

Governor's FY 2018 Budget: Articles

Staff Presentation to the House Finance
Committee
May 11, 2017

Introduction

- Article 4 – Division of Motor Vehicles
- Article 7 – State Funds
- New – State Purchases
- New – Sale of State Owned Property
- New – Rotary Funds
- New – Child Care Subsidies

Information Technology Investment Fund

- Two of the requested amendments impact the Information Technology Investment Fund
 - Article 4 – \$1.50 DMV Technology Surcharge
 - New Article – Sale of State Owned Property

Information Technology Investment Fund

- Created by 2011 Assembly for acquiring information technology improvements
 - Hardware
 - Software
 - Maintenance
- Designed to create pool of resources for projects instead of borrowing

Information Technology Investment Fund

- 2011 Assembly
 - Land sale revenue dedicated to fund
- 2012 Assembly
 - One time revenues added \$9.0 million
- 2014 Assembly
 - Authorized no less than \$10.0 million from tobacco refinancing
 - \$26.3 million was actual yield
 - Dedicated 10% of \$1 surcharge on phones

Information Technology Fund

	FY 2017 Rev.	FY 2018 Rec.
Prior Yr. Balance	\$26.9	\$13.4
New Receipts	1.5	1.5
Available Resources	\$28.4	\$14.9
Projects		
Unified Health Infrastructure Project	\$4.9	\$ -
Time and Attendance System	3.7	-
Budget Development System	2.5	-
E-Permitting	1.0	-
All Other & TBD	2.9	9.6
Total	\$15.0	\$9.6
Year End Balance	\$13.4	\$6.5

Article 4 – DMV

- Division of Motor Vehicles
 - License Plate Reissuance Delay
 - Highway Maintenance Account
 - Technology Surcharge
 - Requested change in disposition from original article

Article 4 Section 1– Technology Surcharge

- 2006 Assembly authorized borrowing for a new DMV computer system
 - Debt funded from unspecified charge
 - \$1.50 technology surcharge implemented for period of 7 years through FY 2014
 - Law restricted use for debt service only
- 2009 Assembly extended surcharge from 7 to 10 years through FY 2017
 - Expanded use to include project costs

Article 4, Section 1– Technology Surcharge

- Article 4, Section 1:
 - Extends \$1.50 technology surcharge for 5 years through June 30, 2022
 - Expands use to include on-going enhancements
- Article 7 exempts these receipts from state indirect cost recovery

Article 4, Section 1– Technology Surcharge

- Surcharge has averaged \$2.1 million recently and generated \$2.2 million in FY 2016
 - 5 extra years = \$10.4 million to \$11 million
 - FY 2018 budget assumes use of \$2.1 million
 - Continued implementation costs
 - Enhancements

Article 4, Section 1– Technology Surcharge

	FY 2008-2015	FY 2016	FY 2017	FY 2018
Prior Year Balance	N/A	\$906,523	\$2,153,248	\$1,153,593
Receipts	16,922,631	2,186,713	2,080,345	2,080,000
HPE Transfer	-	2,000,000	-	-
Total Available	\$16,922,631	\$5,093,236	\$4,233,593	\$3,233,593
Project Expenses	4,524,433	1,804,936	3,080,000	2,080,000
Debt Service	11,491,675	1,135,052	-	-
Balance	\$906,523	\$2,153,248	\$1,153,593	\$1,153,593

Article 4 – DMV

Requested Amendment

- Settlement between RIMS vendor and state announced April 12
 - State to make \$7.0 million in payments
 - \$1.5 million outstanding cost for development already assumed in budget
 - \$5.5 million in additional payments beyond prior agreement as part of the settlement

Article 4 – DMV

Requested Amendment

- Amendment will send the proposed \$1.50 surcharge extension revenues to IT fund
- Eliminates debt service as use of funds
 - Debt paid off in FY 2016
- Maintains sunset provision of June 30, 2022

New Article – Sale of State Owned Property

- Current law: revenues from land sales are deposited into IT Investment Fund
 - Excludes I-195 Surplus Land
- New article
 - Revenues from sale of state-owned residential properties would be used to cover the debt owed on state advances made decades ago
 - Remaining funds would then go into the IT Fund

New Article – Sale of State Owned Property

- State made investments to assist in the establishment of new system to serve individuals w/ developmental disabilities
 - Replace state-operated Ladd School
 - State purchased properties
 - Also made advanced payments to entities to help move individuals to community settings
 - Agencies required to return payment if:
 - It closes
 - No longer licensed/certified by BHDDH

New Article – Sale of State Owned Property

- Receipts tied to properties are \$13.3 million
 - \$9.4 million from residential homes
 - 152 properties of which 107 are state-owned
 - \$3.9 million community day centers
- Essentially allows the state's proceeds from its own properties to cancel the debt owed by entities using those facilities

Article 7 – State Funds

- Article 7 – State Funds
 - Restricted Receipts
 - Medical Marijuana
 - Indirect Cost Recovery
 - Parks & Recreation Merchandising
 - Eisenhower House
 - Performance Improvement
 - Taxation Contingency Contracts
 - 2 requested amendments
 - First submitted 2/14 - heard 2/28 with Article

