



FY 21 Budget Overview

Gina M. Raimondo

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Prepared by the Rhode Island Office of Management and Budget (OMB)



“We need to stick with what is working – like investing in job training and education, and guaranteeing affordable, quality healthcare for all Rhode Islanders.”

-Governor Gina M. Raimondo

FY 2021 Proposed Budget: \$10.2B

A Strong Rebound

The state's economy has been expanding at a rapid pace for the past several quarters

Unemployment rate hit a **30-year low of 3.5%**

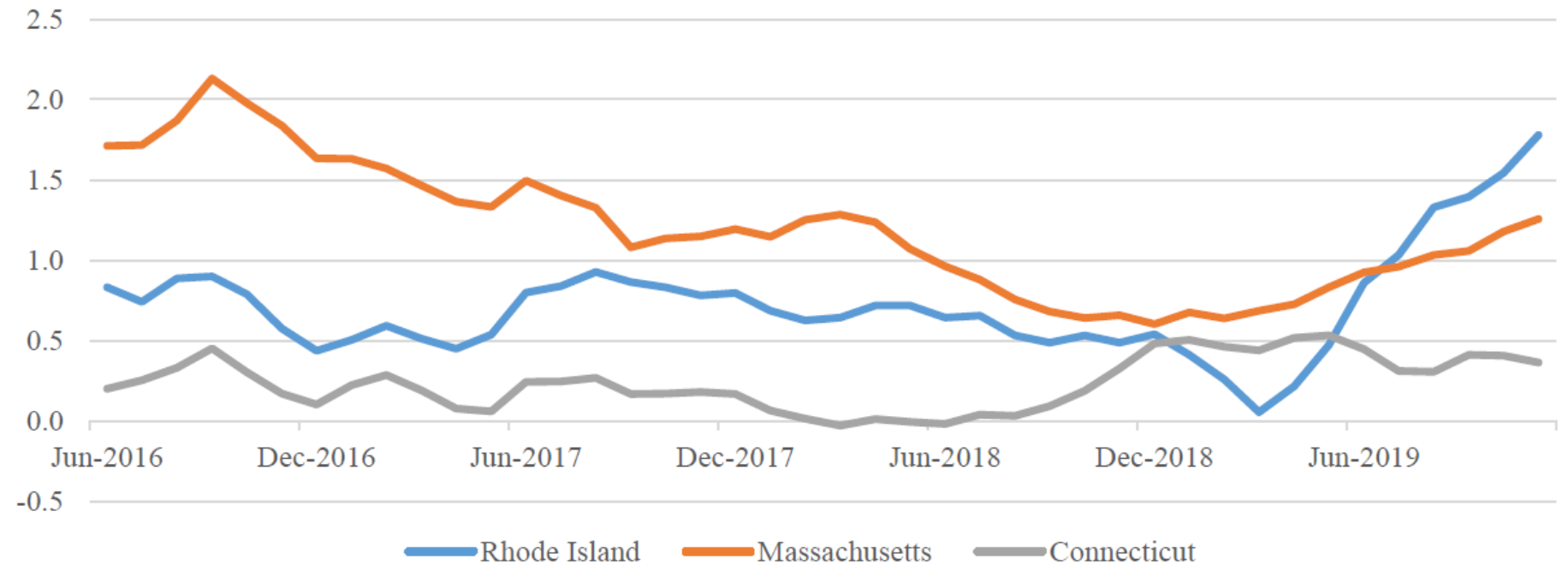
It also marked an **all-time high for # of jobs based in RI** at more than 500,000

Over the past year, personal income has grown by 4.6%, **higher than the national average**. Wage and income growth are expected to continue increasing at a robust pace in FY 2020 and FY 2021

Economic Overview

Chart 1: Recent RI Growth Outpacing Neighbors

Employment Growth, Percent



Source: Federal Reserve Economic Data / BLS

Economic Development + Workforce

The Governor's budget provides a total of \$14.1M to expand **Real Jobs RI**

- Adds general revenue to serve more people and employers
- Creates Department of Corrections apprenticeship program to improve post-release employment outcomes and provides RI Capital Plan funding to retrofit the DOC space for program needs

It starts with employers...

