

Governor's FY 2020 Budget

Staff Presentation to the House Finance
Committee
February 5, 2019

Governor's FY 2020 Budget

- January 15 - Governor's State of the State address
- January 17 - Budget due
 - 2019 - H 5150 and 5151 introduced and referred to Finance
- Many supporting documents not submitted until days or weeks later
 - Recommendations exceed available resources – awaiting proposed fixes
 - Capital budget still outstanding
 - Staff review incomplete

Budget Briefings, Publications & Hearings

- November 29 – Budget Status
- Jan 22 & 30 – Budget at a Glance
- February 5 – Governor's Budget Overview
- February 6 – Article hearings begin
- House Fiscal Staff Budget Analysis
- Early May – Consensus Revenue and Caseload Estimating Conference

Governor's FY 2020 Budget

Finance Committee Review

- Briefing - Overview
- Article hearings through March
 - 26 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.rilegislature.gov>
 - House Fiscal Reports
 - Tabs for 2019 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 2020 Budget

- ***FY 2018 Audited Closing***
- FY 2019 Revised Budget
- FY 2020 Revenue-Expenditure Gap
- Governor's Recommended Solution
- Operating Budget Overview
- Capital Budget Overview
- Out-years

FY 2018 Preliminary

	Enacted	Current	Diff.
Opening	\$ 72.0	\$ 72.0	\$ 0.0
Revenues	3,910.5	3,908.4	(2.1)
Rainy Day	(119.2)	(119.1)	0.1
Expenditures	(3,832.0)	(3,805.7)	26.3
Closing Surplus	\$ 31.3	\$ 55.6	\$24.3
Reappropriation	-	(10.1)	(10.1)
Free Surplus	\$ 31.3	\$ 45.5	\$ 14.3

FY 2018 Closing

- As with prior years, FY 2019 budget counted on surplus from FY 2018 to help fund expenses for which there were no current revenues
- Preliminary FY 2018 data shows \$14.3 million gain to that assumption
 - Audited data increased that \$21.3 million

FY 2018 Closing

- Audited spending lower by \$7.0 million
 - Medicaid - \$6.1 million savings
 - More favorable match
 - Reconciliation among programs and advanced payments
 - BHDDH – \$0.7 million in savings
 - Hospital expenses up \$1.2 million
 - Developmental Disabilities down \$1.8 million
 - DCYF - federal match - \$0.5 million savings
 - DOC - \$0.3 million more for healthcare

FY 2018 Audited

	Enacted	Current	Diff.
Opening	\$ 72.0	\$ 72.0	\$ 0.0
Revenues	3,910.5	3,908.4	(2.1)
Rainy Day	(119.2)	(119.1)	0.1
Expenditures	(3,832.0)	(3,798.7)	33.3
Closing Surplus	\$ 31.3	\$ 62.6	\$31.3
Reappropriation	-	(10.1)	(10.1)
Free Surplus	\$ 31.3	\$ 52.5	\$ 21.3

Closing - Expenditures

Spending \$33.3 million below:

- \$10.1 million unspent & re-appropriated
- \$29.1 million Medicaid savings
 - *Audit increased that from \$23.1 million*
- \$2.7 million DOA – utilities, staffing
 - Centralized services
- \$3.9 million *overspent* in DLT
- \$7.2 million *overspent* in DCYF
 - *Audit reduced that from \$7.7 million*
- \$0.3 million *overspent* in DOC – (*audit*)

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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

- Recession risk 'contained' but 'likely' within 5 years due to multiple challenges
 - Domestic & international trade policy
 - Tariffs, Brexit & Euro splintering, China slowdown
 - Fiscal Policy
 - Effects of TCJA anticipated to wane past 2020
 - Monetary Policy
 - Multiple Fed Reserve rate hikes 3x in 2019, 1x in 2020
 - Markets
 - Increases in energy costs, tighter mortgage lending

FY 2019 – HFAS Nov 29

	Enacted	Current	Diff.
Opening	\$ 31.3	\$55.6	\$24.3*
Revenues	3,998.5	3,993.1	(5.4)
Rainy Day	(120.9)	(121.2)	(0.3)
Expenditures	(3,908.2)	(3,974.7)*	66.5
Total FY 2019	\$0.7	(\$47.2)	(\$47.8)

**Includes \$10.1 million reappropriation*

FY 2019 – Governor

	Enacted	Current	Diff.
Opening	\$ 31.3	\$62.6	\$31.3*
Revenues	3,998.5	4,009.3	10.8
Rainy Day	(120.9)	(121.9)	(1.0)
Expenditures	(3,908.2)	(3,974.7)*	38.8
Total FY 2019	\$0.7	\$2.9	\$1.6

**Includes \$10.1 million reappropriation*

Current Year

- The *current year* had a projected deficit of \$47.2 million – **HFAS Nov 29**
 - Major overspending masked by revenue uptick, closing surplus and other savings
 - Unforeseen expenses and unachieved budget savings
- Governor's budget resolves that with
 - Improved closing balance
 - One time revenues
 - Debt service, medical, cost shifts

Current Year - Nov 29

- Revenues are down by \$5.4 million
- Closing resources increase rainy day transfer by \$0.3 million
- Expenditures appear up by \$44.7 million net of re-appropriations and November Caseload increase
- Closing surplus down by \$47.8 million
- Governor's FY 2019 revised ends with \$2.9 million balance for use in FY 2020

Current Year – Changes – Nov 29

Reappropriation	\$10.1
Legislature*	(1.8)
Judiciary*	(1.1)
EOHHS/DHS: Caseload Conference	11.7
EOHHS/DHS/DCYF/BHDDH: Other*	34.7
Corrections	7.2
Labor and Training	2.6
Local Aid	2.3
Other *	0.9
Total	\$66.5

* Items different than Budget Office Q1 estimates

Current Year: EOHHS Agencies

OMB	General Revenues			
	Enacted	Q1	Deficit	%
EOHHS	\$982.9	\$994.8	\$11.9	1.2%
BHDDH	188.1	197.5	9.4	5.0%
DCYF	161.6	176.5	14.9	9.2%
DHS	98.0	98.8	0.8	0.8%
DOH	29.0	29.0	-	-
Total	\$1,459.6	\$1,496.5	\$36.9	2.5%

\$ in millions

Current Year: EOHHS Agencies

HFS Estimate	General Revenues			
	Enacted	Q1	Deficit	%
EOHHS	\$982.9	\$1,000.0	\$17.1	1.7%
BHDDH	188.1	197.0	8.9	4.7%
DCYF	161.6	176.5	14.9	9.2%
DHS	98.0	103.6	5.6	5.7%
DOH	29.0	28.9	(0.1)	-0.2%
Total	\$1,459.6	\$1,506.0	\$46.4	3.2%

\$ in millions

UHIP Recovery Restricted Receipts

- Enacted budget assumed receipt of \$7.0M from Deloitte for staffing costs
 - Revised budgets appear to be counting on more yet none received
 - Design, Contact Center, other consultants
 - Unclear if there is a state cost in the absence of these funds
- HFAS estimate assumes increase could be general revenue costs

