

Governor's FY 2012 Budget



Staff Presentation to the House
Finance Committee

March 16, 2011

Governor's FY 2012 Budget



Introduction

Governor's FY 2012 Budget

- March 8 - Governor announced his FY 2012 Budget via televised address
- March 9 - 2011-H 5894 Introduced and referred to House Finance Committee
- March ?? - All required supporting bound documents provided to Assembly
 - ◆ Capital still missing; other bound copies delivered March 15

Budget Briefings, Publications and Hearings

- November 18 – Budget Status
- Feb. 15, 16, 22 – Status & Issue Briefings
- March 9 – Budget at First Glance
- March 16 – Governor's Budget Overview
- March 22 – Article hearings begin
- House Fiscal Staff *Budget Analysis*

References

- Materials are on line on the Assembly website - <http://www.rilin.state.ri.us> under House Fiscal Reports
- Includes items prepared by House Fiscal Staff that may be helpful

Governor's FY 2012 Budget

March 16 Overview

- FY 2012 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget
- Outyears

Governor's FY 2010 Budget

- FY 2012 Revenue-Expenditure Gap

FY 2012 Budget Gap

FY 2012 Revenue-Expenditure Gap

- Budget Office estimates
 - ◆ \$319.6 million in July
 - ◆ \$294.6 million in November
 - ◆ \$331.1 million in briefing materials
- Staff estimates
 - ◆ \$343.2 million in June
 - ◆ \$302.1 million in November

FY 2012 Budget Gap

Where did it come from?

- Stimulus funding cliff not resolved:
 - ◆ \$215.1 lost Medicaid Match
 - ◆ \$18.8 million Education Stabilization funds
- One-time employee concessions
- Education Aid – in all HFAS estimates
- Balance is structural

Governor's FY 2012 Budget

- FY 2012 Revenue-Expenditure Gap
- Governor's Recommended Solution
 - ◆ Two-year solution with actions taken to generate \$16.2 million in current year savings to carry into FY 2012

Current Year

- The *current year* had no projected deficit after first quarter reports
- Medicaid reimbursement shortfall resolved by revenue uptick and closing surplus and other savings

FY 2010 Audited

	Enacted	Current	Diff.
Opening	\$ (61.3)	\$ (61.3)	\$ 0.0
Revenues	3,019.1	3,017.0	(2.0)
Rainy Day	(71.0)	(70.9)	0.1
Expenditures	(2,886.8)	(2,863.6)	23.2
Reapprop.	-	(3.4)	(3.4)
Free Surplus	\$ 0.0	\$ 17.9	\$ 17.9

FY 2011: House Fiscal Staff Q1 Est.

	Enacted	Current	Diff.
Opening	\$ 0.0	\$ 21.3*	\$21.3
Revenues	3,020.6	3,037.4	16.7
Rainy Day	(78.5)	(79.4)	(0.9)
Expenditures	(2,942.1)	(2,975.8)	(33.7)
Total FY 2011	\$ 0.0	\$ 3.3	\$ 3.3

**Includes \$3.4 million reappropriation*

Current Year : HFAS Q1 Estimated Chges

Reappropriation	3.4
Legislature*	(3.7)
Medicaid Match Rate	38.1
OHHS Caseload – Net of rate change	(2.1)
Debt Service – revised estimate	(2.0)
Retirement Adjustments*	(2.0)
Formula Local Aid	(2.4)
Other *	4.4

* Items different than Budget Office Q1 estimates

Current Year : Gov. Revised vs. HFAS

<i>Q1 HFAS est. ending surplus</i>	<i>\$3.3</i>
Rainy Day Delay	22.0
DOT Funding	(12.6)
Central Falls & Distressed Aid	(7.0)
Retirement Adjustments	1.6
Statewide Savings	3.7
Other	5.1
<i>Total Gov Ending Surplus</i>	<i>\$16.2</i>

