

House Fiscal Advisory Staff

Governor's FY 2011 Budget at First Glance February 3, 2010



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Governor's FY 2011 Budget at First Glance

The Governor held a press conference on February 2, 2010 outlining his FY 2011 budget recommendations. The Governor's official FY 2011 Budget submittal was not introduced at that time. A draft proposal of his appropriations bill was released and supporting materials were made available to the public. Under Rhode Island General Laws, it was due 13 days earlier on January 21. This *First Glance* is the House Fiscal Staff's initial review of briefing materials and supporting documents. It will be revised in one week to include any additional information made available and will reflect deeper review by staff.

Budget Issues

- ***FY 2011 Gap.*** House Fiscal Staff estimates that in preparing the FY 2011 budget, the Governor faced a projected revenue-expenditure gap of \$400 million, which would grow to \$750 million by FY 2015. This was \$222.7 million more than Staff's FY 2011 forecast in the enacted FY 2010 budget of \$177.3 million due mainly to significant downward revision in revenues at the November 2009 Revenue Estimating Conference and unachieved structural changes in FY 2010.
- ***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. It also assumes a six-month extension of a key provision of the federal stimulus legislation with no recommendations on reductions to achieve if that \$95.3 million is not approved. Should any of that legislation not pass, the budget will be significantly unbalanced.
- ***Out-Year Projections.*** The out-years appear to be significantly unbalanced. The Budget estimates a \$362.2 million gap for FY 2012, 12.5 percent of useable revenues, that grows to \$535.7 million in FY 2015, 17.3 percent of useable revenues. The FY 2012 gap is largely due to the unresolved "cliff" effect of the loss of \$217.3 million in direct stimulus relief, \$27.4 million in non-recurring employee concessions and from delaying the payback of the \$22.0 million borrowed from the rainy day fund.
- ***Structural Issues.*** The Governor includes significant savings from the American Recovery and Reinvestment Act of 2009, as well as \$95.3 million assuming an extension of enhanced Medicaid reimbursements set to expire on December 31, 2010, without an apparent exit strategy. Both the FY 2010 and FY 2011 budget recommendations rely on non-recurring employee concessions.
- ***Rainy Day Fund Repayment.*** The Budget further delays the \$22.0 million repayment of the Budget Stabilization and Cash Reserve Account for funds borrowed in FY 2009 to close the projected budget gap. The Governor proposed legislation in his Revised Budget to delay the repayment to FY 2011. Rhode Island General Law requires that any amounts used must be replaced in the following year. The Governor's out-year forecast assumes a FY 2012 repayment.

Taxes and Revenues

- ***Enterprise Zone Tax Credit Elimination.*** The Governor's budget reflects the elimination of the Enterprise Zone Tax Credit for a general revenue savings of \$1.0 million. Under current law, a qualified business in an enterprise zone is allowed a credit against personal income taxes for pass through entities or 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. The business is eligible for a credit equal to 50.0 percent of the wages for the new jobs, up to \$2,500 per job. If the new employee lives in the enterprise zone, the credit increases to 75.0 percent, up to \$5,000 per employee.

- ***Small Business Jobs Growth Tax Credit.*** The Governor proposes to create a Small Business Jobs Growth Tax Credit. The eligible company will receive a \$2,000 tax credit against the personal income tax and the corporation income tax for every new employee it adds. The business must have at least five but no more than 100 employees working in the state. A qualified employee must be a Rhode Island resident, have collected unemployment insurance, received Temporary Assistance to Needy Families under the Rhode Island Works Program, and/or recently graduated from a college or a technical school. Additionally, the new employee must work at least 30 hours per week, have health benefits, and make at least 250.0 percent of the state minimum wage. The employer must retain the added position for at least 18 months. The Budget includes a revenue loss of \$10.0 million.

- ***Corporate and Franchise Minimum Tax Reduction.*** The Governor recommends reducing the corporate and franchise minimum tax from \$500 to \$250 and includes a general revenue loss of \$11.5 million. For businesses filing corporate income tax returns, the franchise tax rate is \$500 per million of authorized capital stock or \$500, whichever is greater. Franchise tax liability is offset by the amount of corporate income tax paid. The corporate minimum tax has been \$500 since January 2004.

