

# House Fiscal Advisory Staff

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## Governor's FY 2014 Budget at First Glance January 22, 2013



Submitted to the 2013 House of Representatives

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## Governor's FY 2014 Budget at a Glance

On January 16, Governor Chafee released his FY 2014 budget recommendations in a televised address to the General Assembly. Supporting documents and a draft of the legislation were also made available but the official FY 2014 Budget submittal was not introduced at that time.

This *First Glance* is the House Fiscal Staff's initial review of briefing material and supporting documents. It will be revised in one week to include additional information and will reflect deeper review by staff.

The table below shows the total budget by fund source and how it compares to the budget adopted for FY 2013. General revenue spending would increase by \$103.3 million or 3.1 percent.

FY 2014	General				
	Revenue	Federal	Restricted	Other	All Funds
FY 2013 Enacted	\$ 3,295.8	\$ 2,676.4	\$ 232.5	\$ 1,895.2	\$ 8,099.9
Governor	3,399.2	2,645.1	252.8	1,875.5	8,172.5
Change to Enacted	\$ 103.3	\$ (31.3)	\$ 20.2	\$ (19.7)	\$ 72.6
Percent Change	3.1%	-1.2%	8.7%	-1.0%	0.9%

### Budget Issues

- **FY 2013 Gap.** House Fiscal Staff estimates that in preparing the FY 2014 budget, the Governor faced a projected revenue-expenditure gap of \$128 million as of July. By November that had dropped to \$115 million, assuming no FY 2013 surplus, but only \$69 million of the newly projected surplus was used to close the gap. This was somewhat lower than Staff's FY 2014 forecast in the FY 2013 enacted budget, mainly because of revisions and corrections to expenditure assumptions and continued caseload savings. There was no significant change in the long term projection that the budget gap would grow to over \$400 million by FY 2018. The Governor's budget appears to have resolved a significant majority of this gap with the prior year surplus in addition to other one-time savings.
- **Out-Year Projections.** The out-years appear to be significantly unbalanced. The forecast included with the Budget estimates a \$170.5 million gap for FY 2015, equating to 5.0 percent of useable revenues, that grows to \$468.9 million in FY 2018, 13.4 percent of useable revenues. The FY 2015 gap is due to the significant use of one-time items in the resolution of the current budget gap as well as commitment of future expenses and revenue reductions not reflected in FY 2014. Beginning in FY 2016, the estimate reflects the potential impact of casino gaming in Massachusetts. Those losses account for \$140.8 million or nearly 30 percent of the FY 2018 gap.
- **Budget Assumptions.** His budget follows the traditional Rhode Island budgeting practice of assuming passage of legislation submitted with the budget and approval by requisite federal agencies of changes under their purview. Should any of that legislation not pass, the budget will be significantly unbalanced.
- **Supplemental Pension System Contributions.** The Governor includes legislation removing the requirement that final revenues exceeding budgeted estimates be transferred to the Retirement System to pay down the unfunded liability. His FY 2013 revised budget recognizes \$13.0 million in additional revenue from repealing that requirement because this is the amount that should be transferred based on the FY 2012 audited closing.

## Taxes and Revenues

### *Business Taxes*

The Governor's budget includes three separate proposals relating to taxes on businesses that have a combined impact of a \$5.3 million revenue loss in FY 2014 growing to \$25.9 million in FY 2018. These are summarized in the table below and described separately in the paragraphs that follow.

<b>Business Tax Proposal</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Corporate Income Tax Rate Phased Reduction	\$ (8.0)	\$ (21.1)	\$ (31.1)	\$ (36.7)	\$ (37.6)
Jobs Development Act Phased Reduction	2.4	7.5	10.4	10.8	11.0
Enterprise Zone Wage Tax Credit Elimination	0.3	0.6	0.7	0.7	0.7
<b>Total Impact</b>	<b>\$ (5.3)</b>	<b>\$ (12.9)</b>	<b>\$ (20.1)</b>	<b>\$ (25.2)</b>	<b>\$ (25.9)</b>

