

Budget Status

Staff Presentation to the House Finance
Committee
May 22, 2018

Summary

- Results of the May Revenue & Caseload Conference increase available resources for the FY 2018 revised & FY 2019 budgets by \$121.6M
- Governor's budget solved a projected problem almost twice that size
 - *New issues not accounted for total over \$50 million*

Summary – Budget Solve

Governor's Budget Solve - Jan	FY 2018	FY 2019
Quasi & Other Revenue Transfers	\$33.0	\$8.0
Sports Betting & Other Revenue	-	69.9
CHIP Reauthorization	7.0	28.5
Medicaid/EOHHS	-	64.9
BHDDH/DCYF	13.0	35.6
Debt & MV Aid Actuals	2.7	14.2
Commerce	-	(12.7)
Everything Else	7.3	(4.4)
Budget Gap Solve Subtotal	\$63.0	\$204.0
Excluding CHIP -Real Solve	\$54.0	\$175.5

Summary – REC/CEC Impact

Changes to Gov.	FY 2018	FY 2019	Total
REC Changes	\$ 75.5	\$59.4	\$134.8
Changes to Gov.	0.1	0.4	0.5
<i>Subtotal</i>	75.6	59.8	135.3
Minus May CEC	(8.5)	(22.7)	(31.1)
Changes to Gov.	6.9	33.9	40.8
<i>Subtotal CEC</i>	\$(1.6)	\$11.3	\$9.7
Combined REC/CEC	77.1	48.5	125.6
Less Rainy Day adj.	(2.3)	(1.8)	(4.1)
Impact to Gov. Budget	\$74.9	\$46.7	\$121.6

Summary – New Issues

Items not accounted for	FY 2018	FY 2019
Employee Contracts (est.)	\$7.0	\$20.0
Education Aid Data Updates	-	6.4
Child Care Worker Contracts	0.5	0.9
DCYF Q3	13.5	?
Unachieved Fraud Savings?	6.1	(3.1)
Viability of other initiatives	?	?
Budget Gap Solve	\$27.1	\$24.2

Current Budget Status

- ***Process and Calendar***
- May Revenues
- May Caseload
- FY 2018 Third Quarter Report
- Governor's Recommended Solution

Process and Calendar

- July 1, new fiscal year begins
- Budget Office sends instructions to agencies and departments
- November – revenue and caseload estimating conferences
 - Sets official estimates for use in Governor's budget

Process and Calendar

- OMB/Budget Office & Governor develop current year revised budget & budget year recommendations
- Governor submits budget to General Assembly

Process and Calendar

- Bill referred to House Finance Committee
 - House and Senate Finance Committees work the budget during February, March and April through their Subcommittees
- Revenue and caseload estimating occurs again in May
 - Updated information/forecasts
 - Results must be factored into final budget

Budget Briefings & Hearings

- December 5 – Budget Status
- Jan 23 & 30 – Budget at a Glance
- February 6 – Governor's Budget Overview
- February 7 – Article hearings began
- March 20 – Subcommittee hearings on agency budgets began
- May 2 – Consensus Caseload Estimate
- May 10 – Consensus Revenue Estimate
- May 15 – Third Quarter Report

References

- Materials are on line on the Assembly website - <http://www.rilin.state.ri.us> under House Fiscal Reports
 - Tabs for 2018 session
 - Links to OMB/Budget Office
- Includes items prepared by House Fiscal Staff that may be helpful
- Hearings available “on demand” on Assembly website

Current Budget Status

- Process and Calendar
- **May Revenues**
- **May Caseload**
- FY 2018 Third Quarter Report
- Governor's Recommended Solution

Revenues

- Revenue estimates are driven by trends, collections to date, and the economic forecasts
 - Improved forecast – near term
 - One-time or limited boosts
 - Capital gains activity
 - Federal tax cut impacts

Economic Forecast

- Revenue Estimating Conference adopts a consensus economic forecast
 - It takes testimony from IHS Economics
 - The firm builds U.S. macroeconomic models from which they derive their Rhode Island forecasts
 - May 2018 forecast more optimistic than November 2017 forecast in near term

