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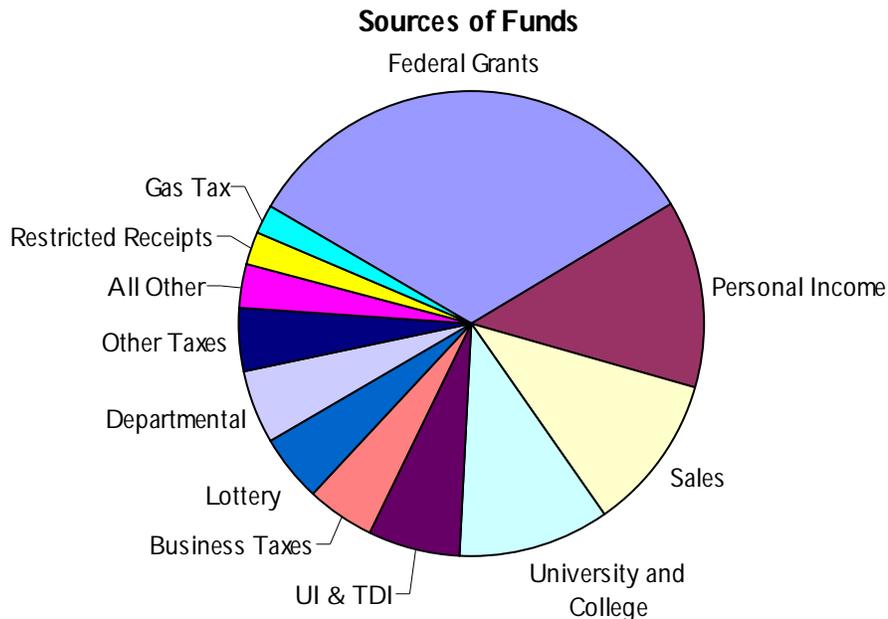
# **Section I**

## **Budget at a Glance**

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## FY 2012 Budget at a Glance

The Assembly adopted a budget with total expenditures of \$7.702 billion, which is \$40.9 million more than the Governor recommended. It contains \$3.143 billion from general revenues, which is \$27.3 million less than the Governor recommended.



### Budget Issues

- **FY 2012 Gap.** House Fiscal Staff estimates that in preparing the FY 2012 budget, the Governor faced a projected revenue-expenditure gap of \$300 million, which would grow to about \$400 million by FY 2016. This was somewhat lower than Staff's FY 2011 forecast in the enacted FY 2011 budget, mainly because of revisions at the November 2010 Revenue and Caseload Estimating Conference. The Governor's budget resolved this gap largely with increased revenues and one-time savings. The gap narrowed by \$46.6 million for FY 2011 and \$62.7 million for FY 2012 due to stronger than expected revenue estimates and caseload changes adopted at the May 2011 Revenue and Caseload Estimating Conference.

The Assembly used these additional resources along with additional expenditure reductions to close the budget gap without the significant increase in new revenues as proposed by the Governor. The enacted budget also includes a number of initiatives that do not reflect a full year's savings or revenues or that do not produce savings until FY 2013 or later. This is necessary to offset the use of FY 2011 surplus funds and other one-time savings in FY 2012 without exacerbating out year deficits.

- **Out-Year Projections.** The enacted budget does not entirely resolve the out year budget gaps, though its actions provide a more than 50 percent reduction compared to the Governor's initial budget submission, excluding the impact of revisions to the calculation of pension liabilities. The Budget Office projected a \$128.8 million gap for FY 2013, 3.9 percent of useable revenues, that grows to \$411.4 million in FY 2016, 12.0 percent of useable revenues. The FY 2013 projection was largely

due to the Governor's proposed use of one-time items in the resolution of the current budget gap and the phase in of the business tax reductions and transportation funding increases. That amount would have more than tripled largely because expenditure growth rates outpace the revenue growth projections with average deficits of \$294.0 million including \$480.0 million for FY 2016. Adjusting for the roughly \$80 million annual impact of the new pension assumptions, the FY 2013 gap would now be \$142.4 million, and average deficits would be \$216.1 million.

- **Rainy Day Fund Repayment.** Consistent with the enacted budget, the Assembly provided \$22.0 million in FY 2011 to pay back the Rainy Day Fund for funds borrowed in FY 2009 to close the projected budget gap. The Governor had proposed legislation delaying the repayment until FY 2013; he later requested an amendment to reverse that recommendation.

## **Taxes and Revenues (See Section VI, Special Reports: Revenue Changes)**

### **Business Taxes**

The Governor's budget recommended four separate proposals relating to taxes on businesses that would have had a combined impact of a \$0.9 million revenue loss in FY 2012 growing to \$14.5 million in FY 2016. The Assembly opted against most of the proposals enacting only the changes described separately in the paragraphs that follow.

- **Corporate Income Tax Rate Reduction Phase-In.** The Assembly did not concur with the Governor's proposal to decrease the Corporate Income Tax rate from 9.0 percent by 0.5 percent per year until reaching 7.5 percent for tax year 2014.
- **Jobs Development Act Phase-Out.** The Assembly did not concur with the Governor's proposal to phase out the elimination of the Jobs Development Act rate reduction beginning in tax year 2012 by one-third. The Jobs Development Act provides for rate reductions of one quarter of one percent (0.25 percent) for each 50 new jobs created by eligible companies for three years past the base year. The reduction cannot be more than six percent.
- **Corporate Minimum Tax Restructure.** The Assembly did not concur with the Governor's proposal to implement a tiered Corporate Minimum Tax based on gross receipts. It maintained the Minimum Tax at \$500 and extended it to limited partnerships and limited liability partnerships.
- **Combined Reporting.** The Assembly adopted legislation requiring a "unitary business" to file returns as if combined reporting were required along with their regular return for tax years 2012 and 2013. This will allow the Division of Taxation to collect enough data to report to the General Assembly by March 2014 on the potential impact of implementing combined reporting and the various approaches to this policy. The Governor had proposed implementing combined reporting effective 2012.

### **Sales Taxes**

- **Sales and Use Tax from 7.0 Percent to 6.0 Percent.** The Assembly did not concur with the Governor's proposal to decrease the current 7.0 percent sales and use tax on items currently taxed to 6.0 percent. The Assembly adopted legislation to decrease the sales tax from 7.0 percent to 6.5 percent in the event that Congress enacts legislation to require remote sellers to collect and remit taxes.

