

Governor's FY 2019 Budget

Staff Presentation to the House Finance
Committee
February 6, 2018

Governor's FY 2019 Budget

- January 16 - Governor's State of the State address
- January 18 - Budget Due
 - 2018 - H 7200 introduced and referred to Finance
- Most supporting documents not submitted until days or weeks later
 - Staff review incomplete

Budget Briefings, Publications & Hearings

- December 5 – Budget Status
- Jan 23 & 30 – Budget at a Glance
- February 6 – Governor's Budget Overview
- February 7 – Article hearings begin
- House Fiscal Staff Budget Analysis
- Early May – Consensus Revenue and Caseload Estimating Conference

Governor's FY 2019 Budget

Finance Committee Review

- Briefing - Overview
- Article hearings through March
 - 18 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

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

Governor's FY 2019 Budget

- ***FY 2017 Audited Closing***
- FY 2018 Revised Budget
- FY 2019 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Outyears

FY 2017 Closing

- FY 2018 budget counted on surplus from FY 2017 to help fund expenses for which there were no current revenues
- Preliminary FY 2017 data showed a \$14.1 million gain to that assumption
 - Audited data dropped that to \$11.9 million
 - Medicaid - \$0.9 million cost
 - DHS/UHIP – Savings of \$1.3
 - DCYF Settlement - \$3.5 million cost

FY 2017 Audited

	Enacted	Current	Diff.
Opening	\$ 167.8	\$167.8	\$ 0.0
Revenues	3,675.8	3,684.4	8.5
Rainy Day	(115.3)	(115.6)	(0.3)
Expenditures	(3,686.5)	(3,672.5)	14.0
Closing Surplus	49.7	72.0	22.3
Reappropriation	-	(10.3)	(10.3)
Free Surplus	\$49.7	\$61.7	\$ 11.9

Closing – Revenues

- Revenues \$8.5 million (0.2%) above
 - Taxes up \$13.4 million
 - Inheritance tax unusual activity (\$57.6M) covered misses in income (\$22.8M) and business (\$21.2M) taxes
 - Lack of stability in PIT refund activity accounts for that discrepancy
 - Business taxes remain difficult to estimate
 - All other revenue down up \$4.9 million
 - Dept. receipts down \$6.1 million

Closing - Expenditures

- General revenue spending \$14.0 million (0.4%) below budgeted amounts – but areas of overspending
 - 5 agencies overspent total
 - DOR, Lt Gov., & RIDE negligible amounts
 - BHDDH 2.5%, DPS 0.01%
 - Appropriation lines overspent even if agency totals were not
 - 23.7% of general revenue lines were overspent... ongoing pattern

Closing - Expenditures

Spending \$14.0 million below:

- \$10.3 million unspent & re-appropriated
- \$3.6 million DOA – utilities, staffing
- \$2.0 million Medicaid savings

- \$4.4 million *overspent* in BHDDH
- \$0.1 million *overspent* in DPS
- **\$3.5 million for DCYF settlement**

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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

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 – Historical Context – Dec. 5

Current Fiscal Year	Opening Surplus Change	Nov REC Change	Nov CEC Change	Q1 Over-spend	Combined Impact excl. txfer to RDF
2010	(61.8)	(130.5)	16.3	18.6	(227.1)
2011	17.9	16.7	22.4	7.9	4.3
2012	3.6	19.4	(1.1)	23.8	0.3
2013	21.7	7.5	(24.3)	5.4	48.0
2014	3.6	45.6	0.1	5.3	43.9
2015	8.7	15.8	37.0	15.5	(28.0)
2016	47.8	52.4	14.9	25.9	59.4
2017	43.9	44.8	4.7	19.4	64.7
2018	14.1	(10.3)	29.3	28.9	(54.4)

Current Year – Dec. 5

- Revenues down by \$10.3 million
- Expenditures appear up by \$28.9 million net of re-appropriations and November Caseload increase
- Closing surplus down by \$54.5 million
 - Assumes successful achievement of enacted \$25 million of statewide savings
- Governor's FY 2018 revised ends with \$0.3 million balance for use in FY 2019

Current Year – Dec. 5

- The FY 2018 enacted budget assumed savings of \$25 million from executive branch administrative efficiencies
 - Expected to be recurring/structural
 - Significant but manageable size and scope
 - 5% of exec. branch personnel costs and 1% of consultants and operations
 - Calculation excluded some 24-7 & Higher Ed
- Savings budgeted in Department of Administration for later distribution