Revenues: November REC

- Taxes in FY 2018 = \$3,021.7 million
 - \$95.0 million or 3.2% above FY 2017 actuals
 - Impact of tax changes, cyclical items
 - \$9.4 million below the enacted estimate
 - Inheritance increase masking PIT, Business and Sales tax decreases
- Taxes in FY 2019 = \$3,104.4 million
 - 2.7% increase to FY 2018 revised
 - \$82.7 million: \$89.4 million from Income & Sales
 - Final shift of revenues to transportation

November 2017

Consensus Revenue Estimates

(in millions)	FY 2017 Reported	FY 2018 Rev. Est.	Change to Enacted	FY 2019 Estimate	Change to FY 2018 Rev. Est.
Personal Income	\$1,243.8	\$1,299.3	\$(2.9)	\$1,360.6	\$61.3
Business Taxes	399.4	441.7	(16.7)	457.6	15.9
Sales & Use Taxes	1,184.3	1,226.7	(7.0)	1,241.3	14.6
Other Taxes	99.2	54.0	17.1	44.9	(9.1)
Total Taxes	\$2,926.7	\$3,021.7	\$(9.4)	\$3,104.4	\$ 82.7
Departmental	370.1	387.0	(6.2)	203.0	(184.0)
Other Misc.	12.1	37.9	0.9	1.3	(36.6)
Lottery	362.7	367.2	4.7	363.6	(3.6)
Unclaimed Prop.	12.7	10.6	(0.3)	9.3	(1.3)
Total	\$3,684.4	\$3,824.4	\$(10.3)	\$3,681.6	\$(142.8)

Revenues: May REC

- Taxes in FY 2018 = \$3,089.6 million
 - \$67.9 million or 2.2% above November
 - \$57.9 million from Income – likely capital gains
- Taxes in FY 2019 = \$3,153.4 million
 - \$49.0 million increase to November
 - \$20.6 million from Income
 - \$3.3 million from federal Tax Cut & Jobs Act
 - \$24.7 million from Business
 - \$24.8 million from expected impact of federal tax cuts
 - \$21.4 million is from 1-time repatriation of foreign profits

May 2018

Consensus Revenue Estimates

(in millions)	FY 2017 Reported	FY 2018 Rev.	Change to Nov.	FY 2019 Estimate	Change to Nov.
Personal Income	\$1,243.8	\$1,357.2	\$57.9	\$1,381.2	\$20.6
Business Taxes	399.4	440.3	(1.4)	482.3	24.7
Sales & Use Taxes	1,184.3	1,225.3	(1.4)	1,242.2	0.9
Other Taxes	99.2	66.8	12.8	47.7	2.8
Total Taxes	\$2,926.7	\$3,089.6	\$67.9	\$3,153.4	\$ 49.0
Departmental	370.1	396.5	9.5	210.5	7.5
Other Misc.	12.1	38.9	1.0	3.3	2.0
Lottery	362.7	364.0	(3.2)	364.1	0.5
Unclaimed Prop.	12.7	10.9	0.3	9.7	0.4
Total	\$3,684.4	\$3,899.9	\$75.5	\$3,741.0	\$59.4

Revenue Revisions : FY 2018

(in millions)	Nov Change to Enacted	May Change to Nov.	Total Change to Enacted
Personal Income	\$(2.9)	\$57.9	\$55.0
Business Taxes	(16.7)	(1.4)	(18.8)
Sales & Use Taxes	(7.0)	(1.4)	(8.4)
Other Taxes	17.1	12.8	30.0
Total Taxes	\$(9.4)	\$67.9	\$58.5
Departmental	(6.2)	9.5	3.3
Other Misc.	0.9	1.0	1.9
Lottery	4.7	(3.2)	1.5
Unclaimed Prop.	(0.3)	0.3	0
Total	\$(10.3)	\$75.5	\$65.1

Revenues Risks - November

FY 2018

- Tax Amnesty
- Fraud and Waste
- Other Collections enhancement
- Revenue Collection staff

FY 2019

- Twin River Tiverton
- Capital Gains and Business Tax assumptions
- Hospital Tax

Revenues Risks - May

FY 2018

- Fraud and Waste
- Other Collections enhancement
- Revenue Collection staff

FY 2019

- Twin River Tiverton
- Capital Gains & Business Tax assumptions
- Federal Tax Law changes