- **Expansion of Sales Tax Base.** The Assembly did not concur with the Governor's proposal to generate \$197.6 million from the imposition of a 6.0 percent sales and use tax on certain services that were previously exempt from the sales tax. It did expand the current 7.0 percent sales tax to a select few items for a total of \$17.2 million in FY 2012. It repealed the following exemptions from the sales tax: prewritten computer software, nonprescription drugs and insurance proceeds for total loss of a car towards the purchase of a car. The Assembly also eliminated project status granted by the Economic Development Corporation and the Rhode Island Industrial Facilities Corporation and extended the sales tax to sightseeing package tours.
- **Meals and Beverage and Hotels.** The Assembly adopted legislation to increase the local meals and beverage and hotel taxes 1.0 percent to 1.5 percent.
- **1.0 Percent Sales Tax on Certain Items Currently Exempt.** The Assembly did not concur with the Governor's proposal to impose a 1.0 percent sales and use tax on certain exempt items, such as clothing, aircraft and boats and for purchases made by nonprofit entities.

#### **Other Taxes and Fees**

- **Motion Picture Tax Credit.** The Assembly maintained the Motion Picture Tax Credit program.
- **Compassion Center 4.0 Percent Surcharge.** The Budget includes \$0.7 million in new revenues from a 4.0 percent surcharge on net patient revenues from the three compassion centers selected.
- **Hospital Licensing Fee.** The Assembly passed Section 11 of Article 19 to include an FY 2012 licensing fee at 5.43 percent of hospitals' net patient services revenue using a 2010 base year with revenue of \$144.0 million, \$138.0 million from the community hospitals and \$6.0 million from Eleanor Slater Hospital. The licensing fee appears annually in the Appropriations Act.
- **Veterans' Home Resident Assessment.** *The Budget does not contain the Governor's proposed increase of the monthly fee assessed to residents of the Veterans' Home from 80 percent to 100 percent of countable income, after the veteran maintains the first \$150 plus other allowable disregards. His budget included revenues of \$1.0 million, including \$0.8 million deposited into the General Fund and the remaining \$0.2 million deposited into the Veterans' Affairs' restricted receipt account to be used for activities and operations at the Home.*
- **Telecommunications Education Access Fund.** The Budget includes \$350,000 from general revenues to support the Telecommunications Education Access Fund. The Governor had proposed legislation to reduce the assessment for the Telecommunications Education Access Fund from \$0.26 to \$0.15 per line effective July 1, 2011 and expand it to include wireless lines. The Assembly did not enact the proposed legislation.
- **Beach Parking Fees.** The Budget includes an additional \$1.5 million from the increase for daily and annual parking fees at state beaches. The Department of Environmental Management collects fees for daily and seasonal parking at seven facilities across the state and reimburses the four host communities of Charlestown, Westerly, Narragansett and South Kingstown 27.0 percent of all daily parking fees collected from Memorial Day to Labor Day. The Budget contains legislation that lowers the reimbursement rate to 16.0 percent in order for the municipalities to continue to receive the same amount, with the additional revenues deposited as general revenues.

- **Securities Sales Representative License Fee.** The Budget includes \$1.2 million in additional revenues in FY 2012 from increasing the licensing fee for a securities sales representative from \$60 to \$75. The Department of Business Regulation annually licenses approximately 79,000 securities sales representatives from across the country.
- **Federally Covered Adviser License Fee.** The Budget includes \$41,000 in additional revenues in FY 2012 from increasing the licensing fee for a federally covered adviser from \$250 to \$300. The Department of Business Regulation licenses approximately 820 federally covered advisers annually.
- **Estate Filing Fee.** The Budget includes \$108,915 in revenues from increasing the estate filing fee from \$25 to \$50.
- **DMV Check Return Fee.** The Budget includes \$18,720 in revenues from the assessment of a \$25 fee on returned checks.
- **DMV Driving Records Abstracts.** The Assembly did not concur with the Governor's proposal to require insurance companies to use driving record abstracts at least every three years for rating and underwriting policies.
- **Background Check Fee.** The Budget includes \$110,000 in revenues from instituting fees for background checks on adults who wish to care for a child.
- **Transportation Fees.** The Assembly enacted legislation that establishes a transportation trust fund and provides that incremental increases of transportation related surcharges will be dedicated to the fund, with the purpose of reducing the Department of Transportation's reliance on borrowing while transitioning to a pay-go system. The incremental increases will begin in FY 2014 and reach their peak in FY 2016, when they will generate approximately \$20 million annually. These funds will be combined with a dedicated annual stream of \$20 million from Rhode Island Capital Plan funds, which will together provide the \$40 million in annual state matching funds for transportation funding that is currently generated through debt issuance.

### **Enhanced Collections**

- **Tax Delinquents Postings.** The Division of Taxation currently posts a list of the top 100 tax delinquents. The FY 2012 Budget includes \$1.8 million in revenues by dividing the list into the top 100 individuals and the top 100 businesses that are delinquent in paying taxes.
- **Lottery Winnings Setoff for Taxes Owed.** The FY 2012 Budget assumes \$141,457 in revenues from garnishing lottery winnings over \$600 when unpaid state taxes are owed. There are currently two other setoffs; child support and benefit overpayments from the Department of Labor and Training.
- **Department Revenues Set off Tax Refund Offset.** The Budget includes \$0.2 million in FY 2012 from the Department of Corrections' revenues based on the Governor's proposal to allow the Division of Taxation to offset tax refunds for debts owed. Currently, the Department has outstanding debts of \$3.8 million for home confinement, probation, parole and electronic monitoring.
- **Taxation – Enhanced Audit & Compliance.** The Budget assumes \$2.0 million in revenues from enhanced audit and compliance collections from 4.0 new revenue agents.

## ***Other Revenues***

- ***Resource Recovery Transfer.*** The Budget includes \$3.5 million from insurance settlement proceeds from the Rhode Island Resource Recovery Corporation to state general revenues in FY 2012. The Corporation was last required to make a transfer of \$7.5 million in FY 2009. It spread the payment over two years, including \$4.5 million in FY 2009 and \$3.0 million in FY 2010.
- ***Cancer Registries Research.*** The Budget includes \$16,107 from general revenues provided to the Department of Health for cancer registries research. Funds are included as revenues and offsetting expenditures.
- ***Lottery Revenues.*** The Assembly included \$1.0 million in additional revenue available from reduced operating expenses at the Lottery.
- ***VLT 24-7 Payments.*** The Assembly extended the provision to allow host communities for Twin River and Newport Grand to receive an enhanced share of revenues from those generated during extended hours of operation. While the authorization to operate 24 hours a day, seven days a week is permanent, the provision for an enhanced local share was due to sunset in FY 2011. This extension results in additional revenues of \$0.8 million for the Town of Lincoln based on current estimates.
- ***VLT Enhanced Marketing & Promotion.*** The Assembly removed the income earnings and spending thresholds for Newport Grand in order for the state to share in a portion of marketing costs. It included total revenue adjustments of \$163,000 in FY 2011 and \$272,000 in FY 2012.
- ***Land Sales.*** The Assembly enacted legislation to allow proceeds from land sales to be deposited into the Information Technology Fund, removing \$1.0 million from general revenues and converting it to restricted receipts.

