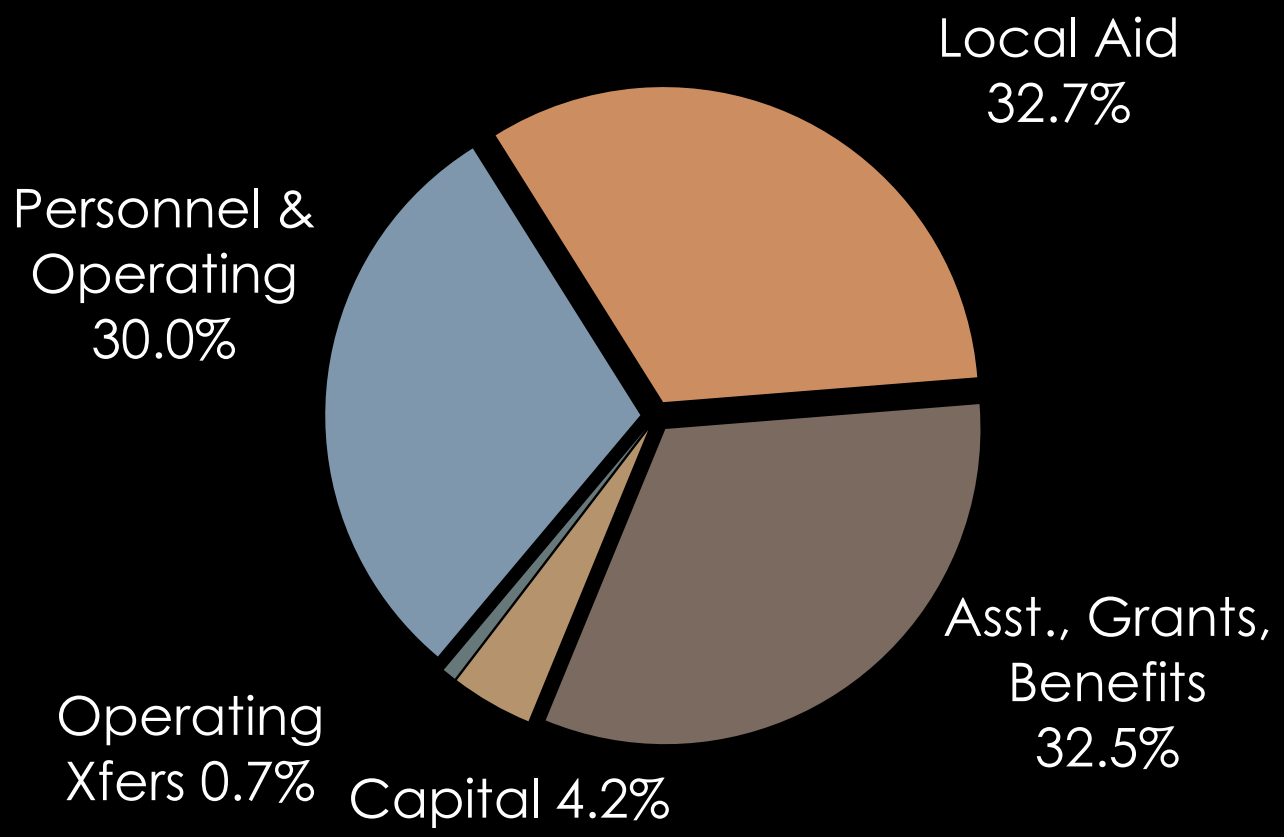
All Funds by Function: Governor FY 2023



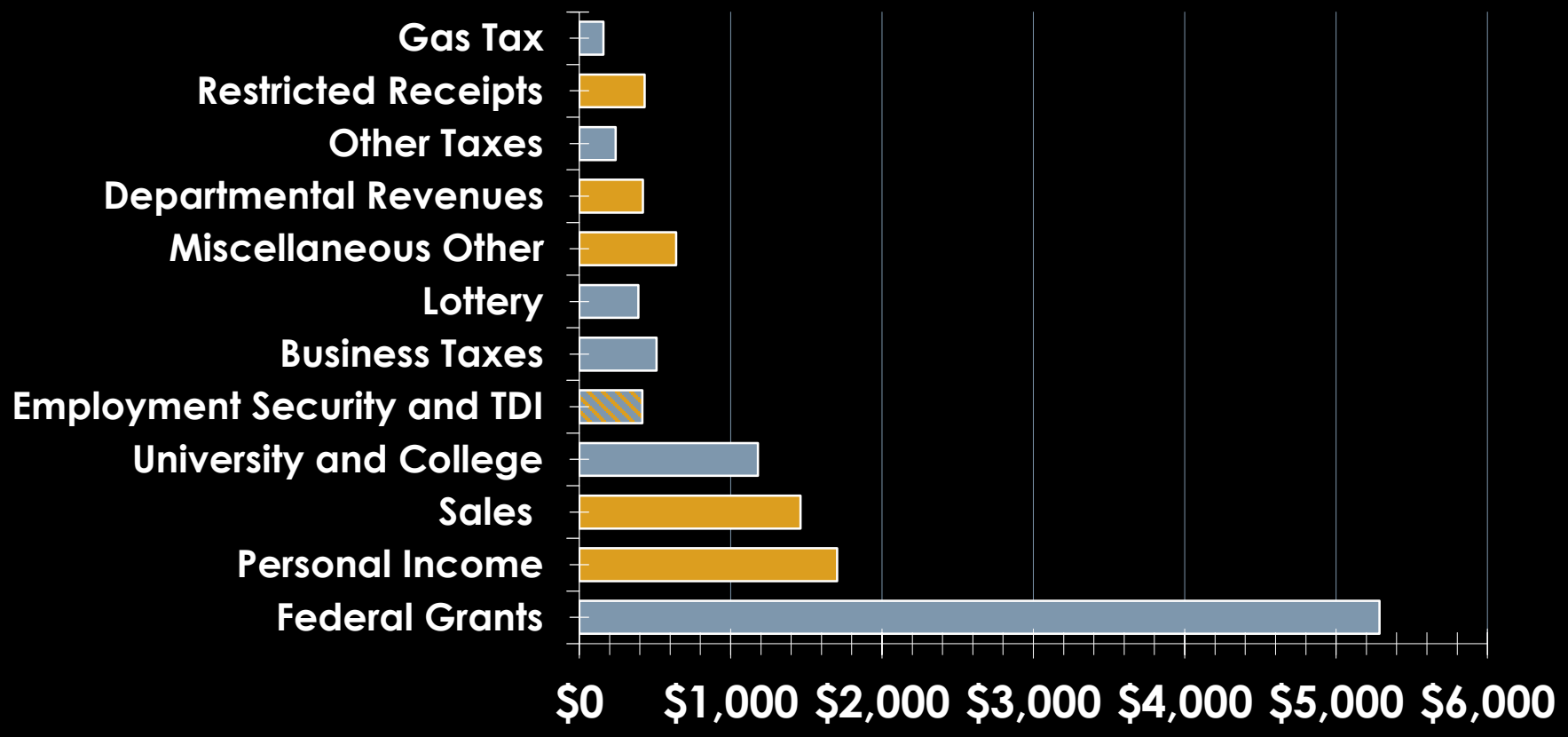
General Revenues by Function: Governor FY 2023