FY 2019 Caseload

FY 2019 Caseload Estimating Conference

<i>All Funds</i>	<i>Nov CEC</i>	<i>May CEC</i>	<i>Chg.</i>
Medical	\$2,459.5	\$2,494.7	\$35.1
Governor's Proposals	(165.6)	(153.1)	12.5
<i>Subtotal - Medical</i>	<i>\$2,294.0</i>	<i>\$2,341.6</i>	<i>\$47.6</i>
CEC - Cash	\$120.3	\$115.8	(\$4.4)
Gov. Proposals	1.6	1.6	-
<i>Subtotal - Cash</i>	<i>\$121.9</i>	<i>\$117.4</i>	<i>(\$4.4)</i>
Total	\$2,415.8	\$2,459.0	\$43.2

FY 2019 Caseload

FY 2019 Caseload Estimating Conference

General Revenues	Nov CEC	May CEC	Chg.
Medical	\$1,003.7	\$986.2	(\$17.5)
Governor's Proposals	(97.9)	(63.9)	33.9
Subtotal - Medical	\$905.8	\$922.2	\$16.4
CEC - Cash	\$37.0	\$31.9	(\$5.2)
Gov. Proposals	1.6	1.6	-
Subtotal - Cash	\$38.6	\$33.5	(\$5.2)
Total	\$944.4	\$955.7	\$11.3

May CEC Medicaid

- Estimate reflects \$5.3 million less from Medicaid claiming for FY 2018 for nursing home payments
- State is still making advanced payments
 - Started the process to reconcile payments to claim Medicaid
- Still resolving application backlog for nursing homes residents

May CEC Medicaid

- FY 2018 retroactive payment made for 1,000 Medicare recipients improperly dropped from caseload
 - \$1.7 million total - \$0.9 million gen rev
- April caseload is approximately 317,000 Medicaid recipients
 - Children, adults, elderly & disabled
- Backlog on timely redeterminations - 52,499
 - More than one year

May CEC Cash Assistance

- FY 2018 - \$111.7 million
 - \$80.4 million from federal funds
 - \$31.0 million from general revenues
- FY 2019 - \$115.8 million
 - \$83.9 million from federal funds
 - \$31.9 million from general revenues
- Includes RI Works, subsidized child care, Supplemental Security Income and SSI Bridge programs

May CEC Cash Assistance

- FY 2018 - \$2.3 million savings, \$0.3 million from general revenues
 - Savings in child care & SSI Bridge program
 - Increased costs for RI Works and SSI
- FY 2019 - \$4.4 million savings, \$5.2 million from general revenues
 - Most of the state savings is subsidized child care using available federal funds

May CEC Cash Assistance

- FY 2019 Child Care estimate includes \$69.4 million, \$10.7 million from general revenues
 - \$5.2 million less from general revenues
 - Excludes funding for recent family child care provider union contract
 - Contract: \$0.5 million in FY 2018 & \$0.9 million in FY 2019

Child Care Development Block Grant

- Block grant used to support child care programs
 - Annually receive \$18.0 million
- For FFY 2018, federal government gave additional \$5.2 million
 - One time funding
- For FFY 2019, no additional information has been provided

Summary – REC/CEC Impact

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Impact to Gov. Budget	\$74.9	\$46.7	\$121.6

Current Budget Status

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- **FY 2018 Third Quarter Report**
- Governor's Recommended Solution

FY 2018 – HFAS Dec. 5

	Enacted	Current	Diff.
Opening	\$49.7	\$74.2	\$24.5*
Revenues	3,834.7	3,824.4	(10.3)
Rainy Day	(116.5)	(116.6)	(0.1)
Expenditures	(3,767.7)	(3,836.2)*	68.5
Total FY 2018	\$0.2	\$(54.3)	(\$54.5)

*Includes \$10.3 million reappropriation

Current Year

- The *current year* had a projected deficit of \$54.3 million – HFAS Dec 5
 - Major overspending masked by revenue uptick, closing surplus and other savings
 - Unforeseen expenses and unachieved budget savings
- Governor's Budget resolves that with
 - Lower spending
 - Cost shifting
 - Revenues from quasis and others

Current Year - Governor

- Risks and Issues
 - Q2 Reports at end of January called DCYF and BHDDH savings into question
 - Holding vacancies to preserve retirement incentive savings
 - Constraining discretionary spending to alleviate problems elsewhere
 - Confusion resulting from movement of personnel and costs