 **44**
Partnerships

 **1,263**
Businesses Served

 **16**
Industry Sectors

...who develop workforce solutions...

 **167**
New Hire
Training Activities

 **125**
Incumbent Worker
Training Activities

 **12**
Talent Pipeline
Development Activities

...and connect Rhode Islanders with opportunities.

 **2,982**
New Hires
Placed

+

 **3,647**
Incumbent Workers
Upskilled

+

 **116**
Business Owners &
Entrepreneurs Served

=

 **6,745**
Total Served

Economic Development + Workforce (cont'd)

- Creates a **Municipal Capacity Building** pilot program, growing Site Readiness Program partnerships to give cities and towns the tools to increase development
- Expands the **Stay Invested in RI Wavemaker Fellowship** to STEM teachers. This program incentivizes graduates to stay in RI and work in STEM-related fields by offering tax credits that defray the costs of student loans
- Provides **\$22.5M** for **Rebuild RI Tax Credit** program and makes changes to ensure sustainability of this key economic development initiative



- Raises minimum wage from **\$10.50 per hour** to **\$11.50 per hour**, setting Rhode Island on a path to remain competitive with neighbors while supporting workers
- Increases the State **Earned Income Tax Credit (EITC)** percentage from 15% to 20% at 1% per year over five years so hardworking Rhode Islanders can keep more of their money in their pockets
- Extends sunset provisions for Commerce programs that are working for Rhode Islanders

Ballot Initiatives: \$268.8M



Higher Ed Bond: \$117.3M

- University of Rhode Island Fine Arts Center – \$53.7M
- Rhode Island College Science and Technology Renovation – \$38M
- Community College of Rhode Island Academic and Student Support Services – \$12M
- Center for Ocean Innovation – \$10M



Housing and Infrastructure Bond: \$87.5M

- Affordable Housing – \$25M
- Early Learning Facilities – \$15M
- Quonset Pier – \$20M
- Industrial Site Development – \$21.5M
- Arts and Historic Infrastructure – \$6M



Beach, Clean Water, and Green Bond: \$64M

- State Beaches and Parks – \$35M
- Local Recreation Grants – \$4M
- Natural and Working Lands – \$3M
- Clean and Drinking Water – \$15M
- Municipal Resiliency – \$7M

Capital Investment Highlights

CCRI Investments – \$28M

In addition to the higher ed bond, modernizes education facilities, replaces outdated technology, and provides energy-efficient equipment at all four campuses.

Funding Source: RICAP

State Police Barracks – \$35M

Constructs new barracks in the southern part of the State to consolidate existing Portsmouth, Wickford and Hope Valley barracks.

Funding Source: COPS

Quonset Industrial Park Renovations – \$10M

Road infrastructure improvements and gas and sewer line relocation

Funding Source: RICAP

Expand Housing Opportunities

Expanding housing opportunities is a priority in the FY 21 budget. The Administration proposes a comprehensive housing package to:



Increase availability of affordable housing

Via redevelopment and/or new construction



Create a permanent funding stream to expand housing production

By adding a tier to the real estate conveyance tax



Streamline and modernize the State's two-decades-old housing organizational structures

To improve coordination of policy, planning and financing

Permanent Funding Stream	
Tax Rate for First \$500,000 for All Properties	Tax Rate for Portion of Property Values above \$500,000
0.46%*	0.92%

*Current real estate conveyance tax rate for all properties

Education

- Makes the **RI Promise** program permanent, solidifying an affordable, accessible path to success for RI high school students well into the future
- Adds **750** high-quality **RI Pre-K** seats through various investments, including federal matching funds and implementation of a permanent funding stream for LEA-based Pre-K seats
- Fully funds education aid funding formula at **\$34.8M**



Did You Know?
CCRI was just named
the best two-year
college in America
by *Education Dive*