- ***Tax Credit for K-12 Scholarship Organization Contributions.*** The Governor recommends doubling the cap on the tax credit allowed for business entities making contributions to scholarship organizations from \$1.0 million to \$2.0 million and includes the revenue loss of \$1.0 million. Currently, the funds are awarded on a first-come-first-serve basis. The maximum credit per tax year is \$100,000 and must be used in the year it is awarded.

- ***Motor Vehicles New Road Test Fee.*** The Budget includes \$625,000 in revenues from the implementation of a new road test fee of \$25. The Division of Motor Vehicles administers 25,000 road tests annually.

- ***Motor Vehicles State Identification Card Fee.*** The Budget includes \$130,000 in additional revenues from increasing the fee charged for obtaining a state identification card from \$15 to \$25. The Division of Motor Vehicles issues 13,000 state identification cards annually.

- ***Motor Vehicles Dealers License Fees.*** The Budget includes \$116,000 in additional revenues from increasing the business license fee charged to motor vehicle dealers from \$100 to \$300. This fee is charged on an annual basis to the 580 motor vehicle dealers in the state.

- ***Motor Vehicles Manufacturers, Distributors and Factory Representatives Fees.*** The Budget includes \$34,500 in additional revenues from increasing the business license fee charged to 150 motor vehicle manufacturers and distributors from \$200 to \$300, and from increasing the fee charged to 325 motor vehicle factory representatives from \$40 to \$100. These fees are charged on an annual basis.

- ***Motor Vehicles Flashing Light Permit Fee.*** The Budget establishes a \$25 flashing light permit fee. Information provided indicates that a fee of \$5 is currently being charged; however, there is no current law provision that allows the charge. The Budget assumes \$44,000 in revenue from this fee.

- ***Motor Vehicles School Bus Registration Fee Increase.*** The Budget includes \$37,400 in additional revenues from increasing the school bus registration fee from \$3 to \$25. The Division of Motor Vehicles registers 1,700 school buses annually.

- ***State Police Accident Report Fee.*** The Budget includes \$26,910 of additional revenues from increasing the fee for obtaining a copy of a State Police accident report from \$10 to \$15 in FY 2011.
- ***Underground Storage Tank Fund.*** Consistent with the Governor's FY 2010 revised recommendation, the Budget includes \$0.2 million less to the General Fund to reflect the exemption of the Underground Storage Tank Fund from the 10.0 percent indirect cost recovery requirement. The fund is projected to receive \$2.1 million during FY 2011, and the Governor's proposal would retain 10.0 percent, or \$210,500 of that amount to ensure that underground storage tank claims that have been approved can be paid.
- ***Telecommunications Education Access Fund.*** The Governor's revised budget includes legislation to reduce the assessment for the Telecommunications Education Access Fund from \$0.26 to \$0.15 per line effective February 1, 2010 and expand it to include wireless lines. This is expected to generate an additional \$350,000 in revenue to substitute for the current state support in FY 2010 and \$0.7 million in FY 2011. It should be noted that, although the wireless customers are not currently charged for this expense, they do pay a different \$0.26 charge that goes to the general fund. It had initially been imposed to support geo-coding the state for 911 calls.
- ***Rhode Island Health and Educational Building Corporation Transfer.*** The Budget includes a transfer of \$1.0 million from the Rhode Island Health and Educational Building Corporation to the general fund in FY 2011.
- ***Motion Picture Tax Credit Elimination.*** The Governor recommends the elimination of the Motion Picture Tax Credit and assumes increased revenues of \$1.9 million.
- ***Hospital Licensing Fee.*** The Governor's budget includes \$128.8 million from general revenues, consistent with the enacted level, from extending the hospital licensing fee into FY 2011. The licensing fee appears annually in the Appropriations Act.

Local Aid

- ***Motor Vehicles Excise Tax Elimination.*** The Governor's budget does not include any funding to reimburse communities for the Motor Vehicles Excise Tax exemption, for which \$135.3 million was included in the enacted budget. The recommendation assumes passage of legislation included in 2010-H 7105, which eliminated the third and the fourth quarter reimbursements to municipalities. For FY 2011 and thereafter, the legislation subjects future exemptions to the annual appropriations act. The proposed legislation would allow municipalities to levy a supplemental tax to capture the loss of the reimbursement for FY 2010 and permits a tax on the total value of a car in the future. Currently, the first \$6,000 is exempt from taxation, with the state reimbursing locals for that exemption.
- ***Distressed Communities Relief Fund.*** The Governor recommends \$10.4 million for the Distressed Communities Relief Fund for FY 2011, consistent with the enacted budget. Communities' aid distribution is based on updated qualifying tax levies. Current law mandates that when a new community qualifies, that community receives 50.0 percent of current law requirements the first year it qualifies. The remaining 50.0 percent is distributed to the other distressed communities proportionately. When a community falls out of the program, it receives a one-time transition payment of 50.0 percent of the prior year requirement exclusive of any reduction for first year qualification. For FY 2011, East Providence is qualified for distressed aid and North Providence is disqualified.

