



FY 2022 Budget Overview

March 11, 2021

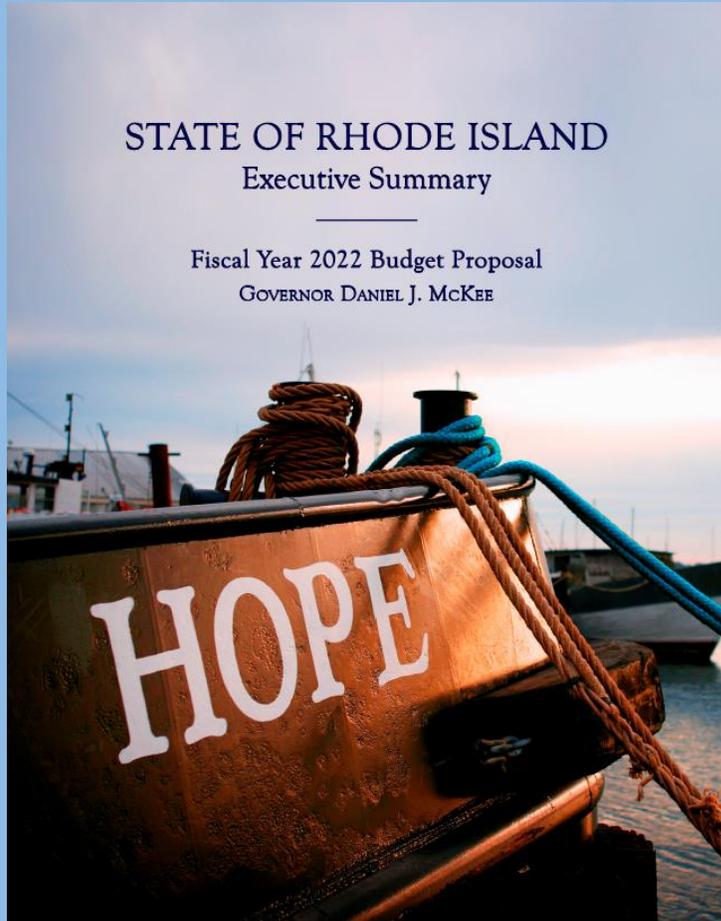
Prepared by the Office of Management and Budget (OMB)

RHODE
ISLAND

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STATE OF RHODE ISLAND
Executive Summary

Fiscal Year 2022 Budget Proposal
GOVERNOR DANIEL J. McKEE



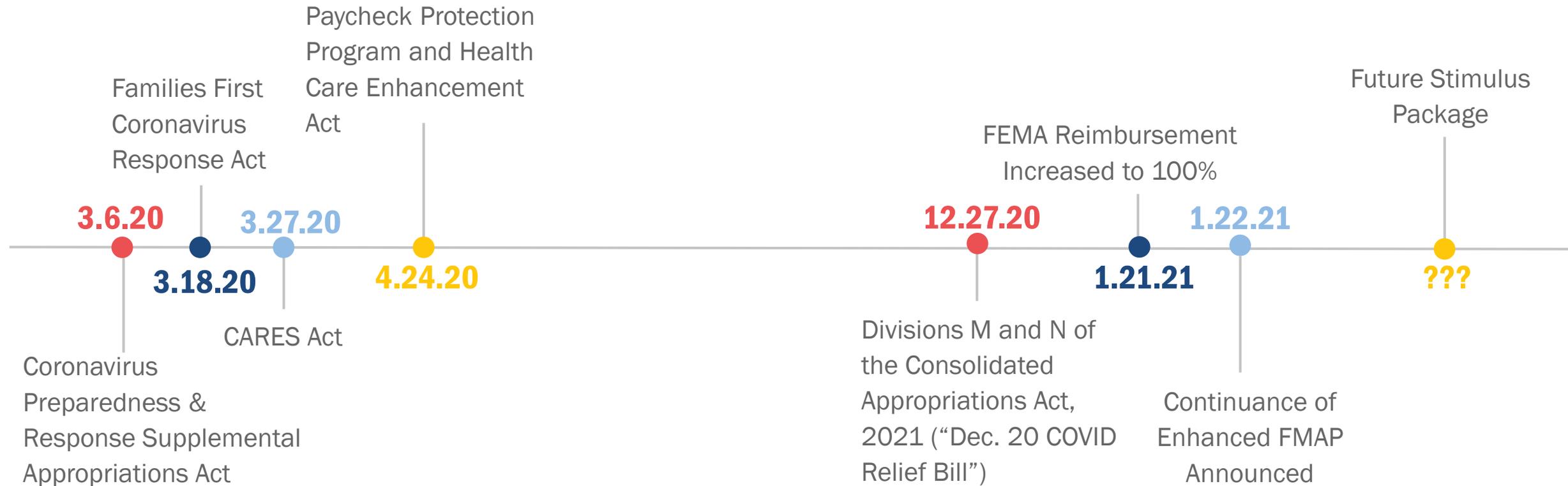
“The Fiscal Year 2022 budget protects Rhode Islanders through an unprecedented public health crisis and lays the foundation for a durable recovery.”

