

# Federal Relief Programs & May Revenue and Caseload Estimates

Staff Presentation to the House Finance  
Committee  
May 14, 2020

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# Introduction

- State budget picture markedly different than January
- Quantifying that difference complex
  - Federal relief programs
  - Consensus estimating revisions
    - Revenues
    - Medical and cash assistance caseloads
  - Spending updates
    - Disaster response
    - Third quarter

# Introduction

- Federal relief
  - Costs of immediate response
    - Other crisis-related expenses
  - Economic stabilization for individuals and businesses
  - Budget stabilization for states
    - Education
    - Medicaid
    - Critical support services
    - Direct relief for lost revenues – no/not yet

# COVID-19 Relief Background

- March 9, 2020 - Governor declared state of emergency
  - Federal Disaster Declaration - March 13
- March 13, 2020 - President Trump declared a nationwide emergency exists as a result of COVID-19
  - Declared effective January 20, 2020

# COVID-19 Relief

- Stafford Act
  - Statutory authority for most federal disaster responses (FEMA)
  - Authorizes federal assistance
    - Incident magnitude exceeds governments' abilities to respond or recover
  - States reimbursed 75% of certain expenses
  - Federal guidelines suggest reimbursements cannot duplicate other federal assistance

# COVID-19 Relief

- On April 13 RI requested that FEMA waive 25% state share
- RIEMA planned and paid expenses almost \$133 million as of May 13
  - Mostly ventilators & personal protective equipment
  - Other state agencies also have eligible expenses

<b>As of May 13</b>	<b>EMA</b>	<b>All</b>
Expenditures	\$20.1	\$39.5
Encumbrances	112.9	136.2
<b>Total</b>	<b>\$132.9</b>	<b>\$175.8</b>

\$ in millions

# COVID-19 Relief

- Three possibilities on state match
  - 100% waiver granted – **optimal**
  - State Coronavirus Relief funds (\$1.25B) can be used to meet state match – **next best**
  - Expenses get shifted to Coronavirus Relief funds to avoid direct general revenue expense to cover match
    - **Worst case -more significant share of those funds are not available for other state needs, budget relief**

# COVID-19 Relief

- Examples of state match costs at varying levels of FEMA eligible expenses
  - Still many unknowns
  - Cities and towns also face match issue

Total Spend	State Match
\$100,000,000	\$25,000,000
\$150,000,000	\$37,500,000
\$200,000,000	\$50,000,000
\$250,000,000	\$56,250,000



# COVID-19 Relief

- There have been 4 federal acts to address crisis
  - Coronavirus Preparedness & Response Supplemental Appropriations Act – March 6
  - Families First Coronavirus Response Act – March 18
  - CARES Act – March 27
  - Paycheck Protection Program & Health Care Enhancement Act – April 24

# COVID-19 Relief

- Federal acts include funding for
  - State and local budgets
    - *Strings and limitations*
  - Individuals
    - Direct stimulus payments
    - Optional tax changes
  - Businesses
    - Loans
    - Optional tax changes

# State & Local Budgets

Federal Relief Projections for RI	Amount
Treasury	\$1,250.0
Education	121.5
Health & Human Services	306.8
Centers for Disease Control & Prevention	11.5
Labor	5.6
Justice	4.5
Department of Agriculture	4.0
Housing & Urban Development	24.6
Transportation	128.6
Other	8.9
(\$ in millions) <b>Total</b>	<b>\$1,866.0</b>

# State & Local: Treasury

- Coronavirus Relief Fund
  - CARES Act provides \$150 billion for states based on population
    - Rhode Island qualifies for \$1,250 million minimum
  - Funds can be used for “necessary” expenditures related to COVID-19
    - Not accounted for in most recently approved budget
    - Incurred from March 1, 2020 to December 30, 2020

# State & Local: Treasury

- April 22 guidance on qualifying expenses
  - Direct expenditures = medical & public health needs
  - Secondary effects = economic support to those suffering from employment or business interruptions
    - Payroll for public safety, public health, health care
  - Expressly prohibits use for
    - State's share of Medicaid expenses
    - Costs reimbursed through other federal programs

# State & Local: Treasury

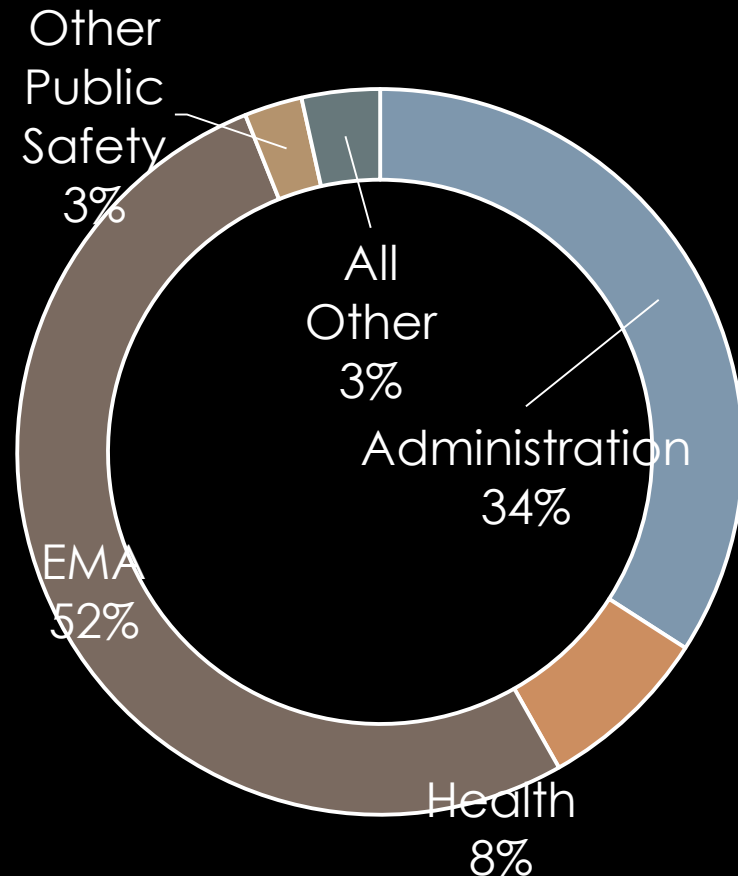
- May 4 guidance suggests most flexibility will be with public safety & public health expenses
  - Allows for general revenue relief
  - Potentially tens of millions

<b>General Revenues</b>	<b>FY 2020 Gov. Revised</b>	<b>FY 2021 Governor</b>
Health	\$30.9	\$33.0
Public Safety	\$105.3	\$105.7
Corrections	\$238.3	\$242.1
<b>Per Quarter</b>	<b>\$93.6</b>	<b>\$95.2</b>

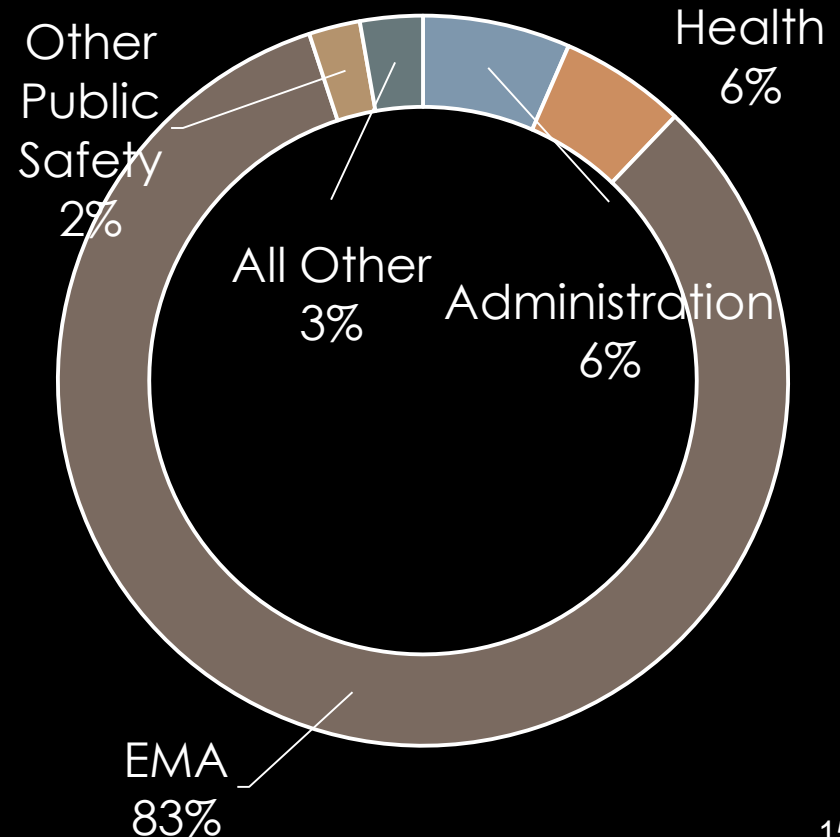
*\$ in millions*

# State & Local Budgets

## EXPENDITURES AS OF 5/13



## ENCUMBRANCES AS OF 5/13



# State & Local: Education

- \$121.5 million from 3 distinct funds
  - K-12 funds available through 9/30/2022
  - Higher education funds available through 9/30/21