*in millions*

- **Corporate Income Tax Rate Reduction.** The Budget proposes to decrease the Corporate Income Tax rate from 9.0 percent to 7.0 percent over three years. The rate would be 8.0 percent for tax year 2014 and be reduced by 0.5 percent each of the next two years until reaching 7.0 percent for tax year 2016. The Budget assumes a revenue loss of \$8.0 million in FY 2014, \$21.1 million in FY 2015, \$31.1 million in FY 2016, \$36.7 million in FY 2017 and \$37.6 million in FY 2018.
- **Jobs Development Act Phase-Out.** The Budget assumes lowering by half the Jobs Development Act rate reduction over two years beginning in tax year 2014. Under current law, 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. The Governor's proposal would discount the available reduction by 25.0 percent for tax year 2014 and 50.0 percent for 2015 and thereafter. The Budget assumes increased revenues of \$2.4 million in FY 2014 growing to \$10.4 million in FY 2016.
- **Enterprise Zone Wage Tax Credit Elimination.** The Budget eliminates the Enterprise Zone Wage Tax Credit that is applicable to the corporate tax, effective January 1, 2014 and assumes revenues of \$0.3 million. A qualified business in an enterprise zone is allowed a credit against business corporations' taxes for wages paid to employees that are part of the new employees hired to meet the 12 month, 5.0 percent jobs growth requirement. Prior to 2011, this credit was also allowed against personal income tax for pass through entities.

### *Other Taxes and Fees*

- **Outside Collection Agencies.** The Governor's budget includes \$750,000 in additional revenues from his proposal to have the Division of Taxation contract with collection agencies to recover debts owed from non-residents.
- **Special Investigative Unit.** The Governor assumes additional resources of \$1.1 million from adding 2.0 full-time equivalent positions for the creation of a Special Investigative Unit within the Division of Taxation. The unit will review alleged violations of tax laws and recommend criminal prosecutions as warranted.
- **Hospital Licensing Fee.** The Governor's budget includes \$141.3 million in revenues from extending the hospital licensing fee into FY 2014 using the same two-tiered fee as included in FY 2013. The licensing fee appears annually in the Appropriations Act.

- ***Overdue Payments from Hospitals.*** The Governor's budget includes revenues of \$4.4 million in FY 2013 and \$5.6 million in FY 2014 from two hospitals paying the license fees owed to the state for FY 2012.
- ***Hazardous Substances Right-to-Know Fee.*** The Governor's budget eliminates the \$42 hazardous substances right-to-know fee that is charged annually to employers who use, transport, store or otherwise expose employees to toxic or hazardous substances. Employers would still be required to maintain lists of all hazardous substances and provide employees with readily available information. They would no longer pay a fee when they certify compliance; the Budget assumes a \$0.4 million revenue loss from this change.
- ***Motor Vehicle Surcharge Fees.*** The 2011 Assembly enacted legislation establishing a transportation trust fund that would be funded through incremental increases of license and registration surcharge fees as part of a plan to reduce the state's reliance on borrowing for transportation. The Governor's budget reduces the anticipated amount generated from these fees by \$0.7 million in FY 2014 to reflect a revised estimate following a review of transactions subject to these fees. He also includes legislation to clarify their application to transactions that were not specifically addressed in the 2011 changes.

## Local Government

- ***Distressed Communities Relief Fund.*** The Governor provides \$15.4 million in both FY 2013 and FY 2014 for the Distressed Communities Relief Fund, which is \$5.0 million more than enacted for each year. Communities' aid distribution is based on updated qualifying tax levies.
- ***Payment in Lieu of Taxes Program.*** The Governor recommends \$33.1 million to fund the Payment in Lieu of Taxes program at the enacted level. This program reimburses cities and towns for property taxes that would have been due on real property owned by nonprofit educational institutions, nonprofit hospitals, or any state-owned hospital, veterans' residential facility or correctional facility, which is exempt from taxation by state law. Reimbursement is 27.0 percent of the forgone tax, subject to appropriation. Distributions to communities reflect updated data and a ratable reduction to the appropriation. The recommendation is \$9.9 million less than the current law allowance and represents a reimbursement of 20.8 percent of the value.
- ***Motor Vehicles Excise Tax.*** The Budget funds the Motor Vehicles Excise Tax program at the enacted amount of \$10.0 million. The 2010 Assembly enacted legislation mandating a \$500 exemption for which the state will reimburse municipalities an amount subject to appropriation. The legislation allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement.
- ***Library Resource Sharing Aid.*** The Governor recommends \$8.8 million to fund library operating aid at the enacted level. The recommendation for FY 2014 is \$1.3 million or 13.3 percent less than allowed under current law, which allows 25.0 percent reimbursement of second prior year expenditures. Community distributions reflect updated data and a ratable reduction to the appropriation.
- ***Library Construction Aid.*** The Governor provides \$2.5 million to fully fund library construction aid requirements in both FY 2013 and FY 2014. 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 payments do not begin until the state fiscal year following the completion, acceptance, and audit of the project. The 2011

Assembly adopted legislation to set a three-year moratorium on the acceptance of applications for library construction aid projects.