- Adds \$2.5M for a total of **\$7.5M** to support **Multilingual Learners** (formerly English Language Learners)
- Makes investment to help school professionals meet the mental health needs of their students
- Expands capacity of RIDE to focus on education support

Healthcare Reform

- Safeguards basic principles and patient protections of **Affordable Care Act (ACA)**:
 - Ensures coverage of ACA's "10 Essential Benefits" in individual and group markets
 - Restricts cost-sharing for preventive services to increase affordability of care for patients
 - Prohibits discrimination based on preexisting conditions
- Implements **Managed Care Organization (MCO)** full-risk transition to enable better patient outcomes and lower costs
- Joins five multi-state licensure compacts for nurses, physicians, EMS personnel, physical therapists and psychologists.

RItte Share Expansion

More than 50,000 Rhode Islanders are both employed and covered by **Medicaid**, either because they are not offered health coverage or they cannot afford their **Employer-Sponsored Insurance (ESI)**.

For the thousands of employees who are both Medicaid-eligible and offered ESI, the State has a program called **RItte Share** that allows the employee to enroll in ESI at no cost to themselves. **RItte Share** pays for the employee's premium, co-pays, deductibles, and other cost-sharing.

Currently, only a fraction of eligible employees are enrolled in **RItte Share**.

The Governor's FY 21 Budget Proposal:

- ✓ Expands **RItte Share**, ensuring Rhode Islanders can enroll in their Employer-Sponsored Insurance (ESI)
- ✓ Requires for-profit businesses with more than 50 employees to report health insurance enrollment data annually so the State can better identify and enroll eligible employees in **RItte Share**.
- ✓ Minimizes costs to the State **Medicaid** program
- ✓ With more working Rhode Islanders having commercial insurance, rates paid to hospitals will improve
- ✓ No per employee penalty, but there are administrative fines for failure to report ESI

Public Health

- **Codifies in state law the Governor's Executive Order to ban flavored vape products and federal change raising minimum age to purchase tobacco products**
- **Raises cigarette excise tax by 35 cents per pack (from \$4.25 to \$4.60)**
- **Merges cigarette and tobacco dealer registration process with vape retailer registration process under Taxation division to increase efficiency and compliance**

Children, Youth + Families

The FY 21 **Department of Children, Youth and Families** budget reflects months of organizational review, research and updated caseload trends.

It includes the necessary investments to strengthen our child welfare system and meet the State's obligations to the children who are under our care.

The Governor's FY 21 Budget Proposal:

- ✓ Adds 21.0 FTE positions, including 10 **Social Caseworker IIs** to drive down individual caseloads, 4 **Child Protective Investigators**, and 4 legal staff to improve child advocacy and caseworker partnership.
- ✓ Implements contract reform for private agency foster care to standardize family rates based on **Level of Need (LON)** rather than by agency
- ✓ Optimizes federal funding for processes such as **Medicaid** claiming, **IV-E** determinations, cost allocation of probation workers, and social security income eligibility
- ✓ Invests \$28M to replace DCYF's 20-year-old client-server data system, **RICHIST**. Funding Source: Federal funds, COPS
- ✓ Adjusts savings to align with further decline in the **RI Training School** census.

DCYF General Revenue Spend/Projected Spend

FY 19 Actual Spend	FY 20 Revised Budget	FY 21 Governor's Recommended
\$180.7M GR	\$185.7M GR	\$186.8M GR

Environment

In addition to the **\$35M Beach, Clean Water & Green Bond**, the FY 21 budget:

- Reinvests **\$650,000** in campground fees passed by the General Assembly to support continued modernization and maintenance of RI's system of beaches, parks, campgrounds, bike paths, and recreational areas. Includes **6.0 FTE** positions to help DEM keep up with increased visitor demand at State recreational areas and facilities
- **Local Agriculture and Seafood Act (LASA) grants:** Adds \$150,000 to expand grant support



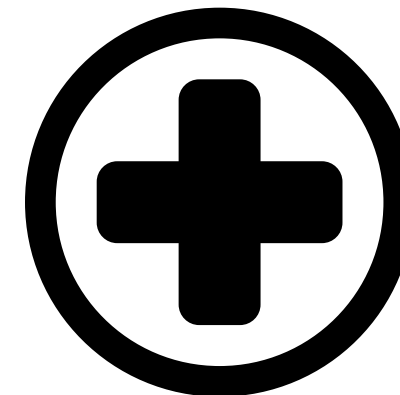
Rhode Islanders love state beaches and parks.