UHIP Recovery Restricted Receipts

Agency	FY 2019 Enacted	FY 2019 Revised	Chg. to Enacted	FY 2020 Req.	Chg. to Enacted
EOHHS	\$ -	\$5.3	\$5.3	\$7.5	\$7.5
DHS	7.0	10.9	4.0	11.1	4.2
HSRI	-	0.4	0.4	1.5	1.5
Total	\$7.0	\$16.6	\$9.7	\$20.1	\$13.2

\$ in millions

Current Year – Governor’s FY 2019 Solution – Major Items

Caseload Conference – Hep C/Hospice	\$3.9
DCYF – Corrective Action	3.2
BHDDH – Audit and other impacts	2.3
UHIP Cost Shifting	7.0
DHS Admin & Veterans Home	(7.1)
Corrections – Hepatitis C	3.1
Statewide Medical & Debt Service	17.0
Fraud Savings reduction & other adjust.	4.4
Quasi & Other Revenue Transfers	16.3
Total	\$50.1

UHIP Recovery Restricted Receipts

Agency	FY 2019 Enacted	FY 2019 Gov.	Chg. to Enacted	FY 2020 Gov.	Chg. to Enacted
EOHHS	\$ -	\$5.3	\$5.3	\$7.5	\$7.5
DHS	7.0	8.3	1.4	11.4	4.5
HSRI	-	0.4	0.4	1.5	1.5
Total	\$7.0	\$14.0	\$7.0	\$20.4	\$13.4

Change to Enacted	EOHHS	DHS	HSRI	Total
FY 2019 Change	\$5.3	\$1.4	\$0.4	\$7.0
FY 2020 Change	7.5	4.5	1.5	13.4
Two year impact	\$12.8	\$5.9	\$1.9	\$20.4

Current Year - Governor

- Risks and Issues
 - Q2 Reports due last week
 - More than half are still missing
 - Hiring appears to continue unabated
 - 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 2020 was estimated in June to have a gap of approximately \$158 million
 - Budget Office estimated similar gap in July
 - Revenue and expenditures both higher
 - HFAS estimates about \$150 million* gap plus current year issue
 - Q1 spending negates revenue gains in FY 2020

*corrected from \$110M noted in 11/29 hearing

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FY 2020: Governor's Solution

Revenues	\$70.5
Medicaid – EOHHS Caseload	26.0
EOHHS Agencies	33.2
Locals	7.5
Commerce	0.8
Higher Education	(8.3)
Debt Service	5.7
Other Issues, Initiatives & Adjustments	14.6
Total Governor Solution	\$150

Governor's Solution

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

Revenues Changes

Revenues - \$70.5 million

- Transfers- \$7.0 million
- Tax Changes - \$19.8 million
- New Taxes - \$15.3 million
- Enhanced Collections - \$12.0 million
- Fees – \$7.3 million
- Marijuana/Cannabis - \$6.5 million
- Gaming - \$2.8 million

Revenues Changes

Quasi Transfers	FY 19	FY 19 R	Chg.	FY 20	2Yr Chg.
Resource Recovery	\$ -	\$5.0	\$5.0	\$ -	\$5.0
RI Housing	-	2.5	2.5	1.5	4.0
Infrastructure Bank	4.0	4.0	-	4.0	4.0
RISLA	-	1.5	1.5	1.5	3.0
QDC	-	2.0	2.0	-	2.0
RIHEBC	-	2.0	2.0	-	2.0
Quasi Total	\$4.0	\$17.0	\$13.0	7.0	\$20.0
OSPAR	-	1.0	1.0	-	1.0
UST	-	1.0	1.0	-	1.0
Excess DEM Bonds	-	1.4	1.4	-	1.4
Grand Total	\$4.0	\$20.4	\$16.4	\$7.0	\$23.4

Revenues Changes

Tax Changes - \$19.8 million	
Cigarettes: up 25 cents per pack	\$3.1
OTP: e-cig, cigar cap, licensed suppliers	1.5
Sales Tax: <i>Building Services</i>	6.2
Sales Tax: <i>Digital Downloads</i>	2.6
Sales Tax: <i>Lobbying</i>	0.9
Sales Tax: <i>Shooting Ranges</i>	0.6
Sales Tax: <i>Interior Design</i>	0.5
Hotel Tax 1% increase	4.4

Revenues Changes

New Taxes* - \$15.3 million

Employer assessment for Medicaid	\$14.5
Excise tax on guns & ammunition	0.8

Enhanced Collections* - \$12.0 million

Remote Sellers	\$11.5
Collections Unit	0.5

Revenues Changes

Fees - \$7.2 million

DEM: Beach/Camp/Rec	\$1.3
Hard to Dispose Materials Fee	1.0
Beverage Container Case Fee	2.1
Oversized and Overweight Vehicle	0.5
Municipal Tax Block Fee	0.4
Debt Collector Fees	0.6
Mortgage Loan Originator	1.2

Revenues Changes

Gaming - \$2.8 million

Mobile Sports Betting	\$3.0
Keno App	0.9
Technical Correction to REC	(1.1)

Marijuana & Cannabis -\$6.5 million

Medical Marijuana	\$1.6
Adult Use Program	4.9

Revenues Changes

Change to Dedicated Charges - \$4.3 million	
DMV Transaction Fee - \$1.50 to \$2.50	\$1.6
OSPAR charge per barrel	1.5
Job Development Fund Assessment to large non-profits	1.2

- Changes to dedicated funding mechanisms
 - Not direct deficit resolutions but impacts to users and programs

Governor's Solution

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

Medicaid/EOHHS Agencies

Changes to Medicaid program

- Managed care plan reductions
 - Eliminate performance goal program
 - Reducing incidence of C-Sections
 - FQHC payments – move in plan
- Hospital rate freeze
- Nursing home increase limited to 1%
- Home and Community Care programs

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 at the state hospital

Medicaid

Impact to:	GR	All
Managed Care Plans	\$8.2	\$28.7
Hospitals	9.9	25.4
LTC – Nursing Facilities	6.5	14.0
LTC – Home & Community Care	1.5	3.1
State Only & Other Services	1.2	1.5
Developmental Disabilities	(1.2)	(2.5)
Eleanor Slater Hospital	1.3	1.2
Total	\$27.4	\$71.4

Medicaid

Impact: Managed Care Plans	GR	All
Hepatitis Coverage – Lower Rx cost	\$4.5	\$16.2
Performance Goal Elimination	0.9	5.1
C-Section Births	0.1	0.3
Federally Qualified Health Centers - in plan	1.9	5.3
Pharmacy Rebates	0.8	1.8
Total	\$8.2	\$28.7

Medicaid

Impact: Hospitals	GR	All
Freeze Rates at FY 2019 Level	\$5.3	\$15.1
Eliminate Inpatient UPL	3.6	9.4
Eliminate GME Payment	1.0	1.0
Total	\$9.9	\$25.4

Medicaid

Impact: Long Term Care	GR	All
Limit October 1 st nursing home rate increase to 1%	\$3.5	\$7.5
Hospice Rates - Care in a nursing home setting	2.6	5.5
Dual Eligible Utilization Management	2.0	4.2
Total	\$8.1	\$17.1

Medicaid

Impact: State Only & Other	GR	All
Cortical Integrated Therapy	\$1.0	\$1.0
Estate Recoveries	0.2	0.5
Total	\$1.2	\$1.5