- Governor Daniel J. McKee

FY 2022 Proposed Budget: \$11.17B

COVID-19 Relief Legislation Timeline

Congress has passed five major laws making additional federal funds available to states to address the COVID-19 pandemic. These funds are in addition to the typical federal funds that states receive. They are also in addition to Stafford Act reimbursement for eligible disaster-related costs



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COVID-19 Response Budget Summary

The Administration's strategy for using federal funds for the COVID-19 response has focused on matching costs to the most appropriate federal resources, maximizing Stafford Act (FEMA) reimbursement, and minimizing the use of General Revenue (GR) to fund critical response activities.

- All Coronavirus Relief Fund (CRF) funds are budgeted fully for use in FY 2020 and FY 2021
- A combination of FEMA and Other Federal Funds form the foundation of the funding for the COVID-19 response in FY 2022

Fiscal Period	CRF	FEMA	Other Federal Funds	GR	Total
FY 2020 [1]	\$255.0M	\$111.0M [2]	-	-	\$366.0M
FY 2021	\$995.0M	\$362.1M	\$314.2M	\$14.2M	\$1,685.5M
FY 2022	-	\$156.3M	\$171.8M	-	\$328.0M
Total	\$1,250.0M	\$629.3M	\$485.9M	\$14.2M	\$2,379.5M

[1] FY 2020 Actuals

[2] Final FY 2020 closing report deferred recognition of \$111.0M FEMA receivable to FY 2021

Mental Health and Substance Use Supports

- Allocates an additional \$847,000 to the **Medication-Assisted Treatment (MAT)** program to offer it on the night of commitment to people whose stays in the ACI may not be long enough to support traditional induction into the program
- Invests \$135,000 in the **Prescription Drug Monitoring Program (PMDP)** to enable prescribers and pharmacists to log onto PMDP through their electronic health records to help stem the opioid epidemic
- Allocates \$350,000 to trigger a 90% federal match to develop a replacement for the **Behavioral Health Online Database (BHOLD)**
- Strengthens the **Recovery Friendly Workplace** program that ensures workplaces are supportive to individuals in recovery, with an additional \$200,000 allocation
- Provides \$780,000 for **supportive housing** for individuals with alcohol use disorder to address a gap; federal funding only provides those supports for individuals recovering from opioid or stimulant abuse

Equity and Social Justice

- Modifies the Rhode Island Works program to **exclude earned income from the benefit calculation** for the first 6 months of employment, or until household income exceeds 185% of the federal poverty line, whichever comes first
- Increases general revenue funding by \$605,000 to family **home visiting programs** that provide pregnant women and families the necessary resources and skills to raise children who are physically, socially, and emotionally healthy and ready to learn; increases general revenue funding by \$96,000 to expand **prenatal services**
- Allocates an additional \$116,000 to expand the **clothing allowance** to infants and toddlers of Rhode Island Works families
- Increases the annual allocation to the **Rhode Island Community Food Bank** by \$175,000 to \$350,000

Equity and Social Justice (continued)

A common-sense, evidence-based justice reform package, built upon previous reform efforts and reflective of lessons learned during COVID-19, will make the justice system smaller and more equitable without compromising public safety

Probation Reform

- ✓ RI has among the highest probation rates and longest average probation terms in the country, and the probation system is a significant driver of incarceration; the Governor's proposal is responsive to this
- ✓ Offers people who have served three years of their probation sentence the opportunity to earn compliance credits of 10 days off their probation sentence for every month served without a violation
- ✓ Provides discretion on warrant issuance for technical violations of probation to limit re-incarceration of low-risk people