- **Property Valuation Reimbursement.** The Governor recommends \$1.6 million for FY 2013 and \$0.5 million for FY 2014 to reimburse communities conducting property valuation updates.
- **Airport Impact Aid.** The Governor provides the enacted level of \$1.0 million for both FY 2013 and FY 2014 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 Incentive Aid.** The Governor includes \$10.0 million for the establishment of a Municipal Incentive Aid program to be distributed, based on population, to municipalities that do not have locally-administered pension plans and those with plans who adhere to certain criteria. Communities with these plans must have submitted approved funding improvement plans if they are required or if they are not required, they must be making 100 percent of their annual required contribution.

## Education Aid

- **FY 2014 Formula Education Aid.** The Governor recommends \$775.3 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 \$26.5 million more than enacted and fully funds current estimates.
- **Funding Formula Assumptions.** The Governor funds the third year of the education funding formula adopted by the 2010 Assembly. The calculation for FY 2014 uses June 30, 2012 student enrollment data adjusted for FY 2014 projected charter school enrollments, a per pupil core instruction amount of \$8,897 and state share ratio variables updated with June 30, 2012 data. 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. Aid amounts are subject to final student enrollment data collected in March 2013.
- **Regionalization Bonus.** The education funding formula requires additional funding from the state for a limited two-year bonus for regionalized districts. That requirement covered FY 2012 and FY 2013 for existing districts, and therefore the Budget excludes funds for FY 2014.
- **Special Education Categorical Funds.** The education funding formula allows for additional resources from the state for high-cost special education students when those costs exceed five times the district's combined per pupil core instruction amount and student success factor amount. The Governor recommends \$1.0 million for FY 2014. This is \$0.5 million more than enacted and represents a plan to gradually increase funds annually.
- **Early Childhood Categorical Funds.** The education funding formula allows for additional resources from the state to increase access to voluntary, free, high-quality pre-kindergarten programs. The Governor recommends \$2.5 million for FY 2014. This is \$1.0 million more than enacted and represents a plan to gradually increase funds annually.
- **Transportation Categorical Funds.** The education funding formula allows for additional resources from the state to districts for transportation costs. The Governor recommends \$3.3 million for FY

2014 for the third year of funding. This is projected to be phased in over ten years. 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. This is \$1.1 million more than enacted.

- ***Career and Technical Education Categorical Funds.*** The education funding formula allows for additional resources from the state to help meet the initial capital investment needs to transform existing or create new comprehensive career and technical education programs and offset the higher than average costs of maintaining highly specialized programs. The Governor recommends \$3.5 million for FY 2014. This is \$0.5 million more than enacted and represents a plan to gradually increase funds annually.
- ***School Construction Aid.*** The Governor recommends \$71.1 million to fund projected costs of school housing aid to local districts for FY 2014, which is \$0.9 million less than the FY 2013 entitlement. The final FY 2013 cost is \$72.1 million or \$2.5 million less than enacted.
- ***Group Home Aid.*** The Governor's budget reflects group home aid consistent with current law that requires that aid be paid for all beds opened as of December 31, 2012. The FY 2014 budget is \$1.1 million less than the FY 2013 enacted budget.
- ***Textbook Reimbursement.*** The Governor recommends the enacted level of \$240,000 for reimbursements allowed under the textbook loan program for FY 2014. 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.
- ***School Breakfast.*** The Governor recommends the enacted level of \$270,000 for the administrative cost reimbursement to districts for the school breakfast program.
- ***Vision Services.*** The Governor recommends shifting expenses for students attending the Rhode Island Vision Services Education Program at the Paul Sherlock Center from the state to local districts over a three year period for eventual savings to the state of \$745,000; there are savings of \$0.2 million included for FY 2014. The Rhode Island Vision Services Education Program provides teaching and consultation services to children who are blind or visually impaired, their families and educational staff within the school environment.