- ***Library Resource Sharing Aid.*** The Governor recommends \$8.8 million for FY 2011 library operating aid, \$1.1 million or 12.4 percent less than allowed under current law, which requires 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 for library construction aid, \$0.4 million less than enacted. The recommendation reflects current funding requirements for FY 2011 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 payments do not begin until the state fiscal year following the completion, acceptance, and audit of the project.
- ***Payment in Lieu of Taxes Program.*** The Budget includes \$27.8 million to level fund the Payment in Lieu of Taxes program at the FY 2009 level. The recommendation is \$7.8 million less than the current law allowance for 27.0 percent of the 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 exempt from taxation by state law. Distributions to communities reflect updated data and a ratable reduction to the appropriation. The recommendation represents a reimbursement of 21.2 percent of the value.
- ***Property Valuation Reimbursement.*** The Budget provides full funding of \$1.0 million to reimburse communities conducting property valuation updates.
- ***Airport Impact Aid.*** The Budget provides \$1.0 million 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.

Education Aid

- ***Education Aid.*** Compared to the FY 2010 enacted budget, the Governor recommends a 3.8 percent reduction to general education aid to local districts and charter schools in addition to adjustments to capture savings to local districts from his proposed pension changes and use of \$27.1 million from federal stabilization funds. Federal stabilization funds are \$9.8 million less than enacted and he adds \$10.3 million from general revenues to backfill this loss including the \$5.0 million that he used in lieu of general revenues in his FY 2010 revised budget.
- ***Pension Changes.*** The Governor's FY 2011 recommended budget assumes \$32.2 million in savings from changes to teacher pensions. This includes \$12.9 million for the state's 40.0 percent share of teacher retirement costs and the \$19.3 million in savings to local school districts captured through a reduction in education aid. This is consistent with the recommended treatment in the FY 2010 revised budget. He proposes eliminating the cost-of-living adjustment for retirees that do not become eligible to retire before passage of this legislation.
- ***Metropolitan Career and Technical School.*** The recommended budget includes \$13.0 million from general revenues and federal fiscal stabilization funds for Met school operations for FY 2011. This reflects freezing enrollment at the East Bay campus at 90 students for the second year.

- ***School Construction Aid.*** The Governor recommends \$71.8 million to fund projected costs of school housing aid to local districts for FY 2011, which is \$13.4 million more than the FY 2010 entitlement. Aid is based on wealth with a 30.0 percent minimum reimbursement of approved costs.
- ***Charter School Expansion.*** The Governor's budget includes \$1.0 million for the opening of two new charter schools during the 2010–2011 school year.
- ***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, 2009. The FY 2011 budget is \$0.6 million less than the FY 2010 enacted budget.

Housing and Economic Development

- ***Neighborhood Opportunities Program.*** The Governor's budget removes the \$2.5 million from Rhode Island Capital Plan funds included in the enacted budget for the multi-year initiative to address the housing and revitalization needs of deteriorating neighborhoods.
- ***Housing Resource Grant.*** The Budget includes \$0.1 million less general revenues for the Housing Resource Commission grant for which the enacted budget included \$2.2 million. The Commission is using available federal funds to offset this reduction.
- ***Economic Development Corporation - Operations.*** The Budget includes \$4.8 million from general revenues to support general operations of the Economic Development Corporation, consistent with the enacted budget.
- ***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.
- ***Richmond Welcome Center.*** The Governor recommends \$0.4 million from general revenues to fund the Richmond Welcome Center which had previously been funded from gasoline tax proceeds. The Economic Development Corporation manages the welcome center.
- ***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. The Governor proposed a \$200,000 reduction to this program in his revised budget and subsequently requested that be restored.