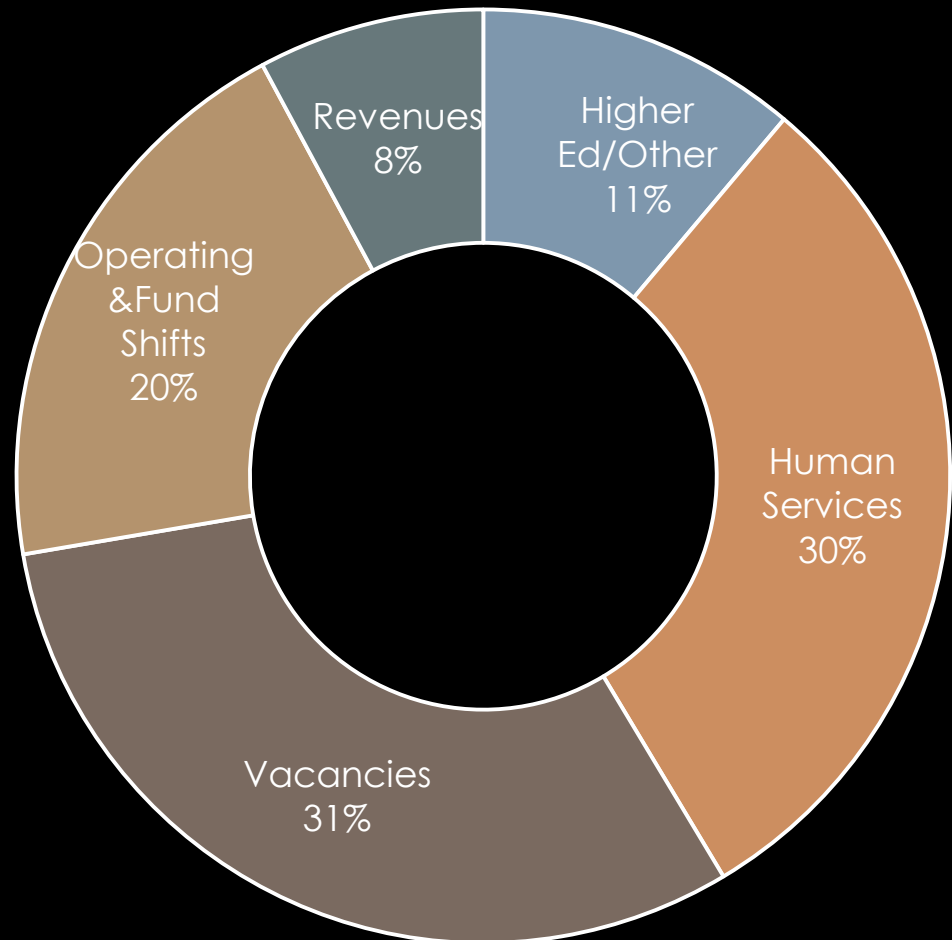
Current Year – Dec. 5

- Undistributed Savings - \$25 Million
 - Significant share of the savings not administrative efficiencies
 - Medical Caseload expenses - \$4.3 million
 - Already backed off - \$0.5 million of the plan
 - Clean Diesel Grant program - \$0.5 million
 - Q1 report assumes all are achieved
 - Full picture not clear, but there are known issues
 - Timing, statutory concerns
 - Many have not been initiated

Current Year

- Identified savings more reliant on program cuts
- Advanced savings on statutory changes proposed for FY 2019

\$25 M Undistributed Savings



Current Year

- Retirement Incentive
 - State employees eligible to retire on/before December 31, 2017
 - Does not apply to all
 - 941 eligible employees
 - Incentive = 2x employee's longevity
 - Capped at \$40,000
 - FY 2018 savings assumed at \$6.5 million

Retirement Incentive

- Savings assumptions
 - 45% of eligible employees retire – 426
 - By 1/31/18 for 5 mo. of savings
 - Payouts are from assessed fringe benefit fund
 - Fund generated from all fund sources
 - 60% of vacated positions are filled - 252
 - At 70% of incumbent's cost in first year
 - Refill of positions takes 4 months
 - Funds one month in FY 2018

Retirement Incentive

FY 2018 Savings Assumptions	
5 months savings employees that retire	\$20.1
1 month cost to refill 60% at reduced cost	(\$1.7)
Gross Savings	\$18.4
Unused Leave Payout	(\$4.8)
2x Longevity Incentive Payment	(\$9.0)
Net Savings All Sources	\$4.6
Allocation of 50% separation costs to AFB Fund	\$6.9
FY 2018 Total Budget Savings	\$11.5
General Revenue Savings – assumes 57%	\$6.5
<i>In millions</i>	

Retirement Incentive

Impact to Retirement System Based on % Participating				
Participants	40%		60%	
Unfunded Liability	\$12		\$19	
Funded Ratio	(0.1%)		(0.3%)	
Impact on FY 2020 Rates	0.33%	\$1.0	0.49%	\$1.5
Impact on FY 2019 Rates based on 10-yr amortization	0.42%	\$1.6	0.63%	\$2.5
General Revenue Share		\$0.9		\$1.5
<i>Costs in millions</i>				

Retirement Incentive

- Implemented in stages to allow ERSRI time to process applications
- Savings assumed all retirements by end of January 2018
 - Newly announced change phases retirement deadline based on longevity
 - Least senior retirements have until April 15, 2018
 - Most senior February 15
- Changes to retirement dates likely reduce current year savings

Current Year – Changes

Dec. 5

Undistributed Savings	\$ -
Reappropriation	10.3
Legislature*	(2.1)
EOHHS/DHS: Caseload Conference	29.3
EOHHS/DHS/DCYF/BHDDH: Other*	30.5
Military Staff	0.7
Corrections	0.8
Other *	(1.3)
Total	\$68.5

* Items different than Budget Office Q1 estimates

Current Year: EOHHS Agencies

HFS Estimate Dec. 5	General Revenues			
	Enacted	Q1	Deficit	%
EOHHS	\$964.3	\$992.9	\$28.6	3.0%
BHDDH	176.4	191.5	15.1	8.6%
DCYF	145.9	155.9	10.0	6.9%
DHS	91.1	97.3	6.2	6.8%
DOH	24.9	24.9	-	-%
Total	\$1,402.6	\$1,462.5	\$59.9	4.0%

Excludes allocation of undistributed savings & reappropriation

(in millions)

Current Year – Governor’s FY 2018 Solution – Major Items

Caseload Conference - CHIP	\$7.0
DCYF – Corrective Action	5.1
BHDDH – Corrective Action	7.9
UHIP Cost Shifting	2.7
Corrections	2.0
Statewide Medical Benefits	2.5
Debt/MV Aid Actuals	2.7
Quasi and Other Revenue Transfers	33.0
Total	\$63.0

Current Year - Governor

- Risks and Issues
 - Q2 Reports due last week already call 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

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Budget Year and Out-years

- There are *budget year* and *out-year problems*
 - FY 2019 was estimated in July to have a gap of approximately \$160 million
 - Budget Office estimated \$237 million in Aug.
 - Revenue projections \$60 million lower
 - Assumes \$25 million is one-time
- *Revenue & expenditures through Q1*
 - \$204 million deficit if \$25 million not structural

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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

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

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

Medicaid

Impact: Managed Care Plans	GR	All
Managed Care Organizations Reimbursements	\$22.3	\$70.0
Co-payments for Adults	2.9	9.4
Non-Emergency Medical Transp.	3.9	9.5
Expand Rlte Share to Other Programs	1.3	1.7
Total	\$30.5	\$90.6