General Revenues by Category: Governor FY 2023

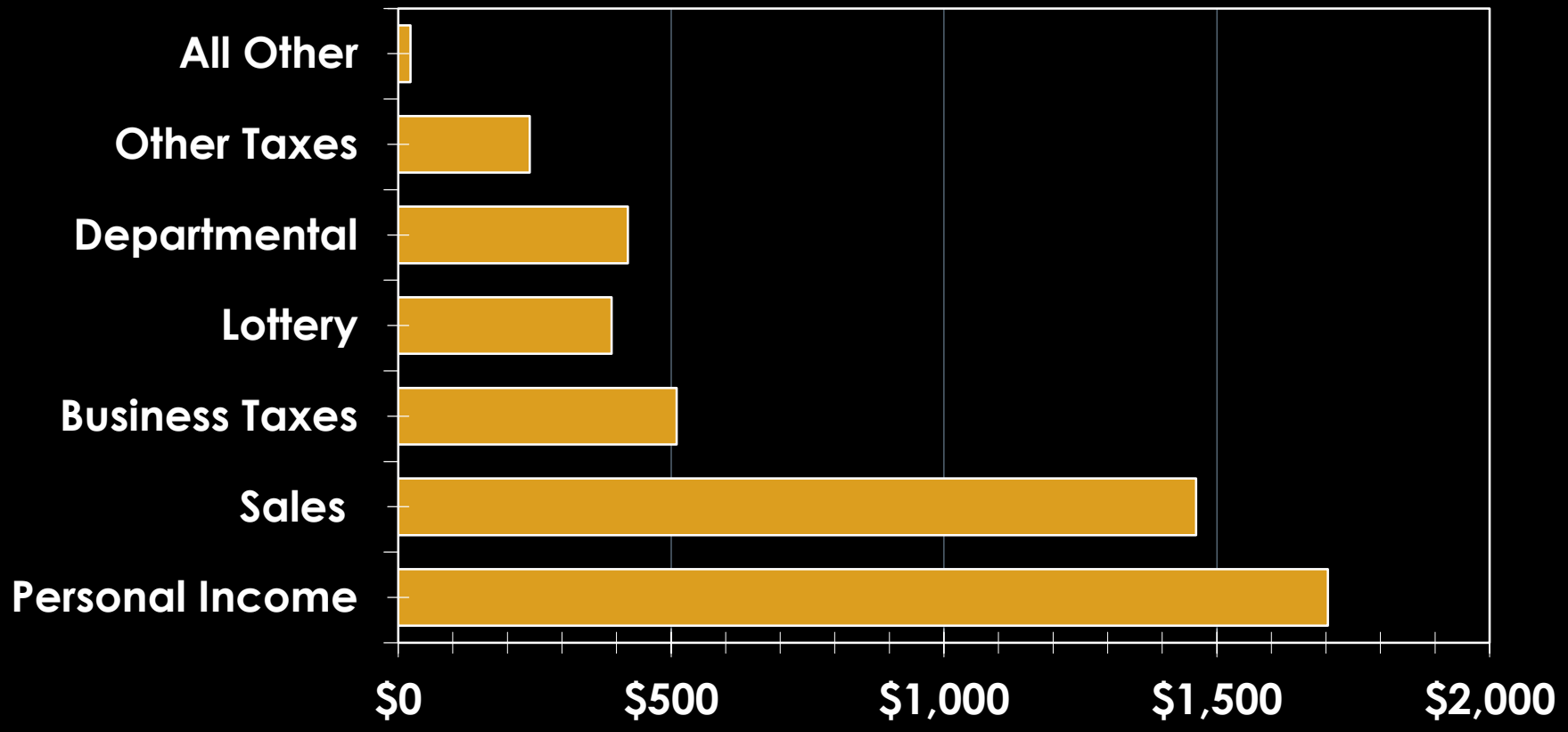


All Sources *($ millions)*



General Revenue Sources