Capital Budget

- ***Higher Education Bond Referenda.*** The Governor recommends \$88.9 million in proposed general obligation bond projects to go before the voters on the November 2010 ballot. This includes \$61.0 million for a new chemistry building at the University, \$10.9 million for infrastructure modernization at the College and \$17.0 million for the art center at the College.
- ***Highway Improvement Program Bond Referenda.*** The Budget includes \$80.0 million of new general obligation bonds to be submitted to the voters on the November 2010 ballot for the Department of Transportation. Funding will provide state-matching funds for the federal highway improvement

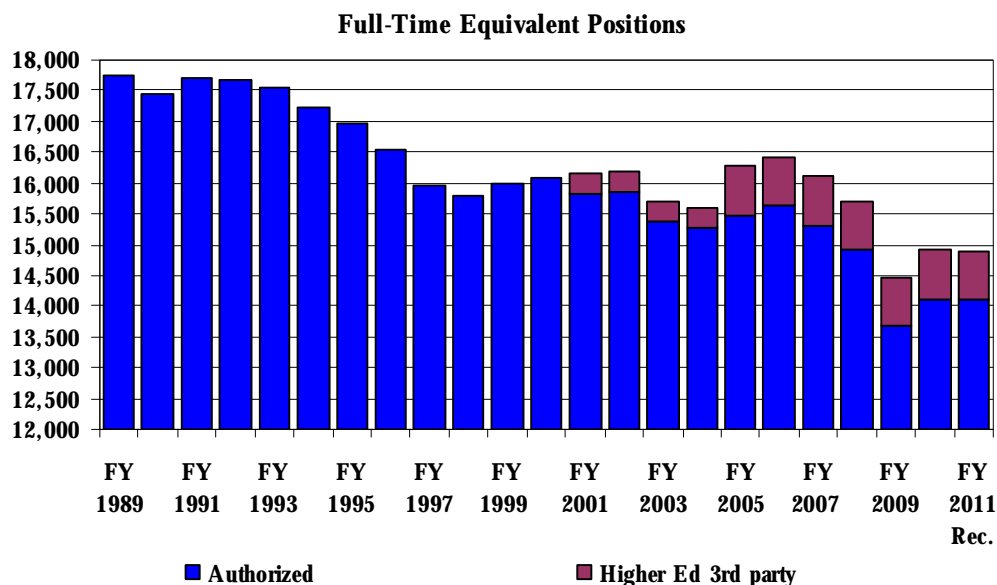
program as well as state only funded projects. The voters approved \$80.0 million for this purpose in November 2008.

- **Salt Storage Facilities Bond Referenda.** The Budget includes \$5.0 million of new general obligation bonds to be submitted to the voters on the November 2010 ballot to provide funds for the Department of Transportation to construct and/or renovate existing salt storage facilities throughout the state. These activities were previously funded with Rhode Island Capital Plan funds.

- **Rhode Island Turnpike and Bridge Authority Revenue Bonds.** The Governor requests authorization for the Rhode Island Turnpike and Bridge Authority to issue \$68.0 million of revenue bonds for steel repair and corrosion protection paint projects on the Newport Pell and Mount Hope bridges.

State Government

- **Staffing.** The Governor recommends 14,894.2 full-time equivalent positions, including 785.0 higher education positions supported by research or other third-party funds. The recommendation is 31.2 positions more than enacted, primarily from the addition of new full-time equivalent positions funded through the American Recovery and Reinvestment Act in general government and education agencies. It also includes the conversion of 20.0 positions at the Department of Labor and Training from full-time to part-time and the addition of 14.1 positions primarily federally funded at the Department of Health. As of January 16, 2010 there were 13,564.9 positions filled, leaving 1,086.5 non-research vacancies. In FY 2009, the state averaged 13,565.7 filled positions reflecting an average of 683.4 non-research vacancies.



- **Department of Labor and Training Staffing.** The Governor’s budget includes 17.7 full-time equivalent positions above the enacted budget and 21.1 full-time equivalent positions below the Governor’s revised budget. This includes 35.0 full-time equivalent positions to implement programs included in the American Recovery and Reinvestment Act, consistent with his revised budget. These positions will remain through FY 2011, but then will be eliminated as federal stimulus funding for these

positions is exhausted. The Governor's budget also includes the reduction of 20.0 positions for the unemployment insurance call center and the elimination of 6.7 vacant positions across several divisions.