Medicaid

Impact: Hospitals	GR	All
Freeze at FY 2018 Rates	\$5.1	\$15.2
Eliminate Inpatient UPL	5.3	13.8
Eliminate GME Payment	4.0	4.0
New GME Pool	(0.7)	(1.5)
Total	\$13.6	\$31.4

Medicaid

Impact: Nursing Facilities	GR	All
Integrated Care Initiative System Redesign	\$6.5	\$14.9
Limit October 1 st increase to 1%	2.3	5.1
Eligibility Processes and Transfers	4.3	9.4
Total	\$13.1	\$29.4

Medicaid

Impact: Home & Community Care	GR	All
Community First Choice	\$3.0	\$ -
Sullivan/Perry	3.0	6.2
Eligibility Processes and Transfers	0.8	1.9
Total	\$6.8	\$8.1

Medicaid

Impact: State Only & Other Programs	GR	All
Cortical Integrated Therapy	\$1.0	\$1.0
Recovery Navigation Program	0.3	1.0
Community Health Team	0.4	0.7
Total	\$1.6	\$2.7

Medicaid

- 10 new positions for FY 2019 in EOHHS
- 3 for redesign of Rhody Health Options
 - 2 for long term care asset verification & eligibility process change
 - 2 to implement co-payments
 - 2 to expand Rite Share program
 - 1 for transportation initiative
 - If savings are achieved will be a 50% reduction to the contract for FY 2020

Medicaid

Dev. Disabilities Program	GR	All
Current Spending & Caseload	\$1.2	(\$1.8)
Validation of Assessment Tool	10.3	20.3
“L-9” Approvals & Review Process	3.4	6.9
Service Rebalancing	2.5	5.1
SIS Resource Levels	0.8	1.7
Total	\$18.2	\$32.2

Medicaid

Dev. Disabilities Program	GR	All
Current Staffing & Operating	(\$0.4)	(\$0.8)
RICLAS – Special Care Facilities unit closure	0.9	2.0
RICLAS – Transition Services to Private Providers	0.5	0.9
Worker’s Comp. Management	0.5	0.9
Total	\$1.5	\$3.0

Medicaid

Hospital Reorganization	GR	All
Reorganization Delay	(\$0.6)	(\$1.3)
Zambarano Unit Consolidation	1.0	2.0
Transfer patients to lower cost non-hospital setting	0.2	0.4
Worker's Comp. management	0.5	1.0
Total	\$1.1	\$2.1

EOHHS Agencies

Proposals also impact

- Payments for services through the Department of Children, Youth and Families
 - Rate reductions
 - Lesser use of congregate care services

EOHHS Agencies

EOHHS Agencies

- DCYF - \$14.6 million in savings
- 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)

EOHHS Agencies

- Other Issues
 - FY 2018 revised & FY 2019 budgets re-attempt savings that agencies have reported could not be achieved
 - DCYF – Medicaid and Title IV-E claiming opportunities
 - BHDDH – approval process for services to developmentally disabled adults

Medicaid/EOHHS Agencies

- Other Issues

- Savings in one Department may impact costs in another that are not accounted for in the budget
 - Behavioral Healthcare Link program
 - New statewide resource to provide 24-hour assessment, triage and treatment for a behavioral health crisis
 - Transitioning patients out of Eleanor Slater Hospital to another setting

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 – Restricted Aid Programs

	FY 2018 Enacted	FY 2018 Gov. Rev.	FY 2019 Governor
Library Resource Aid*	\$9.4	\$9.4	\$9.4
Library Const. Aid	2.2	2.2	2.2
Prop. Val. Reimbursement	0.9	0.9	1.6
Oversight Reimbursement	0.1	0.1	0.1
Total	\$12.6	\$12.6	\$13.3
In millions			
*Includes Reference Library Resource Grant to Providence			

Local Aid Programs

- Distressed Communities - \$12.4 million
- Same as enacted
- Redistribution among communities based on data
- 8 qualify
 - Johnston
 - Central Falls
 - North Providence
 - Pawtucket
 - Providence
 - West Warwick
 - Woonsocket
 - Cranston receives 50% transition payment in

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

Commerce

- Manufacturing Investment Tax Credit
 - Tax credit up to \$0.1 million for qualifying investments in equipment, training, capital
- Manufacturing Site Readiness
 - Develop inventory of “pad ready” sites to support large scale facilities

Commerce

- Small Business Promotion
 - Connect small suppliers with the state's largest commercial purchasers
- Municipal Technical Assistance
 - Evaluate and streamline zoning, planning, and permitting

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
 - Create funding stream using employer charges
 - 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 recover 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