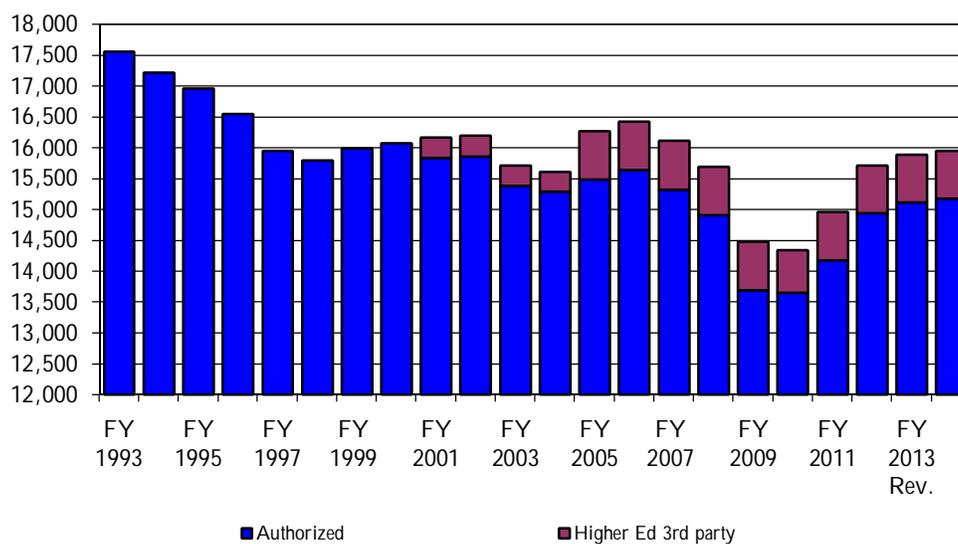
## **Economic Development**

- ***Tourism Promotion.*** The Governor adds \$0.6 million in funding for the Economic Development Corporation to promote tourism in the state.
- ***Experimental Program to Stimulate Competitive Research (EPSCoR).*** The Governor provides \$1.15 million in FY 2014 for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research.
- ***Slater Technology Fund.*** The Governor recommends \$1.0 million in FY 2014 for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new projects. This reflects a reduction of \$0.5 million from the FY 2013 funding level and assumes the phase-out of state sources by \$0.5 million each year.

- **Economic Development Corporation Operations.** The Budget includes \$4.0 million in both FY 2013 and FY 2014 from general revenues to support general operations of the Economic Development Corporation.
- **38 Studios Debt Service.** The Budget includes a \$2.5 million in debt service payment relating to 38 Studios as part of the Job Creation Guaranty program.
- **Office of Regulatory Reform.** The Budget reflects the transfer of the Office of Regulatory Reform from the Economic Development Corporation to the Department of Administration's Office of Management and Budget, pursuant to Chapter 445 of the 2012 Public Law.
- **Historic Tax Credit.** The Governor's budget proposes expanding the original debt authorization issued to repay historic tax credits to fund new projects to replace those projects that are not progressing. The total amount borrowed could not exceed the original \$300 million, and his proposal establishes preferences for those projects that are in distressed communities and can be completed quickly.
- **Renewable Energy Development Fund Transfer.** The Budget reflects the transfer of the Renewable Energy Program from the Economic Development Corporation to the Office of Energy Resources. He proposed this transfer as part of his FY 2013 Budget, but the Assembly did not concur.
- **I-195 Commission.** The Budget includes \$0.5 million for the I-195 Redevelopment Commission to fund its operations for FY 2014. This is in addition to the \$0.9 million that the Assembly provided for FY 2013.
- **College and University Research Collaborative.** The Budgets includes \$150,000 to establish a College and University Research Collaborative to conduct ongoing economic analysis by the state's public and private higher education institutions.

## State Government

Full-Time Equivalent Positions



- **Staffing.** The Governor recommends 15,171.6 full-time equivalent positions, including 776.2 higher education positions supported by research or other third-party funds. The recommendation is 145.3 positions more than enacted. Among the changes are an additional 40.5 positions in the Department of Administration, of which 15.0 positions are for the Health Benefits Exchange and 34.0 new positions in the Department of Revenue including 31.0 positions in the Lottery Division to supervise table gaming operations at Twin River Casino. It also includes an additional 26.0 positions in the Office of Health and Human Services, 33.9 positions in the Department of Human Services and 40.2 positions in Behavioral Healthcare, Developmental Disabilities and Hospitals for nurses, nursing assistants and attendants. It includes 11.0 new positions for Public Higher Education and 42.0 positions for the Department of Public Safety, of which 40.0 positions are for the July 2013 State Trooper Academy.

As of December 29, 2012, there were 13,053.6 positions filled, leaving 603.3 non-research vacancies. In FY 2012, the state averaged 12,981.7 filled positions reflecting an average of 607.6 non-research vacancies.

- **Health Coverage for Former Spouses of State Employees.** Currently, the state employee benefit plan allows coverage to former spouses of employees until the employee or the former spouse remarries. The Governor proposes to cease medical coverage of former spouses effective January 1, 2014 based on the availability of coverage through the health benefits exchange. The Budget includes six months savings of \$1.4 million, including \$0.9 million from general revenues. The state currently covers 405 former spouses, at an annual cost of \$2.9 million.