## ***Local Government (See Section VI, Special Reports: State Aid to Local Government)***

- ***Central Falls Stabilization Payment.*** The Assembly did not concur with the Governor's recommendation to provide \$1.8 million in FY 2011 and \$4.9 million in FY 2012 to eliminate the projected deficits for Central Falls.
- ***Central Falls Receivership.*** The Assembly provided \$1.0 million in FY 2011 and \$0.7 million in FY 2012 for the state appointed receiver and legal costs pertaining to the non-judicial receivership for Central Falls.
- ***Distressed Communities Relief Fund.*** The Assembly provided \$10.4 million in FY 2011 and FY 2012 for the Distressed Communities Relief Fund. It did not concur with the Governor's recommendation to provide an additional \$5.2 million in FY 2011 provided eligible communities meet certain financial reporting requirements.
- ***Payment in Lieu of Taxes Program.*** The Assembly provided \$27.6 million in FY 2011 and \$33.1 million in FY 2012 to fund the Payment in Lieu of Taxes program. The FY 2012 appropriation represents a reimbursement of 23.4 percent, which is 4.0 percent and \$5.5 million more than the Governor recommended.
- ***Motor Vehicles Excise Tax.*** The FY 2011 and FY 2012 budgets level fund the Motor Vehicles Excise Tax program at the enacted amount of \$10.0 million.

- **Library Resource Sharing Aid.** The Assembly provided \$8.8 million in both FY 2011 and FY 2012 to level fund library operating aid at the FY 2011 enacted level.
- **Library Construction Aid.** The Assembly provided \$2.5 million for library construction aid in FY 2011 and \$2.8 million in FY 2012. This represents current funding requirements for both years based on updated cost information, interest rates, and construction schedules for approved projects. The state reimburses libraries up to half the total costs for eligible projects on an installment basis for a period of up to 20 years. The Assembly enacted legislation to set a three-year moratorium on acceptance of applications for library construction projects, effective July 1, 2011.
- **Property Valuation Reimbursement.** The Assembly provided full funding of \$0.8 million in FY 2011 and \$1.1 million in FY 2012 to reimburse communities conducting property valuation updates.
- **Airport Impact Aid.** The Assembly provided the enacted level of \$1.0 million in both FY 2011 and FY 2012 to the Economic Development Corporation so that the Airport Corporation can provide impact aid payments to the seven communities that host the six state airports. The community payments are made proportionally based on the number of total landings and takeoffs.
- **Municipal Reporting.** The Assembly enacted legislation requiring all municipalities to provide the Division of Municipal Finance a five-year forecast including options for funding annually required post employment benefit liabilities, certified tax rolls no later than the next succeeding August 15, fiscal impact statements for changes in health care plans and to notify the auditor general and the Division within 30 days after the end of the fiscal year if it is likely to incur a deficit. The legislation also requires local school districts to submit corrective action plans to the Division within five days of discovery of potential or actual over expenditure or revenue deficiency in addition to the current practice of submitting them to the city or town council president.
- **School Committee Ads.** The Assembly enacted legislation that removes the requirement that school committees publish notice of meetings in the newspaper.
- **Retiree Health.** The Assembly enacted legislation that allows municipalities to require its retirees to enroll in Medicare upon eligibility as a condition of receiving or continuing to receive retirement and other post employment benefits.

**Education Aid (See Section VI, Special Reports: Education Aid)**

- **Funding Formula.** The Budget funds the first year of the education funding formula adopted by the 2010 Assembly. The calculation for FY 2012 uses March 14, 2011 student enrollment data adjusted for March charter school lotteries, a per pupil core instruction amount of \$8,333 and census data released in December 2010. It assumes that districts that will receive more state funding will have the additional funding phased in over seven years and districts that are going to receive less state funding will have that loss phased in over ten years.
- **FY 2012 Formula Education Aid.** The Budget includes \$715.0 million for school formula aid for school districts including Central Falls, the Metropolitan Career and Technical School, Davies Career and Technical School and charter schools pursuant to the new funding formula. This is \$16.8 million more than FY 2011 and includes \$32.0 million from federal education jobs funds that districts will receive for use in FY 2011 and FY 2012 in lieu of general revenues.

- **Education Jobs Funds.** The Budget uses \$32.0 million from federal education jobs funds that districts will receive for use in FY 2011 and FY 2012 in lieu of general revenues for FY 2012 school formula aid.
- **Regionalization Bonus.** The new education funding formula allows for additional funding from the state for a limited two-year bonus for regionalized districts. The Budget includes \$0.9 million to fund this.
- **Transportation.** The new education funding formula allows for additional funding from the state to districts for transportation costs. The Budget includes \$1.1 million for FY 2012. The state will provide funding to mitigate the excess costs associated with transporting students to out-of-district non-public schools and within regional school districts.
- **Early Childhood Education.** The Budget does not include the enacted level of \$0.7 million for early childhood programs. The new education funding formula allows for additional funding from the state for early childhood education programs. This pilot program began in FY 2010 with \$700,000.
- **School Construction Aid.** The Budget includes \$72.5 million to fund projected costs of school housing aid to local districts for FY 2012, which is \$4.5 million more than the FY 2011 entitlement. Aid is based on wealth with minimum reimbursements of either 30.0 or 35.0 percent of approved costs for FY 2012. The new funding formula legislation includes a two-year phased increase in the state's minimum housing aid participation to provide that no local district receives less than a 40.0 percent state reimbursement by FY 2013 for projects completed after June 30, 2010. The minimum had been 30.0 percent.
- **School Construction Aid Moratorium.** The Assembly instituted a three-year moratorium on the approval of new projects effective July 1, 2011 with exception for projects necessitated by health and safety reasons effective July 1, 2011. It also requires the Department of Elementary and Secondary Education to develop recommendations for cost containment strategies in the school housing aid program.
- **Group Home Aid.** The Budget reflects group home aid consistent with current law that requires that aid be paid for all beds opened as of December 31, 2010. The FY 2012 budget is \$255,000 less than the FY 2011 enacted budget.
- **Textbook Reimbursement.** The Budget includes the enacted amount of \$240,000 for reimbursements allowed under the textbook loan program for FY 2012. The state reimburses districts for the cost of providing textbooks to non-public school students in the areas of English/language arts and history/social studies in kindergarten through 12<sup>th</sup> grade. The Governor had proposed eliminating funding for the program.
- **Progressive Support and Intervention.** The Budget removes the enacted level of \$2.7 million for support of reform efforts in selected school districts as part of the progressive support and intervention program.
- **FY 2011 Education Aid.** Based on the final allocation of fiscal stabilization funds between elementary and secondary education and higher education, there is \$0.7 million less available for distribution to school districts for FY 2011. The Assembly provided \$0.7 million from general revenues in lieu of \$0.7 million less available from state fiscal stabilization funds and adjusted group home beds consistent with current law requirements.