The State's vast system of parks, beaches, campgrounds, and bike paths are some of our most treasured places, providing countless individuals and families with memories and opportunities to breathe fresh air, enjoy nature and have fun.

State-Control, Adult-Use Marijuana

Net state revenue share: **\$21.8M**

- Proposing legalization of adult-use marijuana under a new distribution framework to ensure protections to individuals and the community
- Reduces opportunities for corruption of the system
- Makes investments in health, public safety and regulatory structure to ensure RI is prepared for the effects of legalization in neighboring states and under new state-control framework
- Assumes first retail stores will come online in **March 2021**



19 FTE positions

\$4.9M to state agencies for program administration, public health research, prevention programming, and law enforcement training



State-Control, Adult-Use Marijuana (cont'd)

How It Would Work

- DBR's **Office of Cannabis Regulation (OCR)** will procure contractors to operate state retail stores
- Contractors will be licensed by OCR, which will ensure compliance with sales restrictions and RI's strict packaging, labeling, security and safety requirements
- Creates 3 new adult-use licenses: cultivator, processor, and retail contractor
- The State keeps the majority of the revenue while reserving 10 percent for municipalities
- \$3M in revenues dedicated to fostering social equity and community reinvestment through a newly created **Community Equity and Reinvestment Council**

Overtime Restrictions

The FY 2021 budget proposal provides \$6M in savings from reducing the State's reliance on overtime. Building on the implementation of a statewide overtime policy in 2019, the proposal:

Department of Corrections

- Closes multiple modules at High Security, aligning inmates with their proper classification levels and consistent with projected decreases in the prison population
- Eliminates non-Correctional Officer OT and increases medical staff capacity

Sick Leave Best Practices

- Analyze benchmarks and deploy best practices to prevent sick time abuse

Enterprise Resource Planning (ERP) System

- Upgrade decades-old legacy systems using a Commercial Off-the-Shelf IT solution for critical functions, such as payroll, human resources and finance. This will make it faster and easier to review data and conduct analysis to ensure appropriate usage of overtime.

Good Government

Line Item Veto

Recommends a ballot question this year to ensure the highest level of transparency and accountability in the budgeting process. If approved, line item veto would not take effect until January 2023

Utility Restoration Act

In direct response to the Aquidneck Island gas outage, establishes standards to ensure gas and electric distribution companies are prepared to restore service to customers safely and quickly after a significant outage or service interruption. It also allows the DPUC to impose fines and assess administrative penalties

Revised Budget

Passing the revised budget earlier in the session provides agencies with clear guidance on baseline projections and allows them to address potential deficits more swiftly

Article 2, Section 5

Makes minor changes to provisions enacted in the FY 20 budget to clarify definitions, account for budget processes, and add flexibility for unforeseen circumstances, such as declared states of emergency and court orders

Other Revenue Initiatives

Recommends no broad-based tax increases and makes revenue adjustments based on current conditions.

Sales and Use Tax – \$14.1M

Includes sales taxes and fees to level the playing field for all businesses and accommodate for shift toward services-based economy:

- Custom computer and software design
- Courier/Messenger Services
- Lobbying
- Hunting and Trapping
- Interior Design

Alcohol Tax Restoration – \$9.1M

Reimposes the state sales tax on wine and spirits while lowering alcohol excise taxes that were previously raised in FY 14.