<b>Education Stabilization Fund</b>	
Governor's Emergency Education Relief Fund	\$8.7
Elementary & Secondary School Emergency Relief Fund	46.4
Higher Education Emergency Relief Fund	66.4
<b>Total</b>	<b>\$121.5</b>

\$ in millions



# State & Local: Education

- Maintenance of effort
  - Eligibility requires states to maintain a certain level of support in FY 2020 and FY 2021
  - Average of FY 2017, FY 2018 & FY 2019
    - Excludes expenditures for research & development, tuition/fees, or capital projects
  - Reductions to expenditures are limited if federal funds are accepted

# State & Local: Education

<b>Maintenance of Effort Calculation - K-12 Education</b>	
<i>State Support</i>	No Constr. Aid
FY 2017	\$1,006.5
FY 2018	\$1,054.6
FY 2019	\$1,080.5
<b>Average</b>	<b>\$1,047.2</b>
FY 2020 Gov. Rev.	\$1,130.3
Chg. to 3-year Avg.	<b>\$ 83.1</b>
FY 2021 Gov. Rec.*	\$1,175.2
Chg. to 3-year Avg.	<b>\$ 128.0</b>

\$ in millions

# State & Local: Education

- Emergency Education Relief - \$8.7 million
  - State allocations use two age-based population formulas
  - Must be used for emergency grants to LEAs, higher ed. institutions & other education related entities
    - Must be awarded within 1 year of receipt of funds
    - Funds not awarded must be returned for redistribution to other states
  - No distribution of funds available at this time

# State & Local: Education

- Elementary & Secondary Education Emergency Funds - \$46.4 million
  - At least 90% must go to LEAs - \$41.7 million
  - Distributed based on FY 2019 allocation of Title I-A

<b>Schools</b>	<b>Estimated Award</b>
Districts	\$37,562,936
Charters	3,454,925
State Operated	697,538
<b>Total</b>	<b>\$41,715,400</b>

# State & Local: Education

- To be used for activities necessary to maintain operations & services
  - Cleaning, coordinating response efforts, planning for long-term closure
  - Staff training & purchasing technology
  - Needs of specific student populations
  - Mental health services & supports
  - Summer learning & supplemental afterschool programs

# State & Local: Education

- Remaining 10% or \$4.5 million may be reserved by RIDE
  - Admin costs limited to 0.5% or \$0.2 million of total award
  - Can be used for emergency needs related to COVID-19

# State & Local: Education

- Higher Education Relief Fund - \$14 billion
  - 90% based on Pell Grant enrollments
    - Half for emergency financial aid to students
    - Rest to defray lost revenue & technology costs for distance learning
  - 7.5% to minority serving institutions
    - To defray expenses or provide grants to students
  - 2.5% allocated by Secretary of Education to institutions “with greatest need”

# State & Local: Education

- Distributions by Rhode Island institution
  - Public schools get \$29.5 million
  - 12 private institutions get remainder

## Relief Funds for Rhode Island Institutions

Institution	Student Aid	Institutional Aid	MSI Aid	Total
URI	\$5.6	\$5.6	\$ -	\$11.2
RIC	3.7	3.7	0.4	7.8
CCRI	5.0	5.0	0.5	10.5
Privates	18.0	18.0	0.8	36.8
<b>Total</b>	<b>\$32.4</b>	<b>\$32.4</b>	<b>\$1.7</b>	<b>\$66.4</b>

\$ in millions



# State & Local: Education

<b>Maintenance of Effort Calculation - Higher Ed</b>		
<i>State Support</i>	No Debt Service	W/ Debt Service
FY 2017	\$172.6	\$192.2
FY 2018	\$175.9	\$207.0
FY 2019	\$180.3	\$217.7
<b>Average</b>	<b>\$176.3</b>	<b>\$205.6</b>
FY 2020 Gov. Rev.	\$188.5	\$230.3
<b>Chg. to 3-year Avg.</b>	<b>\$ 12.2</b>	<b>\$ 24.7</b>
FY 2021 Gov. Rec.	\$189.9	\$227.6
<b>Chg. to 3-year Avg.</b>	<b>\$ 13.6</b>	<b>\$ 22.0</b>

\$ in millions

# State & Local: Education

## Maintenance of Effort Calculation

<i>State Support</i>	K-12 w/ No Constr. Aid	Higher Ed No Debt Service
<b>Average</b>	<b>\$1,047.2</b>	<b>\$176.3</b>
FY 2020 Gov. Rev.	\$1,130.3	\$188.5
<b>Chg. to 3-year Avg.</b>	<b>\$ 83.1</b>	<b>\$ 12.2</b>
FY 2021 Gov. Rec.	\$1,175.2	\$189.9
<b>Chg. to 3-year Avg.</b>	<b>\$ 128.0</b>	<b>\$ 13.6</b>

\$ in millions

# State & Local: Health & Human Services

<b>Health and Human Services</b>	<b>Impact</b>
Health Care Providers	\$197.8
Community Health Centers	11.5
Community Mental Health Centers & Behavioral Health Programs	6.0
Community Living Programs	6.4
Children & Families	21.1
Medicaid Rate Relief	64.0
<b>Total</b>	<b>\$306.8</b>

\$ in millions

# State & Local: Health & Human Services

- Healthcare Providers - \$197.8 million
  - \$90.5 million for loss of revenue
    - Based on 2019 Medicare payments
    - More to be distributed
  - \$19.8 million for Rhode Island Hospital
    - From the \$12.0 billion for hospitals in “hot spots” areas
  - \$0.8 million for hospital preparedness
    - DOH & HARI
  - Senator Reed’s office announced RI would get \$86.7 million for testing from most recent stimulus

# State & Local: Health & Human Services

- Community Health Centers - \$11.5 million
  - \$7.8 million for COVID-related expenses
  - \$3.7 million to expand COVID-related testing
- Community Mental Health Centers & Behavioral Health Programs - \$6.0 million
  - Community Mental Health Ctrs. - \$4.0 million
    - Increase access to mental health care services
  - Emergency Response Grants - \$2.0 million
    - Flexible spending to address mental health and substance use disorders

# State & Local: Health & Human Services

- Community Living Programs - \$6.4 million
  - Congregate & home delivered meals \$3.6M
  - Supportive services for older & disabled individuals - \$1.0M
  - Ombudsman program -\$0.1 M
  - Ocean State Center for Independent Living - \$0.9M
  - Family Caregivers - \$0.5M
  - Aging & Disability Resource Center -\$0.3M

# State & Local: Health & Human Services

- Children & Families - \$21.1 million
  - Child Care Development Block Grant
    - \$8.2 million for Rhode Island
    - In addition to state's FY 2020 award of \$24.3 million
  - Eligible uses of funds include
    - Provider payments
      - Decreased enrollment or closures
    - Ensuring ability to remain open or reopen
    - Provide child care assistance to health care & other essential workers

# State & Local: Health & Human Services

- Department of Human Services has continued to pay Child Care Assistance Program providers during closure
  - Payments based on enrollment
  - Applicable family co-pays
  - Child care assistance for healthcare workers



# State & Local: Health & Human Services

- Children & Families - \$21.1 million
  - Community Services Block Grant - \$5.5 million
    - For programs and services including those targeting low-income families
    - In addition to state's annual \$4.1 million block grant award
  - Nearly all funding is distributed to providers
    - Includes community action agencies
    - Up to 5% of funds may be used for admin costs
      - \$0.3 million of new funds

# State & Local: Health & Human Services

- Children & Families - \$21.1 million
  - Head Start - \$2.3 million
    - Distributed directly to head start providers
    - Funding for summer learning programs & for expenses resulting from COVID-19
  - Seats in summer programs to be prioritized for
    - Currently enrolled students entering kindergarten in the fall of 2020
    - Those with an Individualized Education Plan

# State & Local: Health & Human Services

- Children & Families - \$21.1 million
  - \$0.2 million for Family Violence Prevention
    - Provide temporary housing & assistance to victims of family, domestic, & dating violence
  - \$0.1 million for Child Welfare Services
    - Awarded to DCYF to prevent neglect, abuse, exploitation of children
    - Support for at-risk families & youth returning to their families
    - Provide training to staff

# State & Local: Health & Human Services

- Low Income Home Energy Assistance Program (LIHEAP) - \$4.8 million
  - Helps low income households with home energy costs
    - Eligibility for the program is unchanged
  - Community action agencies enroll eligible residents in the program