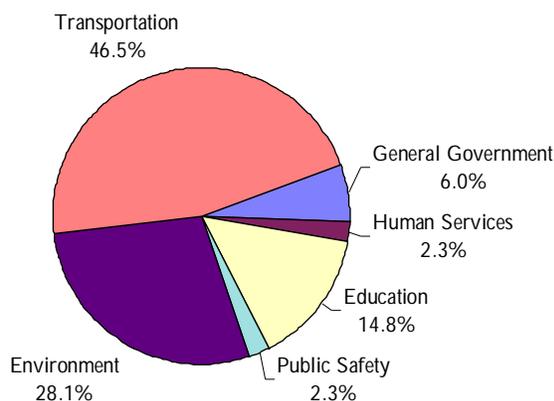
- **Education Costs for Adjudicated Youth.** The Budget does not include the Governor’s proposal to require local cities and towns to pay for the education of juveniles at the training school, Camp E-Hun-Tee, and Ocean Tides.

### Housing and Economic Development

- **Neighborhood Opportunities Program.** The Assembly concurred with the Governor’s proposal to require Rhode Island Housing and Mortgage Finance Corporation to provide \$1.5 million in FY 2012 for the Neighborhood Opportunities Program.
- **Housing Resource Grant.** The Assembly provided \$2.1 million for the Housing Resource Commission grant in FY 2011 and FY 2012 for emergency shelter grants and for the lead hazard reduction program.
- **Economic Development Corporation - Operations.** The Budget provides \$4.6 million from general revenues to support general operations of the Economic Development Corporation.
- **Slater Technology Fund.** The Budget includes \$2.0 million for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new ventures.
- **Experimental Program to Stimulate Competitive Research (EPSCoR).** The Budget includes the enacted level of \$1.5 million for participation in the National Science Foundation’s Experimental Program to Stimulate Competitive Research.
- **Convention Center Authority.** The Budget includes \$23.1 million for the Convention Center Authority to cover debt service requirements.

### Capital (See Section IV: Capital Budget)

#### FY 2012 - FY 2016 Capital Projects by Function

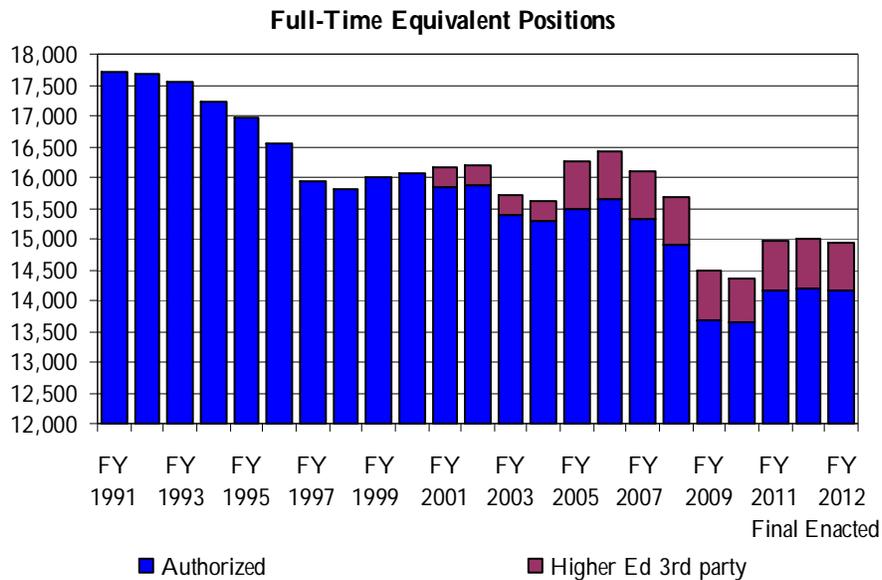


- **Outlays and Funding.** The FY 2012 through FY 2016 recommended plan includes \$3,311.2 million of outlays on \$8,681.3 million of project estimates. Average outlays would be \$662.3 million

per year for the five-year period with \$822.2 million required at the end of the period to complete the projects.

- **General Obligation Bonds Referenda.** Financing the five-year capital plan is based on \$447.9 million of general obligation bond debt issuances, including \$163.3 million from new general obligation bond referenda to be presented to the voters in November 2012.
- **Other Debt Approvals.** The five-year capital plan also requires \$72.8 million to be approved by the 2012 Assembly under the Public Debt Management Act, all of which would be used by the University of Rhode Island.
- **Financing.** Paying for the five-year outlays includes \$900.7 million from debt financing and \$2,410.4 million from current or pay-go sources. Pay-go represents 72.8 percent with debt funding being 27.2 percent.
- **Debt Levels.** Total net tax supported debt decreases by \$37.7 million from the \$1,883.9 million reported for the end of FY 2010 during the period through FY 2016 to \$1,846.2 million. However, past practice indicates that debt levels will be significantly higher as more projects are added within the five-year period of this capital budget.
- **Debt Ratios.** Net tax supported debt would increase from 4.3 percent of personal income reported for FY 2010 to 4.5 percent in FY 2011 before dropping gradually back to 3.4 percent in FY 2016 assuming that the capital budget is not increased. However, as with debt levels, past practice indicates it is likely to be higher than projected.
- **Debt Service.** Debt service in the recommended capital budget would increase from 7.1 percent of useable general revenues in FY 2011 to 7.5 percent in FY 2016.
- **Rhode Island Capital Plan Funds.** The capital budget proposed the use of \$48.3 million for technology upgrades. This is a significant departure from current practice, which limits these funds for use on a physical asset. The Assembly did not concur.
- **Integrated Tax System.** The Assembly did not concur with the Governor's plan to use \$25.0 million from Rhode Island Capital Plan funds to create an integrated tax system, which would store all taxpayer information in one centralized computer system. The system would include the following functions: single registration of taxpayers, consolidated filing of employers' taxes, automated data capture, view of financial history and consolidated billing of business tax liabilities and others.
- **Technology Initiatives.** The Assembly did not concur with the Governor's plan to use \$14.5 million from Rhode Island Capital Plan funds for technology initiatives.
- **Financial Accounting Network System Implementation.** The Assembly did not concur with the Governor's proposal to use a total of \$11.5 million from Rhode Island Capital Plan funds for the implementation of modules for the Rhode Island Financial Accounting Network System.
- **Corporate Tax Model.** The Assembly did not concur with the Governor's proposal to use \$125,000 from Rhode Island Capital Plan funds for the purchase of the Corporate Tax Model.