Summary – Budget Solve

Governor's Budget Solve - Jan	FY 2018	FY 2019
Quasi & Other Revenue Transfers	\$33.0	\$8.0
Sports Betting & Other Revenue	-	69.9
CHIP Reauthorization	7.0	28.5
Medicaid/EOHHS	-	64.9
BHDDH/DCYF	13.0	35.6
Debt & MV Aid Actuals	2.7	14.2
Commerce	-	(12.7)
Everything Else	7.3	(4.4)
Budget Gap Solve	\$63.0	\$204.0

Current Year: *Third Quarter*

Expenditure Changes to Gov. Revised Budget	
General Government*	\$6.3
EOHHS: Caseload Conference	(1.6)
DCYF	13.5
Other Human Services	(2.0)
Education	(0.3)
Public Safety	(1.6)
Environment	0.0
<i>Subtotal</i>	<i>\$(6.3)</i>
Total Adj. for items shifted to FY 2018*	\$14.4

Human Services Agencies:Q3

- 3rd Quarter Report: \$9.9 million above the Governor's revised budget
 - CEC - \$1.6 million savings
 - DCYF - \$13.5 million add
 - BHDDH - \$0.2 million add
 - DHS - \$0.5 million add
 - EOHHS - \$2.6 million savings
 - Other Human Services - \$0.1 million savings

Human Services Agencies: Q3

EOHHS/DHS	GR
Fraud, waste & abuse from DOA	(2.0)
Double count fraud/correct court monitor	(0.5)
DEA transportation	0.5
Total	\$(2.0)

Human Services Agencies: Q3

BHDDH	GR
DD – RICLAS	\$(0.2)
DD – Legal settlement	0.5
ESH – Reduced 3 rd party collections	0.9
ESH – Physicians' union contract	0.3
Internal service fund match correction	(1.0)
Administrative	(0.2)
Total	\$0.2

Human Services Agencies: Q3

DCYF	GR
Caseloads	\$13.2
Additional staffing	0.8
Juvenile Corrections	(1.0)
Computers/interpreters/other	0.5
Total	\$13.5

General Government Agencies: Q3

- 3rd Quarter Report: \$6.4 million above the Governor's revised budget
 - DOA - \$6.3 million above
 - \$5.1 million shifted to EOHHS or deemed assumed in CEC
 - Other savings
 - DLT - \$0.1 million add
 - DOR - \$0.3 million add
 - SOS/BOE - \$0.2 million in savings

Fraud & Waste Savings

Governor's Fraud & Waste Detection Initiative

Original FY 2017 Plan: Delayed to FY 2018	\$5.0
Governor's Enhancement: FY 2018 Enacted	3.5
Total FY 2018 Enacted Savings	\$8.5
Death File Match Savings in CEC estimate	(0.4)
Additional Death File Savings not in CEC	(2.0)
Subtotal: Direct Savings to Date	\$(2.4)
Remaining Savings to be achieved	\$6.1
Q3 restored based on CEC cost avoidance	(3.0)
Q3 Balance Shifted to FY 2019	\$3.1

Fraud & Waste Detection Savings

- \$2.0 million budgeted in FY 2018 for data tool to assist with this initiative
 - Originally envisioned as recouping revenues from tax fraud and wage reporting issues
 - Most remains unspent
- Savings appears to have focused on Medicaid issues
 - Significant amount now deemed achieved as cost avoidance

Education Agencies: Q3

- 3rd Quarter Report: \$0.3 million below the Governor's revised budget
 - \$0.3 million less for Teacher Retirement
 - Based on updated payroll
 - Last year upward revision was needed
 - Staffing savings in smaller agencies

Public Safety Agencies: Q3

- 3rd Quarter Report: \$1.6 million below the Governor's revised budget
 - Attorney General - \$0.8 million savings
 - Courts - \$0.6 million savings
 - EMA/PD - \$0.1 million savings each
 - Additional turnover savings much of which is related to voluntary retirement incentive

Environment Agencies: Q3

- 3rd Quarter Report: essentially consistent with the Governor's revised budget
 - DEM – likely has at least \$0.4 million savings primarily retirement vacancies

Current Budget Status

- Process and Calendar
- May Revenues
- May Caseload
- FY 2018 Third Quarter Report
- **Governor's Recommended Solution**