Governor's Solution

- Revenues
- Human Services
- Locals
- Departments and Agencies
- Statewide Savings

Revenues

Revenues Solution: \$178.2 million

- \$164.9 million in new sales taxes
- \$0.9 million less from business taxes
- \$1.6 million from Motion Picture credit
- \$7.0 million from new or increased fees
- \$5.6 million from other

Revenues

Sales Taxes

Lower Rate from 7% to 6%	Art. 26	(\$117.7)
Expand to some services and other exempt goods	Art. 26	197.6
Add 1% tax on many exempts	Art. 26	86.8
Non compliance w/ Streamlined	Art. 26	(1.8)
Total		\$164.9

Revenues

Business Taxes		
Corp Rate Reduction	Art. 25	\$(8.5)
Jobs Develop. Phase Out	Art. 25	4.8
Corp Minimum Tax Structure	Art. 25	(6.1)
Combined Reporting	Art. 25	8.9
Total		\$(0.9)

Revenues

New or Increased Fees

DMV – Driving Record & NSF	Art. 24	3.0
DOR – Estate Filing & Letter of Good Standing	Art. 24	0.2
DBR – Security Sales Rep. Federal Covered Advisors.	Art. 20	1.2

Revenues

New or Increased Fees

DCYF – Background Checks	R&R	0.1
ELSEC – Tel. Access Fund	Art. 7	0.4
DPS – Fire Inspection	Art. 20	0.04
DEM – Beach Parking Fee	Art. 6	1.9
Total		\$7.0

Revenues

Other: Enhanced Collections, Scoop

Tax Delinquent Postings	Art. 24	\$1.8
Offset Tax Refunds	Art. 24	0.2
Offset Lottery Winnings	Art. 24	0.1
Resource Recovery Transfer	Art. 1	\$3.5
Total		\$5.6

Governor's Solution

- Revenues
- **Human Services**
- Locals
- Departments and Agencies
- Statewide Savings

Human Services

Human Services Solution: \$70.5 million

- \$42.1 million from provider reductions
- \$21.0 million from cost shifting
- \$4.8 million from program changes that impact clients
- \$2.6 million from program efficiencies

Human Services DHS

Providers	GR	All
Nursing Home Rate Reduction	\$6.1	\$12.8
Children's Health Acct Assessment	4.2	-
Hospital Rate Increase Limits	2.7	5.6
Non - Emergency Transport Rates	2.2	4.5
Selective Contracting - home health	0.2	0.4

Human Services BHDDH

Providers	GR	All
DD - Project Sustainability	\$2.2	\$4.6
DD - RICLAS medical contracts	0.1	0.2
Beh Health - detoxification services	1.0	1.0
Beh Health - adolescent services	0.7	0.7

Human Services: DCYF

Providers	GR	All
System of Care & caseload trends	\$11.9	\$17.5
Residential Placement reductions	3.4	4.2
Contract & rate revisions	3.4	3.9
Revise investigation criteria	0.5	0.9

All Human Service Agencies

Clients	GR	All
DVA - Veteran Home residents	\$1.7	\$-
DEA - RIPAE	1.4	1.7
BHDDH - CMAP	0.6	1.3
DCYF - Child Support Collections	0.4	0.4

All Human Services Agencies

Cost Shifts	GR	All
Health Care Reform - Health Homes	\$14.0	\$ -
DHS - Other Medicaid Programs	3.0	-
DHS - RI Works to TANF funds	1.6	-
DEA/BHDDH – to federal funds	1.4	-
DCYF - CNOM & other claiming opportunities	1.1	-

All Other Changes

Efficiencies and other	GR	All
Training School consolidation & other efficiencies	1.8	1.8
RICLAS Consolidation	0.8	1.7
SNAP Outreach Grant elimination	0.1	0.1

Governor's Solution

- Revenues
- Human Services
- **Locals**
- Departments and Agencies
- Statewide Savings