**State Government (See Section VI, Special Reports: State Government Personnel and Staffing)**



- Staffing.** The Budget includes 14,942.2 full-time equivalent positions, including 776.2 higher education positions supported by research or other third-party funds. The recommendation is 114.6 positions more than enacted, primarily from the addition of 58.5 teaching and student support positions at Rhode Island College and the Community College of Rhode Island and 87.3 additional positions in the Human Service and Education agencies. As of June 18, 2011, there were 13,728.2 positions filled, leaving 1,032.4 non-research vacancies. In FY 2010, the state averaged 13,588.5 filled positions reflecting an average of 647.5 non-research vacancies.
- Longevity.** The Assembly enacted legislation to end new longevity payments for all state employees and employees of quasi-public agencies effective July 1, 2011 or upon the expiration of any current collective bargained contract. Employees would continue to receive the same longevity percentage they have already earned; however, no new longevity will be granted.
- Community Service Grants.** The Budget includes general revenue savings of \$0.9 million from a ten percent reduction to community service grants provided through individual agency budgets.
- Statewide Savings.** The Budget includes unidentified statewide personnel and operating savings of \$20.7 million from nearly all agencies. Similar savings totaling \$3.7 million are included in the FY 2011 revised budget.
- Unemployment Insurance Benefits.** The Budget includes \$639.1 million for unemployment insurance benefit payments in FY 2011 and \$299.7 million in FY 2012. This includes payments from federal stimulus funds, which will begin to phase out in January 2012, and from the state's Trust Fund.
- Unemployment Insurance Loan Interest Payment.** The Budget includes \$10.0 million from the 0.3 percent increase to the Job Development Fund assessment on employers for the interest payment on the state's outstanding federal unemployment insurance loans. The state was able to borrow interest free through January 1, 2011 and the required interest payment, due in November 2011, is based upon interest accrued from January 1 through September 30, 2011. The state has an outstanding loan balance of \$279.5 million as of May 2, 2011.

- **Employment Security Trust Fund.** The Budget, through Article 4, makes changes to both taxes and benefits paid through the state's unemployment insurance system to progressively increase the balance of the Trust Fund over the next four years. Tax changes begin January 1, 2012 and benefit changes begin July 1, 2012, with incremental changes each year through FY 2015.
- **Information Technology Fund.** The Assembly provided \$1.0 million from restricted receipts to establish an information technology fund to make information technology improvements. The fund will be supported by any revenue received from land sales that would otherwise have been deposited as general revenues.
- **Historic Tax Credit Trust Fund Debt Service.** The Budget includes \$22.6 million from general revenues to fund debt service for historic tax credits.
- **Contingency Fund.** The Budget includes the enacted amount of \$250,000 from the contingency fund.
- **State Leases.** The Assembly did not concur with the Governor's proposal to eliminate the requirement that departments obtain legislative approval before entering into a long-term lease agreement, five years or more or lease agreements that are more than \$0.5 million.
- **Matching Public Funds.** The Budget includes \$1.7 million from general revenues, \$0.4 million less than enacted, in FY 2011 for the Board of Elections for matching public funds from the November 2010 general election and related audit fees due to lower than anticipated candidate requests.
- **Westerly Branch.** The Assembly provided \$37,800 from general revenues to reopen a registry branch in the Town of Westerly.
- **Registry Strategic Plan.** The Assembly provided \$0.3 million from general revenues to fund 2.0 full-time equivalent positions and consultant services for the Division of Motor Vehicles to develop a strategic plan to enhance customer service.

## Health and Human Services

- **Enhanced Medicaid Rate Expiration.** The FY 2012 Budget reflects the loss of \$215.1 million in federal funds from the June 30, 2011 expiration of the enhanced Medicaid match included in the American Recovery and Reinvestment Act.
- **Cash Assistance and Medical Benefits Caseloads.** The Budget includes \$1,762.7 million from all funds, including \$830.5 million from general revenues for updated cash assistance and medical benefit costs adopted at the May Caseload Estimating Conference. This includes \$161.2 million that will be needed from general revenues for the return to the regular Medicaid rate July 1, 2011.
- **Hardship Program.** The Budget includes \$452,700 from general revenues in FY 2011 and \$210,000 in FY 2012 for general public assistance hardship payments.
- **Community Hospital Payments.** The Budget restores \$12.1 million in funding to the state's community hospitals, including \$5.7 million from general revenues from including the community hospitals' outpatient upper payment limit reimbursement.