($ millions)



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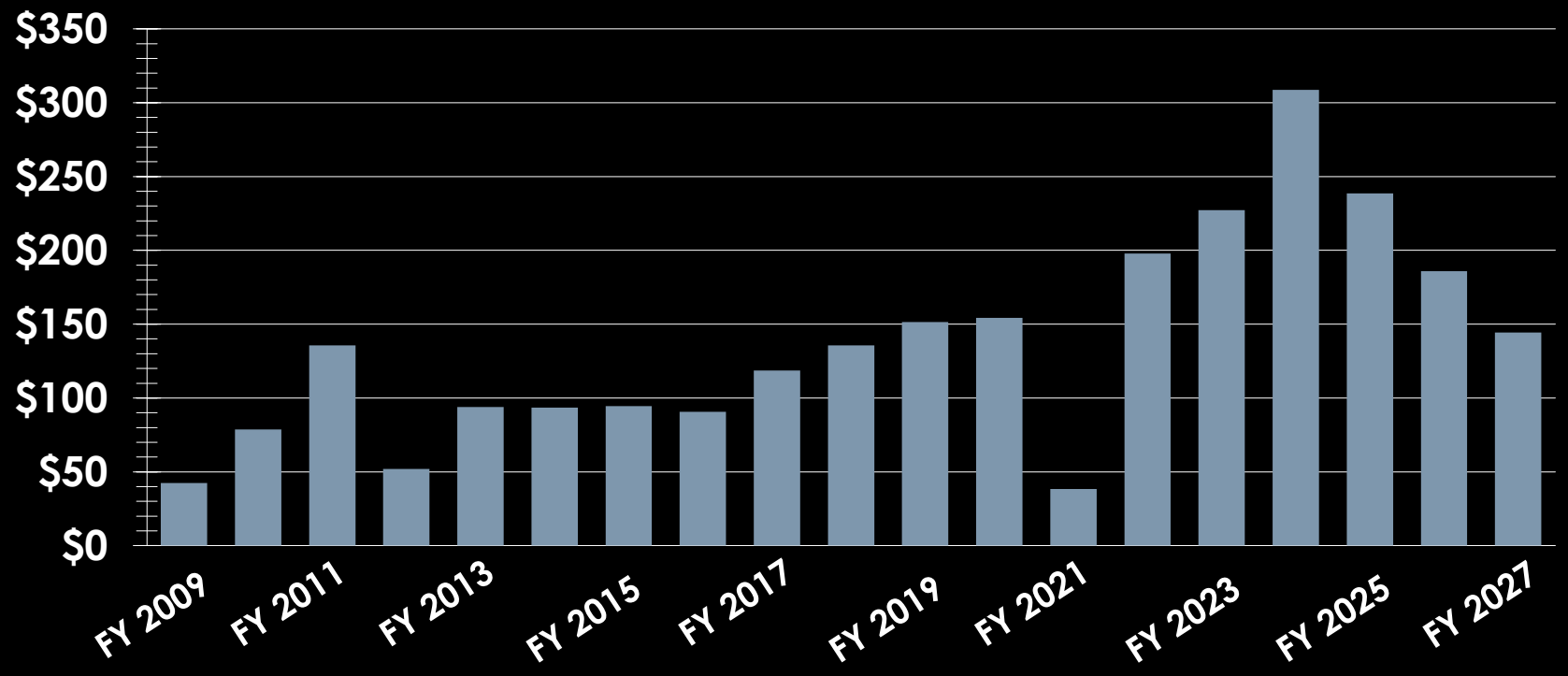
Rhode Island Capital Plan Funds