Education Aid

- Funds new formula with \$17.9 million additional support
 - ◆ Limited categorical support
- Assumes use of \$32.0 million from federal education jobs funds received in FY 2011 in lieu of general revenues
- One-time resource = out year problem

Education Aid

- Distributions calculated by Department based on transition guidance in law
- Additional clarity may be needed
- Budget documents suggest distributions are subject to change based on additional data due in March
 - ◆ Nothing in Article establishes exact dates
- Assumes one new charter school opens

Education Aid – Construction Aid

- Funding formula legislation includes a 2-year phased increase in minimum state share ratio
 - ◆ 35% for FY 2012
 - ◆ 40% for FY 2013
- Minimum had been 30%
- Fully funds construction aid at \$72.5 million

Education Aid – Construction Aid

- Proposes legislation to reimburse charter schools at the average state share of sending districts
- Unless sponsored by a school district, current eligible for 30% reimbursement
- Impact on out-year estimates not reflected

Education Aid – Other

- Ends textbook reimbursement - \$240,000
- Reduces school breakfast admin reimbursement - \$30,000
- Proposes charging districts for education costs of adjudicated youth
 - ◆ \$2.1 million
 - ◆ Funding formula does not include these students

Local Aid

	Enacted	Revised	Rec.
Dist. Communities	\$10.4	\$15.6*	\$10.4
PILOT	27.6	27.6	27.6
Library Aid	8.7	8.7	8.7
Car Tax	10.0	10.0	10.0
Central Falls		1.8	4.9
MAST			[19.3]

Local Aid

- Distressed Communities
 - ◆ \$5.2 million more in FY 2011 only with strings
 - ◆ FY 2012 Burrillville out; North Providence in
- PILOT = enacted; \$10.8 million less than full funding
- Library Aid – FY 2012 distribution does not use correct data – subject to change
- Car tax = enacted - \$10.0 million

Other Local Aid

- Municipal Tipping Fee – No language; need statutory guidance to set fee
 - ◆ Current law sunsets at end of FY 2011
- Library Construction Aid – \$ 2.8 million for full funding
- Property Valuation Reimbursement – \$1.1 million for full funding

Other Items

- MAST

- ◆ Supported from a 1.0% sales tax on meals and beverage
- ◆ Proposed rollback of the regular sales tax rate means total would remain the same
- ◆ Distributed based on per capita income and local tax burdens using FY 2009 data from General Revenue Sharing Program

Other Items

- TAP
 - ◆ Tourism related improvements
 - ◆ Supported from a 1.0% sales tax on rental of rooms and lodging
 - ◆ With the proposed rollback of the regular sales tax rate – would remain the same
 - ◆ Use at the discretion of DOA
 - ◆ FY 2012 budgeted for Fort Adams restoration

Governor's Solution

- Revenues
- Human Services
- Locals
- **Departments and Agencies**
- Statewide Savings

Departments and Agencies

- \$12.0 million transportation deficit
- \$10 million of new support for public higher education
- \$4.5 million all other
 - ◆ Reductions to EDC, cost shifts on HEAA grants
 - ◆ Retiree Health rate adjustments

Transportation

- Revised budget uses \$12.6 million from general revenues to fund debt service
- Frees up gasoline tax proceeds for other uses to address structural deficit
- Deficit not shown in previous statewide budget projections
- Higher than budgeted winter maintenance expenses added to projected deficit

Transportation

- FY 2012 Budget assumes the phase-in of transportation related DMV fees to ISTF for transportation uses
 - ◆ Fees currently deposited as general revenue
 - ◆ \$12.0 million in FY 2012
 - ◆ 20.0% more each year until FY 2016

Transportation

- Addresses structural problem and eventually would limit borrowing for match
- Impacts and assumptions not verifiable
 - ◆ Briefing indicate new GO use to cease in FY 2016
 - ◆ Incomplete capital budget
 - ◆ Actual debt impact and effects on other areas of the budget unclear