- **Medicare Exchange for Post 65 Retirees.** The Budget includes savings of \$1.1 million from all funds and \$0.6 million from general revenues from an initiative to offer a wider array of benefit choices to post-65 retirees that are likely to cost less. It alters retiree health benefit delivery from direct plan provision to an exchange system where the state converts the value of its co-share into a payment to a retiree Health Reimbursement Account with retirees buying benefits from a wider choice of plans in an exchange.

- **FICA Alternative Retirement.** The Budget includes a proposal to give the state an option to not pay social security benefits on certain seasonal and part-time employees. Current employees who select to participate in this plan will no longer pay their contributions to Social Security and instead contribute 7.5 percent of their pre-tax income to a 401(a) account.

- **Dental Savings.** The Administration was able to renegotiate a rate increase for its dental contract of 3.0 percent for calendar year 2013 and extend the contract for an additional year at a maximum rate increase of 5.0 percent. For the one year extension, the rate will be calculated based on experience. The Budget assumes \$250,000 in savings, including \$140,000 from general revenues.

- **Employee Health Benefits.** The Budget includes savings of \$0.7 million from a proposal to exclude the drug Nexium from its prescription formulary, effective July 1, 2013.

- **State Employee Pay.** The Budget does not include funding for state employee salary increases, and most current labor contracts will expire on June 30, 2013. It does include \$150,000 for labor contract negotiations in both FY 2013 and FY 2014.

- **Employee Classification Study.** The Budgets include a total of \$1.3 million from general revenues, including \$0.8 million in FY 2013, to reform the state's classification system.

- ***Statewide Work Immersion Initiative.*** The Governor's budget includes \$1.0 million in FY 2013 and \$2.0 million in FY 2014 from general revenues for a Statewide Work Immersion Initiative in the Department of Labor and Training. This program will provide a 50 percent state match to Rhode Island businesses that hire youth and adult Rhode Islanders for a ten-week internship program and may provide additional subsidies for businesses that hire unemployed workers and/or provide full-time employment to individuals upon completion of the ten-week program.
  
- ***Job Development Fund Assessment.*** The Governor includes legislation reducing the 0.3 percent assessment imposed on employers to pay back the state's outstanding federal unemployment insurance loans to 0.25 percent, beginning January 1, 2014. It also allows for transfers of \$2.0 million in FY 2013 and \$3.0 million in each FY 2014 and FY 2015 for a new information technology system. For tax years 2016 and beyond, the 0.25 percent will be at the Director of Labor and Training's discretion and will not be charged to employers when there are sufficient funds to pay the principal and interest on the loans. After paying off the federal loans, any funds remaining in this account will be used for benefit payments.
  
- ***Unemployment Insurance Benefits.*** The Governor's budget reduces benefit expenditures paid from both federal funds and the Trust Fund in both FY 2013 and FY 2014 because of the expected end of the federal emergency unemployment compensation program on December 29, 2012. The Governor's budget does not reflect the continuation of federal benefits from the January 2, 2013 extension, related to the fiscal cliff solution.
  
- ***Unemployment Insurance Loan Repayment.*** The Governor's budget includes \$37.6 million in FY 2013 and \$22.5 million in FY 2014 for the payment of interest and principal on the state's federal unemployment insurance loans. The interest payment made in September 2012 totaled \$7.6 million and the FY 2014 interest payment is estimated to be \$7.5 million.
  
- ***Unemployment Insurance Positions.*** The Governor's budget includes the elimination of 70.5 positions in the Department of Labor and Training's unemployment insurance division resulting from anticipated loss of federal funding for these positions in FY 2014.
  
- ***Police and Fire Relief Fund.*** The Governor's budget includes \$4.2 million from general revenues for the Police and Fire Relief program for the estimated cost of annuity payments and in-state tuition to eligible spouses, domestic partners and dependents of certain injured or deceased police officers and fire fighters.
  
- ***Governor's Workforce Board of Rhode Island.*** The Governor's budget includes an increase of \$6.1 million over FY 2013 and FY 2014 from restricted receipts from the Job Development Fund for workforce development activities. These additional resources reflect funds that were not spent in prior years.
  
- ***Historic Tax Credit Trust Fund Debt Service.*** The Budgets include \$21.3 million and \$23.3 million from general revenues in FY 2013 and FY 2014, respectively, to fund debt service for historic tax credits. This is \$1.25 million more than the \$22.1 million current service estimate to reflect an updated issuance schedule.
  
- ***Contingency Fund.*** The Budget includes the enacted amount of \$250,000 from the Contingency Fund.