# State & Local: Health & Human Services

- Enhanced Medicaid (FMAP) Rate
  - Temporary increase to federal share of direct Medicaid expenses – 6.2%
    - Quarter occurring during public health emergency
  - RI – increase from 52.95% to 59.15%
    - Expenses in EOHHS/BHDDH/DCYF & DHS
  - FY 2020 state savings - \$64.0 million (approx.)
    - 3<sup>rd</sup> & 4<sup>th</sup> quarters
  - FY 2021 – 1<sup>st</sup> quarter savings - \$42.0 million
    - if applicable

# State & Local: Health & Human Services

- Maintenance of effort for enhanced rate
  - Maintain eligibility requirements & other standards in place as of January 1, 2020
  - Cannot terminate an individual enrolled in Medicaid as of March 18, 2020
    - Even if termination was already scheduled
  - FY 2020 May Caseload Conference
    - Enhanced FMAP - \$55 million GR saving
      - Offset by \$5.9 million cost from delaying redeterminations

# State & Local: CDC

- Centers for Disease Control & Prevention awarded \$11.5 million to RI Department of Health
  - Public health crisis response to COVID-19
    - Expand capacity for testing & contact tracing
    - Improve morbidity and mortality surveillance
    - Implement appropriate containment measures

# State & Local: Labor

- Unemployment Insurance Administration
  - Families First Coronavirus Response Act provides \$1 billion to states
    - \$3.3 million awarded to Rhode Island
- WIOA Dislocated Workers
  - CARES Act includes \$345 million
    - U.S. Department of Labor announced \$131.3 million of awards on April 15, 2020
      - RI will receive \$2.3 million



# Unemployment Insurance

- Unemployment insurance taxes are paid by employers
  - Federal and state component
  - Federal tax used for
    - Administrative expenses
    - Loans to states when needed to pay benefits
    - Partially reimburse states for extended benefits
  - State tax used solely for benefits
    - Different levels depending on trust fund health
    - Taxes currently range 0.9% to 9.4% on first \$24k

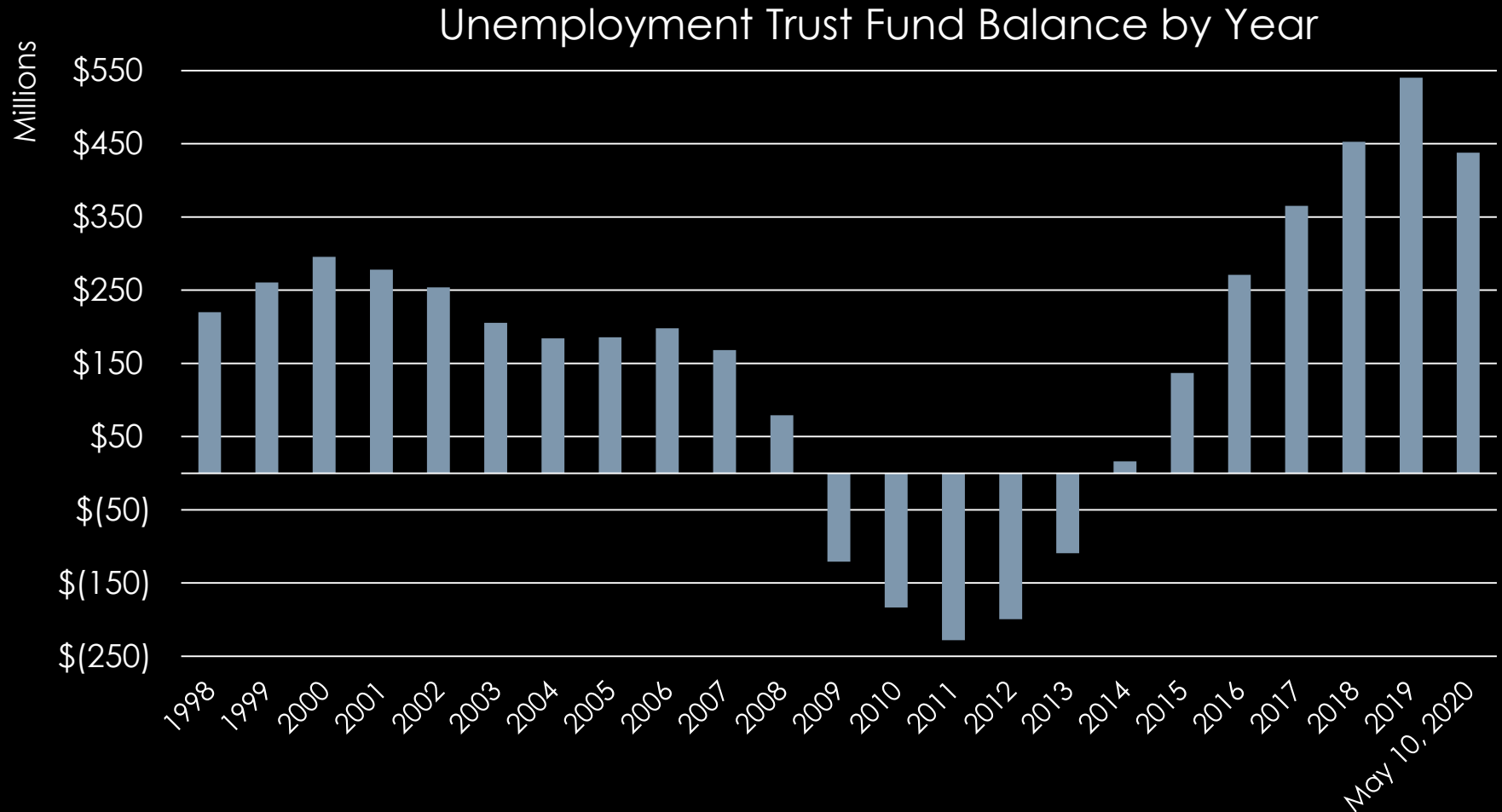
# Unemployment Insurance

- Individual rates based on employer's level of reserves
  - April 9 Executive Order 20-19 prevents individual employer rates from being impacted by COVID-19 related unemployment
  - All employers still subject to higher rates if a higher rate schedule is in effect
    - Lower trust fund reserves lead to higher schedules

# Unemployment Insurance

- Trust Fund Solvency
  - As of 5/12, balance is \$420.0 million
    - Began 2020 with \$537.9 million
  - Balance is fluctuating
    - Employer payments
    - Reimbursement for some benefit payments
- Families First Coronavirus Response Act
  - Interest-free advances to help pay benefits
    - Similar to Great Recession
      - State borrowed approximately \$745 million
      - Fed tax rates higher until paid off

# COVID-19 Unemployment



# Unemployment Insurance

## New Federally Funded Programs

Benefit Program	Description	Expiration
Pandemic Emergency Unemployment Compensation (PEUC)	13 weeks after 26 weeks of regular benefits for covered employment	12/31/2020
Pandemic Unemployment Assistance (PUA)	Up to 39 weeks for non-covered employment	12/31/2020
Emergency Increase in Benefits	\$600 added to weekly payment for all recipients	7/31/2020