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
	URI Narragansett Bay Campus	*50.0*	*4.0*
	CCRI Renovations & Modernization	*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	**$38.0**

$ 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	**$28.5**	**$2.6**	

$ in millions

Funding Considerations

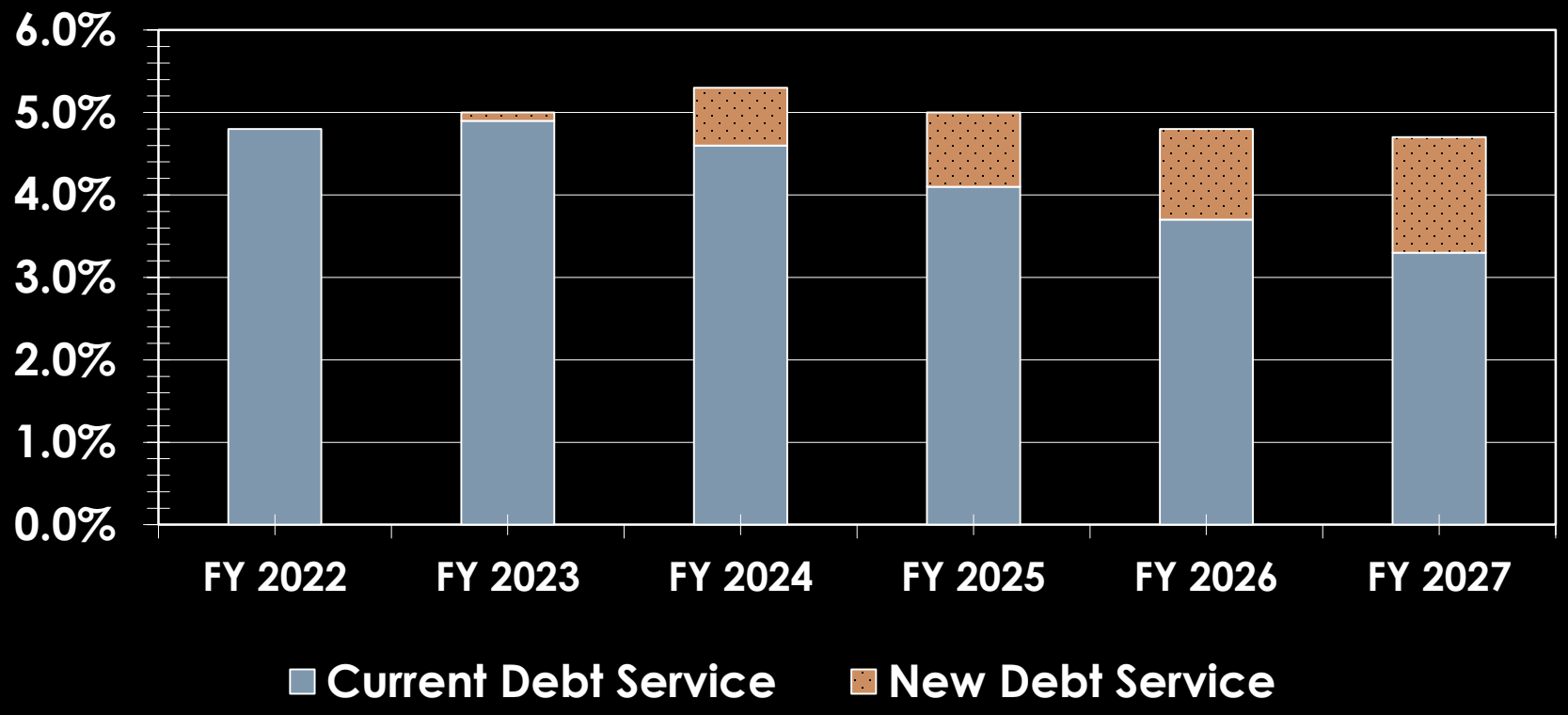
- State's overall debt structure
  - Net tax supported debt would decrease by $43.9 million to $1,899.9 million
  - Debt as % of personal income would drop from 2.9% in FY 2021 to 2.3% into FY 2027
  - Past practice indicates it will be higher as more projects are added

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