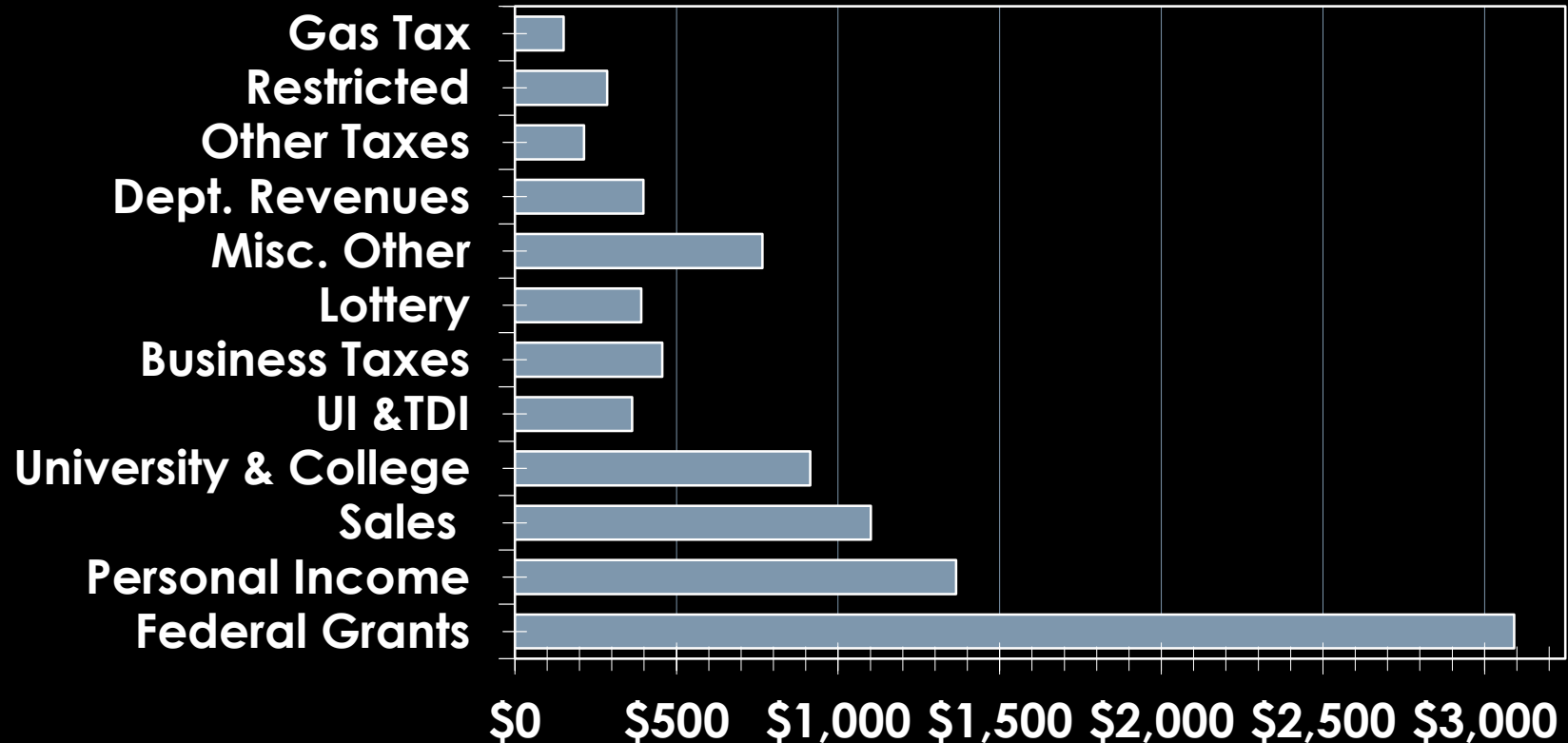
Governor's FY 2019 Budget

- FY 2017 Audited Closing
- FY 2018 Revised Budget
- FY 2019 Revenue-Expenditure Gap
- Governor's Recommended Solution
- ***Operating Budget Overview***
- Capital Budget Overview
- Outyears