- **Table Gaming Regulation.** The Governor recommends \$1.6 million from Lottery funds for FY 2013 and \$4.3 million for FY 2014 for the implementation of table gaming at Twin River Casino, including the hiring of 31.0 full-time equivalent positions beginning in February 2013.
- **License Plate Reissuance.** Under current law, the Registry of Motor Vehicles is required to begin issuing fully reflective license plates by September 1, 2013. The Governor recommends delaying the reissuance of license plates until FY 2016. The delay will allow the Department to install the new Registry of Motor Vehicle computer software system before undertaking the license plate reissuance, avoiding \$5.5 million in projected costs in FY 2014.
- **Rhode Island Financial Accounting Network System.** The Budgets include expenditures of \$1.8 million and \$2.2 million in FY 2013 and FY 2014, respectively for operational expenditures of the Rhode Island Financial Accounting Network System, which involves installation of a series of modules for each particular service that will form the integrated system.
- **Electronic Reporting System.** The Governor recommends \$150,000 for the Board of Elections to modify its electronic reporting system to comply with the state's Disclosure of Political Contributions and Expenditures Act of 2012. This act requires additional electronic reports be filed by individuals, businesses and political action committees making independent expenditures or electioneering communications.
- **Rhode Island Health Benefits Exchange.** The Budget reflects the transfer of the Rhode Island Health Benefits Exchange from the Office of the Governor to the Department of Administration.
- **Technology Investment Fund.** The Budgets assume use of \$7.3 million from the Technology Investment Fund. The 2011 Assembly enacted legislation to allow proceeds from land sales to be deposited into the fund for acquiring information technology improvements, including, but not limited to, hardware, software, and ongoing maintenance. The 2012 Assembly transferred \$9.0 million into the fund.
- **Veterans Memorial Auditorium Land Purchase.** The Budget appears to include \$4.5 million from Rhode Island Capital Plan funds to purchase the property adjacent to the Veterans Auditorium. The land would be purchased for future development, though it could be used for parking immediately.

## Health and Human Services

- **Affordable Care Act – Coverage for Childless Adults.** The Governor includes \$69.8 million in federal Medicaid funds to provide medical benefits to childless, non-disabled adults with annual incomes at or below 138 percent of poverty, or approximately \$15,500, beginning January 2014. The benefits are 100 percent federally funded until January 2017, at which time the Medicaid rate will incrementally decrease to 90 percent in January 2020, requiring a 10 percent state match.
- **Affordable Care Act – Current Program Savings.** The Governor's budget includes general revenue savings of \$4.2 million from newly available medical coverage for individuals receiving certain services through the Medicaid global waiver. This includes home and community based services for the elderly, adults with behavioral health issues, adults with developmental disabilities, and at-risk youth, as well as those receiving medical coverage through the general public assistance and HIV programs.
- **Cash Assistance and Medical Benefits Caseload.** The Governor's budget adds \$34.3 million, including \$35.7 million from general revenues for updated cash assistance and medical benefit costs

adopted at the November Caseload Estimating Conference. He includes \$32.8 million more for medical benefits and \$1.5 million more for cash assistance program expenses in FY 2014.

- **Managed Care Plans.** The Governor's FY 2014 budget includes state savings of \$4.2 million from a 1.4 percent reduction to the capitated rates that, as projected at the November caseload conference, would be paid to Neighborhood Health and UnitedHealth for those enrolled in Rite Care or Rhody Health. This includes \$8.9 million less in expenses paid from state and federal sources including \$4.4 million less from general revenues offset by a \$0.2 million revenue loss in health care premium taxes.
- **Nursing Facilities Payments.** The Governor includes general revenue savings of \$3.5 million from eliminating the October 1, 2013 nursing home rate increase. This includes \$7.8 million less in expenditures from state and federal sources including \$3.9 million from general revenues offset by a \$0.4 million revenue loss in health care taxes.
- **Hospital Rates.** The Governor proposes savings of \$10.5 million, including \$5.2 million from general revenues by freezing the rate for inpatient and outpatient hospital services in FY 2014.
- **Hospital Payments.** The Governor includes \$11.8 million for an outpatient upper payment limit reimbursement to be made to the community hospitals in FY 2014.
- **Unified Health Infrastructure Project.** The Governor provides state and federal funding totaling \$14.0 million in FY 2013 and \$20.4 million in FY 2014 to support the Unified Health Infrastructure Project, which replaces the current InRhodes eligibility system with an integrated system to also coordinate with the Health Benefits Exchange.
- **Office of Health and Human Services Strategic Plan.** The Governor includes \$0.2 million, including \$0.1 million from general revenues to develop a strategic plan for the Executive Office.
- **Zambarano Group Homes Consolidation.** The Governor includes general revenue savings of \$0.3 million from consolidating the number of intermediate care facilities, also known as the Zambarano group homes, from four to three by closing the Southwick home and relocating residents to the other facilities.
- **Employment First Initiative.** The Governor includes general revenue savings of \$0.4 million from providing employment as the first option to an individual as part of a recovery plan as an alternative to recreational or other day programming activities for the developmental disabilities and behavioral health programs.
- **Rhode Island Works Employment Programs.** The Governor includes \$3.0 million from federal temporary assistance to needy families block grant funds for a new pilot program aimed at helping approximately 400 families gain employment through subsidized employment services and expanded childcare assistance for participating families up to 225 percent of poverty. It also includes expansion of on-the-job training and small group classes for life skills program.
- **DCYF Education Costs.** The Governor adds \$0.5 million from general revenues to support education costs for children in the Department of Children, Youth and Families' care for a total of \$1.0 million for FY 2014. The Department of Elementary and Secondary Education is currently transitioning some financial responsibility for children in the Department's care attending school outside of their home districts from the schools to the state. This is the second year of a five-year transition process.