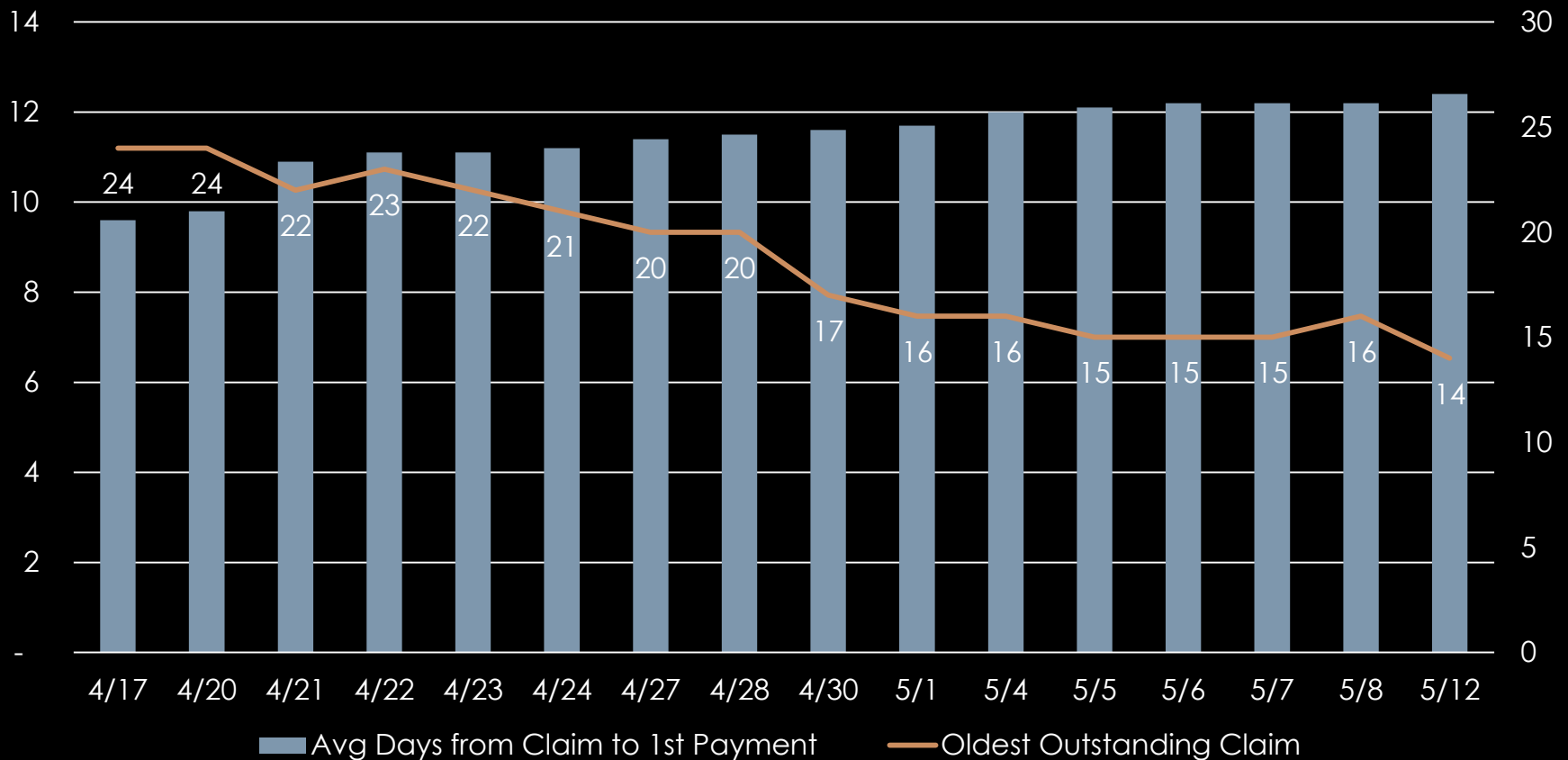
# Unemployment Insurance

<b>Benefit</b>	<b>Length</b>
<b>Covered Employment</b>	
Regular Benefits	26 weeks
PEUC	13 weeks
Extended*	13 weeks
High Extended*	7 weeks
Increased Benefits - \$600	Until July 31, 2020
<b>Non-Covered Employment</b>	
PUA	39 weeks
Increased Benefits - \$600	Until July 31, 2020

\* Triggered by high unemployment over three months

# Unemployment Insurance

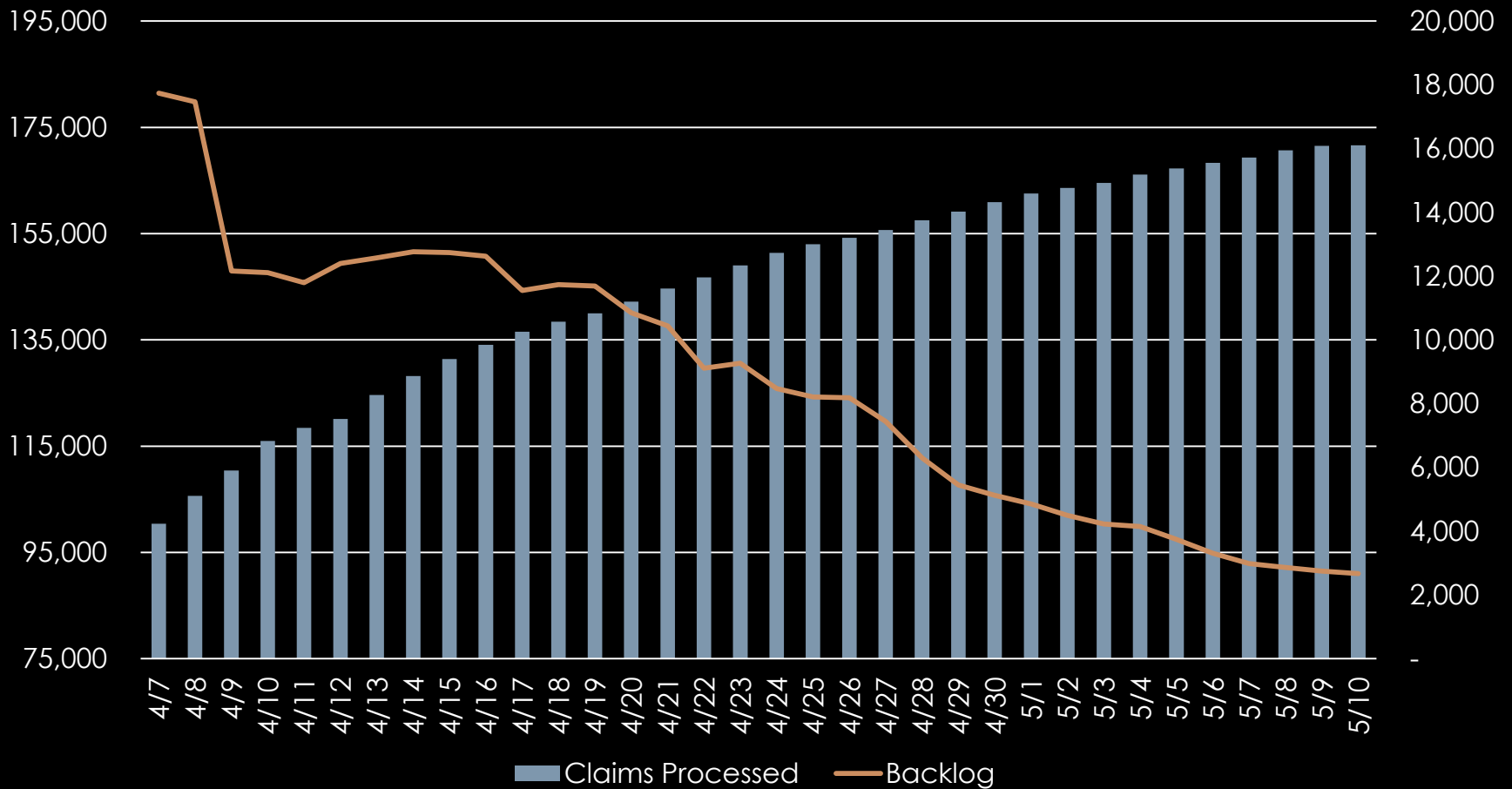
Average Days from Claim to Payment & Oldest Outstanding Claim in Days



No data provided for missing days

# COVID-19 Unemployment

## Total Claims Processed and Backlogged Claims





# State & Local: Justice

- State and local law enforcement
  - \$850.0 million for criminal justice programs
  - Rhode Island is receiving \$4.5 million
    - \$3.2 million for state
    - \$1.3 million for locals
  - Allowable expenses include personnel costs, overtime, PPE, & correctional inmates' medical needs
    - May be retroactively applied to January 20, 2020

# State & Local: USDA

- Department of Agriculture - \$4.0 million for two programs
  - \$2.7 million from the emergency food assistance program
    - Rhode Island Food Bank administers program
  - \$1.3 million for the Special Supplemental Nutrition Program for Women, Infants, & Children

# State & Local: USDA

- Some will get increased SNAP benefits
  - Families w/ children that would have received free/reduced priced meals at school
    - \$5.70 per school day per child during school closure
      - Families not enrolled in SNAP & with qualifying children are eligible
  - DHS approved to issue emergency benefits to participating households for March & April
    - More families could receive the maximum amount
  - Starting April, individuals previously ineligible because of employment participation now eligible

# State & Local: Transportation

- CARES Act provides \$128.6 million for transportation related purposes
  - Federal Transit Administration
    - \$91.2 million to RIPTA
    - \$13.3 million to Department of Transportation
  - Federal Aviation Administration
    - \$24.0 million in grants-in-aid to Rhode Island airports

# State & Local: Transportation

- Federal Transit Administration
  - Funding remains available until expended
  - No matching requirement
- Rhode Island Public Transit Authority
  - Operational expenses
    - Drivers' salaries, fuel or items having a useful life of less than one year
- Department of Transportation
  - In process of developing plan

# State & Local: Transportation

- Federal Aviation Administration
  - \$24.0 million to Rhode Island airports
    - Funds can be used for “any purpose for which airport revenues may lawfully be used”
      - RIAC indicates its share is \$21.7 million
      - \$2.3 million for remaining airports

# State & Local: Independent Agencies

Emergency Management Performance Grants (EMA)	\$0.9
Emergency Food & Shelter (EMA)	\$0.6
Commerce	\$3.5
Elections Security	\$3.0
National Endowment for the Arts	\$0.4
Institute of Museum & Library Services	\$0.1
National Endowment for the Humanities	\$0.4

\$ in millions

# Individuals: Stimulus Payments

- Individual Stimulus Payments
  - Works as a tax credit
    - Individuals - \$1,200
    - Married couples filing jointly - \$2,400
    - Children younger than 17 years old - \$500
  - Reduced payments if AGI is over
    - \$75,000 for individuals/\$150,000 for couples
  - No payment if AGI is over
    - \$99,000 for individuals/\$198,000 for couples