Governor's Solution

- Revenues
- Human Services
- Locals
- Departments and Agencies
- **Statewide Savings**

Statewide Savings

- \$20.7 million unidentified statewide savings
 - ◆ Similar savings included in the revised budget
- \$4.2 million medical benefits one time

Unemployment

- Article 4 makes changes to UI system
 - ◆ State has borrowed approx. \$250 million
 - ◆ All loans would be repaid by FY 2015
 - ◆ Structural changes to build reserves for next recession
- Projected Trust Fund savings
 - ◆ \$211.6 million from taxes
 - ◆ \$111.4 million from benefits

Unemployment

- Incremental changes FY 2012 - FY 2015
- 2 tax changes, beginning Jan 1, 2012
- 6 benefit changes, affecting new claims filed on or after July 1, 2012
- FY 2012 savings of \$15.4 million
 - ◆ \$7.1M from taxes, \$8.3M from benefits

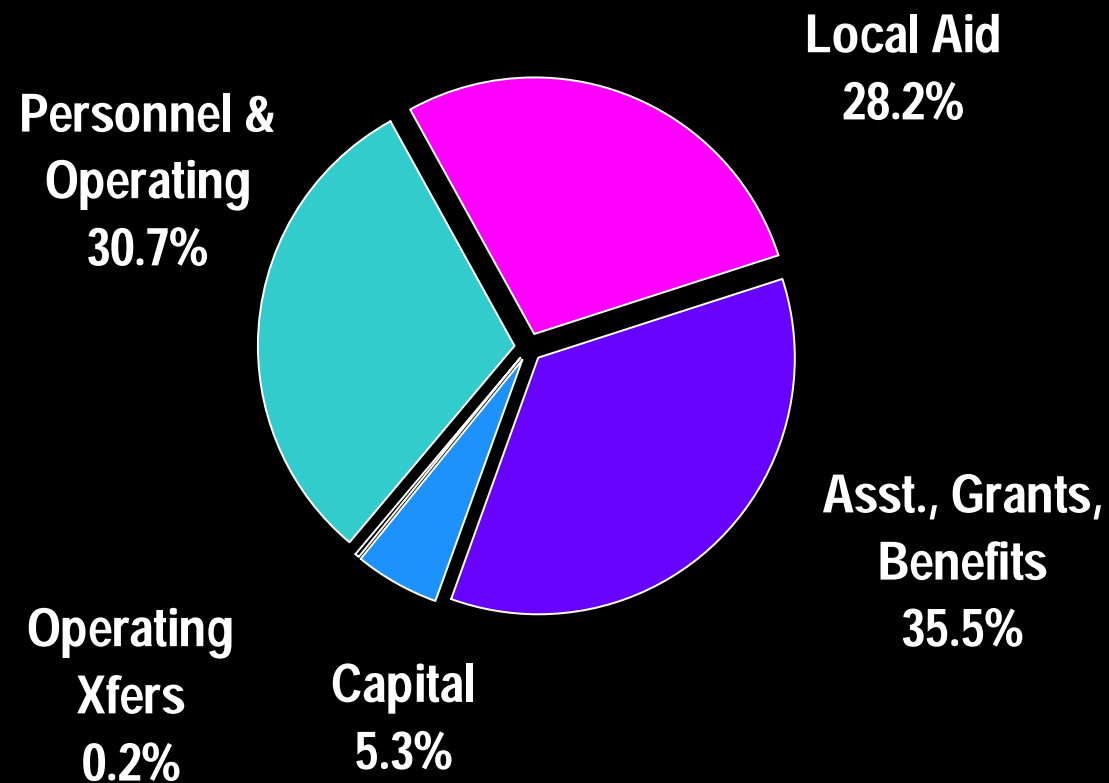
Governor's FY 2012 Budget

- FY 2012 Revenue-Expenditure Gap
- Governor's Recommended Solution
- **Operating Budget Overview**