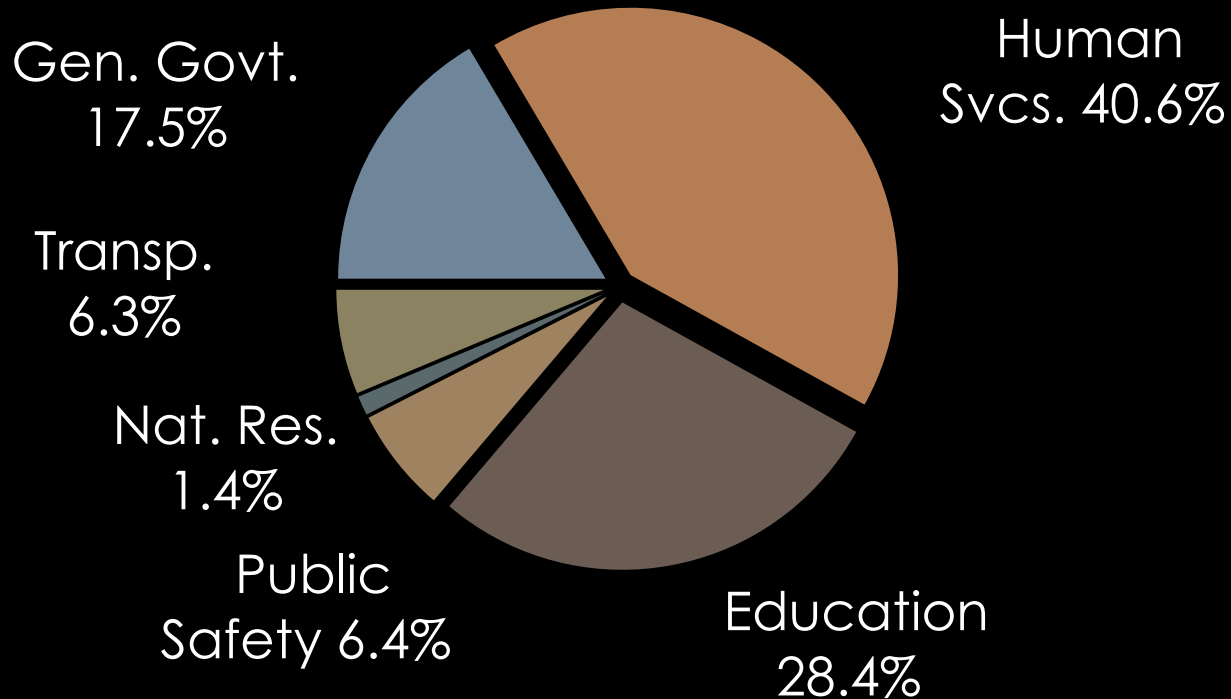
Expenditures

	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

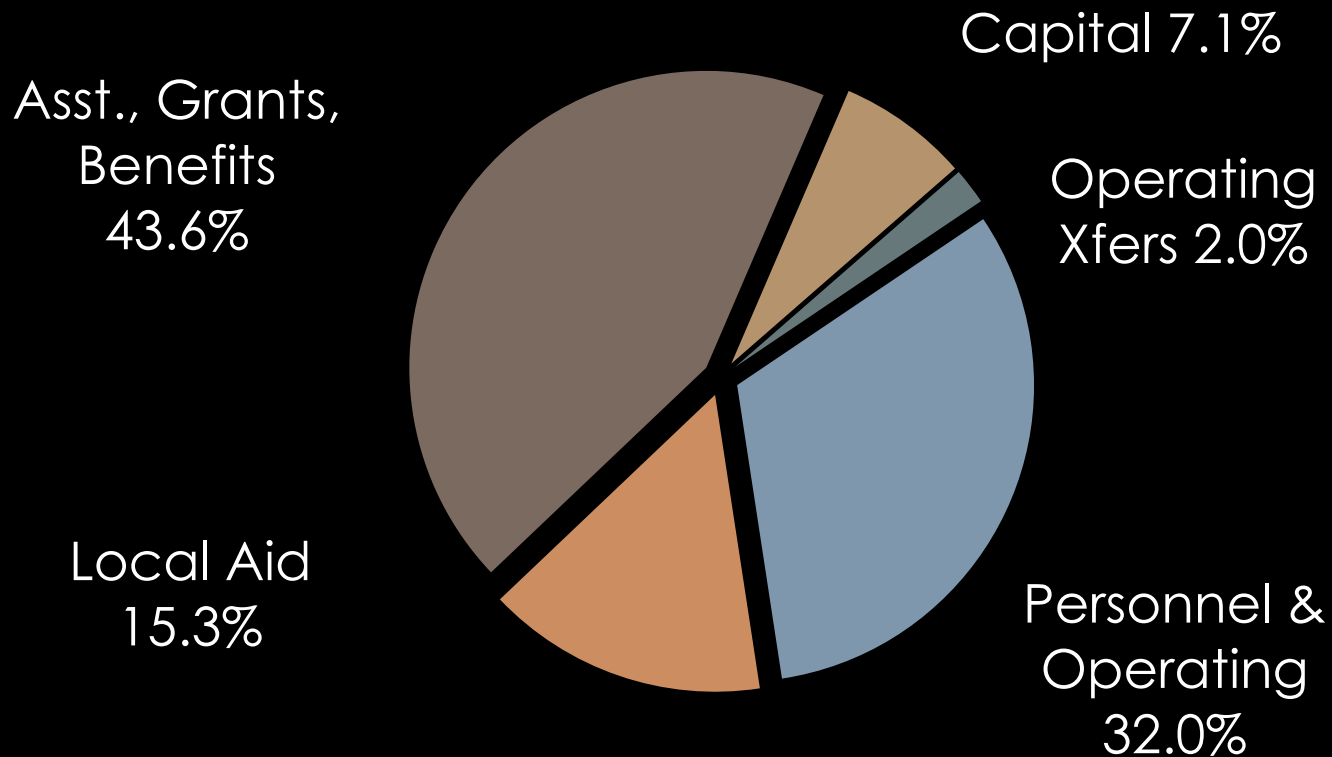
Sources *(millions)*



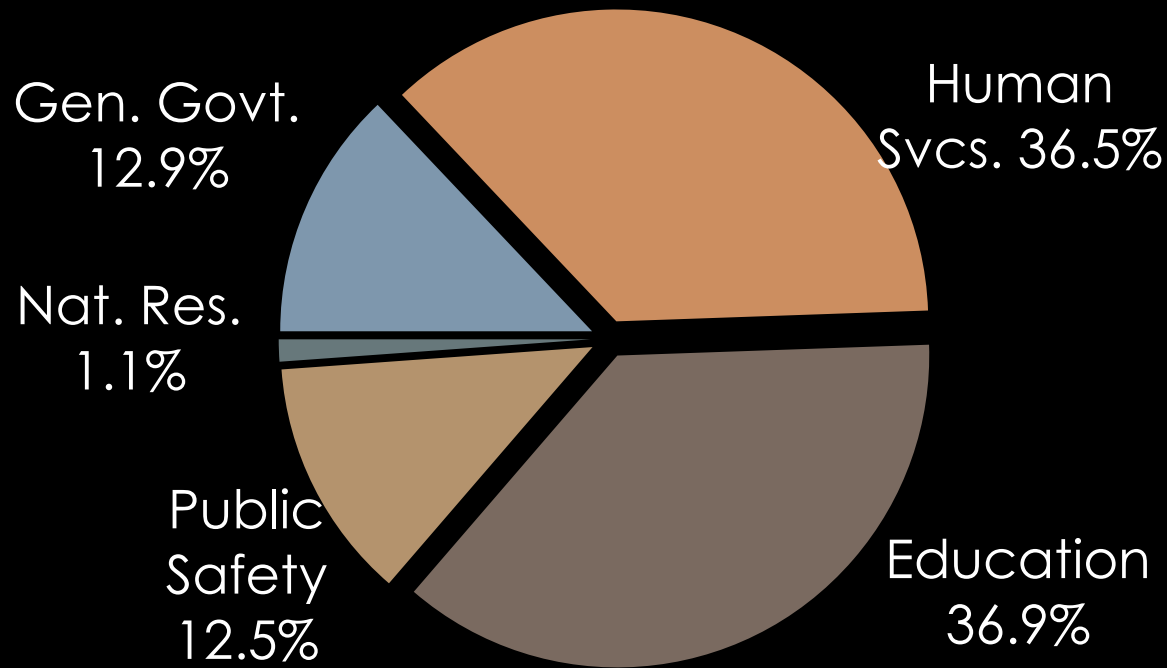
All Funds by Function: Governor FY 2019



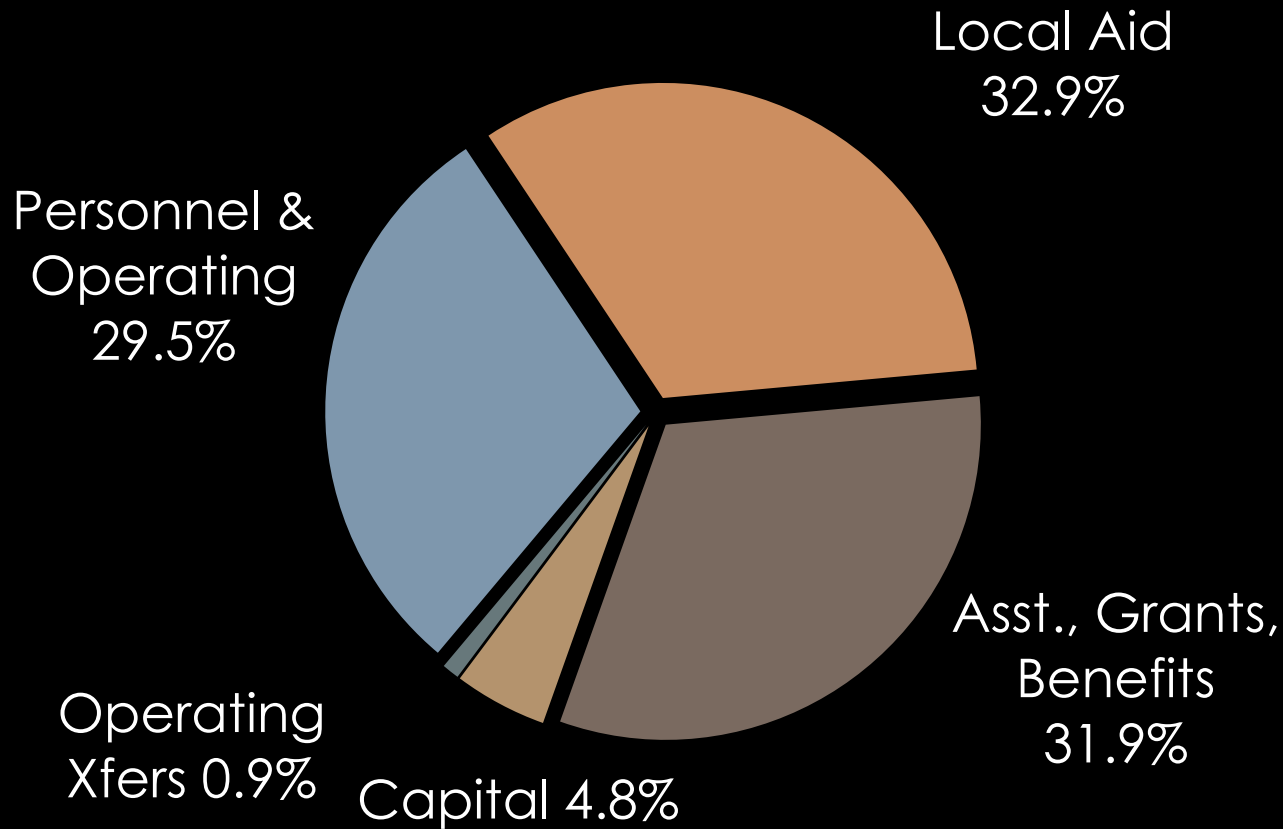
All Funds by Category: Governor FY 2019



General Revenues by Function: Governor FY 2019



General Revenues by Category: Governor FY 2019



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
Jan 20 Filled	13,265.3	687.4	13,952.7
Diff from Enacted	(1,155.1)	(52.4)	(1,207.5)
Diff from Gov.	(1,372.2)	(101.4)	(1,473.6)
Diff from 11/25	(43.0)	32.3	(10.7)

Personnel and Operating

- Transparency issues
 - Staffing authorizations for appointing authorities increasingly separate from funding allocations
 - Governor's office "charging" agencies for staff members based on policy area of responsibility
 - Positions centralized into EOHHS as required under current law still have funding is left in sending agencies
 - Was expected to be resolved this year – issue is worse

Personnel and Operating

- Transparency issues
 - Unidentified reductions taken in agencies against rosters shown in the personnel supplement
 - Usually when new positions are added
 - Dilutes usefulness of the personnel supplement
 - All similar issues make it difficult to track changes and adherence to enacted budget assumptions

Personnel and Operating

- Contracted Services
 - Increases 4.5% from enacted
 - General revenues increases 3.1%
 - \$2.7 million more for new taxation system
 - In prior sessions Assembly required state agencies to be held more accountable for contract services they purchase
 - Revised requirements for easier compliance
 - Reports still not posted

Personnel and Operating

- Contracted Services
 - General Assembly requirements:
 - List privatization contracts
 - Quarterly reports of non-state employee expenditures for legal and other services
 - 5.5% assessment to be paid to the retirement system - Pension Reform

Personnel and Operating

- Operating Costs
 - Increase 11.9% from enacted
 - Excluding centralized services, increase is 5.8%
 - 10.3% decrease from general revenues
 - Mostly in DOA for centralized services and newly proposed statewide savings initiatives
 - Largely reflects savings initiatives noted earlier

Governor's FY 2019 Budget

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- Outyears

Capital

- FY 2019 – FY 2023
- \$4.9 billion outlays
 - Average \$975.2 million per year
 - \$1,232.2 million from financing \$3,643.9 million from current revenue
- \$388.3 million in new GO and Revenue bond debt approvals