Medicaid

Dev. Disabilities Program	GR	All
Current Spending & Caseload	(\$3.0)	(\$6.7)
Direct Wage Rate Increase	(3.0)	(6.4)
Residential Rebalancing	1.5	3.2
RICLAS – Close one home	0.1	0.2
RICLAS – Right sizing	0.2	0.4
Total	(\$4.2)	(\$9.3)

Medicaid

Eleanor Slater Hospital	GR	All
Current Staffing & Operations	(\$2.2)	(\$5.3)
Institutional Laundry Services	0.5	1.0
Radiology Services	0.1	0.1
Medicare billing improvement	0.2	-
Maximize Medicaid Reimbursement	0.5	-
Total	(\$0.9)	(\$4.2)

EOHHS Agencies

Proposals also impact

- Payments for services through DCYF
 - Less use of congregate care services
 - Eliminate unit at the Training School
 - Accelerate Voluntary Extension of Care program

EOHHS Agencies

- DCYF - \$20.5 million in savings compared to Q1 projections
 - Does not fund most of overspending
 - Includes new proposals
- DHS - \$5.7 million additional spending
 - Eligibility Admin staffing
 - Including 3 new child care initiatives
 - Child care expansion for those in school or training program – may be under budgeted

EOHHS Agencies

	DCYF	GR	All
Voluntary Extension of Care		\$2.6	\$3.0
Home Based Services Efficiencies		1.3	2.0
Title VI-E		0.3	-
Training School – close one unit		0.6	0.6
Total		\$4.8	\$5.6

EOHHS Agencies

DHS	GR	All
Child Care Reimbursement Rates	(\$0.8)	(\$0.8)
Expand subsidized child care to those in school/ training program	(0.2)	(0.2)
<i>Total</i>	(\$1.0)	(\$1.0)
Office of Elder Affairs*		
Co-Pay Programs - expand eligibility to 250% of poverty	(\$0.6)	(\$1.3)

**Currently Division of Elderly Affairs/Governor proposes new office*

EOHHS Agencies

- DOH - \$1.0 million
 - New home visiting state support
 - Preventive and prenatal services
 - Replaces federal funds
- Veterans Affairs - \$2.1 million
 - Home -staffing needs - \$1.9 million
 - Based on FY 2018 spend
 - \$1.0 million less than revised budget
 - Grants - \$0.2 million increase

EOHHS Agencies

- Issues with proposed legislation
 - RI Works Cash Assistance – Article 15
 - Keeps 48 month lifetime limit but eliminates the restriction of receiving more than 24 months in a 5 year period
 - Governor does not include additional funding FY 2020 to account for those who will remain
 - Program is funded through federal TANF block grant

EOHHS Agencies

- Issues with proposed legislation
 - SSI/Assisted Living – Article 16
 - Expands the higher state payment for those in assisted living eligible for Medicaid
 - Currently only for certified facilities providing services to individuals enrolled in Rhode Health Options managed care program who have higher level of acuity
 - Extends to those eligible for Medicaid funded assisted living services not just in managed care plan
 - Governor's budget does not fund expansion

EOHHS Agencies

- Other Issues
 - Budget re-attempts savings that agencies have had difficulty achieving
 - DCYF – Medicaid and Title IV-E claiming opportunities
 - BHDDH – further savings from residential rebalancing

Governor's Solution

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

Locals

- Aid \$7.5 million more than original estimates based on updated data
 - Education Aid - \$15.7 million more
 - Formula education aid - \$14 million
 - Teacher retirement – \$3.0 million
 - Cost Shift proposal -\$1.3 million savings
 - Local Aid - \$23.2 million less
 - PILOT funding – \$7.4 million less than estimated
 - \$6.0 million less than current law
 - Motor Vehicle Excise Tax - \$15.8 million more
 - \$16.1 million less than current law

Education Aid

- Funds 9th year of formula
 - Adds \$29.5 million based on updated data
 - Includes \$1.3 million reduction from DCYF proposal
 - Adds \$1.6 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

- \$38.0 million for categorical aid
- Most categorical funds at enacted level
 - \$4.5 million for High Cost Special Ed
 - \$4.5 million for Career & Tech
 - \$7.4 million for Transportation
- Out-years assume no growth
 - Like last 2 years but departure from past practice

Education Aid

- High Cost ELL
 - \$5.0 million, \$2.3 million more than enacted
 - Support for English language learners in most intensive programs
 - Based on 10% of core instruction amount, adjusted for state share ratio
 - Subject to appropriation
- Teacher Retirement
 - \$112.3 million, \$6.2 million more than enacted

Education Aid

- School Resource Officers
 - \$1.0 million for 2nd year, \$1.0 million less than enacted
 - 3-year program, reimburses 1/2 costs of new SROs in middle and high schools
 - Number of eligible SROs are limited by student enrollment at each school
- Density Aid
 - FY 2019 was last year of 3-year program

Education Aid

- School Construction Aid \$80 million
 - \$79.0 million - Traditional
 - \$1.0 million – SBA Fund
- 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
 - For FY 2019 and FY 2020, excess must be used for technical assistance to districts

Education Aid

- \$250 million GO bond approved by voters
 - Upfront support for state share of projects
 - Approval also triggered temporary incentives to enhance aid for certain projects
 - Up to 20% for health/safety deficiencies, high-demand areas, replacing & consolidating facilities
 - Projects must begin by 2022 or 2023
 - Out-year forecast excludes impact to traditional program from incentives & activity
 - Likely tens of millions more by 2022 and growing

Education Aid/Universal Pre-K

- Early Childhood – Universal Pre - K
 - \$15.6 million, \$9.3 million more from general revenues – Not in current service
 - Replaces one-time permanent school fund balance and expired federal funds
 - \$14.5 million to fully fund current 60 classrooms and expand program
 - \$0.7 million for contracted professional development & program evaluation
 - \$0.4 million for 4.0 new FTEs

Local Aid – General Aid Programs

	FY 2019 Enacted	FY 2019 Gov. Rev.	FY 2020 Governor
Dist. Communities	\$12.4	\$12.4	\$12.4
PILOT	46.1	46.1	40.8
Motor Vehicle Excise	54.7	56.3	78.0
Total	\$113.2	\$114.8	\$131.2
\$ In millions			

Local Aid – Restricted Aid Programs

	FY 2019 Enacted	FY 2019 Gov. Rev.	FY 2020 Governor
Library Resource Aid*	\$9.4	\$9.4	\$9.4
Library Const. Aid	2.2	2.2	1.9
Property Valuation	1.6	1.6	0.7
Oversight	0.1	0.1	0.1
Total	\$13.2	\$13.2	\$12.0
\$ 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 recipients
 - Central Falls
 - North Providence
 - Pawtucket
 - Providence
 - West Warwick
 - Woonsocket
 - Cranston
 - Johnston receives 50% transition payment out

Local Aid Programs

- PILOT - \$40.8 million
 - Funding represents– 23.6% of the value
 - \$5.3 million less than FY 2019
 - \$6.0 million less than full funding
- Car Tax Phase-Out - \$54.7 million
 - \$23.2 million more than enacted
 - \$15.8 million less than current law
 - Minimum exemption from \$2,000 to \$3,000
 - Lowers assessed value from 90% to 85%
 - Lowers tax rate cap from \$50 to \$35, per \$1,000