Parole Reform

- ✓ Offers people on parole the opportunity to earn compliance credits at a rate of five days off their parole sentence for every month served without a violation
- ✓ Expands the discretion of the chairperson of the Parole Board as to parole revocation in order to limit re-incarceration
- ✓ Expands compassionate release by broadening eligibility for medical parole and offering geriatric parole to people 65+
- ✓ Offers early parole consideration to people given long sentences before age 22

Supporting Successful Reentry

- ✓ Updates eligibility criteria for home confinement to allow low-risk people to return to their communities earlier
- ✓ Creates an apprenticeship program at the ACI to serve a pilot cohort of 25 to 30 incarcerated people, allowing them to earn a relevant certificate in either construction or manufacturing
- ✓ Incentivizes participation in work release by changing the fee structure
- ✓ Invests in partnership with DLT to expand access to post-release employment

Long-Term Services and Supports (LTSS)

Strengthening Home- and Community-based Services

Investments totaling over \$4.0 million in general revenue will encourage utilization as an alternative to more restrictive residential setting. These investments include:

- Home care rate increases to address high turnover, low wages, and limited advancement opportunities for the home healthcare industry; increasing the stipend rates by 10 percent for shared living caregivers; and increasing the HCBS Maintenance of Need Allowance to better reflect household expenses

Expanding Eligibility for At Home Program

Increases eligibility from 200 percent of the Federal Poverty Line (FPL) to 250 percent, allowing more than 400 Rhode Islanders age 65 and over to stay in their homes as long as possible

Increasing Nursing Home Rates

Increases nursing home rates pursuant to statute, requiring a market-based increase on Oct. 1, 2021, estimate to total \$9.6 million

Transforming the Developmental Disabilities System

Allocates \$15.0 million to improve quality of, and access to, integrated community day and employment support programs for individuals with developmental disabilities

Eleanor Slater Hospital

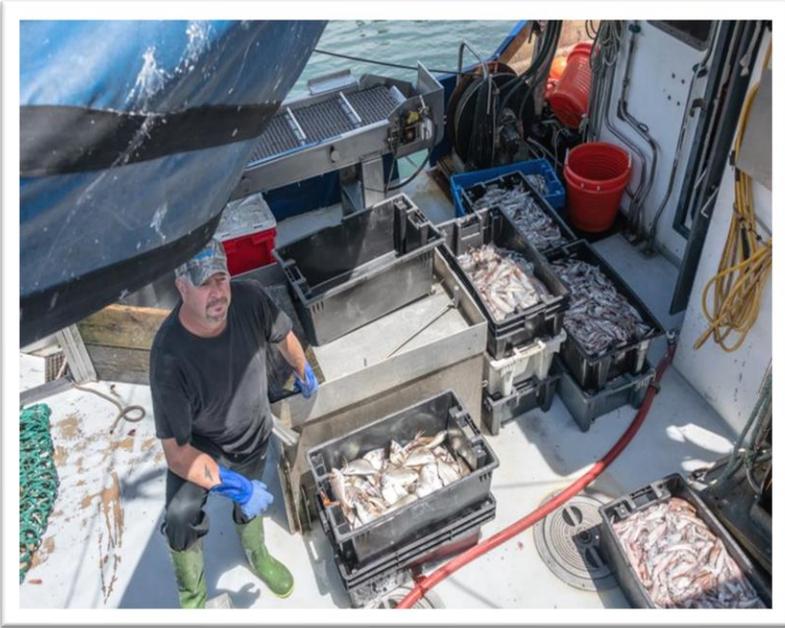
The Governor is committed to keeping Zambarano open and continuing the transformation of the Eleanor Slater Hospital system to ensure that Rhode Islanders receive the most appropriate level of care

- Recommends construction of a new long-term care facility on the Zambarano campus, estimated to cost \$64.9 million and financed with Certificates of Participation (COPs) debt financing, of which \$53.6 million in new borrowing is requested
- Closes and consolidates the State's aging long-term acute care hospital facilities and creates a stand-alone Institute for Mental Disease at the existing Benton facility

Taking these steps will align Rhode Island with national healthcare delivery best practices by treating individuals with much shorter lengths of stay, shifting treatments to comprehensive mental health services in the community rather than restrictive settings.