Article 7 – Requested Amendments

- Second GBA requested on May 4th
 - Authorizes a new restricted receipt account for DCYF to receive donations/grants from non-profit organizations
 - Currently deposited as general revenues
 - If funds are not spent in the same year, DCYF can request that they be reappropriated
 - Not always requested

New Article – State Purchases

- Division of Purchases is contracting authority responsible for state
 - Except certain quasi-public authorities
- There are currently 2 systems in use
 - RI Vendor Information Program
 - Vendors submitted 5,923 bids in last 12 months
 - System is 20 years old
 - RI Financial Accounting Network System
 - Invoicing payments
 - 25,000 registered vendors
- Systems do not interface

New Article – State Purchases

- Authorizes chief purchasing Officer to establish an administrative fee
 - Not more than 1.0% of MPA from vendors
 - 917 master price agreement vendors
 - Pre-qualified and provided pricing
 - 2-3 year term; with option to renew
- Fees would be deposited into a restricted account
 - Early estimates suggest \$600,000 in FY 2018
 - More in FY 2019

New Article – State Purchases

- E-procurement System
 - Streamline purchasing process
 - Improved efficiencies from posting & managing solicitations
 - E-notification to vendors of awards
 - Manage certification process
 - Minority and women business enterprise
- Available to municipalities
 - Participation will be encouraged
 - Not required

New Article – State Purchases

- Cost of system development and annual maintenance – TBD
 - Issued bid solicitation in November
 - Bids were due December 8, 2016
 - DOA still reviewing bid proposals
- Would take 1 year to convert current system to e-procurement
 - Outreach and training vendors
- Reporting requirements
 - Collections and uses

New Article – Rotary Funds

- Authorizes internal service funds for centralized services under control of Department of Administration, including
 - Information technology
 - Capital asset management & maintenance
 - Human resources
- Agencies receiving these services would reimburse DOA on a monthly basis
 - Process to be established by state controller

New Article – Rotary Funds

- Proposal in article is to comply with finding by Auditor General
 - significant deficiency – repeat finding
- Department also conducted a study
 - Majority of states use internal service fund methodology for centralized services

Internal Service/Rotary Funds

- Current Law
 - Cost allocation language is required to allow the internal service fund to charge other state agencies
 - Limited to specific internal service accounts listed with specific expenditure limits
- First added by the 2005 Assembly

Internal Service/Rotary Funds

- State uses internal service funds to reimburse one agency for services provided to another
 - Example: Central Utilities such as electricity costs
 - 12 others listed in Appropriations Act

Internal Service/Rotary Funds

- Useful in creating true cost centers in budgets
- Allows for the capture of the full cost of certain activities
- May hamper accurate budgeting and fiscal management
 - Funds end in surplus or deficit
 - Or volumes of adjustments are made in the user agencies

Internal Service/Rotary Funds

- Potential lack of budget transparency
 - Accounts treated as offline since expenditures are in user agencies
 - More difficult to exercise same level of scrutiny
- Consistent treatment of overhead functions
- Agency flexibility in managing budget targets

Internal Service/Rotary Funds

Division	FY 2018 Recommended		
	FTE	General Revenues	All Funds
Capital Asset Management and Maintenance	136.5	\$34.5	\$40.7
Human Resources	103.8	8.6	11.9
Information Technology	194.0	22.1	42.3
Total	434.4	\$65.3	\$94.9

\$ in millions

New Article – Child Care Subsidies

- Eligibility for subsidized child care
- Rhode Island Works recipients
 - Also receive monthly cash assistance payment
- Low income families \leq 180% of poverty
 - Represents over 80% of participants