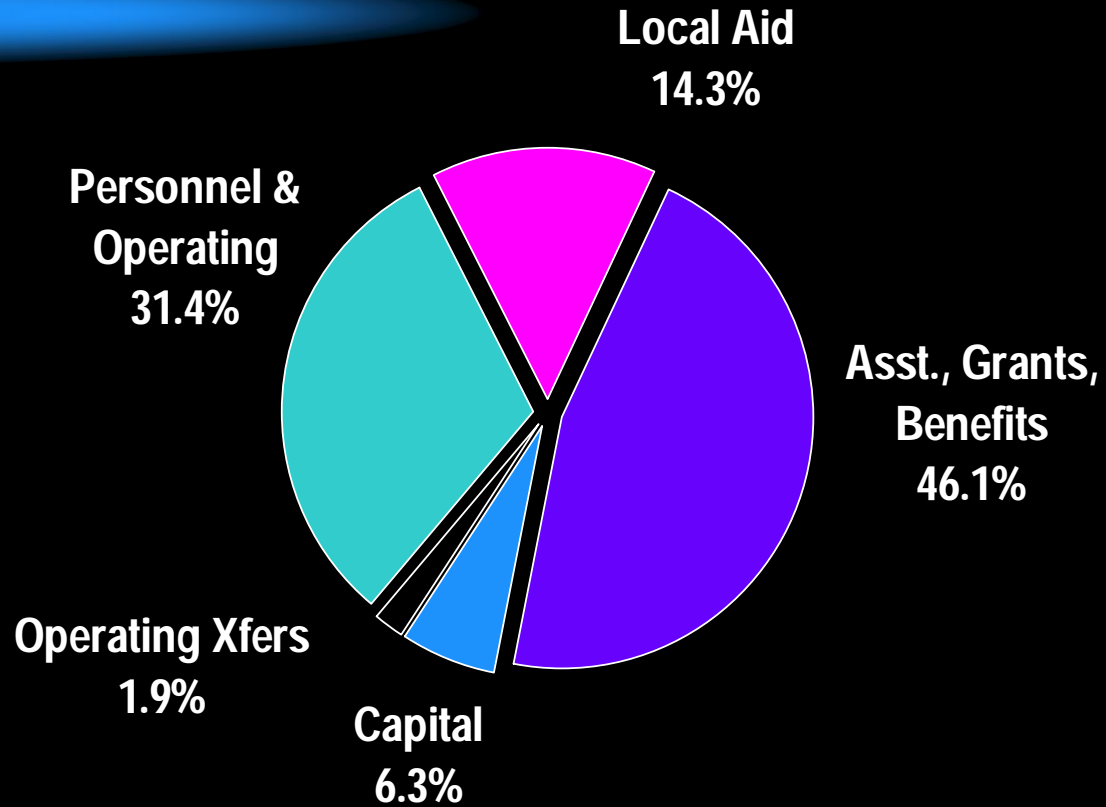
Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$2,942.1	\$3,169.8	\$227.7
Federal	2,903.5	2,557.2	(346.3)
Restricted	180.0	209.5	29.4
Other	1,838.5	1,724.8	(113.7)
Total	\$7,864.1	\$7,661.3	\$(202.8)