- **Legal Expenses.** The Governor adds \$0.5 million for expenses associated with a current Department of Children, Youth and Families lawsuit.
- **Emergency Public Communication Access Program.** The Governor shifts \$80,000 from the Public Utilities Commission's relay surcharge fund to create a new Emergency Public Communication Access program. Funds would be used to provide an emergency services system for the deaf and hard of hearing, communication devices at state facilities and provide training for first responders on how to provide services to this population.
- **New Veterans' Home.** The Governor's budget includes the expenditure of general obligation bond proceeds approved by the voters in November 2012 for the design and construction of the new Veterans' Home adjacent to the existing home in Bristol, beginning with \$8.0 million in FY 2014.

## Education

- **Public Higher Education.** The Governor's budget includes \$1,058.2 million for Public Higher Education including debt service. The Budget includes \$180.9 million from general revenues, which is \$8.2 million more than FY 2013, of which \$6.0 million is intended to ensure that no institution raise tuition for FY 2014.
- **Joint Nursing Building.** The Governor's capital budget includes funding to complete architectural and engineering plans for the construction of a new nursing and associated health building for the University of Rhode Island and Rhode Island College.
- **Telecommunications Education Access Fund.** The Governor recommends an additional \$0.4 million from general revenues in both FY 2013 and FY 2014 to support the Telecommunications Education Access Fund. This fund provides financial assistance to qualified libraries and schools to acquire, install, and use telecommunications technologies to access the Internet. This fund is supported by a \$0.26 monthly surcharge levied upon each residence and business telephone access line.
- **Rhode Island Public Telecommunications Authority.** The Governor's budget provides \$0.4 million in general revenue support for public television for FY 2014. Funding is intended to be the first year of a two year plan to assist in the transition from a state agency to control of the Rhode Island PBS Foundation.
- **University of Rhode Island Fire Safety.** The Governor recommends \$11.2 million from Rhode Island Capital Plan funds over FY 2013 and FY 2014 for fire safety code improvements at the University of Rhode Island's academic buildings. His recommendation advances funding from FY 2016 and FY 2017 as provided in the approved capital plan.
- **Waterfire Community Service Grant.** The Governor's budget reflects the elimination of a one-time, \$250,000 community service grant awarded to Providence Waterfire to purchase a warehouse to store event materials and boats.
- **Need Based Scholarships and Grants.** The Governor recommends a total of \$12.2 million for need based scholarships and grants for FY 2014, which is \$79,277 less than enacted. This includes \$4.9 million from general revenues, which is \$129,277 less than enacted, and \$7.3 million from tuition savings funds, which is \$50,000 more than enacted.