FY 2019: Governor's Solution

Revenues	\$77.9
Medicaid – EOHHS Caseload	93.4
EOHHS Agencies	35.6
Locals	7.9
Commerce	(12.7)
Higher Education	(2.0)
Debt Service	7.9
Other Issues, Initiatives & Adjustments	(4.0)
Total Governor Solution	\$204.0

Governor's Solution

- *Revenues*
- Medicaid/EOHHS
- Locals
- Commerce
- Departments and Agencies
 - Higher Ed
 - Initiatives
 - Debt and Other

Revenues Changes

Revenues - \$77.9 million

- Tax Changes - \$20.7 million
- Enhanced Collections - \$13.3 million
- Quasi Scoops - \$8.0 million
- Lottery & Sports Betting - \$27.6 million
- Fees – \$8.4 million

Revenues Changes

Tax Changes - \$20.7 million	
Cigarettes: up 25 cents per pack	\$3.9
OTP: add e-cig, increase cigar cap and require state licensed supplier	2.3
Sales Tax: software as a service	4.8
Sales Tax: security services	9.7

Revenues Changes

Enhanced Collections* - \$13.3 million

Taxation Restructuring	\$10.0
Collections Unit	0.8
Inspection Violations	2.6

**net of costs*

- Taxation restructuring includes adding \$3.5 million for 22 new staff & related costs
- Article 4 adds interest & measures to recover debt and collection costs

Revenues Changes

Quasi Transfers - \$8.0 million	
Resource Recovery	\$3.0
RI Housing	\$5.0

- Many more proposed for FY 2018 solve
- No alternative proposals provided
 - *Requirement for these to be submitted along with transfer recommendations was added as part of last year's budget*

Revenues Changes

Quasi Transfers	FY 18	FY 18 R	Chg.	FY 19	2Yr Chg.
Resource Recovery	\$ -	\$3.0	\$3.0	\$3.0	\$6.0
RI Housing	1.0	6.0	5.0	5.0	10.0
Infrastructure Bank	3.5	8.5	5.0	-	5.0
Turnpike & Bridge	-	1.5	1.5	-	1.5
RISLA	-	3.0	3.0	-	3.0
WR Board Corp.	-	1.1	1.1	-	1.1
NBC	5.0	5.0	-	-	-
QDC	1.0	1.0	-	-	-
RIHEBC	6.0	6.0	-	-	-
Total	\$16.5	\$35.1	\$18.6	\$8.0	\$26.6

Revenues Changes

Other Transfers	FY 18	FY 18 R	Chg.	FY 19	2Yr Chg.
DBR - Insurance	\$ -	\$0.8	\$0.8	-	\$0.8
DBR- Licensing	-	0.8	0.8	-	0.8
Twin River	-	2.0	2.0	-	2.0
Energy Funds	12.5	12.5	-	-	-
Transp. Delay	10.3	20.6	10.3	-	10.3
Other Total	\$22.8	\$36.7	\$13.9	-	\$13.9
Quasi Total	16.5	35.1	18.6	8.0	26.6
Grand Total	\$39.3	\$71.7	\$32.4	\$8.0	\$40.4

Revenues Changes

Gaming - \$27.6 million	
Lottery Initiatives	\$4.1
Sports Betting	\$23.5

- Authority for lottery to explore innovative games
- Allowance of sports betting at state casinos if favorable Supreme Court ruling legalizes it – **May 14 ruling opened door**

Revenues Changes

Fees - \$8.4 million

Insurance Claims Adjusters	\$3.0
Mutual Funds Retailers	4.6
Duplicate License Fee	1.0
Small Business Fees	(0.3)

Governor's Solution

- Revenues
- *Medicaid*
- EOHHS Agencies
- Locals
- Commerce
- Departments and Agencies
 - Higher Ed
 - Debt and Other
 - Initiatives

Medicaid/EOHHS Agencies

- EOHHS - Changes to Nov. \$93.4 million
 - \$28.5 million from CHIP reauthorization
 - \$7.0 million for FY 2018
 - Net of \$3.3 million revenue loss & \$1.2 million for 10 new positions
- BHDDH – DD and Hospitals
 - \$20.8 million below Q1 projections

Medicaid/EOHHS Agencies

- Changes to Medicaid program
 - Managed care plan reimbursement reductions
 - Hospital rate freeze
 - Nursing home increase limited to 1%
 - Charging co-payments to certain adults for prescription drugs, non-emergency hospital visits & non-preventative doctor visits