Small Businesses

The Governor's proposal provides targeted, short-term support and initiatives to jumpstart a long-term recovery



- Provides \$30.0 million in CRF-funded grants in FY 2021 to support small businesses hit hard by COVID-19
- Allocates \$1.0 million for the Small Business Assistance Program that supports small businesses that have difficulties obtaining credit from traditional lending organizations

Economic Development + Workforce

The Governor's budget proposal makes additional investments in jobs and economic programs to spur growth and provide Rhode Islanders good-paying jobs

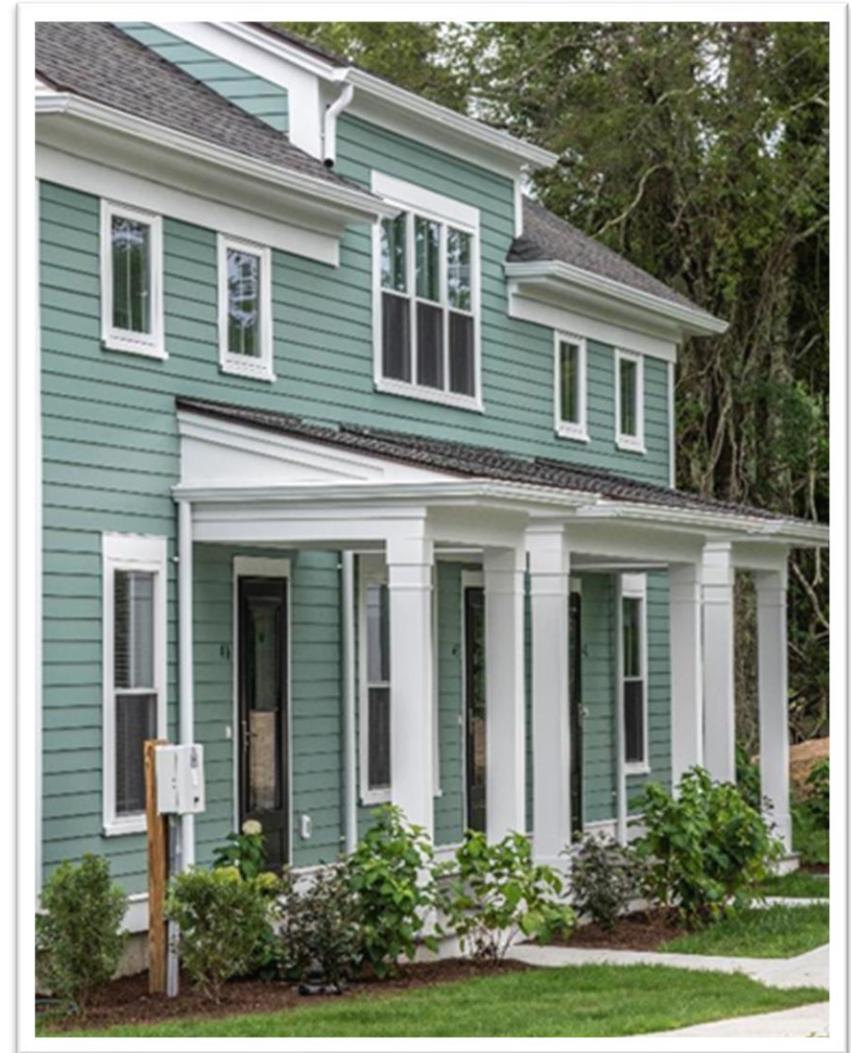


- Provides an additional \$3.0 million for **Real Jobs RI**, a program that partners industry employers and key stakeholders to meet workforce demands
- Provides an additional \$400,000 for the **Wavemaker Fellowship**, which provides student loan reimbursement to college and university graduates in STEM and design fields in Rhode Island
- Invests a total of \$22.5 million to finance the **Rebuild RI Tax program**, and raises the program cap from \$210.0 million to \$240.0 million, ensuring it can continue stimulating business development, retention, and attraction, and the creation of good-paying jobs
- **Extends sunset provisions** for Commerce programs until December 31, 2022

Housing

Increasing the housing stock is crucial to strengthening communities and increasing economic and educational mobility