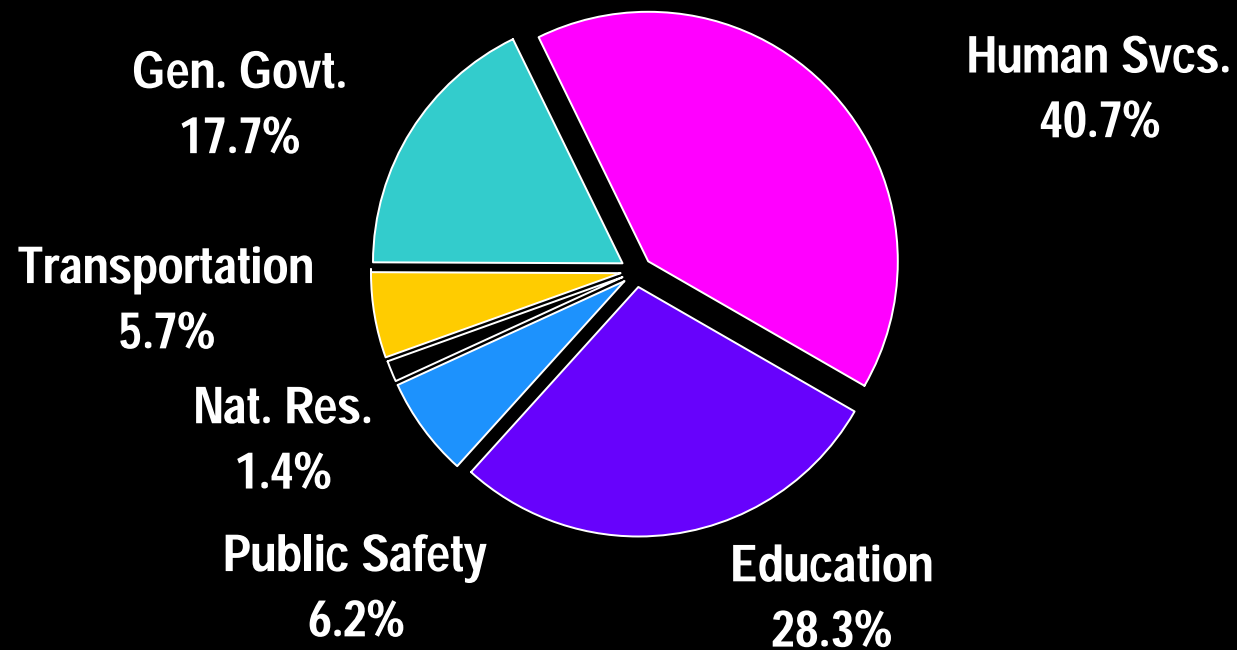
Uses – General Revenues by Category



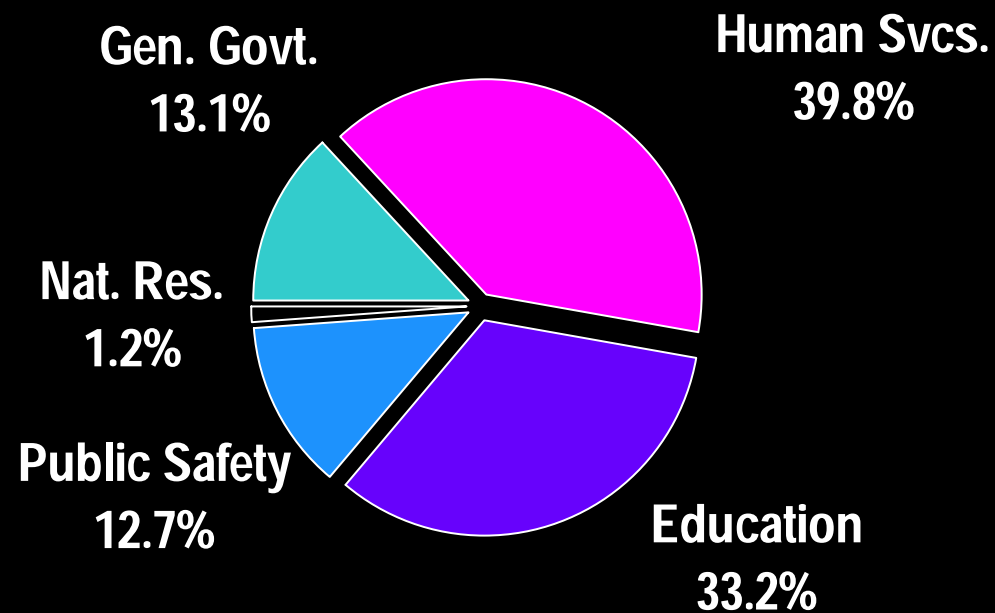
Uses – All Funds by Category



Uses – All Funds by Function



Uses – General Revenues by Function



Personnel and Operating

- Salaries and Benefits
 - ◆ Increase of 4.4% from enacted
 - ◆ General revenues increase 6.5%
- Includes 3.0% COLA for most
 - ◆ Annualized impact 4.5% because of January delay

Personnel and Operating

- One time medical benefit savings from federal health care reform grant
 - ◆ \$8.2 million all sources, \$4.3 million general revenues
 - ◆ Reduced medical benefits rates for actives and retirees

Personnel and Operating

- Unidentified statewide personnel savings - \$19.6 million
- Budget adds 163.0 new full-time equivalent positions
 - ◆ Not all positions are funded

Full-time Equivalent Positions

	Regular	3rd Party	Total
FY 2010 Avg.	13,005.6	582.9	13,588.5
FY 2011	14,061.6	766.0	14,827.6
FY 2011 Rev.	14,222.6	785.0	15,007.6
Governor FY 12	14,205.6	785.0	14,990.6
<i>Feb 24 Filled</i>	<i>13,197.9</i>	<i>573.8</i>	<i>13,771.7</i>
Diff from Enacted	863.7	211.2	1,055.9
Diff from Gov	1,007.7	211.2	1,218.9

Personnel and Operating

Pension contribution

- ◆ Increase to 11.75%
- ◆ State employees: Current rate 8.75%
- ◆ Teachers: Current rate 9.5%
- ◆ No savings assumed

Personnel and Operating

- Contracted Services
 - ◆ Increase of 4.2% from enacted
 - General revenues decrease 3.9 %
 - ◆ Includes statewide reduction to legal expenses – \$154,210
 - General counsel expenses - excl. expert witnesses and constable services

Personnel and Operating

- Operating Costs
 - ◆ Increase of 5.8% from enacted