Car Tax Phase-Out

Fiscal Year	Current Law			2019-H 5151		
	% of Retail Value	Rate cap / \$1,000	Exempt. Floor	% of Retail Value	Rate cap / \$1,000	Exempt. Floor
2017	100	\$ -	\$ 500	100	\$ -	\$ 500
2018	95	\$60	\$1,000	95	\$60	\$1,000
2019	90	\$50	\$2,000	90	\$50	\$2,000
2020	85	\$35	\$3,000	87.5	\$40	\$2,800
2021	80	\$35	\$4,000	84	\$35	\$3,800
2022	75	\$30	\$5,000	79	\$30	\$4,800
2023	70	\$20	\$6,000	64.5	\$25	\$6,000
2024	No Tax Levied					

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 2020 Budget funds commerce programs at \$7.5 million above levels assumed in FY 2020 projections
 - Adds funding to established funds
 - Defunds ongoing programs
- Changes to approved programs
 - Extends sunsets from June 2020 to Dec 2023
 - Prior extension related to receipt of updated long term plan due December 2019
 - Evaluations due June 2020

Commerce

<i>Current Programs</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019R</i>	<i>2020</i>
Rebuild RI	\$ 1.0	\$ 25.0	\$ 12.5	\$ 11.2	\$ 15.0
Cluster Grants	0.8	0.5	-	0.1	0.1
Wavemaker	1.8	2.0	0.8	1.6	1.2
Innovation Initiative	1.0	1.5	1.0	1.0	1.0
P-Tech	0.9	1.2	-	0.2	0.2
I-195 Redev. Fund	25.0	-	2.0	1.0	1.0
Small Business Assist.	5.5	-	-	-	0.8
Supply RI	-	-	-	0.3	0.3

Commerce

<i>Pass-Through</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019R</i>	<i>2020</i>
Commerce Corp.	\$ 7.4	\$ 7.4	\$ 7.2	\$ 7.5	\$ 7.6
Airport Impact Aid	1.0	1.0	1.0	1.0	0.8
STAC	1.2	1.2	0.8	0.9	0.9
Innovative Research	1.0	1.0	1.0	1.0	1.0
Urban Ventures	0.1	-	0.1	0.1	-
Chafee Center	0.4	0.4	0.4	0.5	0.5
Polaris	0.4	0.3	0.3	0.4	0.4

Commerce

- Rebuild RI
 - Prefunding tax credits taken over time
 - \$15 million for FY 2020; prior assumption \$20 million
 - Total set-aside increases to \$65 million
 - Current cap on credits \$150M and expires 6/20
 - \$105 million awarded to date
 - Article 12 increases cap to \$250 million
 - Extends sunset to 12/23
 - Loosens restrictions including exceptions to cap of \$15 million per project
 - Out-years assume need for \$50 million per year

Commerce

Proposed Programs	GR	Total
Simplify, Streamline*	\$0.8	\$0.8
40 th Portal?/Site Readiness	1.45	2.45
Research & Development Tax Credit	1.3	1.3
Pay for Success	0.5	0.5
Total	\$4.0	\$5.0

**DBR includes \$0.5 million of this total; RICAP accounts for \$1.0 million*

Commerce

- Simplify, Streamline/Site Readiness
 - Facilitate development & investment
 - Joint EOC & DBR program
 - \$0.8 million for staff and consultants
 - 2.0 FTE at EOC, 7.0 at DBR and another \$0.5 million
 - \$1.45 million for site readiness
 - Legislation establishes new quasi-public entity, State & Local Partnership Council
 - Provide training, investments, consultation to locals
 - Expands role for Quonset with additional board
 - Elements of prior proposals not enacted

Commerce

- Research & Development Tax Credit
 - Transferrable tax credit up to \$1.3 million for qualifying costs
- Pay for Success - \$0.5 million
 - Assist homeless, high-Medicaid users with permanent supportive housing
 - Secure a \$1.0 million federal grant and leverage private funding
 - That funding is NOT currently assumed in budget

Commerce

- Related Issues
 - Minimum wage increase
 - Job development fund extension to non-profit employers
 - Noted in revenue section
 - Assessment for Medicaid employees
 - Noted in revenue section

Governor's Solution

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

Departments and Agencies

- Higher Education
 - \$8.3 million above current service estimates
 - \$1.9 million is for 3rd year of RI Promise Scholarship
 - Anticipates further growth in first year participants
 - \$1.8 million for URI online learning initiative
 - \$0.2 million for SNAP Scholarship initiative at CCRI
 - Other URI new items
 - \$1.0 million for fundraising contract with URI Foundation
 - \$0.9 million for new staff & \$0.5 million for grad assistants
 - \$2.0 million for student aid & operating system wide

Departments and Agencies

- Higher Education
 - Governor proposes to expand RI Promise
 - Part-time & full-time adults at CCRI
 - Includes those seeking degrees & certificates
 - Juniors & seniors at RIC
 - Similar to FY 2018 proposal that was not enacted
 - Budget includes \$5.3 million from one-time reserve funds
 - Out-year estimates assume general revenues
 - Do not address impact of early depletion of funds

Departments and Agencies

- Department of Corrections
 - High Security Savings - \$4.0 million
 - Linked to facility renovations
 - Governor requests Assembly authorization of \$45.0 million from COPs and adds \$1.1 million for debt service
 - Reduction in overtime costs from moving inmates out-of-state or to other facilities - \$5.1 million
 - Hepatitis C Treatment - \$2.1 million less
 - Assumes fewer inmates treated and at a lower price per treatment

Departments and Agencies

- Department of Corrections
 - Healthcare Savings - \$1.1 million
 - Equates to 5.0% of health care costs
 - Includes reductions to pharmaceuticals, doctors, & dentists
 - These costs have been a recent area of growth
 - Not clear how savings will be achieved
 - No specifics provided
 - Some of these expenses are also assumed to go down via statewide operating savings distribution

Departments and Agencies

- State Police Academy - \$1.6 million less
 - 10 fewer troopers expected to be hired
 - 30 instead of 40 in academy now
- Bomb Squad - \$0.1 million more
 - New equipment for Fire Marshal
- Judiciary - \$1.8 million more
 - Expenses above current service estimates
 - Essentially covers new judicial appointments
 - Governor announced appointments for 6 of 8 vacancies on December 10

Departments and Agencies

- Central Falls Operating Support - \$600,000 in savings
 - Excludes operational support to City enumerated in enacted budget
- DMF Staffing
 - Turnover equivalent to five positions

Initiatives

- K – 12 Initiatives

- New

- School Mental Health - \$590,000
- School Nutrition- \$55,000
- Curriculum Development - \$100,000

- Increased

- Advanced Coursework Network - \$50,000 more
- Computer Science (CS4RI) - \$50,000 more

Initiatives

- Complete Count - \$150,000 more
 - To maximize outreach & count related to 2020 census
- Litigation Oversight - \$0.1 million more
 - Oversee litigation across state agencies
- License Plate Reissuance
 - Delete requirement
 - \$0.4 million cost

Initiatives

- Americas Cup - \$0.4 million more
 - For hosting a June 2020 tournament
- Parks and Recreation - \$1.5 million more
 - For additional maintenance and staff
 - Similar to fee increase proposed