- ***Pension Changes.*** The Governor's recommended budget assumes \$12.8 million in general revenue savings for the state's share of retirement costs for state employees, state police and judges from proposed pension changes. He proposes eliminating the cost-of-living adjustment for retirees not eligible to retire as of September 30, 2009 and that do not become eligible before passage of this legislation. Savings from all funds would be \$20.5 million.
- ***State Employee Pay Reductions.*** The Governor's budget assumes savings of \$27.4 million from general revenues from the agreement reached with state employees for four unpaid days in FY 2011 in exchange for future time off and the delay of a scheduled pay raise from July 1, 2010 to January 1, 2011. The agreement includes the promise of no layoffs.
- ***Medical Benefits.*** The Governor's budget assumes \$8.4 million in savings from original estimates for employee medical benefit costs. This is based on updated information from FY 2009 and FY 2010 that suggests a continued downward trend in claims.
- ***Retiree Health Benefits.*** The Governor's budget assumes funding the retiree health benefit costs on an actuarial basis, consistent with legislation first adopted by the 2008 Assembly to begin in FY 2009 then delayed in the FY 2009 revised budget for two years. The Budget includes \$7.9 million from general revenues to transition from pay-as-you-go to an actuarial basis.
- ***Police and Fire Benefits.*** The Governor's budget terminates the police and fire benefits program administered by the Department of Labor and Training except to grandfather benefits to those eligible for both pensions and/or education benefits prior to July 1, 2010. He includes savings of \$211,510 from general revenues.
- ***Unemployment Insurance Benefits.*** The Governor's budget includes \$429.3 million for the payment of unemployment insurance benefits, including \$24.5 million from federal stimulus funds and \$404.8 million from the Employment Security Fund. This includes updated estimates based upon the November 6, 2009 extension of federally funded benefits for an additional 20 weeks.
- ***Convention Center Authority.*** The Budget includes \$24.3 million, \$0.2 million more than enacted, for the Convention Center Authority to cover debt service requirements and operational shortfalls at the Dunkin Donuts Center, Convention Center and the Veterans' Memorial Auditorium.
- ***Historic Tax Credit Trust Fund Debt Service.*** The Budget includes \$23.8 million from general revenues to fund debt service for historic tax credits. This is \$30.6 million less than the \$54.4 million current service estimate, but the higher level would likely be needed in FY 2012 and beyond.
- ***Transition Costs for Elected Officials.*** The Budget includes \$0.1 million from general revenues for transition expenses for elected officials. Rhode Island General Law 36-1-2.1 requires that all newly elected general officers, prior to their engagement of office, shall be entitled to space for transition staff, adequate funds from the outgoing general officer from the budget of that department for use to hire transition staff, obtain office supplies and equipment.
- ***Contingency Fund.*** The Budget includes the enacted amount of \$250,000 from the contingency fund.

- ***Sheriffs to Department of Public Safety.*** The Budget reflects the transfer of \$16.5 million and staffing of 180.0 full-time positions for the Sheriffs program from the Department of Administration to the Department of Public Safety.
- ***Rhode Island Financial Accounting Network System.*** The Governor includes operational expenditures of \$0.9 million from general revenues to fund contracts for license and maintenance costs for the Rhode Island Financial Accounting Network System, consistent with the Revised Budget. The enacted budget eliminated all funding for this project based on implementation delays, but ongoing costs remain for the contracts.
- ***Registry of Motor Vehicles.*** The Capital Budget includes \$17.7 million from Rhode Island Capital Plan funds of which \$5.6 million will be used in FY 2011 to renovate the Forand Building to be the new home of the Registry of Motor Vehicles. Construction started early September 2009, and is slated to be completed next summer. The Division of Motor Vehicles anticipates a moving in date of August 2010.
- ***Registry Branch Consolidation.*** The Budget includes savings of \$0.8 million from general revenues from the closure of the Pawtucket branch and the Rhode Island Mall branch. The Division of Motor Vehicles is scheduled to move to its new headquarters on the Pastore Center in August 2010. The Rhode Island Mall branch will be closed in March 2010. The Division indicated that the Rhode Island Mall branch will be too close to the Pastore Center and costly to retrofit.
- ***Tax Data Warehouse.*** The Budget includes \$0.5 million from Rhode Island Capital Plan funds for the expansion of the tax data warehouse project to include automated compliance, collection improvements, data-driven audit selection process and risk-based sales tax audit.
- ***Commission on Women.*** The Governor proposes to discontinue paid support staff for the volunteer commission and eliminates general revenue funds.
- ***Matching Public Funds.*** The Governor's budget includes \$2.0 million from general revenues for Matching Public Funds for the November 2010 general election. This is \$2.4 million less than the Board of Elections' request. The Board approved higher funding limits for each candidate on January 20, 2010 and there are three registered parties, when there had previously been two.
- ***Office of Health Insurance Commissioner.*** The Budget removes general revenue funding for the Office of the Health Insurance Commissioner and includes \$0.6 million from restricted receipts to fund the office. The health insurers will be assessed a new fee that will serve as the source of the new restricted receipt proceeds.
- ***Public Utilities Commission Energy Initiatives.*** The Governor recommends 2.0 new positions and \$194,105 from American Recovery and Reinvestment Act funds to address various electricity initiatives. He also requested an amendment to his FY 2010 revised budget to add the funding and positions.