 - 0.3 % increase from general revenues
 - ◆ Assumes identified statewide operating savings - \$1.0 million

Governor's FY 2012 Budget

- FY 2012 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- **Capital Budget**

Capital Budget

- Capital Budget not yet submitted — portions of draft plan provided last night (March 15)
 - Five-year plan
 - \$3,184.2 million of outlays
 - Average \$636.8 million per year
- Early review suggests discrepancies with budget already submitted

Capital Budget

- May be significant RICAP use for projects that do not involve physical asset
- Documents suggest use of \$11.5 million for technology upgrades

Capital Budget

- Data Incomplete

- ◆ GO bonds for voter approval assumptions unclear – consistency with out year forecasts unknown
- ◆ Budget bill does not include new debt authorizations but past capital budgets have assumed such authority
- ◆ No Tax supported debt information yet

Governor's FY 2010 Budget

- FY 2010 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget
- **Outyears**

Outyear Projections

- Five year projections required by statutes
- Are understated but extent unclear without the capital budget
 - ◆ Personnel costs
 - ◆ Other items may not be reflected
- Staff to do further analysis

Out Years Budget Office Deficits Estimates

	Est.	Pct. of Useable
FY 2013	\$(126.0)	4.4%
FY 2014	\$(199.3)	6.7%
FY 2015	\$(295.7)	9.7%
FY 2016	\$(411.4)	13.2%

Out Years HFAS Deficits Estimates: TBD

	Interim Est.	Pct. of Useable
FY 2013	\$(128.8)	4.5%
FY 2014	\$(224.7)	7.6%
FY 2015	\$(342.5)	11.2%
FY 2016	\$(479.7)	15.4%

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