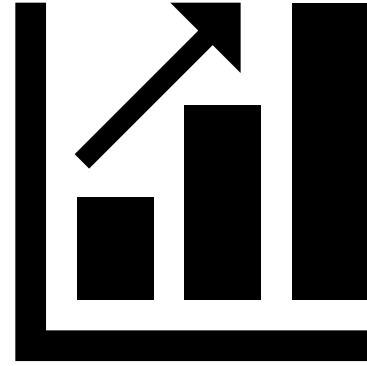
The wine and spirits tax was originally eradicated in an attempt to increase sales in the state, but the policy did not lead to the intended result and cost twice as much as projected.

1% increase in the Hotel Tax – \$4.7M

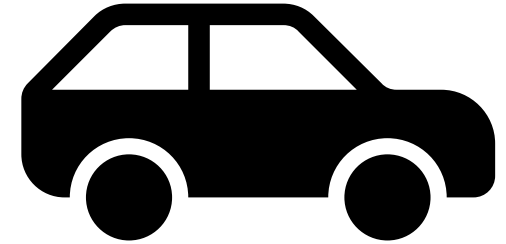
Local Aid

Net Increase of Total Local Aid: \$48.7M

- RI Pre-K increased by **\$4.5M**
- Multilingual Learners (MLL) – formerly known as English Language Learners (ELL) – categorical increased by \$2.5M to a total of **\$7.5M**
- Reduces distressed communities aid to **\$6.2M** due to an accelerated rise in economic activity
- Proposes non-mission, non-profit property tax option
- Extends the car tax phase-out schedule by 5 years. Every taxpayer in every community will see car tax relief in each year of the phase-out



The Compound Annual Growth Rate (CAGR) for local aid has increased by **5.1%** since 2014



Cities and towns will see **\$10.4M** more in car tax relief



Fully funds Year 10 of the education aid funding formula with a year-over year increase of **\$34.8M**

Overview

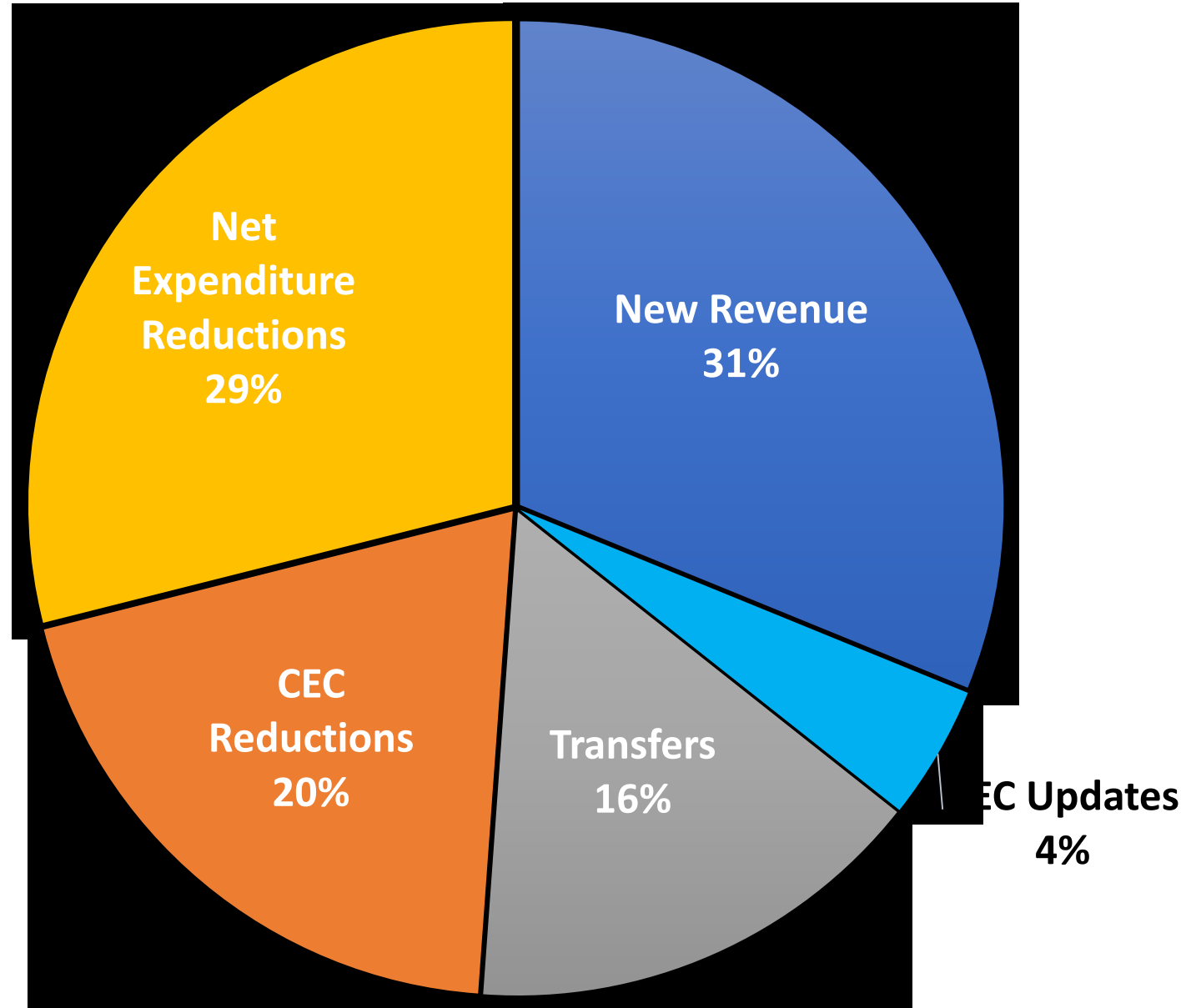
	FY20 Revised	FY 21	Change
Opening	\$30.5	\$24.8	(\$5.7)
Reappropriations	\$10.3	--	(\$10.3)
Revenues	\$4,197.1	\$4,355.3	\$158.2
Rainy Day	(\$126.8)	(\$131.4)	(\$4.6)
Expenditures	(\$4,086.3)	(\$4,247.8)	(\$161.5)
Closing	\$24.8	\$0.9	(\$23.9)