## Public Safety

- **Prison Population.** The Budget assumes a population of 3,152, which is 42 less inmates than the enacted population of 3,194. It also assumes a revised population of 3,146 for FY 2013, which is 48 less than enacted.
- **Population Per Diem Expenditures.** The Budget includes \$11.9 million for population related expenditures that are calculated on a per diem basis, excluding staffing. Per diem expenditures include food purchases, inmate linen and clothing, educational and recreational goods, janitorial and kitchen supplies, pharmaceuticals, and medical services, which include physician and outpatient and inpatient services, testing, and medical supplies.
- **Correctional Officer Training Class.** The Budget includes \$0.7 million for each FY 2013 and FY 2014 from general revenues for recruitment and training for one new correctional officer class for each fiscal year. The FY 2013 class is anticipated to start in March, with graduation of approximately 40 new correctional officers in May 2013.
- **Medium Price Facility.** The Budget includes annualized savings of \$9.2 million from the closure of the Donald Price Medium Security facility which occurred in November 2011.
- **Trooper Training Academy.** The Governor recommends funding for the 55<sup>th</sup> Trooper Training Academy in FY 2013. Advertising and recruitment began in the first half of FY 2013. The Academy is scheduled to begin on July 14, 2013, which is FY 2014. The 2012 Assembly did not provide funding for Academy recruitment in the enacted budget.
- **Google Forfeiture Funds.** The Governor recommends the enacted amount of \$12.4 million from restricted receipts from Google, Inc. forfeiture funds for modernization efforts in the Department of Public Safety.
- **New Emergency Management Agency Positions.** The Governor recommends an additional \$0.5 million, including \$0.3 million from general revenues for 5.0 new Emergency Management Agency positions. The positions would include coordinators and managers for interoperability communication, incident management, critical infrastructure, domestic preparedness and all hazard planning.
- **Hurricane Sandy.** For FY 2013 the Governor recommends \$12.0 million for expenditures incurred due to damage caused by Hurricane Sandy in October 2012. This includes \$9.0 million from federal funds matched with \$3.0 million from Rhode Island Capital Plan funds.
- **Statewide Communications Network.** The Governor recommends \$1.9 million from general revenues for the statewide communications network. The amount is \$0.6 million more than enacted to reflect the replacement of lost federal funds as well as an additional position to manage the network.
- **Indigent Defense Program.** The Budget includes \$3.5 million from general revenues in FY 2014 for the Judiciary's indigent defense program, which is \$0.3 million more than FY 2012 expenses.

## Environment

- **Rocky Point State Park.** The Budget includes \$2.5 million from Rhode Island Capital Plan funds for maintenance and renovations at Rocky Point State Park in FY 2014. The Small Business Administration accepted the state's offer to purchase the Rocky Point property in September of 2012;

however, the final purchase and sales agreement must still be reviewed and approved by the federal district court.

- ***Galilee Piers.*** The Governor recommends \$1.7 million in FY 2013 and \$4.2 million in FY 2014 from state and federal sources for infrastructure improvements at the Port of Galilee.
- ***Fort Adams Sailing Improvements.*** The Governor recommends \$1.9 million from Rhode Island Capital Plan funds in FY 2013 and \$1.5 million in FY 2014 for improvements to Fort Adams State Park, which will allow the state to host large-scale sailing events.
- ***Rhode Island Local Agriculture and Seafood.*** The Budget includes \$0.1 million to administer a new program to promote the marketing of Rhode Island seafood and farm products. This program was created by the Rhode Island Local Agriculture and Seafood Act of 2012.
- ***Natural Resources Offices/Visitor's Center.*** The Budget includes \$250,000 in FY 2013 and \$1.8 million from Rhode Island Capital Plan funds in FY 2014 to construct a new office facility for the Department of Environmental Management's natural resources division in the Arcadia Management Area at Browning Mill Pond. The facility would include office and lab space for mosquito abatement tests and the state veterinarian, as well as a visitor's center.

## **Transportation**

- ***Transportation Debt Service.*** The Budget funds \$10.0 million of the Department's debt service payment from general revenues in FY 2014. Funding will increase annually in \$10.0 million increments until all of its debt service is paid from general revenues. This is \$2.0 million more than included in the enacted budget, and is consistent with the initiative to transfer debt service payments from the gas tax to general revenues.
- ***Transportation Equipment.*** The Budget includes annual appropriations of \$1.0 million from Rhode Island Capital Plan funds for the Department to purchase heavy equipment.
- ***Local Roads and Streetscape Program.*** The Governor's budget assumes it can distribute \$10.0 million from Rhode Island Capital Plan funds to distribute to municipalities for infrastructure improvements based on the mileage in each community, as well as other criteria. These funds are not historically provided as grants to municipalities.
- ***Rhode Island Public Transit Authority Debt Service.*** The Governor recommends the Authority's debt service payments be made with general revenue in lieu of Authority sources in order to reduce the projected operating shortfalls. This includes \$1.6 million in FY 2013 and \$1.7 million in FY 2014.
- ***Rhode Island Public Transit Authority.*** The Governor's budget shows a \$5.8 million operating deficit for the Rhode Island Public Transit Authority in FY 2014.

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