- ***State Only Acute Care Hospital Payments.*** The Budget includes \$500,000 each for South County Hospital and Westerly Hospital in FY 2012. The Governor's budget did not provide any state only payments.
- ***Hospital Rates in Managed Care.*** The Budget limits any increases in rates paid to the community hospitals for inpatient and outpatient services through the state's managed care plans, beginning January 1, 2012, to indexes published by the Centers for Medicare and Medicaid Services.
- ***Nursing Home Rates.*** The Budget includes \$341.2 million from all sources, including \$162.6 million from general revenues for nursing homes and hospice care. This reflects restoration of the \$12.8 million rate reduction the Governor had proposed offset by \$6.3 million in savings from eliminating the annual cost-of-living adjustment scheduled for FY 2012 and includes the plan to revise the nursing home principles of reimbursement.
- ***Rhode Island Works Staffing.*** The Budget includes \$0.4 million from federal temporary assistance to needy families block grant funds for 6.0 new positions to provide intensive case management services to program participants to access job training services and address obstacles to participation in allowable work activities.
- ***Coordinated Jobs Funding Study.*** The Budget includes legislation to require the Human Resource Investment Council to develop and maintain a comprehensive inventory and analysis of all workforce development activities in the state, no later than December 1, 2011. It also requires the establishment of an advisory group to assist in the analysis and requires all departments and agencies to provide information that is necessary or desirable by the Council for this analysis.
- ***Pharmaceutical Assistance.*** The Budget includes \$0.4 million from general revenues and \$0.2 million from drug rebates for the Rhode Island Pharmaceutical Assistance to the Elderly program which it altered to allow seniors to access continuing coverage in the Medicare "donut hole" in the case of partial payments. The Governor had proposed ending the current program.
- ***Older Americans Act Grant.*** The Budget includes general revenue savings of \$0.7 million from shifting eligible expenses to available federal funds.
- ***Department of Elderly Affairs Merger.*** The Assembly merged the Department of Elderly Affairs with the Department of Human Services and created the Division of Elderly Affairs. The Budget assumes \$0.1 million in savings from the merger.
- ***Money Follows the Person Federal Grant.*** The Budget shifts \$2.5 million of general revenue home and community care expenses to the new federally funded money follows the person grant in the Department of Human Services' budget. The five-year, \$24.6 million grant allows the state to avoid having individuals remain in long term care facilities by using community based services instead.
- ***Non-emergency Medical Transportation.*** The Budget includes savings of \$7.7 million from all sources, including \$3.7 million from general revenues from two changes to transportation sources. This includes reducing the mileage paid for wheelchair van transportation from \$1.75 to \$0.51 per mile, implementing a flat rate of \$22 per trip for non-wheelchair van transportation, and recognizing mileage for non-wheelchair van transportation for out-of-state trips only; these changes all went into effect February 1, 2011. This also includes savings from applying stricter standards to transportation use.

- **BHDDH Clients - Transportation Services.** The Budget includes savings of \$4.2 million for transportation costs for adults with developmental disabilities that were in the Department of Human Services' budget that are now part of the new reimbursement rates through Project Sustainability in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.
- **RIte Care Co-Share Increases.** The Budget includes savings of \$1.4 million, including \$0.7 million from general revenues from the Department of Human Services increasing the monthly RIte Care co-sharing requirement to five percent of a family's income for those at 150 to 250 percent of poverty, beginning October 1, 2011.
- **Community Health Centers.** The Budget continues the \$1.2 million payment to support the community health centers that was included in the enacted budget.
- **Children's Health Account.** The Assembly includes Article 11 to increase the annual assessment on insurers for certain home and community based treatment services from \$6,000 to \$7,500 and further defines the services to be assessed for general revenue savings of \$4.2 million.
- **Selective Contracting for Home Health Services.** The Budget utilizes selective contracting for personal care attendant and homemaker services and assumes savings of \$0.4 million, including \$0.2 million from general revenues.
- **Early Intervention.** *The Budget shifts early intervention program costs to available federal funds for general revenue savings of \$0.7 million in FY 2011 and \$0.5 million in FY 2012.*
- **Rhode Island Works Funding.** *The Budget shifts Rhode Island Works program expenses to available federal temporary assistance to needy families block grant funds for savings of \$1.6 million in FY 2012.*
- **Supplemental Nutrition Assistance Program Outreach.** The Budget includes \$100,000 for the University of Rhode Island's Feinstein outreach program where University students visit local soup kitchens, housing sites, senior centers, food pantries and shelters informing those in need of nutritional assistance on how to access benefits. Funding is used to access federal matching funds and is consistent with the FY 2011 enacted level.
- **Supplemental Security Income.** The Budget includes \$18.0 million from general revenues for the state payment of supplemental security income benefits and reduces the state payment for residents in assisted living facilities from \$538 to the state's federally required minimum payment of \$332, effective October 1, 2011.
- **Division of Veterans' Affairs.** *The Budget maintains the Division of Veterans' Affairs within the Department of Human Services and creates a director position, instead of creating the new Department of Veterans' Affairs under the umbrella of the Executive Office of Health and Human Services.*
- **Veterans' Home Resident Assessment.** *The Budget does not include the Governor's proposal to increase the monthly fee assessed to residents of the Veterans' Home from 80 percent to 100 percent of their countable income and maintains the rate at 80 percent of the resident's countable income, after the first \$150 and other allowable disregards.*

- **Veterans' Home Census.** *The Assembly anticipates increasing the census to 245 residents to either reduce or eliminate the waiting list in FY 2013. It also adds 35.0 new positions in the last four months of FY 2012 in anticipation of the increased census.*
- **Medical Examiner's Office.** *The Budget includes \$0.4 million less from general revenues consistent with the Governor's budget proposal to restrict circumstances under which an autopsy must be performed by the Medical Examiner's Office.*
- **HIV/AIDS.** *The Budget includes \$1.3 million more than enacted from general revenues to provide total funding of \$13.1 million for HIV/AIDS direct services programs and shifts those programs and resources to the Department of Human Services, effective July 1, 2011.*
- **Health Services Council.** *The Budget restores the Department of Health's Health Services Council and \$0.4 million from general revenues. It also includes the corresponding revenue generated from the Certificate of Need application fee.*
- **Health Care Planning and Accountability Advisory Council.** *The Assembly added \$150,000 to support the Health Care Planning and Accountability Advisory Council in its assessment of the state's health care needs and health care system. The Council is to be appointed by September 30, 2011 and the Assembly included Section 2 of Article 15 to make changes to the Council.*
- **Tobacco Cessation.** *The Budget includes \$0.4 million less from general revenues for tobacco cessation programs.*
- **Cancer Registries Research.** *The Budget includes \$16,107 from general revenues provided to the Department of Health for cancer registries research. Funds are included as both revenues and offsetting expenditures.*
- **State Crime Lab.** *The Budget transfers funding for the state crime lab from the Department of Health to the University of Rhode Island's budget and includes the enacted level of \$775,000 in FY 2012.*
- **Developmental Disabilities Services.** *The Budget includes \$212.5 million to provide services to approximately 4,300 adults with developmental disabilities. The budget assumes restructuring the rates paid for community based services provided to adults with developmental disabilities through Project Sustainability and assumes additional savings of \$15.1 million from all sources from this change.*
- **Developmental Disabilities Group Home Consolidation.** *The Budget includes changes affecting six state-run group homes and approximately 30 individuals for savings of \$1.7 million, \$0.8 million from general revenues consistent with the recommendation. It also includes further savings of \$0.2 million from continuing to consolidate homes as vacancies occur.*
- **Health Care Reform - Community Mental Health Treatment Services.** *The Budget takes advantage of opportunities under federal health care reform and includes general revenue savings of \$12.7 million from providing mental health treatment services through a new health home model. The federal government will pay 90 percent of the costs of Medicaid funded services for two years.*
- **Health Care Reform - CEDARR Services.** *The Budget includes general revenue savings of \$1.3 million in the Department of Human Services' budget from the state taking advantage of opportunities*

under federal health care reform. This includes providing home and community based treatment services to disabled children through a new health home model with the federal government paying 90 percent of the costs of Medicaid funded services for two years.