EOHHS Agencies

- Proposals also impact
 - Payments to managed care plans, hospitals, and long term care providers
 - Community based providers for adults w/developmental disabilities in BHDDH
 - State employees in RICLAS and at the state hospital also at BHDDH
 - Those seeking long term care services & supports

Medicaid

Impact to:	GR	All
Managed Care Plans	\$30.5	\$90.6
Hospitals	13.6	31.4
LTC – Nursing Facilities	13.1	29.4
LTC – Home & Community Care	6.8	8.1
State Only & Other Services	1.6	2.7
Developmental Disabilities	19.7	35.2
Eleanor Slater Hospital	1.1	2.1
Total	\$86.4	\$199.5

EOHHS Agencies

- Proposals also impact payments for services through the Department of Children, Youth and Families
 - Rate reductions
 - Lesser use of congregate care services
- DHS - \$0.3 million additional spending
 - Many adjustments
 - Including 4 new initiatives

EOHHS Agencies

	DCYF	GR	All
Current Services		\$1.4	(\$3.2)
Congregate Care Reductions		6.5	13.6
Other Contract Changes		3.1	3.9
Title VI-E & Medicaid Claiming		2.5	-
Foster Care Rate Increase		1.1	1.4
Voluntary Extension of Care		-	0.9
Total		\$14.6	\$16.6

EOHHS Agencies

DHS	GR	All
Subsidized Child Care Rates	(\$1.5)	(\$1.5)
Child Care Pilot Program	(0.2)	(0.2)
Child Support Enforcement	1.0	-
Senior Center Grants	(0.4)	(0.4)
Total	(\$1.1)	(\$2.1)

Governor's Solution

- Revenues
- Medicaid/EOHHS
- *Locals*
- Commerce
- Departments and Agencies
 - Higher Ed
 - Corrections
 - Initiatives
 - Debt and Other

Locals

- Aid \$7.9 million less than original estimates based on updated data
 - Education Aid - \$0.8 million less
 - Formula education aid - \$0.4 million less
 - Group home aid - \$0.4 million less
 - Local Aid - \$7.1 million less
 - PILOT full funding – \$0.8 million less
 - Motor Vehicle Excise Tax - \$6.3 million less

Education Aid

- Funds 8th year of formula
 - Adds \$11.0 million based on updated data
 - Adds \$3.1 million in stabilization funding to Central Falls, Davies and Met
 - \$0.4 million less for fewer group home beds
- Distributions based on transition guidance in law
 - Gaining communities fully phased in
 - Subject to change with March data

Education Aid

- \$26.2 million for categorical aid
- Most categorical funds at enacted level
 - \$4.5 million for High Cost Special Ed
 - \$4.5 million for Career & Tech
 - \$6.8 million for Transportation
- Out years assume no growth
 - Like last year but departure from past practice

Education Aid

- Early Childhood
 - \$7.4 million, \$1.1 million more
 - Uses one-time permanent school fund balance
 - With matching federal money will maintain current level of 60 classes
- Density Aid: Year 3 of a 3-year program
 - \$0.5 million, \$0.4 million less
 - 8 districts eligible for \$50 per student enrolled in school of choice
 - Must have at least 5% to be eligible

Education Aid

- High Cost ELL
 - \$2.5 million for 3rd year of funding
 - 2017 Assembly made program permanent
 - Support for English language learners in most intensive programs
 - Based on 10% of core instruction amount, adjusted for state share ratio
- Teacher Retirement
 - \$107.1 million, \$5.3 million more than enacted

Education Aid

- Traditional School Construction Aid
 - \$69.4 million
- New School Building Authority Fund
 - \$10.6 million
- Same as enacted but final split will be based on costs for traditional program
 - Current law requires excess from traditional aid be transferred to Fund

Education Aid

- Governor proposes changes to aid program and new \$250 million GO bond
 - Temporarily expand incentives to enhance housing aid ratio
 - Up to 20% for health/safety deficiencies, high-demand areas, replacing & consolidating facilities
 - Projects must begin by 2022 or 2023
 - New requirements for project oversight
 - RIHEBC to pay for 4.0 FTE and 10% overhead = \$0.6 million annually