# Individuals: Tax Implications

Provision	Description	RI Impact	
		FY 21	FY 22
Retirement Funds	Waives 10% penalty for early withdrawal	\$(0.3)	\$(1.3)
Required Min Distribution	Taxpayers not required to receive required minimum distributions	\$(6.6)	\$(2.8)
Charitable Contributions	Allowance of up to \$300 deduction for charitable contributions for tax year 2020	\$(0.3)	\$(0.4)
Employer Student Loan Payments	Employer payments of student loans not considered income for tax purposes	\$(0.2)	\$(0.1)

\$ in millions

# Businesses

## Federal Opportunities

- Paycheck Protection Program
- Economic Development Injury Loans (EIDL)
- Debt Relief
- State Trade Expansion Program
- Express Bridge Loans
- Tax Law Changes

## State Opportunities

- Business Microenterprise Stabilization Grant (MicroE)
- Bridge Loans for Restaurants & Micro Businesses
- Small Business Tech Support
- PPP Loans
- Superior Crt Business Recovery
- RISCA– Artist Relief Fund

# Businesses: Federal

- Paycheck Protection Program (SBA)
  - Forgivable, no-cost loans for staff & operating costs to retain employee count
    - Up to \$100,000 per employee
  - Loan forgiven if
    - 75% of total is spent on staffing expenses
    - Employee count & total compensation remain consistent
- Initial CARES funding exhausted on 4/16
  - Program recapitalized on 4/24

# Businesses: Federal

RI Paycheck Protection Program Awards			
Funding Period	Loan Count	Total Amount	Average
Phase 1 (to 4/16)	7,732	\$1,335,777,801	\$172,760
Phase 2 (4/27-5/8)	7,960	\$593,188,486	\$74,521
<b>Total</b>	<b>15,692</b>	<b>\$1,928,966,287</b>	<b>\$122,927</b>

# Businesses: Federal

- Economic Injury Disaster Loans (SBA)
  - Up to \$2.0 million for working capital
    - For individuals, businesses of all sizes, & nonprofits
    - Repayment for new loans deferred through 12/31/20

<b>Program Expansion</b> RI: 223 loans \$33.8 million	Expanded to include COVID-19 disaster
	Permits loan approval based on credit score
	Waives requirements for <ol style="list-style-type: none"> <li>1. Ability to access credit</li> <li>2. Personal guarantees to secure funding</li> <li>3. Minimum 1-yr of operation</li> </ol>
<b>EIDL Grants</b> RI: 4,292 grants \$17.8 million	Forgivable loan advances up to \$10,000 ~\$1,000/employee Similar eligibility & uses as PPP

# Businesses: Federal

- Debt Relief
  - SBA to pay certain loans for 6 months
  - Certain disaster loans deferred to 12/31/20
- Express Bridge Loans
  - Provides expedited bridge loans up to \$25,000 for certain borrowers
  - CARES Act expands eligible SBA lenders & increases the maximum loan amount from \$350,000 to \$1.0 million until 1/1/21

# Businesses: Federal

- State Trade Expansion Program (STEP)
  - Administered by Chafee Center at Bryant
    - Reimbursement for international market website development & outreach increased to \$6,000
      - New exporters reimbursed up to 75% of costs
      - Existing exporters reimbursed up to 50% costs
  - Grant recipients reimbursed for financial losses related to Coronavirus cancelled events
    - Current grants extended through FY 2021

# Businesses: Federal

- Social Security Taxes
  - CARES Act allows employers to delay payment of federal Social Security taxes (FICA) for 2020
    - Must be repaid within 2 years
      - Half by 12/31/21
      - Remainder by 12/31/22
      - PPP loan forgiveness ineligible
  - This option is also available to state, local and other entities



# Businesses: Federal

Business Tax Opportunities	State Revenue Impact	
	FY 2021	FY 2022
Credits for net operating losses	\$(2.0)	\$(0.7)
Temporary excess business losses cap elimination for S-Corps	Not determinable	
Alternative minimum tax credit refund	N/A	N/A
Interest deduction cap increase	\$(1.6)	\$(1.0)

# Businesses

## Federal Opportunities

- Paycheck Protection Program
- Economic Development Injury Loans (EIDL)
- Debt Relief
- State Trade Expansion Program
- Express Bridge Loans
- Tax Law Changes

## State Opportunities

- Business Microenterprise Stabilization Grant (MicroE)
- Bridge Loans for Restaurants & Micro Businesses
- Small Business Tech Support
- PPP Loans
- Superior Crt Business Recovery
- RISCA– Artist Relief Fund

# Revenues

- Revenue estimates are driven by trends, collections to date, and the economic forecasts
  - Immediate impact of COVID -19 related restrictions– near term
  - Sustained economic impact

# 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 2020 forecast reflects steep impacts of pandemic
    - “U” shaped recovery
    - 35% probably for more pessimistic outcome

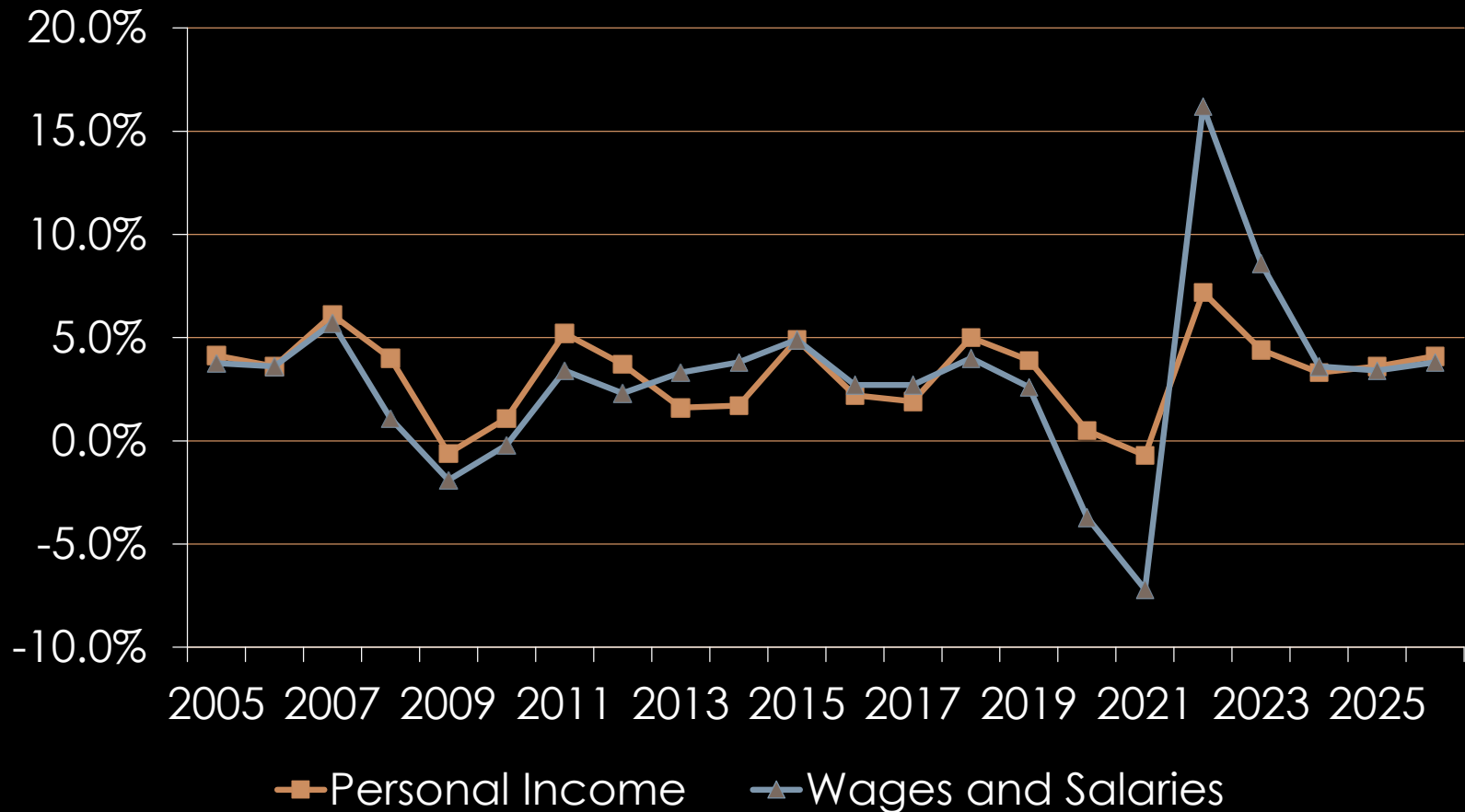
# Forecast Changes

<b>Selected Concepts</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b><i>Nonfarm Employment – jobs in thousands</i></b>			
November 2019	505.7	508.0	509.7
May 2020	480.3	421.6	475.8
<b>Change</b>	<b>-25.4</b>	<b>-86.4</b>	<b>-34.0</b>
<b><i>Wage &amp; Salary Income Growth %</i></b>			
November 2019	5.1	4.2	4.1
May 2020	-3.7	-7.2	16.2
<b>Change</b>	<b>-8.7</b>	<b>-11.3</b>	<b>12.0</b>
<b><i>Unemployment Rate %</i></b>			
November 2019	3.6	3.6	3.9
May 2020	7.4	15.9	7.5
<b>Change</b>	<b>3.8</b>	<b>12.3</b>	<b>3.6</b>