- **Community Medication Assistance Program.** The Budget limits access to the community medication assistance program that provides medications to behavioral health clients and includes savings of \$1.2 million, \$0.6 million from general revenues. It includes updated eligibility criteria for new clients, redefines eligibility for existing clients and institutes a prior authorization process and other pharmaceutical restrictions.
- **Substance Abuse Detoxification Services.** The Budget reduces the state's contract with Stanley Street Treatment and Resources (SSTAR) to provide substance abuse treatment services to the uninsured by \$1.0 million.
- **Adolescent Substance Abuse Treatment Services.** The Budget includes general revenue savings of \$0.7 million from the state being the payor of last resort for adolescent substance abuse treatment services and requires providers to first bill third party payors. It includes \$0.2 million to continue to provide services to uninsured or underinsured individuals through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.
- **DCYF Caseload.** The Budget includes general revenue savings of \$10.7 million in the child welfare and behavioral health programs by reducing residential placements. Initiatives include moving children from residential placements within 60 days, increasing community based supports, and implementing Phase II of the System of Care Transformation.
- **Training School - Girls Facility.** The Budget includes general revenue savings of \$1.5 million from the consolidation of the girl's training school into the existing boy's facility. The savings are based on the elimination of 15.0 full-time equivalent positions and reduced overtime expenses.
- **Juvenile Corrections – Community Based Options.** The Budget includes general revenue savings of \$0.6 million from expanding community based options in the juvenile corrections program through the use of electronic monitoring to increase the number of youth on probation and redirect placement from residential programs.
- **National Standards for Child Abuse.** The Budget includes general revenue savings of \$0.6 million from aligning the state standards for child removals with the national definition of child abuse and neglect as codified in the Child Abuse and Prevention Act. This will reduce the number of children removed from the home, as well as the number of investigations.
- **Case Referrals.** The Budget includes general revenue savings of \$0.5 million from eliminating court ordered visitation for domestic cases, court ordered transportation, and off hour domestic court case testimony by social workers. It also eliminates cases referred from the Family and Truancy Courts when there is no evidence of abuse, neglect, or other child welfare issues.
- **Contract and Rate Reductions.** The Budget reduces various contracts and provider rates for general revenue savings of \$3.4 million. This includes contracts with agencies that provide program evaluations and outcomes for youth in residential care and the juvenile justice program, agencies that provide services to youth over age 18, and agencies whose residential rates are higher than the average.

## Education

- **Asset Protection.** The Budget includes total funding of \$63.0 million from Rhode Island Capital Plan funds for asset protection projects at the state's public higher education facilities for FY 2012 through FY 2016, which is \$10.0 million more than the Governor's recommendation.
- **Public Higher Education.** The Budget includes \$996.8 million for Public Higher Education including debt service. This includes \$166.5 million from general revenues, which is \$4.0 million above the enacted funding level, reversing four years of declining state support.
- **Higher Education Staffing.** The Budget includes 50.0 new full-time positions at the Community College and 17.5 new faculty positions at Rhode Island College.
- **Higher Education Administration.** The budget includes legislation that directs the Department of Administration to submit a revised plan for the organizational structure for higher education administration, staff support and resource allocation. The plan shall address the goal of improving affordability and accessibility to public higher education and maximizing efficiencies while providing sufficient support to the governance structure of public higher education. The Director of Administration is directed to report findings, recommendations and alternative designs to the General Assembly no later than November 1, 2011.
- **College Access Challenge Grant.** The Budget includes \$1.5 million over two fiscal years from federal funds for the college access challenge grant that is aimed at increasing the number of low-income students who are prepared to enter post-secondary education.
- **College Crusade.** The Budget continues the \$0.5 million of state support for the College Crusade of Rhode Island.
- **State Crime Lab.** *The Budget transfers funding for the state crime lab from the Department of Health to the University of Rhode Island's budget and includes the enacted level of \$775,000 in FY 2012.*
- **Race to the Top.** The Assembly included \$35.6 million over FY 2011 and FY 2012 from federal Race to the Top funds. The Budget also includes 22.0 new full-time equivalent positions to work on this grant. This funding is awarded to states to work on education reform efforts including building state and local capacity, standards and curriculum, instructional improvement and educator effectiveness.
- **Need Based Scholarships and Grants.** The FY 2011 revised budget includes an additional \$0.6 million from general revenues for need based grants and scholarships to provide maintenance of effort for the federal college access challenge grant in the Office of Higher Education's budget. For FY 2012, the Assembly provided \$5.0 million from general revenues and \$7.3 million from Tuition Savings funds for a total of \$12.3 million.
- **Adult Literacy.** The Assembly provided an additional \$2.3 million from Human Resource Investment Council funds in lieu of a like amount from general revenues for adult literacy grants. This provides a total of \$5.8 million for FY 2012.
- **Council on the Arts Discretionary Grants.** The Assembly provided the enacted level of \$0.6 million from general revenues for the council's discretionary grants in FY 2012. The Governor had proposed a \$0.1 million reduction.

## Public Safety

- **Prison Population.** The Budget assumes a population of 3,239 for FY 2012, which is 177 fewer inmates than the Governor assumed. His budget was based on projections prepared in the fall of 2010; however, more recent reports show downward trends. The Budget includes a facility consolidation based on the population level.
- **Facility Consolidation and Population Reduction.** The Budget includes general revenue savings of \$6.0 million from consolidating the inmate population out of the Donald Price Medium Security facility into available bed spaces in the rest of the system. The Budget also includes \$1.5 million from Rhode Island Capital Plan funds in FY 2012 and FY 2013 for facility upgrades to accommodate the population consolidation and closure of the Donald Price Medium Security facility.
- **Tobacco Enforcement Litigation.** The Budget includes \$0.6 million in FY 2011 and \$0.3 million in FY 2012 from general revenues for tobacco enforcement litigation to defend allegations that member states have not enforced the “Master Settlement Agreement” for non-participating manufacturers.
- **Indigent Defense Program.** The Budget includes \$3.6 million from general revenues for the Judiciary’s indigent defense program.
- **Correctional Officer Training Class.** The Budget includes \$0.7 million from general revenues for recruitment and training for one new officer class for FY 2012. This class is anticipated to start in the fall of 2011 with graduation in January 2012.
- **Sheriffs to Department of Public Safety.** The Budget reflects the transfer of \$16.7 million and staffing of 180.0 full-time positions for the Sheriffs program from the Department of Administration to the Department of Public Safety.
- **Trooper Training Academy.** The Budget includes general revenue expenses of \$2.7 million for the 54<sup>th</sup> Trooper Training Academy and the salary and benefit expenses for 30.0 recruits expected to graduate in December 2011.
- **Dispatch Unit and Port Security.** The Budget includes legislation that delays the transfer of the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety one year until January 1, 2012.
- **Emergency Management Flood Relief.** The Budget includes \$24.0 million over the two year period for expenditures incurred from the March 2010 floods. This includes \$23.4 million from federal funds and \$0.4 million from general revenues, or \$0.2 million less in FY 2011 than recommended based on updated estimates of the match requirement.