Capital Budget Funding



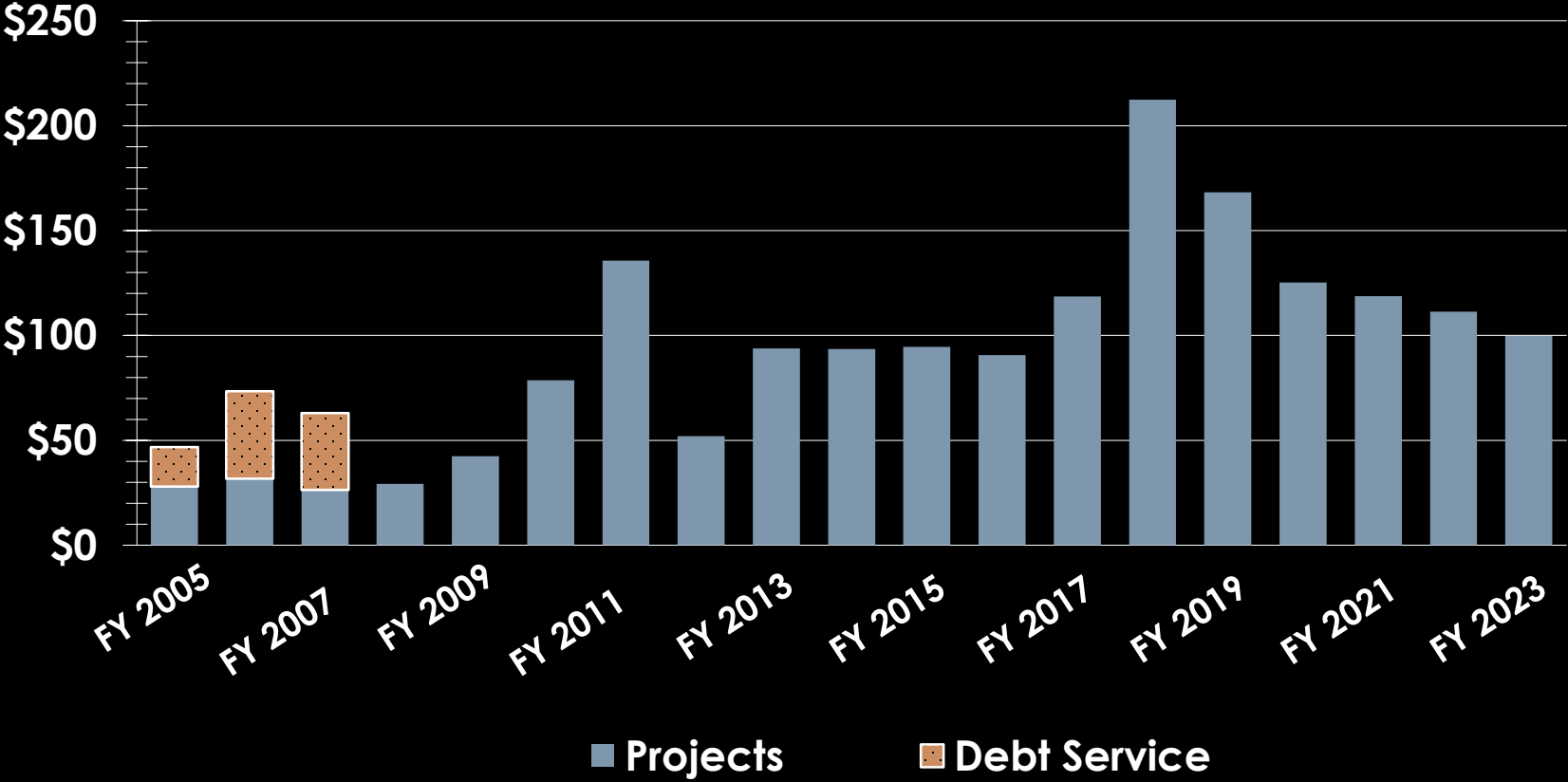
Rhode Island Capital Plan Funds

- 1990 Assembly set up the “rainy day” fund to ensure adequate cash and budget reserves
- Voter referendum in November 1992
- Largest source of state funded pay-go
- State spending limited to 97.0% of general revenues
 - FY 2013 was end of 5-year move from 98.0%

Rhode Island Capital Plan Funds

- Remainder goes to Budget Stabilization & Cash Reserve Account
- When that reaches 5.0%, excess flows to the capital account
- Previously used mostly to pay debt
- Voters amended constitution in 2006 to limit use for projects only
- Dedication of pay-go sources to capital lessens need to issue debt

Rhode Island Capital Plan Funds



Rhode Island Capital Plan Funds

- Resources in the Fund have grown over time
- Being used for its intended purpose: lowering the state's borrowing needs
 - Annual \$27.2 million is being used in lieu of borrowing to match federal transportation funds

Rhode Island Capital Plan Funds

- \$623.4 million for FY 2019 – FY 2023
- Approximately \$125 million annually
 - 31% for Transportation
 - 21% for Higher Education
- \$11.9 million in approved plan replaced with proposed GO bonds for “Green Economy” projects
 - State Rec, Dam Repair, Fort Adams

Rhode Island Capital Plan Funds

- Improvements for state buildings
 - Courts, prisons, hospitals
- State facilities
 - Dams, piers, parks
- Designed to extend the life of facilities
 - Prevent the need for costly replacements

Assembly Role

- Appropriate Pay-Go (Articles 1 & 10)
- Approve General Obligation Bond Referenda
 - Voters approve or reject
 - Debt service automatic
- Other Financing (Kushner)
 - Approve or reject resolution
 - Generally appropriate debt service

New Requested Debt – GO November 2018

Project	Amount	Annual Debt
Rhode Island School Buildings	\$250.0	\$20.7
URI Narragansett Bay Campus	45.0	3.6
RIC Horace Mann Hall	25.0	2.0
Green Economy & Clean Water	48.5	3.9
Total	\$368.5	\$30.2

*Assumes 5% rate and 20 year term
Data in millions*

New Requested Debt - GO

Green Economy & Clean Water	Amount
Coastal Resiliency & Public Access Projects	\$5.0
Clean Water and Drinking Water	6.1
Wastewater Treatment Facility Resilience Improvements	5.0
Dam Safety	4.4
State Recreation Projects	10.0
State Bikeway Development	5.0
Brownfield Remediation & Econ. Development	4.0
Local Recreation Projects	5.0
Access to Farmland	2.0
Local Open Space	2.0
Total	\$48.5

New Requested Debt – Revenue Bonds

Project	Amount	Annual Debt	Source
URI Repaving, Hardscape, Landscape	\$11.0	\$0.8	Gen. Rev., tuition, fees
URI Utility Infrastructure Phase I	6.5	0.5	Gen. Rev., tuition, fees
URI Fire Safety Auxiliary Phase II	2.3	0.2	Fees
Total	\$19.8	\$1.5	
<i>Assumes 5% rate and 20 year term Data in millions</i>			