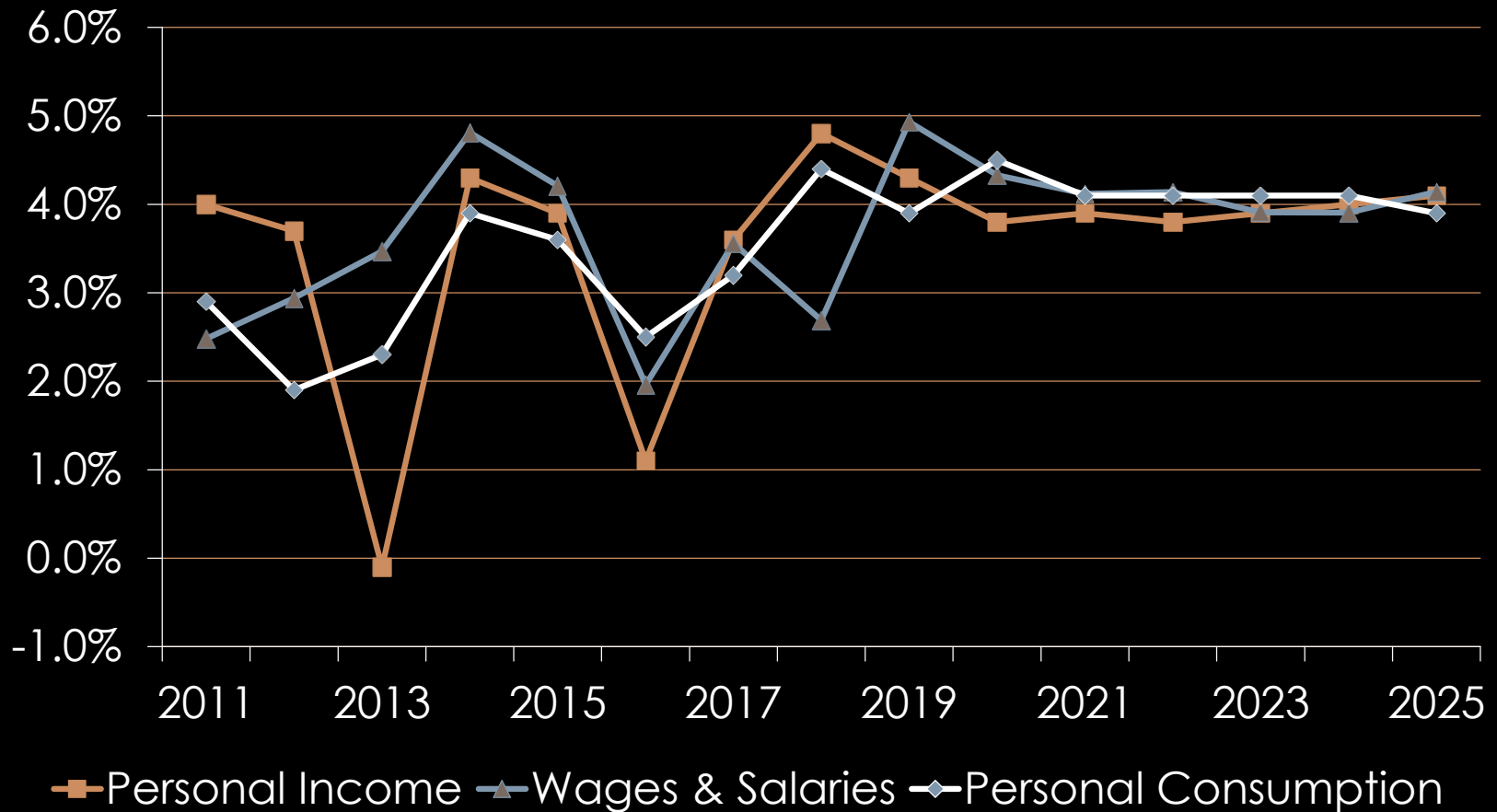
# Revenue Drivers: November



# Revenue Drivers: May



# Revenue Drivers : November





# Revenue Drivers : May



# Revenues: May REC

- Taxes in FY 2020 = \$3,147.5 million
  - \$169.8 million or 5.1% below November
    - \$82.9 million less from income
    - \$63.1 million less from sales
- Taxes in FY 2021 = \$3,036.6 million
  - \$376.4 million decrease to November
    - \$199.9 million less from income
    - \$130.7 million less from sales

# Revenues: May REC

- Lottery revisions mostly reflect casino closures and very gradual reopening
  - Limited capacity
  - Decreased foot traffic
- Revenues down \$108.5 million in current year from November e
  - FY 2021 is \$130.3 million lower than November estimate

# May 2020

## Consensus Revenue Estimates

	<b>FY 2019 Reported</b>	<b>FY 2020 Rev.</b>	<b>Change to Nov.</b>	<b>FY 2021 Estimate</b>	<b>Change to Nov.</b>
Personal Income	\$1,397.0	\$1,358.9	\$(82.9)	\$1,295.8	\$(199.9)
Business Taxes	441.7	427.0	(18.3)	418.2	(38.0)
Sales & Use Taxes	1,286.0	1,288.4	(63.0)	1,262.2	(134.8)
Other Taxes	61.9	73.2	(5.6)	60.4	(3.7)
Total Taxes	\$3,186.6	\$3,147.5	\$(169.8)	\$3,036.6	\$(376.4)
Departmental	416.7	440.5	(3.0)	403.0	(7.0)
Other Misc.	12.4	29.1	(1.9)	12.1	(2.7)
Lottery	397.3	268.6	(108.5)	265.2	(130.3)
Unclaimed Prop.	11.6	12.2	2.3	9.0	0.6
<b>Total</b>	<b>\$4,024.6</b>	<b>\$3,897.9</b>	<b>\$(280.9)</b>	<b>\$3,725.9</b>	<b>\$(515.8)</b>

\$ in millions

# Revenue Revisions : FY 2020

	<b>Nov Change to Enacted</b>	<b>May Change to Nov.</b>	<b>Total Change to Enacted</b>
Personal Income	\$15.0	\$(82.9)	<b>(\$67.9)</b>
Business Taxes	(14.4)	(18.3)	<b>(\$32.7)</b>
Sales & Use Taxes	11.6	(63.0)	<b>(\$51.4)</b>
Other Taxes	26.2	(5.6)	<b>\$20.6</b>
<i>Total Taxes</i>	<i>\$38.4</i>	<i>\$(169.8)</i>	<i><b>(\$131.4)</b></i>
Departmental	(5.0)	(3.0)	<b>(\$8.0)</b>
Other Misc.	2.4	(1.9)	<b>\$0.5</b>
Lottery	(35.7)	(108.5)	<b>(\$144.2)</b>
Unclaimed Prop.	-	2.3	<b>\$2.3</b>
<b>Total</b>	<b>\$0.1</b>	<b>\$(280.9)</b>	<b>(\$280.8)</b>

\$ in millions

# Revenues: May REC

- FY 2021 reflects impacts of revised forecast
- Federal tax law changes also account for estimated \$11 million reduction
  - Personal Income - \$7.4 million
  - Businesses – \$3.6 million

# FY 2020 Caseload

## FY 2020 Caseload Estimating Conference

<i>All Funds</i>	<i>Nov CEC</i>	<i>May CEC</i>	<i>Chg.</i>
Medical	\$2,445.5	\$2,492.3	\$46.7
Governor's Proposals	(19.0)	0.5	19.5
<b><i>Subtotal - Medical</i></b>	<b><i>\$2,426.6</i></b>	<b><i>\$2,492.8</i></b>	<b><i>\$66.2</i></b>
CEC - Cash	\$115.7	\$114.3	\$(1.4)
Gov. Proposals	-	-	-
<b><i>Subtotal - Cash</i></b>	<b><i>\$115.7</i></b>	<b><i>\$114.3</i></b>	<b><i>\$(1.4)</i></b>
<b>Total</b>	<b>\$2,542.3</b>	<b>\$2,607.1</b>	<b>\$64.9</b>