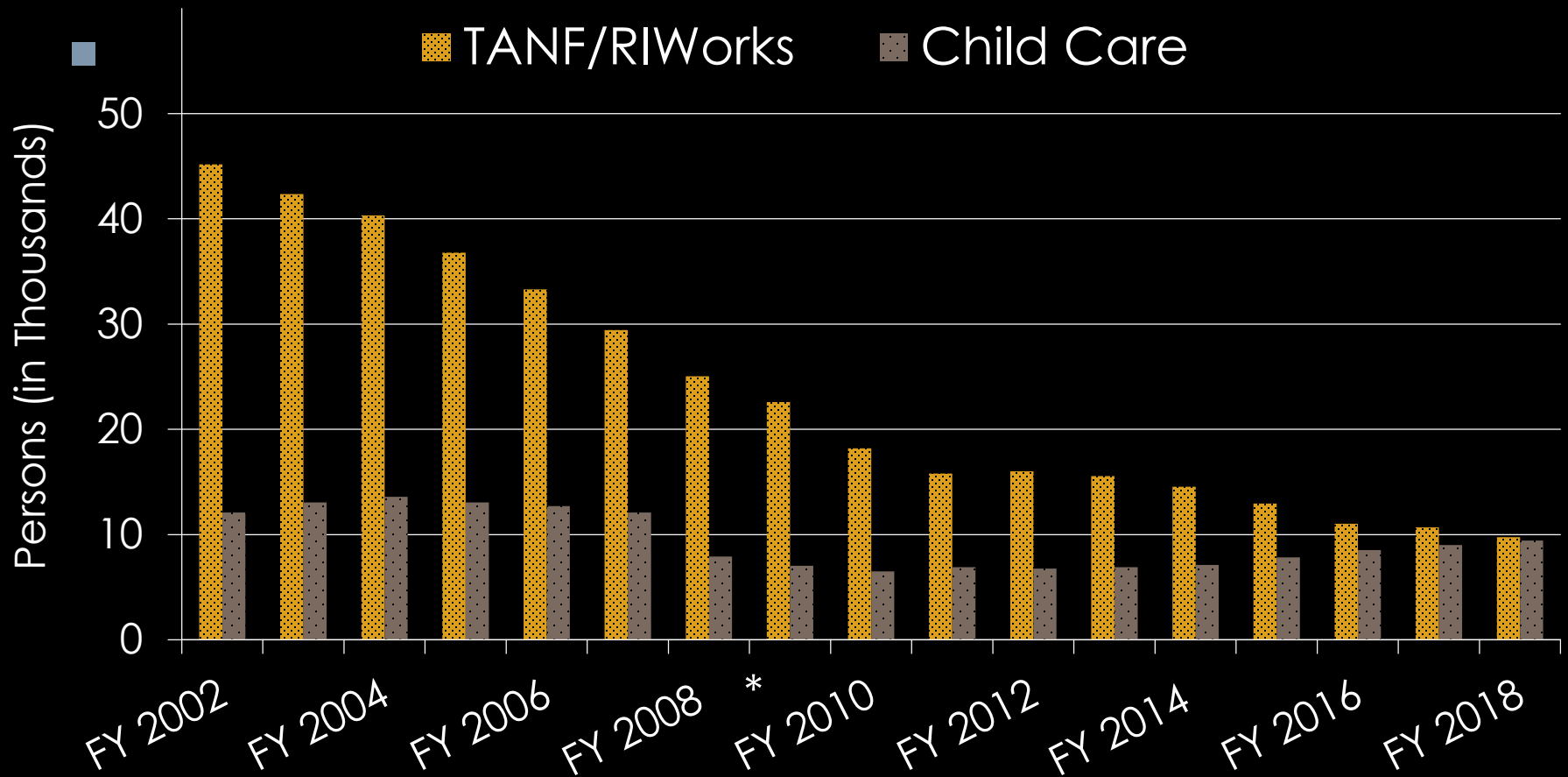
New Article – Child Care Subsidies

- 2013 Assembly enacted one-year transition program
 - Effective Oct. 1, 2013
- Pilot program allowed families to maintain eligibility if income increases up to 225%
 - Was reported that families were turning down raises in order to maintain eligibility
 - Had to first be eligible at 180% of poverty
- 2014 Assembly extended it another 2 years – expired September 30, 2016

New Article – Child Care Subsidies

- 2016 Assembly provided another extension to September 30, 2017
- New article makes pilot program permanent
 - A family whose income exceeds 180% can receive subsidized child care until income exceeds 225%
 - Coincides with federal changes related to subsidized child care

Caseload History



* Eligibility lowered from 225% to 180% of federal poverty

Child Care: Funding Sources

- Temporary Assistance to Needy Families (TANF) Block Grant
- Child Care Development Block Grant (CCDF)- requires general revenue match
 - All states will have new requirements under CCDF Reauthorization
 - New article in coordination w/ federal changes
- General Revenues
 - Match and excess above other sources

CCDF Reauthorization

Requirements	
Minimum 12-month continuous eligibility	If no longer eligible b/c of higher income or lack of verification during re-certification process will continue to get 12 months of child care unless income exceeds 85% of median (=300% of poverty)
3 month job search	Continued child care if unemployed & searching for a job
Homeless children	Outreach to homeless families to access child care

Income Thresholds

Family Size	180%	225%	300%*
2	\$28,836	\$36,045	\$48,060
3	\$36,288	\$45,360	\$60,480
4	\$43,740	\$54,675	\$72,900
5	\$51,192	\$63,990	\$85,320
6	\$58,644	\$73,305	\$97,740
7	\$66,114	\$82,643	\$110,190
8	\$73,602	\$92,003	\$112,670

*equivalent to 85% of median income

Child Care

Fiscal Year	Children	Annual Cost Per Child	Total Costs	
			Gen Rev	All Funds
2013	6,909	\$7,048	\$9.6	\$48.7
2014*	7,113	\$6,918	\$9.7	\$49.6
2015	7,838	\$6,823	\$9.7	\$54.3
2016	8,537	\$7,181	\$11.4	\$61.3
2017	9,000	\$7,400	\$9.9	\$66.6
2018	9,422	\$7,323	\$13.4	\$69.0

**Transition program began October 1*

\$ in millions

Child Care – Transition Program

FY	Timeframe	Cost	Children
2014	10/1/2013 – 6/30/2014	\$0.1	18
2015	7/1/2014 – 6/30/2015	\$1.1	226
2016	7/1/2015 – 6/30/2016	\$1.5	310
2017	7/1/2016 – 9/30/2017	\$2.5	445

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