Elderly

- ***Case Management Services.*** The Governor's budget includes a shift of \$0.3 million from general revenues to federal funds to leverage Medicaid available for previously state only case management services through the Rhode Island Consumer Choice Global Waiver.

- ***Pharmaceutical Assistance.*** The Governor recommends \$1.7 million from all sources for the pharmaceutical assistance program to the elderly, including \$1.6 million from general revenues and \$0.1 million from drug rebates.
- ***Home and Community Care program.*** The Budget includes an additional \$1.5 million, including \$0.6 million from general revenues for the assisted living expenditures provided through the Department of Elderly Affairs' home and community care program. The Department indicates that there has been an increase in the number of residents in assisted living facilities funded through this program.

Health and Human Services

- ***Enhanced Medicaid Rate Extension.*** The Governor's FY 2011 budget assumes that the enhanced Medicaid rate that is scheduled to end on December 31, 2010 will be extended for six months to June 30, 2011. He assumes general revenues savings of \$95.3 million based on the extension, which is included in President Obama's budget submission but still requires congressional approval. The Governor's budget does not include proposals to address any out-year structural deficits for these programs when the \$190.7 million enhancement ends and the regular Medicaid rate applies.
- ***Medicaid Managed Care Re procurements.*** The Governor's budget includes general revenue savings of \$15.3 million by instituting program changes and rebidding contracts for RItE Care and Rhydy Health at lower rates.
- ***Managed Long-term Care Program.*** The Governor's budget includes savings of \$4.3 million from general revenues by establishing a contracted entity to manage primary, acute, and long-term care services for Medicaid clients.
- ***Uncompensated Care Payments.*** The Governor includes total funding of \$117.8 million to reimburse community hospitals for the uncompensated care payments in FY 2011, \$3.2 million more than included in the enacted budget.
- ***Hospital Payments.*** The Governor's budget does not include the enacted level of \$25.5 million to reimburse community hospitals for the outpatient upper payment limit in FY 2011.
- ***State Only Acute Care Hospital Payments.*** The Governor's budget does not include the enacted level of \$3.65 million for the state only payment to four community hospitals; \$1.6 million for Miriam, \$0.8 million for Kent Hospital, \$0.75 million for Westerly Hospital, and \$0.5 million for South County Hospital. His revised budget also eliminates the payments.
- ***State Maximum Allowable Cost.*** The Governor's budget includes savings of \$358,150 from general revenues from the creation of a state maximum allowable cost program for generic drugs. This would allow the state to set a reimbursement rate closer to the state's cost instead of using the current federal upper limit, which represents a national average cost and is higher than the state's cost for certain drugs.
- ***Department of Veterans' Affairs.*** The Governor's budget delays the creation of a new Department of Veterans' Affairs within the Office of Health and Human Services by one year, from July 1, 2010 to July 1, 2011. The 2009 Assembly passed 2009-H 5082, Substitute A, as amended and the Governor signed it into law on November 9, 2009 which created a separate Department of Veterans' Affairs,

effective July 1, 2010. The Division of Veterans' Affairs is currently a program within the Department of Human Services.