- Through the December 2020 federal stimulus, provides \$200.0 million in rental assistance
- Establishes a restricted receipt fund to encourage housing production and municipal housing development partnerships funded by reallocating a portion of the State's general revenue share of the existing conveyance tax and dedicating an increase of the tax on the portions of residential property sales over \$700,000
- Modernizes the Housing Resources Commission, establishes a new Housing Resources Coordinating Committee and Deputy Secretary, and codifies the role of the Office of Housing and Community Development to improve coordination on policy, planning, and financing



Education

The Governor remains committed to improving educational opportunities and equity across the spectrum of needs

- Fully funds the K-12 school system at the funding formula level, increasing state aid to school districts by \$34.9 million without raising taxes
- Commits approximately \$6.0 million to incentivize child care providers to offer the highest quality care; appropriates \$200,000 to create a Child Care Assistance Program (CCAP) pilot to assist working parents who are pursuing higher education
- Funds two new subject matter experts:
 - Transformation specialist who will support RI's persistently underachieving schools
 - Social studies specialist who will provide expertise in social studies instruction for middle and high schools



Electricity and Natural Gas Restoration

The Governor recognizes the need to improve the emergency preparation and response of utilities by establishing performance standards and allowing the State to impose for performance that does not meet the standards

- The Division of Public Utilities and Carriers (DPUC) establishes acceptable standards for performance for emergency preparation and restoration
- Requires investor-owned electric and natural gas distribution companies to submit by May 15, 2022, and on an annual basis, going forward, an emergency response plan to the DPUC
- Imposes a fine not to exceed \$100,000 per day on companies that do not comply with the standards, with proceeds credited back to customers

Adult-Use Marijuana

The Governor is proposing legalizing adult-use marijuana anchored in the following principles

01

Adult-use retailers will be **tightly regulated** and **privately run**

02

The **tax structure will be competitive** with neighboring states

03

Local control over marijuana-related activity will be maintained

04

There will be a strong emphasis on **public health and safety** through a strong regulatory approach

05

Principles of equity are incorporated into all elements of the approach

Adult-Use Marijuana (continued)

How It Would Work

- There would be a controlled **annual rollout of 25 retail licenses (projected for three years), with five licenses each year set aside for qualifying MBE applicants** (leverages existing regulations defining MBEs in RI and includes women-owned business enterprises)
- DBR's **Office of Cannabis Regulation (OCR) would license** the private business applicants. **OCR would ensure compliance** with RI's strict packaging, labeling, security and safety requirements
- The statute creates the Governor's Cannabis Reinvestment Task Force to make recommendations on the long-term investment of cannabis revenues in the specific areas of **job training, access to capital for small businesses, affordable housing, health equity, and community development**
- Invests \$1.1 million in health equity zones; \$1.0 million in treatment, prevention, and surveillance through multiple state agencies; and \$900,000 in state and local law enforcement training and capacity building

Local Aid



Fully funds the **car tax phase-out**, meaning cities and towns will see \$139.7 million in relief



Fully funds the **education aid funding formula** with a year-over increase of \$34.9 million

Provides support to cities and towns by:

- Fully funding the **Distressed Communities Aid** program at \$12.4 million
- Funding the **Payments-in-Lieu-of-Taxes** program at \$46.1 million

Hospitals

The Governor's proposed financing supports the hospital system by utilizing a balance of federal and state resources

Hospital Funding	
Item	Amount
Direct Federal Provider Relief FY 2021 (as of 2/1/21)	\$220.4 million
State CRF Hospital Assistance Partnership Programs (HAPP I and II) FY 2021	\$221.7 million
Restores State Uncompensated Care Disproportionate Share Hospital (DSH) Payment FY 2022	\$70.9 million
Eliminates Upper Payment Limit (UPL) Supplemental Payment FY 2022	(\$4.9 million)
Eliminates Graduate Medical Education Payment (GME) program FY 2022	(\$2.2 million)
Total	\$505.9 million

