



OFFICE OF MANAGEMENT & BUDGET

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MEMORANDUM

To: The Honorable Marvin L. Abney
Chairman, House Finance Committee

To: The Honorable Ryan W. Pearson
Chairman, Senate Finance Committee

From: Jonathan Womer
Director, Office of Management & Budget

Date: April 12, 2021

Subject: **Amendments to FY 2021 Revised Appropriations Act (21-H-6121)**

The Governor requests that several amendments be made to Article 1 of the FY 2021 Revised Appropriations Act. The amendments include changes to the appropriation amounts in Article 1, Relating to Making Revised Appropriations in Support of FY 2021. A description of the amendments requested is provided below.

This primary purpose of this amendment to 2021-H-6121 (Governor's Budget Amendment #2) and today's subsequent amendment to 2021-H-6122 (Governor's Budget Amendment #3) is to respond to the direct and indirect impacts of the approval of the State's requested amendment to the Medicaid State Plan (i.e., "State Plan Amendment" or "SPA") by the Centers for Medicare and Medicaid Services (CMS) on March 25, 2021.

The Governor's FY 2021 Revised Budget and FY 2022 Recommended Budget made the following assumptions related to Medicaid and Medicare federal financial participation at Eleanor Slater Hospital:

- In FY 2020, approximately \$23.7 million of operating costs at Eleanor Slater Hospital were charged to the state's allocation of the Coronavirus Relief Fund (CRF) awarded under the CARES Act pursuant to guidance from the United States Treasury. Because the state was not pursuing federal financial participation under Medicaid for these costs, charging the expenses to CRF would not sacrifice federal funds.
- The FY 2021 Governor's Recommended Revised Budget assumed that various activities at Eleanor Slater Hospital would generate federal financial participation under Medicaid in the amount of \$6.7 million.
- The FY 2022 Governor's Recommended Budget assumed no federal financial participation under Medicaid.

These amendments (GBA #2 and #3) intend to unify the approaches taken in FY 2021 and FY 2022 as well as reflect the most recent expectations regarding federal financial participation as a result of the SPA. The Budget Office, in consultation with agency financial staff, now expects that various activities at Eleanor Slater Hospital will be eligible for federal financial participation under Medicaid. This assumption is retroactive to April 1, 2020 and applicable on a go-forward basis. The Budget Office is also using these amendments to address indirect consequences on CRF usage.

- In FY 2020, \$9.0 million in personnel costs formerly charged to CRF will now be eligible for federal financial participation under Medicaid. In order to take advantage of Medicaid reimbursement, the State no longer intends to charge these costs to CRF, making \$9.0 million of CRF available to other

uses. The Budget Office assumes that the federal financial participation under Medicaid for these \$9.0 million of gross costs will be assessed at the FMAP rate applicable to FFY 2020 of 59.15 percent. This results in the state incurring a general revenue obligation of \$3.7 million. Because this relates to prior period activity, the Budget Office assumes this obligation will be recognized in FY 2021 as a prior year fund balance adjustment. The Office of Accounts and Controls does not anticipate any impact on FY 2021 general revenue expenditures as a result of this adjustment.¹

- In FY 2021, this amendment reprograms the \$9.0 million in CRF made available by the prior year change to eligible personnel costs at the Department of Corrections, Department of Public Safety, and the Department of Environmental Management as described in the body of the amendment below.
- In FY 2022, GBA #3 recognizes federal financial participation at the Eleanor Slater Hospital resulting in \$5.7 million in new federal expenditures and corresponding savings of \$5.7 million in general revenue.

When taking into consideration other changes requested in GBA #3, the net general revenue impact of GBA #2 and #3 as well as the anticipated FY 2021 prior year fund balance adjustment has a net favorable adjustment of \$2.24 million to the FY 2022 closing surplus.

If you have any questions regarding these amendments, please feel free to call me or my staff at 574-8430.