Debt Service

- Debt Service \$5.7 million savings
 - Higher Education debt – \$1.6 million
 - 195-Land debt – \$1.3 million
 - GO debt - \$1.5 million
 - Fidelity Job Rent Credits - \$0.5 million
 - Other debt - \$0.9 million

Cost Shifts

- DMV staff to DOT funds
 - \$4.5 million
- Water Resources Board to PUC
 - \$0.4 million
 - Cost shifts to regulated utilities
- Costs shifted to internal service funds
 - Labor contract negotiations
 - \$0.2 million

Statewide Savings Initiatives

- Includes \$10.0 million in savings from Statewide Efficiency Commission
 - Not established yet
 - Led by Office of Management and Budget
- Distribution of FY 2019 enacted savings among agencies
 - Not all proposals have been resolved

FY 2020: Governor's Solution

Revenues	\$70.5
Medicaid – EOHHS Caseload	26.0
EOHHS Agencies	33.2
Locals	7.5
Commerce	0.8
Higher Education	(8.3)
Debt Service	5.7
Other Issues, Initiatives & Adjustments	14.6
Total Governor Solution	\$150

Governor's FY 2020 Budget

- FY 2018 Audited Closing
- FY 2019 Revised Budget
- FY 2020 Revenue-Expenditure Gap
- Governor's Recommended Solution
- ***Operating Budget Overview***
- Capital Budget Overview
- Outyears

Expenditures

	Enacted	Budget	Change
Gen. Rev.	\$3,908.2	\$4,075.1	\$166.9
Federal	3,208.2	3,318.7	110.5
Restricted	281.8	301.5	19.6
Other	2,174.5	2,234.8	60.3
Total	\$9,572.7	\$9,930.0	\$357.3

Personnel and Operating

- Salaries and Benefits
 - Increase of 4.6% from enacted
 - General revenues increase 3.5%
 - Reflects updated benefit rates and cost-of-living adjustments
 - Includes \$6.1 million of statewide medical benefit savings

Full-time Equivalent Positions

	Total
FY 2018 Avg.	13,913.2
FY 2019 Enacted	15,209.7
FY 2019 Gov. Rev.	15,230.7
Diff. from Enacted	21.0
FY 2020 Gov. Rec.	15,413.1
Diff from Enacted	203.4
Filled Jan. 19	14,104.4
Diff. from Enacted	(1,105.3)
Diff. from Gov.	(1,499.9)

Staffing Changes

- Biggest changes
 - 30.0 troopers; 10.0 correctional officers
 - 30.0 highway maintenance, project managers
 - 25.0 Marijuana regulation
 - 20.0 new in Administration
 - 18.0 new to support internal service programs
 - 10.0 new at Division of Motor Vehicles
 - Most relate to 2 year REAL ID expansion

Staffing Changes

- Other changes
 - General Government - 23.4
 - Human Services - 25.0
 - 12.0 Veterans' Home
 - Education – 9.0
 - Public Safety – 10.0
 - 6.0 Military Staff
 - Natural Resources – 11.0

Personnel Initiatives

- Injured on duty changes - \$1.7 million
 - Allows an independent medical examiner to certify maximum improvement is reached
 - Currently only employee physician can certify
 - Start 60-day clock to apply for accidental disability
 - Current recipients have 90 days from July 1, 2019 to apply for accidental disability
 - Otherwise benefits would terminate
 - Applies to all state and local
 - Budget savings for DPS, Military, DEM

Personnel and Operating

- Contracted Services
 - Increases 28.6% from enacted
 - General revenues increases 15.1%
 - \$59.0 million more related to UHIP
 - 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

- Operating Costs
 - Increase 4.8% from enacted
 - 1.6% decrease from general revenues
 - Includes \$10.0 million in efficiency savings