(in millions)



Resolving the FY 20 and FY 21 Deficit: \$204.3M

- \$64M New Revenue
- \$9.2M Revenue Estimating Conference Updates
- \$59.4M Net Expenditure Reductions
- \$40.9M Caseload Estimating Conference Reductions
- \$31.8M Transfers



How is the deficit resolved for FY 2021?

FY 2021 Governor's Recommended Budget	(in millions \$)
Current Services Projected Deficit	(175.8)
November Revenue Estimating Conference	\$9.4
November Caseload Estimating Conference	\$28.4
FY 2019 Carry Forward	\$24.4
Non-Conference Current Service Level Adjustments	(\$11.5)
Revised Projected Deficit	(\$125.1)
Highlights	
Revenue Changes	
Tobacco and Alcohol Tax Changes	\$11.2
Sales Tax Modifications to align with Other States	\$14.1
Adult-Use Marijuana	\$21.8
1% Increase on State Hotel Tax	\$4.7
Various Fees and Other Revenues	\$13.4
Less Transfer to Rainy Day Fund	(\$4.4)

If revenues come in higher than anticipated after the 2020 May Revenue Estimating Conference, Governor Raimondo recommends the General Assembly:

- Increase funding for Rhode Island hospitals;
- Repeal the proposed transfers from quasi-public agencies;
- Increase funding for the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island; and
- Increase education funding formula categorical spending for high-cost special needs, career and technical education, and transportation.

FY 2021 Governor's Recommended Budget	(in millions)
Expenditure Changes	
Debt Service	(\$17.0)
General Government	(\$3.2)
Health & Human Services	(\$28.9)
Education	(\$0.8)
Public Safety	(\$1.3)
Natural Resources	\$2.1
Transfers	
Net Transfers with Quasi-Public Corporations	\$16.1
Projected Ending Balance	\$0.9

Q&A