Funding Considerations

- State's overall debt structure
 - Net tax supported debt would decrease by \$120.9 million to \$1,648.5 million
 - Had dropped to \$1.3 billion in FY 2003 after use of tobacco bonds to defease debt
 - Past practice indicates it will be higher as more projects are added

Funding Considerations – Debt Ratios

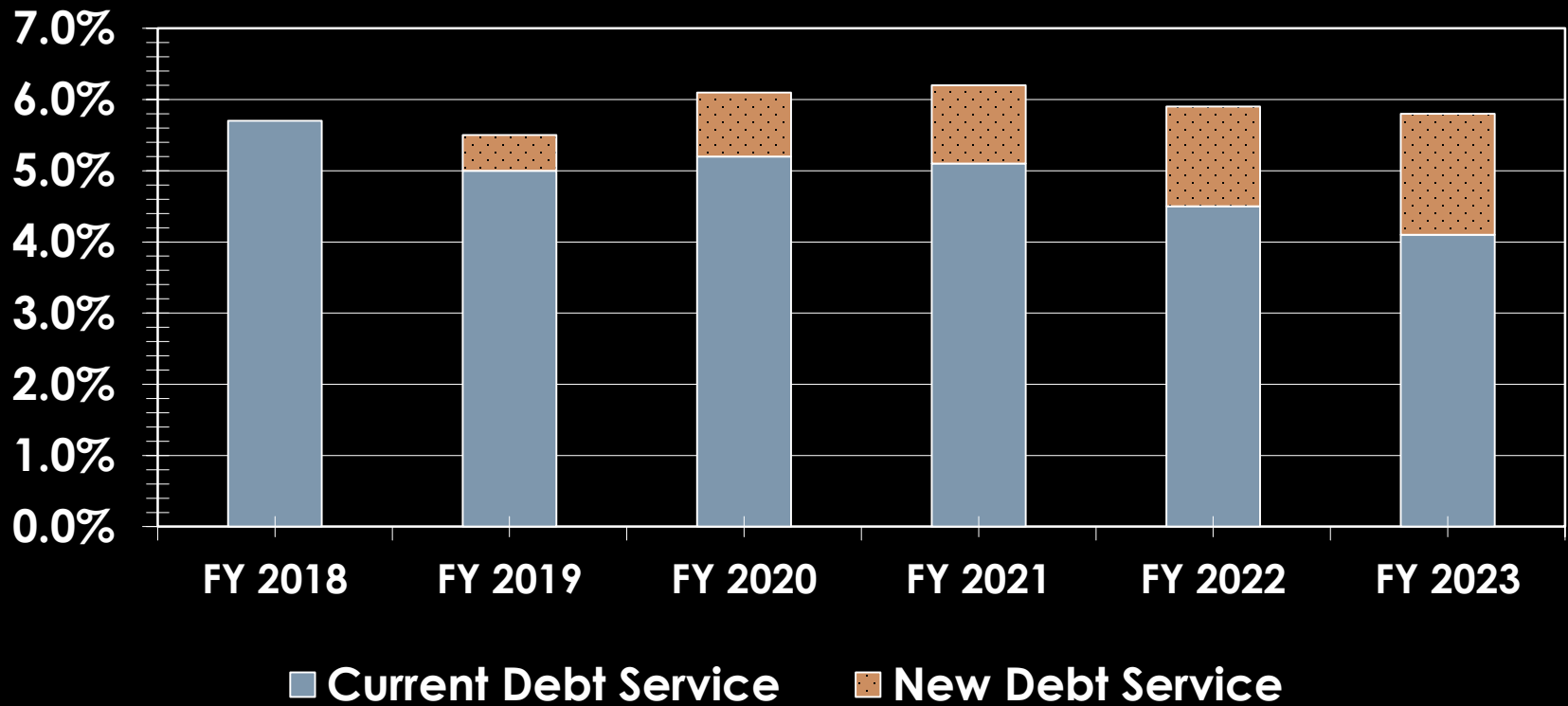
- Debt as a percent of personal income would decrease from 3.2% in FY 2017 to 2.4% into FY 2023
- Likely to be higher based on projects being added
 - Does not assume any new referenda will go before voters in November 2020 or 2022
 - Same as last year but departure from past practice

Funding Considerations – Debt Service

Fiscal Year	Net Tax Supported Debt Service*	Pct. of Revenues
2018	\$219.7	5.7%
2019	\$217.5	5.5%
2020	\$246.4	6.1%
2021	\$259.8	6.3%
2022	248.7	5.9%
2023	249.8	5.8%

*Millions

Debt Service as Percent of Useable Revenues



Out-year Projections

- Five-year forecast required by statutes
- FY 2020 gap
 - One-time items in the resolution of the current budget gap
 - Scoops and other transfers
 - Programs not reflected in FY 2019 budget
 - Sports Betting annualizes to larger impact
- Generally forecast may be missing key adjustment for school construction and Medicaid

Budget Office Deficit Estimates

	Estimated	Share Useable Revenues
FY 2020	(86.2)	2.3%
FY 2021	(123.9)	3.2%
FY 2022	(173.6)	4.3%
FY 2023	(227.0)	5.6%

Uses – Growth Rates

Item	Est. Annual Growth
Jobs	0.6%
State Personal Income	3.6%
Taxes	2.7%
Total Revenues	2.0%
Total Expenditures	3.3%
Salaries & Benefits – 25% of total	3.3%
Medicaid – 30% of total	3.5%

Issues and Risks to the Forecast

- Medicaid savings and caseloads
 - UHIP functionality
- Control of current year spending
 - Still not clear that issues are resolved
 - Q2 reports show major problems
- No identified alternatives for riskiest assumptions
- A lot of unfinished business
 - Staff review continues

Governor's FY 2019 Budget

Staff Presentation to the House Finance
Committee
February 6, 2018