Local Aid – General Aid Programs

	FY 2018 Enacted	FY 2018 Gov. Rev.	FY 2019 Governor
Dist. Communities	\$12.4	\$12.4	\$12.4
PILOT	45.2	45.2	46.1
Motor Vehicle Excise	36.0	34.5	54.7
Total	\$93.6	\$92.1	\$113.2
In millions			

Local Aid Programs

- PILOT - \$46.1 million
 - Full funding – 27% of the value
 - \$0.9 million more than FY 2018
- Car Tax Phase-Out - \$54.7 million
 - \$6.3 million less than estimated
 - \$18.7 million more than enacted
 - Minimum exemption from \$1,000 to \$2,000
 - Lowers assessed value from 95% to 90%
 - Lowers tax rate cap from \$60 to \$50, per \$1,000

Governor's Solution

- Revenues
- Medicaid/EOHHS
- Locals
- *Commerce*
- Departments and Agencies
 - Higher Ed
 - Public Safety
 - Initiatives
 - Debt and Other

Commerce

- 2015 Assembly enacted 15 programs as part of the FY 2016 budget in support of the Governor's economic strategy
 - 5 tax incentive programs
 - 10 other programs, investments & initiatives
 - Partially funded from debt restructuring
- 2016 Assembly added 1 more program and revised others
- 2017 Assembly made minor revisions

Commerce

- FY 2019 Budget increases funding for commerce programs by \$12.7 million above levels assumed in FY 2019 projections
 - Adds funding to established funds
 - Mix of one-time and ongoing programs
- Changes to approved programs
 - Nearly all sunsets eliminated in proposed legislation

Commerce

<i>Current Programs</i>	<i>2016</i>	<i>2017</i>	<i>2018R</i>	<i>2019</i>
I-195 Redevelopment	\$25.0	\$-	\$2.0	\$1.0
Rebuild RI Tax Credits	1.0	25.0	9.5	15.5
First Wave Closing	5.0	8.5	1.8	1.0
Air Service	-	1.5	0.5	0.5
Wavemaker	1.8	2.0	0.8	1.6
Anchor Institution	0.8	-	-	-
Streetscape	1.0	1.0	0.5	0.5
Small Business Loans	5.5	-	-	0.5

Commerce

<i>Current Programs</i>	2016	2017	2018R	2019
Industry Cluster Grants	\$ 0.8	\$ 0.5	\$ -	\$0.1
Innovation Initiative	1.0	1.5	1.0	1.0
P-Tech	0.9	1.2	-	0.2
Polaris	0.4	0.3	0.3	0.4
Innovative Research	1.0	1.0	1.0	1.0

Commerce

<i>Proposed Programs</i>	<i>2019</i>
Manufacturing Investment Tax Credit	\$ 0.3
Manufacturing Site Readiness	0.2
Small Business Promotion	0.5
Municipal Technical Assistance	0.2
Total	\$1.2

Governor's Solution

- Revenues
- Medicaid/EOHHS
- Locals
- Commerce
- *Departments and Agencies*
 - Higher Ed
 - Public Safety
 - Initiatives
 - Debt and Other

Departments and Agencies

- Higher Education
 - \$7.1 million general revenue increase
 - Excluding debt, increase is \$5.2 million
 - \$3.6 million is for 2nd year of RI Promise Scholarship
 - \$850k more than assumed last year
 - Assumes no in-state tuition or mandatory fee increases consistent with Board approved rates
 - Those rates assumed \$9.0 million in new state support; Governor's budget provides \$2.8 million

Debt Service

- Debt Service - \$7.9 million
 - Historic Tax debt – \$6.9 million savings
 - Garrahy Garage debt - \$2.5 million more
 - 195-Land Debt – \$1.9 million savings
 - GO debt - \$1.6 million savings

Departments and Agencies

- U.S. Department of Justice Settlement
 - New test - \$0.5 million over FY 2018 & FY 2019
 - Three new trainers - \$0.3 million
 - Settlement and Legal - \$0.5 million
- High Security OT savings - \$1.5 million
 - Linked to outcome of facilities study
 - Would transfer some inmates to other DOC facilities

Departments and Agencies

- Charge tuition at Municipal Training Academy - \$0.3 million
 - Includes locals currently exempt
- State Police Academy - \$1.5 million
 - Conduct larger academy sooner than planned last year
 - Salary & benefit costs for 30 graduates