\$ in millions

# FY 2020 Caseload

## FY 2020 Caseload Estimating Conference

<b>General Revenues</b>	<b>Nov CEC</b>	<b>May CEC</b>	<b>Chg.</b>
Medical	\$965.3	\$921.6	\$(43.8)
Governor's Proposals	(5.2)	-	5.2
<b>Subtotal - Medical</b>	<b>\$960.2</b>	<b>\$921.6</b>	<b>\$(38.6)</b>
CEC - Cash	\$29.2	\$29.4	\$0.3
Gov. Proposals	-	-	-
<b>Subtotal - Cash</b>	<b>\$29.2</b>	<b>\$29.4</b>	<b>\$0.3</b>
<b>Total</b>	<b>\$989.4</b>	<b>\$951.0</b>	<b>\$(38.3)</b>

\$ in millions



# FY 2020 Caseload

<b>Change to Medical Assistance</b>	<b>General Revenues</b>	<b>Total</b>
FMAP Relief	\$(51.3)	\$-
FMAP Relief Clawback	(3.7)	(3.7)
Hepatitis C Expenses	(4.2)	(12.4)
Hospital Expenses	(4.3)	(9.1)
<i>Savings - Subtotal</i>	<i>\$(63.4)</i>	<i>\$(25.2)</i>
COVID-19 Enrollment/ redetermination delay	16.1	54.0
Long Term Care Expenses	4.6	9.8
Other Expenses	4.1	27.6
<i>Expenses – Subtotal</i>	<i>\$24.8</i>	<i>\$91.4</i>
<b>Total (\$ in millions)</b>	<b>\$(38.6)</b>	<b>\$66.2</b>

# FY 2021 Caseload

- Medical Assistance
  - \$279.7 million increase for FY 2021
    - \$77.0 million from general revenues
  - Projected increased enrollment related to COVID-19
    - Through first quarter of FY 2021
    - Assuming an additional 25,000
      - Rite Care program for children & parents
      - Expansion program
  - Increase hospital & nursing homes rates
  - Monthly payments to managed care plans

# FY 2021 Caseload

## FY 2021 Caseload Estimating Conference

<i>All Funds</i>	<i>Nov CEC</i>	<i>May CEC</i>	<i>Chg.</i>
Medical	\$2,468.2	\$2,777.6	\$309.3
Governor's Proposals	(26.6)	(56.3)	(29.6)
<b><i>Subtotal - Medical</i></b>	<b><i>\$2,441.6</i></b>	<b><i>\$2,721.3</i></b>	<b><i>\$279.7</i></b>
CEC - Cash	\$117.8	\$114.2	\$(3.5)
Gov. Proposals	4.7	4.7	-
<b><i>Subtotal - Cash</i></b>	<b><i>\$122.5</i></b>	<b><i>\$118.9</i></b>	<b><i>\$(3.5)</i></b>
<b>Total</b>	<b>\$2,564.1</b>	<b>\$2,840.3</b>	<b>\$276.1</b>

\$ in millions

# FY 2021 Caseload

## FY 2021 Caseload Estimating Conference

<i>General Revenues</i>	<i>Nov CEC</i>	<i>May CEC</i>	<i>Chg.</i>
Medical	\$970.9	\$1,067.8	\$96.9
Governor's Proposals	2.0	(17.9)	(19.9)
<b><i>Subtotal - Medical</i></b>	<b><i>\$972.9</i></b>	<b><i>\$1,049.9</i></b>	<b><i>\$77.0</i></b>
CEC - Cash	\$29.0	\$29.6	\$0.6
Gov. Proposals	4.1	4.1	-
<b><i>Subtotal - Cash</i></b>	<b><i>\$33.1</i></b>	<b><i>\$33.7</i></b>	<b><i>\$ 0.6</i></b>
<b>Total</b>	<b>\$1,006.0</b>	<b>\$1,083.6</b>	<b>\$77.6</b>

\$ in millions

# Rainy Day Fund

- Appropriations limited to 97% of the estimated general revenues
  - From all sources including prior year surplus
- Remaining 3% goes into a budget reserve and cash stabilization account or “Rainy Day Fund”
  - Can only be used under specific conditions
    - **Current Year Revenue drop in May**
  - Amounts used must be replaced next year
    - Use has implications for RICAP funds

# Rainy Day Fund

<b>FY 2020</b>	<b>Enacted</b>	<b>Revised</b>	<b>Diff.</b>
Opening Balance	\$25.5	\$40.8	\$15.3
Revenues	4,178.7	4,197.1	18.4
Cash Stabilization Fund	(126.1)	(126.8)	(0.7)
<b>Total Available Resources</b>	<b>\$4,078.1</b>	<b>\$4,111.1</b>	<b>\$33.0</b>
Expenditures	\$4077.6	\$4,086.3	\$8.7
Free Surplus	0.5	24.8	24.4
<i>Operating Surplus/(Deficit)</i>	<i>(25.0)</i>	<i>(5.7)</i>	<i>19.3</i>
<b>Budget Stabilization &amp; Cash Reserve</b>	<b>\$198.5</b>	<b>\$211.0</b>	<b>\$12.5</b>

\$ in millions

# Rhode Island Capital Plan Funds

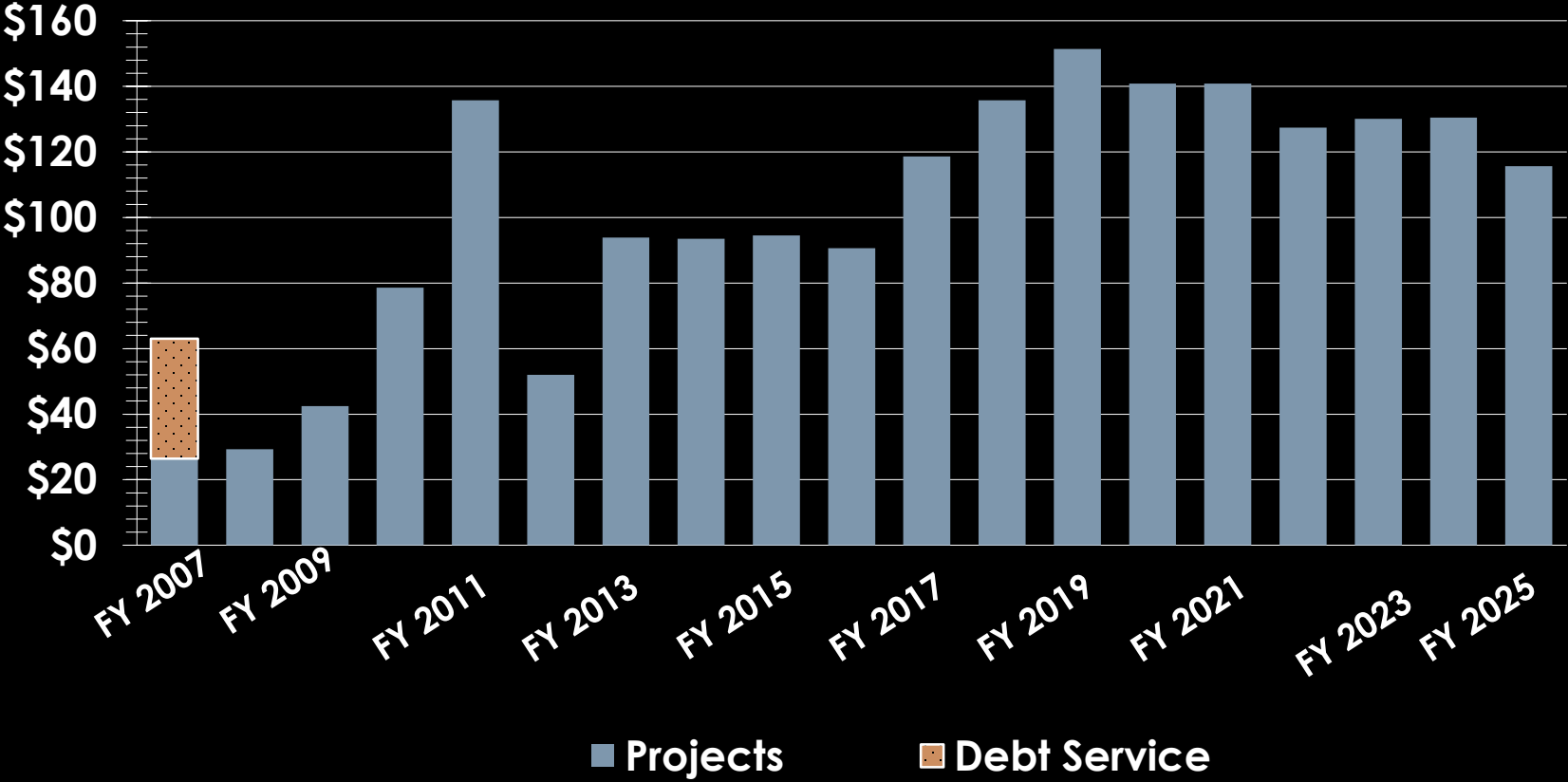
- When RDF reaches 5.0%, excess flows to the capital account
  - Previously used mostly to pay debt
- Voters amended constitution in 2006 to limit use for projects only
  - Dedication of pay-go sources to capital lessens need to issue debt