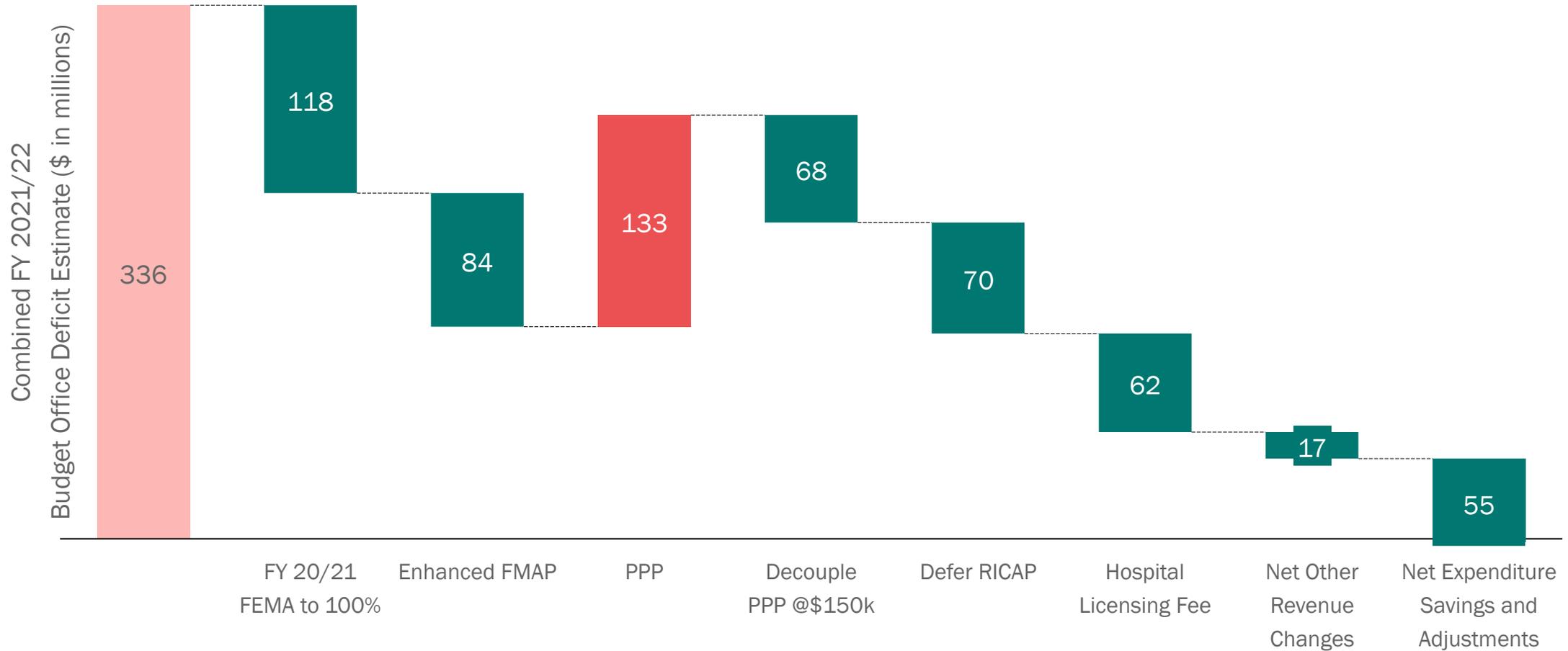
- Hospital Medicaid rates are increasing year over year pursuant to statute that requires market-based increases on July 1, 2021: 2.75% for in-patient and 2.60% for outpatient – **Total: \$21.5 million**
- Increases the Hospital Licensing Fee (HLF) from 5% to 6% in FY 2021 and FY 2022, which increases state revenues by an additional \$62.0 million over two years

Paycheck Protection Program (PPP)

- Changes to federal tax treatment of PPP loans will cause an estimated **\$133.3 million** loss of state personal and corporate income tax revenue
 - CARES Act made the income from forgiven PPP loans tax exempt
 - In December 2020, Congress also allowed businesses to deduct expenses paid for using PPP loans, conferring a double tax benefit
- This budget proposes to partially decouple from the federal treatment of forgiven PPP loans:
 - Loan amounts under \$150,000 would be exempt from state taxation
 - Loan amounts over \$150,000 would be taxed, impacting around 13% of businesses with loans
 - Proposal would recover **\$3.6 million** in revenue in FY 2021, and **\$64.1 million** in FY 2022

Closing the FY 2022 Deficit

A combination of federal and state actions enabled the state to close a \$336 million FY 2022 deficit target.