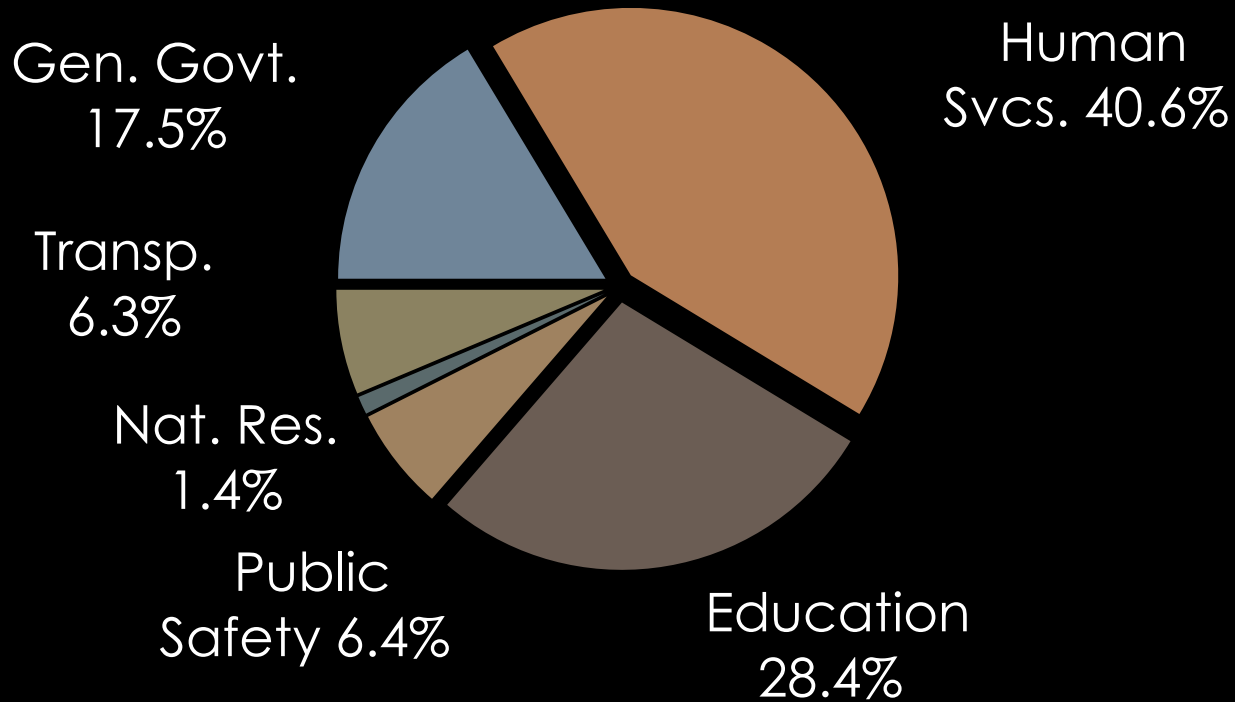
Centralized Services

- 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 continue

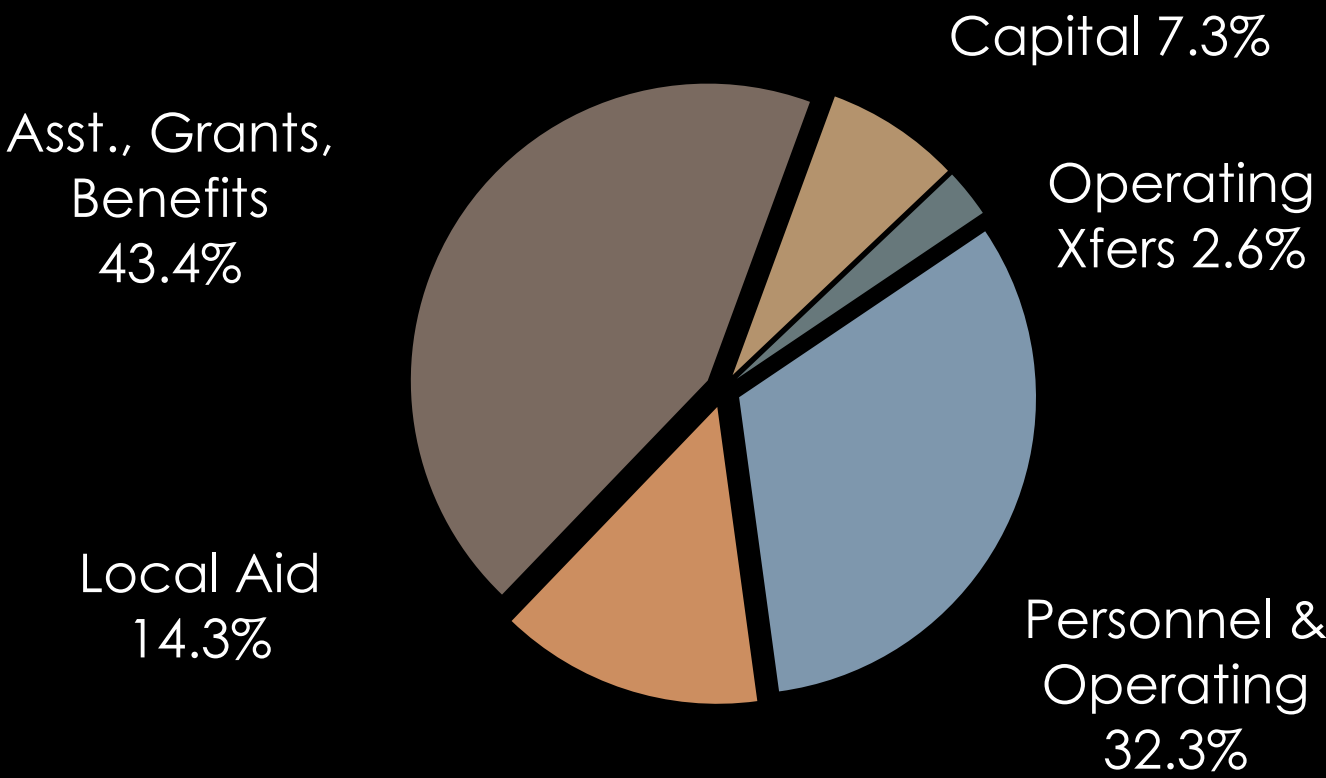
Personnel and Operating

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