JW: 21-Amend-2
Attachments

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Stephen Whitney, Senate Fiscal Advisor
James E. Thorsen, Director of Administration
Joseph Codega Jr., Deputy Budget Officer

¹ The Office of Accounts and Controls notes that this adjustment will impact the transfer to the Rhode Island Capital Plan Fund (RICAP). The Budget Office anticipates that the RICAP fund to have a sufficient balance such that this change will have no substantive impact on the RICAP plan.

ARTICLE 1, RELATING TO MAKING REVISED APPROPRIATIONS IN SUPPORT OF FY 2021
SECTION 1, REVISED APPROPRIATIONS IN SUPPORT OF FY 2021

Department of Corrections

Decrease General Revenue in the Custody and Security Program, Page 28, Line 7 by \$6,901,092 from \$29,306,772 to \$22,405,680. This decrease reflects the achievement of additional FY 2021 general revenue savings totaling \$6.9 million through the continued conversion of Correctional Officer payroll from general revenue to the Coronavirus Relief Fund (CRF) in the third and fourth quarters of FY 2021. This amendment is additive to the \$45.4 million in general savings currently recognized in the Governor's FY 2021 revised budget for third and fourth quarter CRF-eligible payroll conversions (21-DOC1).

Increase Federal Funds in the Custody and Security Program, Page 28, Line 8 by \$6,901,092 from \$112,498,885 to \$119,399,977. This increase reflects the additional resources from the Coronavirus Relief Fund (CRF) required to fully defray eligible payroll expenses for the third and fourth quarters of FY 2021, in accordance with the general revenue amendment above (21-DOC1).

Department of Public Safety

Increase Federal Funds in the State Police Program, Page 31, Line 8 by \$500,000 from \$44,192,248 to \$44,692,248. This increase reflects the additional resources from the Coronavirus Relief Fund (CRF) required to fully defray eligible payroll expenses at the State Police charged to CRF during the first two quarters of FY 2021 (pay periods 1 through 14 of FY 2021) (21-DPS1). Subsequent to the submission of the Governor's FY 2021 revised budget, OMB, in collaboration with the Department, discovered a miscalibration between the amount of CRF budgeted and the level of accordant general revenue savings taken in the enacted/revised budget, which this amendment serves to rectify (21-DPS1).

Department of Environmental Management

Increase Federal Funds in the Natural Resources Program, Page 32, Line 9 by \$1,598,908 from \$24,404,062 to \$26,002,970. This increase reflects the additional resources from the Coronavirus Relief Fund (CRF) required to fully defray eligible payroll expenses at the Division of Law Enforcement charged to CRF during the first two quarters of FY 2021 (pay periods 1 through 14 of FY 2021). This allocation of CRF, omitted from the Governor's FY 2021 Supplemental Appropriations Act, enables the Department to achieve an equivalent amount of general revenue savings, as programmed in both the FY 2021 enacted budget and the Governor's FY 2021 revised budget (21-DEM1).

Summary of Governor's Article 1 Amendments to FY 2021 Revised Appropriations Act (21-H-6121)

FY 2021 Revised Expenditures (Original Governor's Recommend)					Amendment Code (21-AGENCY#)
General Revenue	Federal Funds	Restricted Receipts	Other Funds	Total	
3,881,632,888	7,059,148,271	353,183,517	2,456,273,300	13,750,237,976	
April 2021 Amendments					
Department of Corrections					
Additional CRF Payroll Conversion - Custody and Security					
(6,901,092)	6,901,092			-	21-DOC1
Department of Public Safety					
State Police CRF Payroll Conversion- Correction to CRF Allocation					
	500,000			500,000	21-DPS1
Department of Environmental Management					
Division of Law Enforcement CRF Payroll Conversion- Correction to CRF Allocation					
	1,598,908			1,598,908	21-DEM1
Total					2,098,908
Grand Total					13,752,336,884