## Environment

- **Beach Parking Fees.** The Budget includes an additional \$1.5 million from the increase for daily and annual parking fees at state beaches. The Department of Environmental Management collects fees for daily and seasonal parking at seven facilities across the state and reimburses the four host communities of Charlestown, Westerly, Narragansett and South Kingstown 27.0 percent of all daily parking fees collected from Memorial Day to Labor Day. The Budget contains legislation that lowers the reimbursement rate to 16.0 percent in order for the municipalities to continue to receive the same amount, with the additional revenues deposited as general revenues.

- ***Water Resources Board Merger with Statewide Planning.*** The Budget includes the merger of the state's Water Resources Board into the Department of Administration's Division of Statewide Planning. All powers and duties of the Agency are transferred to the Department, while the quasi-public agency, the Water Resources Board Corporate, remains intact. The merger more closely aligns the water planning aspects of the Board with the statewide planning process. The Budget assumes \$0.5 million in savings from the merger.
- ***Fort Adams Rehabilitation.*** The five-year capital plan includes \$3.5 million for rehabilitation projects at Fort Adams state park in Newport. Projects include the rehabilitation of the historic soldier's quarters as well as the restoration of the prison area. Funding is provided from Rhode Island Capital Plan funds for the ongoing improvements and does not include the \$1.7 million from the proposed Tourism Asset Protection Fund. In its place, the budget includes \$1.3 million of additional Rhode Island Capital Plan funds to be used for upgrades to the areas surrounding the Fort for America's Cup pre-regatta races the state is seeking to host.
- ***Coastal and Estuary Habitat Restoration Program and Trust Fund.*** The Budget includes \$250,000 from restricted receipts for the Coastal Resources Management Council's Coastal and Estuary Habitat Restoration Program and Trust Fund for projects that restore degraded habitats along the state's coastal and estuarine environments.
- ***Bays, Rivers and Watersheds.*** The Budget includes \$250,000 from the Oil Spill Prevention, Administration and Response Fund for the Bays, Rivers and Watersheds Coordination Team. The team is responsible for coordinating the efforts of all of the environmental agencies in the state to restore and develop both freshwater and marine waters and watersheds.
- ***Statewide Emergency Water Interconnect Study.*** The Capital Budget includes \$2.4 million for FY 2012 from previously approved general obligation bonds to establish statewide emergency water interconnections between the state's 30 largest water supply systems.
- ***Groundwater Protection/Acquisition Program.*** The Capital Budget includes \$3.9 million for FY 2012 from previously authorized general obligation bonds to purchase water development rights from private landowners for well sites identified as high capacity.
- ***Bristol County Water Treatment.*** The Capital Budget includes \$15.6 million from authorized general obligation bonds for facilities upgrades including the Shad Factory Pipeline to ensure adequate water for the Authority's water users and maintain Rhode Island rights to water from the connected Massachusetts reservoirs.
- ***Pier Upgrades.*** The Budget includes \$3.8 million from Rhode Island Capital Plan funds through FY 2016 for repairs to the state's piers in Galilee and Newport. Funding is used for replacement of bulkheads and the surrounding structures as well as repairs to the walkways and decks.
- ***Recreational Facilities Improvements.*** The Budget includes \$6.8 million from Rhode Island Capital Plan funds for FY 2012 through FY 2016 for repairs to the state's recreational facilities. Improvements include the maintenance and upkeep of existing facilities as well as construction projects such as new bathroom facilities, roof replacements and roadway repairs.
- ***Blackstone Valley Bike Path/State Park.*** The Budget includes \$1.5 million from Rhode Island Capital Plan funds through FY 2014 for the construction of the Blackstone Valley Bike Path and State Park. The Blackstone Valley Bike Path is scheduled to be a 17.1 mile by 12-foot wide scenic bike-

path that will connect to the East Bay Bike Path, eventually making a continuous 31.9 mile route for alternative transportation.

## **Transportation**

- ***Winter Maintenance.*** The Department of Transportation's FY 2011 budget includes an additional \$9.2 million of gasoline tax proceeds that were made available by lowering debt service payments on its general obligation bonds, which are paid from the same source. The Department incurred higher than budgeted winter maintenance expenses during FY 2011, and the budget alleviates a projected shortfall in gasoline tax proceeds of \$9.2 million.
- ***Fees for Transportation.*** The Budget includes legislation that establishes a transportation trust fund and provides that incremental increases of transportation related surcharges will be dedicated to the fund, with the purpose of reducing the Department of Transportation's reliance on borrowing while transitioning to a pay-go system. The incremental increases will begin in FY 2014 and reach their peak in FY 2016, when they will generate approximately \$20 million annually. These funds will be combined with a dedicated annual stream of \$20 million from Rhode Island Capital Plan funds, which will together provide the \$40 million of annual state matching funds for transportation funding that is currently generated through debt issuance.
- ***Salt Storage Facilities.*** The Budget includes \$9.3 million from Rhode Island Capital Plan funds for FY 2012 through FY 2016 for the construction of salt storage facilities at Department of Transportation maintenance facilities where salt is currently being stored uncovered.
- ***Maintenance Facilities.*** The Budget includes \$2.3 million from Rhode Island Capital Plan funds through FY 2016 for various improvement projects at Department of Transportation maintenance facilities throughout the state.
- ***Rhode Island Public Transit Authority.*** The Budget includes a gasoline tax transfer of \$41.8 million to the Authority for FY 2012. This is consistent with the enacted budget and is based on the Administration's estimate of the per penny gasoline tax yield.