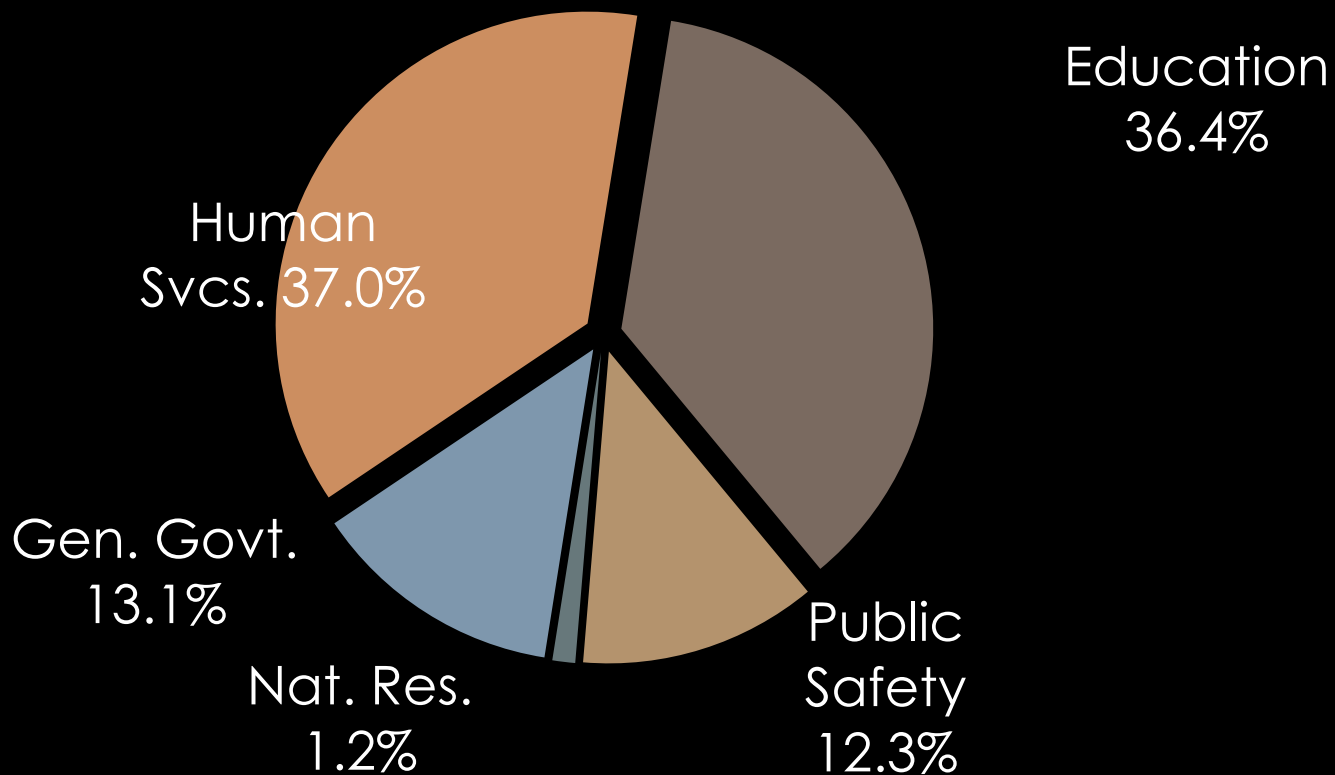
All Funds by Function: Governor FY 2020



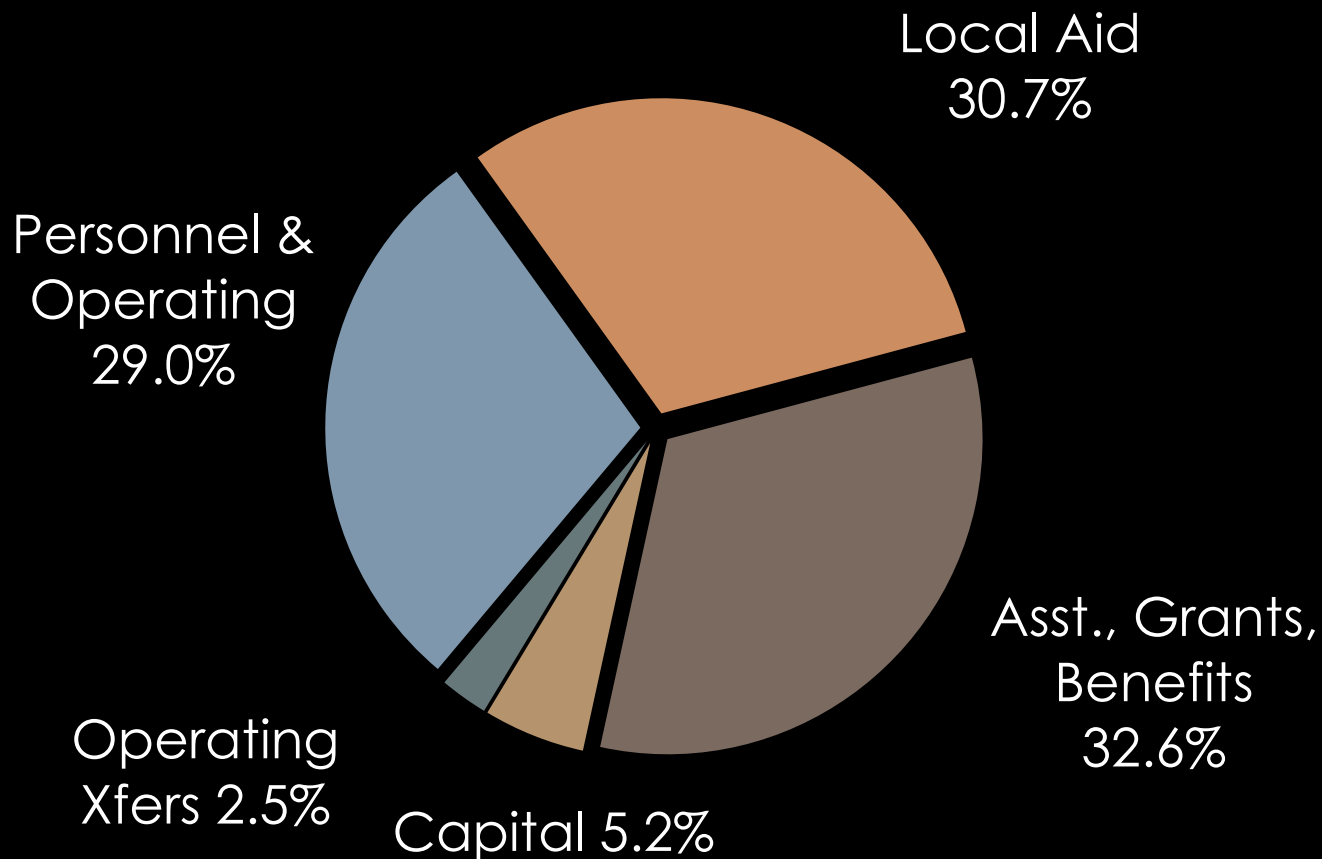
All Funds by Category: Governor FY 2020



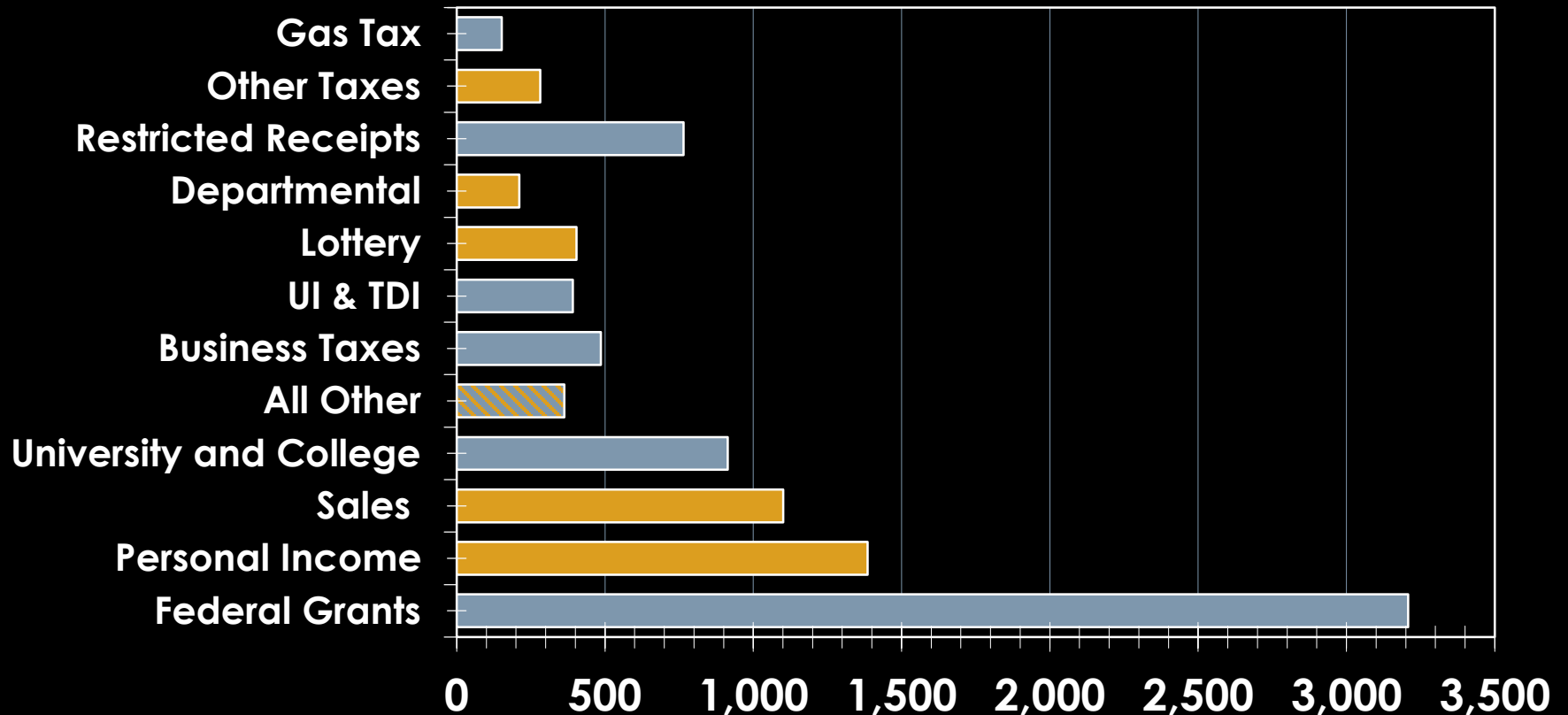
General Revenues by Function: Governor FY 2020