# Rhode Island Capital Plan Funds

- \$644.4 million for FY 2021 – FY 2025
- Approximately \$129 million annually
  - 27% for Transportation
  - 20% for Higher Education
  - State buildings & facilities
    - Courts, prisons, hospitals
    - Dams, piers, parks
- Significant proposed funding changes to be considered



# Rhode Island Capital Plan Funds



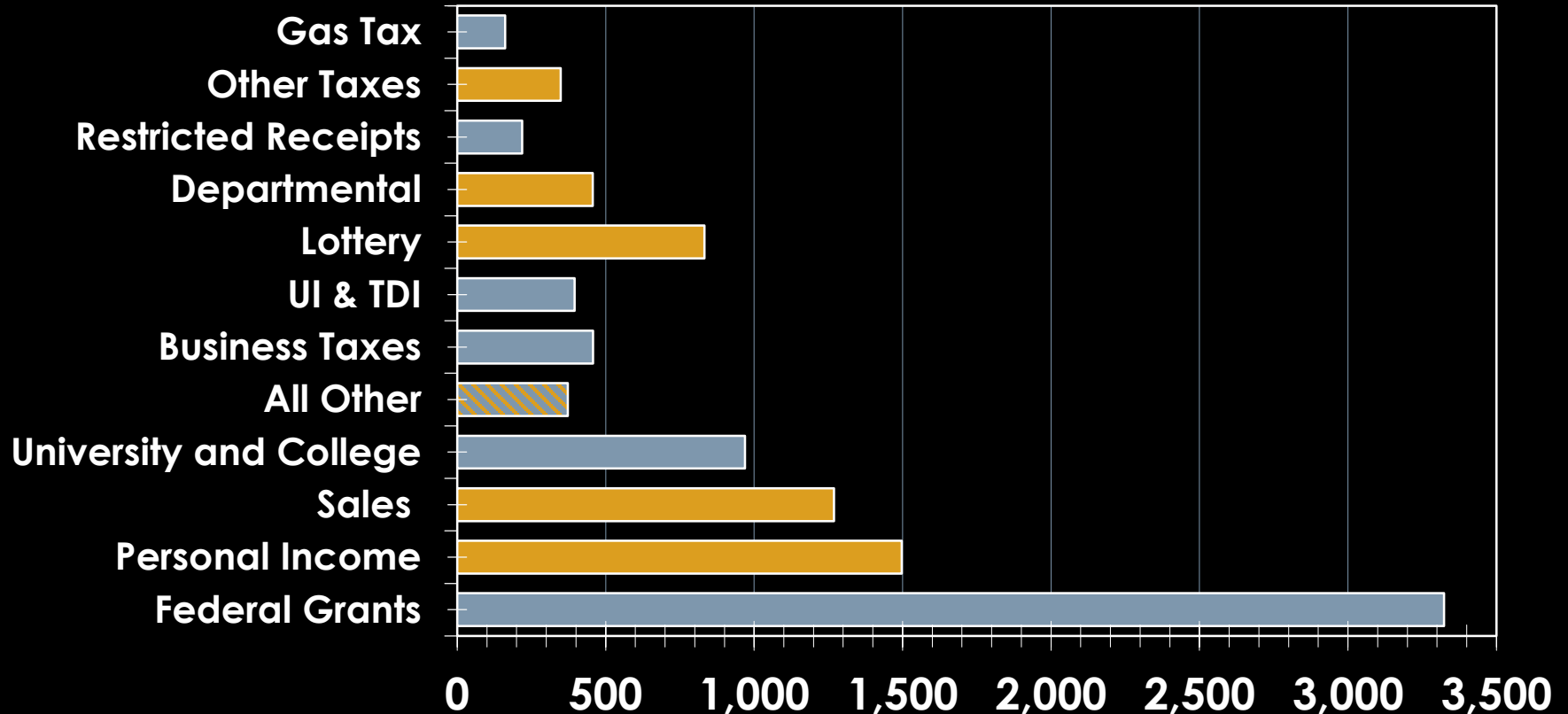
# Summary of Opportunities

- Individual and business stabilization mitigates impact to major revenue sources
  - Income/employment protection
- Direct GR Medicaid relief
  - Offset by certain costs to obtain
    - Limitations on terminations
    - Other prohibitions
    - Waivers sought and granted for additional spend

# Summary of Opportunities

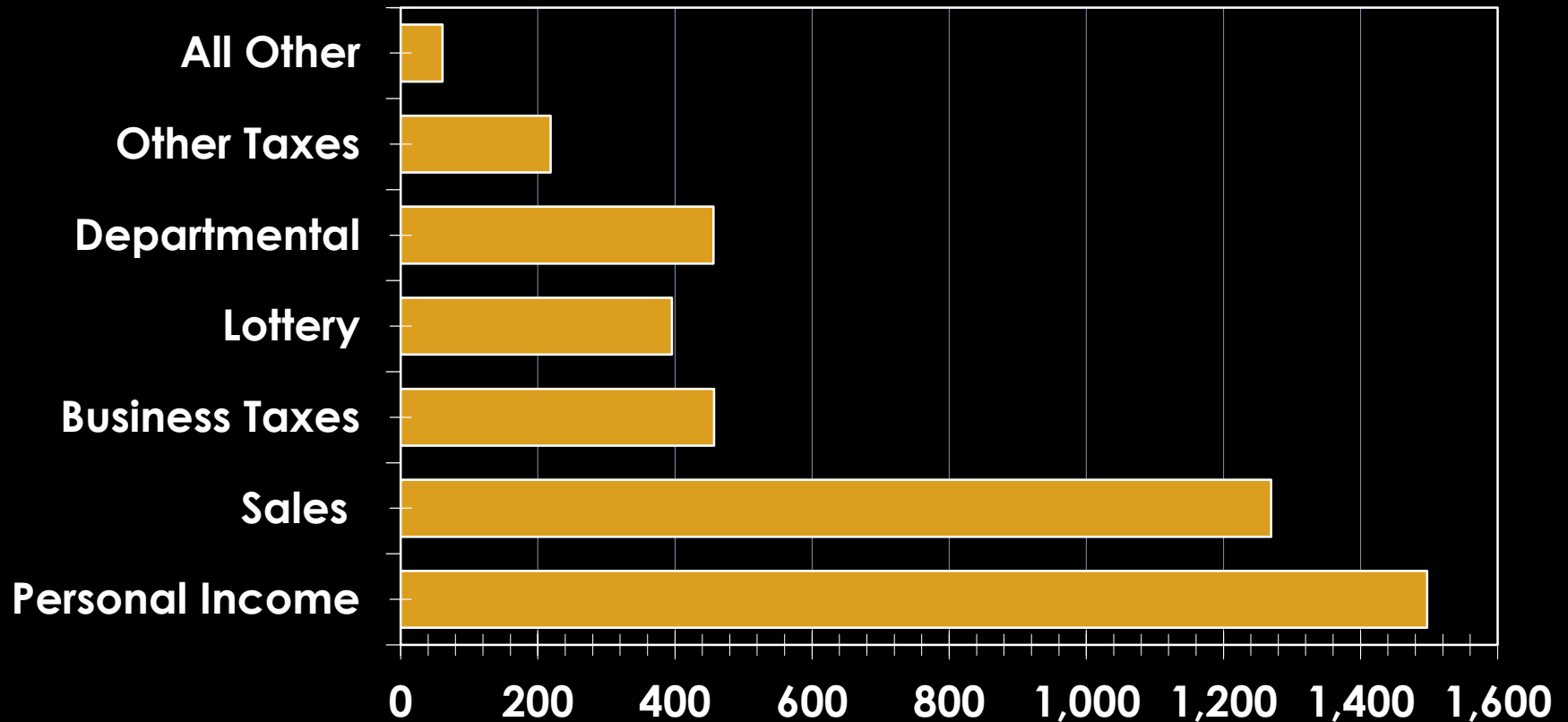
- Maximize use of time sensitive CRF funds
  - Eligible current state expenses
  - Substitute current general revenue support where possible
    - Creative repackaging?
- Maximize flexible federal & other sources
  - Block grants
  - Fewer use restrictions
  - Less time sensitive
    - Available for all of FY 2021

# All Sources *(\$ millions)*



# General Revenue Sources

(\$ millions)



# Up Next

- Statewide Third Quarter report due tomorrow to be subject of next hearing
  - Spending updates
  - Some agencies showing additional deficits
    - Eleanor Slater Hospital
  - Pinpoint current year budget gap
    - Implications for FY 2021
- Further disaster response cost estimates
  - Additional guidance/options
- Updated federal response?

# Federal Relief Programs & May Revenue and Caseload Estimates

Staff Presentation to the House Finance  
Committee  
May 14, 2020

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