Initiatives

- DLT Initiatives
 - Opioid supportive employment - \$0.4 million
 - Real Jobs funding
 - Repurpose Job Training tax credit - \$0.5 million
 - Divert UI trust fund interest earnings - Article 11
 - \$7.0 million restricted receipts
 - Additional workplace fraud staff

Initiatives

- K – 12 Initiatives - \$0.3 million
 - SAT/PSAT - \$150,000 more
 - Computer Science for RI - \$50,000 more
 - New Unified Statewide Education Plan - \$100,000
- Clean Diesel - \$1.0 million
 - Eliminates all funding for program
 - Most eliminated in FY 2018 to meet statewide savings

Cost Shifts

- Similar to FY 2018 revised
 - Transportation-related planning positions to gas tax - \$0.5 million
 - Building & fire codes professionals from DOA & Public Safety to DBR with Design - \$0.3 million
 - Design professionals would be funded from Contractors' Registration Board fees
 - Water Resources Board to PUC - \$0.4 million
 - Cost shifts to regulated water suppliers

Cost Shifts

- RICAP Indirect Charge - \$3.7 million
 - Implements cost recovery charge on RICAP funded projects for project manager costs
 - No apparent increase to project cost
- School construction personnel from RIDE to RIHEBC - \$0.5 million
- Agency expenses to IT Fund
 - Full extent unclear including fund balance and future need for general revenues

Statewide Savings Initiatives

- Purchasing contracts - \$3.0 million
 - Procurement analysis
- Insurance Savings - \$1.0 million
 - Workers Comp
 - Property, liability and casualty

FY 2019: Governor's Solution

Revenues	\$77.9
Medicaid – EOHHS Caseload	93.4
EOHHS Agencies	35.6
Locals	7.9
Commerce	(12.7)
Higher Education	(2.0)
Debt Service	7.9
Other Issues, Initiatives & Adjustments	(4.0)
Total Governor Solution	\$204.0

Issues and Risks

- Q3 has some overspending that could impact FY 2019
- Education aid data updated
 - \$6.4 million in added costs
- Employee contracts
- UHIP
 - Recovery
 - Caseload impacts

Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$3,767.7	\$3,829.3	\$61.6
Federal	3,134.1	3,091.9	(42.3)
Restricted	261.7	285.5	23.8
Other	2,079.2	2,171.1	91.9
Total	\$9,242.8	\$9,377.7	\$134.9

Personnel and Operating

- Salaries and Benefits
 - Increase of 3.0% from enacted
 - General revenues increase 2.7%
 - Reflects updated benefit rates including increases related to retirement incentive
 - Changes in categories affects presentation
- Adds 266 new positions
 - Some are for revenue enhancements
 - Many replace positions that will be held vacant or eliminated

Personnel Initiatives

- Retirement Incentive
 - Impact on FY 2019 budget unclear
 - Covering payouts & retirement impacts are budgeted – about 1% of salaries ~ \$2 million GR
 - Savings in FY 2018 mostly not carried to FY 2019
 - Major savings in BHDDH programs appear linked
 - FTE counts very high and hiring controls not apparent
 - Meaningful savings only occur if high percentage are not refilled

Personnel Initiatives

- Injured on duty changes - \$0.6 million
 - Allows an independent medical examiner to certify a person has reached the maximum improvement
 - Currently only employee physician can certify
 - Start 60-day clock to apply for accidental disability
 - Requires use of IOD rules for accidental disability those state employees that qualify
 - Rather than separate process

Centralized Services

- 2017 Assembly authorized establishment of internal service funds for centralized services
 - Information technology, capital asset management & maintenance, & HR
- Costs previously budgeted in DOA
 - Methodology on distribution needs review
 - Long term impacts and transparency concerns

Full-time Equivalent Positions

	Regular	3rd Party	Total
FY 2017 Avg.	13,190.3	619.3	13,809.6
FY 2018 Enacted	14,420.4	739.8	15,160.2
FY 2018 Rev.	14,446.4	739.8	15,186.2
Governor FY 19	14,637.5	788.8	15,426.3
April 28 Filled	13,124.5	665.3	13,789.8
Diff from Enacted	(1,295.9)	(74.5)	(1,370.4)
Diff from Gov.	(1,513.0)	(123.5)	(1,636.5)
Diff from 1/20	(140.8)	(22.1)	(162.9)

Budget Status

Staff Presentation to the House Finance
Committee
May 22, 2018