General Revenues by Category: Governor FY 2020

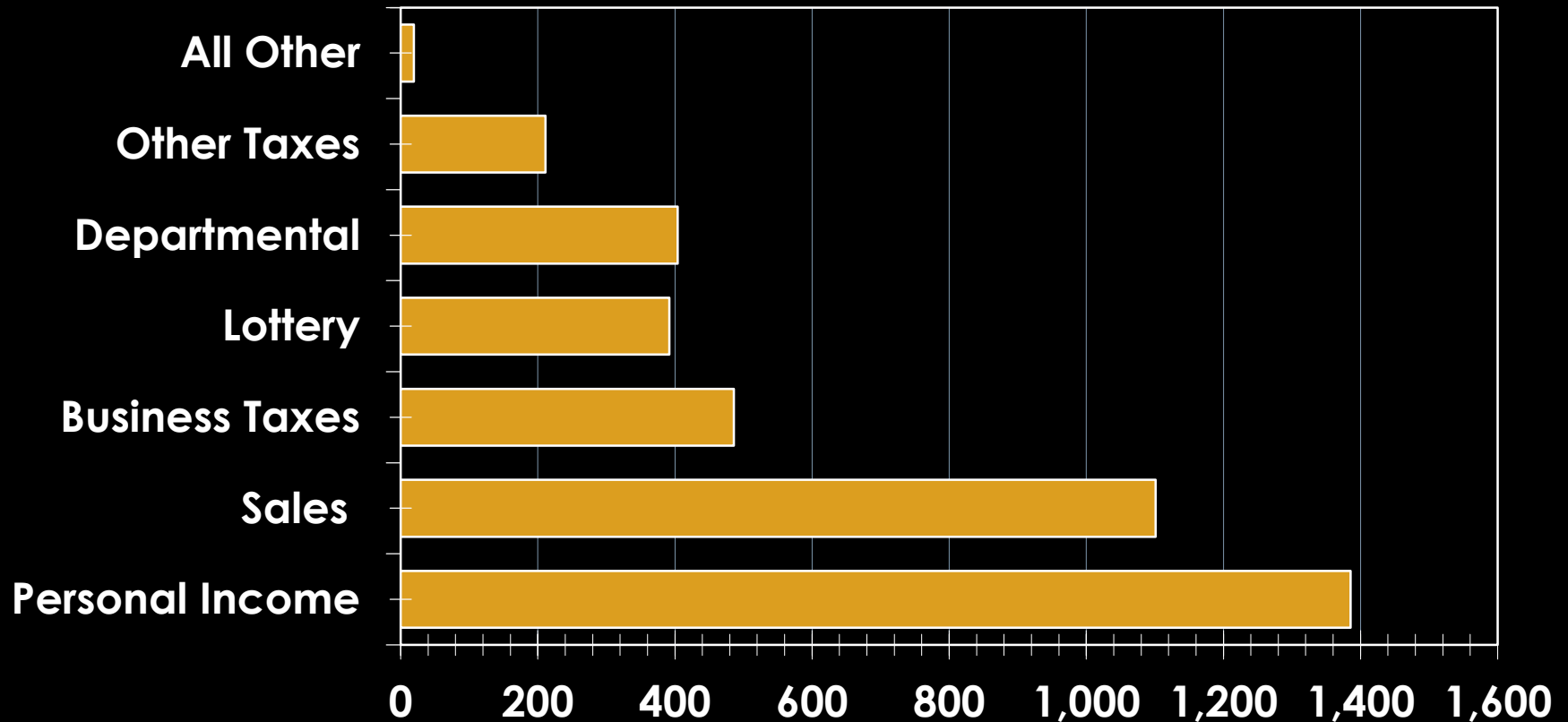


All Sources (\$millions)



General Revenue Sources

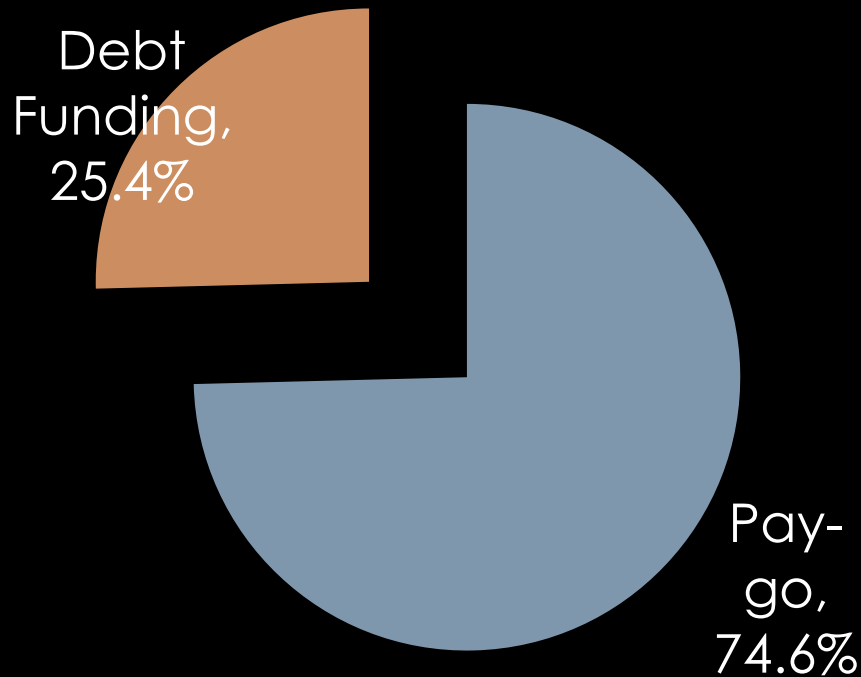
(\$millions)



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**
- Out-years

Capital Budget Funding



- Governor's capital budget not submitted yet
- Graphic represents enacted assumptions

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

- 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
- FY 2019 revised and FY 2020 budgets propose more spending than available

Assembly Role

- Appropriate Pay-Go (Article 1)
- 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

Revenue Bonds	Amount	Annual Debt	Source
URI Memorial Union	\$51.5	\$3.7	Student fees, retail leases
URI Fraternity Circle Master Plan	2.1	0.2	Gen. Rev., tuition, fees
URI Health & Counseling Center	26.9	2.0	Fees
Subtotal	\$80.5	\$5.9	
Certificates of Participation			
High Security Center (DOC)	\$45.0	\$4.3	Gen. Rev.
Total	\$125.5	\$10.2	

Memorial Union & Health & Counseling Center based on 30 yrs & 6%;
 Fraternity Circle based on 20 yrs & 5%; Higher Security based on 15 yrs & 5%
 Data in millions

Out-year Projections

- Five-year forecast required by statutes
- FY 2021 gap
 - One-time items in current budget gap
 - Scoops and use of one time revenues
 - Programs not reflected in FY 2020 budget
 - Growth in car tax
 - Mobile betting & sales tax larger impacts
 - Forecast missing key adjustment for school construction and may not reflect Pre-K initiative growth and some scholarship impacts

Budget Office Deficit Estimates

	Estimated	Share Useable Revenues
FY 2021	(\$79.1)	1.9%
FY 2022	(\$115.2)	2.7%
FY 2023	(\$180.0)	4.1%
FY 2024	(\$277.3)	6.3%

Uses – Growth Rates

Item	Est. Annual Growth
Jobs	0.1%
State Personal Income	2.7%
Taxes	3.0%
Total Revenues	2.6%
Total Expenditures	3.6%
Salaries & Benefits – 25% of total	3.4%
Medicaid – 30% of total	4.0%

Issues and Risks to the Forecast

- Revenue estimates & economic issues
- Control of current year spending
 - Savings timelines appear aggressive
 - Q2 reports inconsistent
 - Unclear what agencies are controlling to
- Many new initiatives are not funded from current resources
 - Major out-year commitments
 - Not all appear captured in forecast
 - Some existing commitments not captured

Issues and Risks to the Forecast

- Budget articles with fiscal impacts not reflected in budget
- No identified alternatives for riskiest assumptions
 - \$40 million from Deloitte over UHIP issues
- A lot of unfinished business
 - Staff review continues

Governor's FY 2020 Budget

Staff Presentation to the House Finance
Committee
February 5, 2019