Budget Office Current Service Level Estimates (Dec. 2020)

	FY 2021 Enacted (\$ in millions)	FY 2022 OMB CSL (\$ in millions)
Opening Surplus	180.4	12.2
Adjustments and Reappropriation	75.3	-
Opening Resources Subtotal	255.7	12.2
Enacted/Adopted Revenue	4,038.4	4,045.0
Changes to Revenue	-	154.4
Revenue Subtotal	4,038.4	4,199.3
Revenue Subtotal	4,294.2	4,211.6
Transfer to Budget Reserve	(128.7)	(126.3)
Total Resources Available	4,165.5	4,085.2
Enacted Expenditures/CSL	4,153.3	4,421.1
Changes in Expenditures	-	-
Expenditure Total	4,153.3	4,421.1
Surplus/(Deficit)	12.2	(335.9)

FY 2022 Assumptions

- **FY 2022 Change to Revenue:** Assumes Reenactment of HLF at 5%
- **FY 2022 Expenditures:** “Current Service Level” is the OMB estimate of maintaining current programming consistent with current law and policy

FY 2022 Deficit Solve (Gov Rec vs. CSL)

	FY 2021 Gov Rev (\$ in millions)	FY 2022 Gov Rec (\$ in millions)
Opening Surplus	156.2	12.2
Adjustments and Reappropriation	116.2	-
Opening Resources Subtotal	272.4	12.2
Enacted/Adopted Revenue	4,038.4	4,045.0
Changes to Revenue	(39.1)	200.6
Revenue Subtotal	3,999.3	4,254.6
Revenue Subtotal	4,271.7	4,511.0
Transfer to Budget Reserve	(124.7)	(135.3)
Total Resources Available	4,147.1	4,375.7
Enacted Expenditures/CSL	4,153.3	4,421.1
Changes in Expenditures	(271.6)	(49.8)
Expenditure Total	3,881.6	4,371.3
Surplus/(Deficit)	265.4	4.4

FY 2022 Deficit Closing Actions

- **FY 2021 Opening Surplus Adjustments:** Net increase of \$16.7 million reflects accounting adjustments and prior year CRF/FEMA charges
- **Changes to Revenue:** Revenue changes driven by PPP impact (-\$65 million), Hospital Licensing Fee (+\$62 million) and various smaller items
- **FY 2022 Expenditures:** Net reduction to expenditures in FY 2021 and 2022 result from enhanced FMAP (-\$84 million), FEMA (-\$118 million), RICAP deferral (-\$70 million), and various expenditure items resulting in net savings

FY 2022 Deficit Solve (Gov Rec vs. CSL, deltas)

	FY 2021 Delta to Enacted (\$ in millions)	FY 2022 Delta to CSL (\$ in millions)
Opening Surplus	(24.2)	253.2
Adjustments and Reappropriation	40.9	-
Opening Resources Subtotal	16.7	253.2
Enacted/Adopted Revenue	-	-
Changes to Revenue	(39.1)	46.2
Revenue Subtotal	(39.1)	46.2
Revenue Subtotal	(22.4)	299.5
Transfer to Budget Reserve	4.0	(9.0)
Total Resources Available	(18.4)	290.5
Enacted Expenditures/CSL	-	-
Changes in Expenditures	(271.6)	(49.8)
Expenditure Total	(271.6)	(49.8)
Surplus/(Deficit)	253.2	340.3

For reference purposes, this chart shows the difference between the prior two slides. These deltas represent changes to FY 2021 Enacted and changes to the FY 2022 Current Service Level recommended by the Governor to balance the FY 2022 budget

Notable Revenue/Expenditure Items

Revenue Items

- Adjust Impact of December 2020 Casino Closure: \$5.7 million
- Proceeds from Refunding of Bonds: \$5.9 million
- Adult-Use Marijuana: \$1.7 million (general revenue net of expenditures)
- DBR/DLT Items: \$3.3 million
- DEM/CRMC Fees: \$2.2 million
- Remove DOR Collections Unit Sunset: \$1.4 million

Expenditure Items

- Net Voluntary Retirement Incentive Savings: (\$6.0 million)
- Eleanor Slater Hospital Transformation: (\$38.7 million)
- RICLAS Alternative Placements: (\$4.5 million)
- Department of Corrections Module Closures: (\$3.1 million)
- EOHHS Initiatives – including Health Information Technology Initiatives, Analytics Items, LTSS resiliency, Outpatient UPL, GME Payment Elimination, and MCO Profit Margin Reduction: (\$8.7 million)
- LIUNA Pension Fund: \$4.3 million

Slide contains assorted revenue and expenditure items not highlighted elsewhere, contributing to net \$17 million in new revenue and net (\$55) million in expenditure changes and adjustments.

Q&A

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