- ***Child Care Rate Reduction.*** The Governor's FY 2010 revised budget includes legislation imposing a 5.0 percent rate reduction for child care services the state purchases from all licensed and certified child care providers. The Governor subsequently requested an amendment to sunset the rate reduction on September 30, 2010. His FY 2011 budget assumes savings of \$498,000 from general revenues.
- ***Children's Health Account.*** The Governor increases the annual assessment ceiling applied to all insurers for home health services, child and adolescent intensive treatment services and Comprehensive Evaluation, Diagnosis, Assessment, Referral and Re-evaluation services from \$5,000 to \$6,000 per child for each service. His budget assumes \$0.9 million in general revenue savings.
- ***Women, Infants and Children Transfer.*** The Governor's budget includes the transfer of 12.0 full-time equivalent positions and \$19.1 million from federal funds from the Department of Health to the Department of Human Services, effective October 1, 2010. However, the 2009 Assembly enacted legislation to shift the responsibility of administering the program from the Department of Health to the Office of Health and Human Services by March 1, 2010. The Governor's FY 2010 revised budget includes legislation to delay the transfer to the Office of Health and Human Services until October 2010. It does not appear that he submits the necessary legislation to shift the program to the Department of Human Services.
- ***Maximizing Program Savings.*** The Governor's budget assumes savings of \$0.8 million from general revenues in the Department of Human Services' budget from efforts to maximize program savings. This includes general revenue savings of \$0.5 million by broadening the scope of the Medicaid estate recoveries and \$0.4 million in savings from having direct access and use of the Registry of Motor Vehicles data system. This will allow the Department of Human Services to verify vital information about clients applying for assistance programs, which is intended to reduce instances of fraud or abuse and improve eligibility monitoring.
- ***Emergency TANF Funds.*** The Governor's budget includes \$0.6 million from federal emergency temporary assistance to needy families funds to offset general revenue expenditures. These funds will be used for non-recurring short term benefits, mostly under the earned income tax credit.
- ***Developmental Disabilities Services.*** The Governor's budget assumes savings of \$7.0 million, \$2.5 million from general revenues from establishing one or two lead community agencies to take control of the residential and community system of care provided to adults with developmental disabilities. The proposal allows the lead agencies to do a needs and utilization review of the individuals assigned to it. The savings represent a four percent reduction in costs associated with the \$175.0 million private operated system.
- ***Developmental Disabilities Group Home Closure.*** The Governor's budget includes the closure of two state-run group homes and consolidation of clients for savings of \$0.8 million, \$0.2 million from general revenues. The homes have not yet been identified.
- ***Developmental Disabilities Day Programming Sites.*** The Governor's budget assumes savings of \$20,000 from closing the state run Highview day programming site in Hope Valley and Lafayette site in North Kingstown and consolidating them into a single new site.

- ***Community Mental Health Treatment Services.*** The Governor's budget reduces community mental health treatment services funding by \$4.0 million, \$1.4 million from general revenues from implementing a new contract that would have an established average annual treatment rate for each client. If any of the ten community providers did not accept a new contract, it would be subject to an across-the-board rate reduction to meet the proposed savings.
- ***Treatment and Accountability for Safer Communities Program.*** The Budget eliminates the Treatment and Accountability for Safer Communities program for savings of \$0.3 million from general revenues and 3.0 positions. The program provides initial assessment, referral and case management services to individuals with a second drunk driving conviction as required by law.
- ***Regional Office Expenses.*** The Governor's budget includes general revenue savings of \$513,708 from reduced lease expenditures at the Pawtucket and North Kingstown Department of Children, Youth and Families regional offices. The Pawtucket Office will be relocated to the main building in Providence and the North Kingstown office will be relocated to the Stedman Government Center in Wakefield. Both offices will be moved before July 1, 2010.
- ***Bradley and Day Care Expenditures.*** Consistent with the revised budget, the Governor's budget includes \$10.6 million from all funds, \$5.5 million from general revenues for expenditures the Department of Children, Youth and Families neglected to include in its FY 2011 budget request due to an oversight. This includes \$2.0 million for Bradley group homes and \$3.5 million for child care. Combined expenditures for these services were \$5.5 million in FY 2009.
- ***System of Care Transformation.*** The Governor's budget includes savings of \$10.0 million from all sources, \$6.7 million from general revenues from the implementation of Phase Two of the system of care transformation. This involves building a network of community based providers that will strengthen supports provided to children and families with the goal of reducing the length of time that children are in out-of-home placements.
- ***Training School - Girls Facility.*** The Governor's budget includes \$6.7 million from Rhode Island Capital Plan funds for the renovation of the Adolph Meyer building at the Pastore Center. This facility will house detained and adjudicated female residents of the Rhode Island Training School. The 2008 Assembly enacted legislation to cap this population at 12 females.
- ***HIV/AIDS.*** The Governor's budget assumes savings of \$1.2 million from restructuring the HIV/AIDS program which will create cost savings from case management services. Briefing materials provided with the budget indicate that this reduction is subject to restoration pending approval of a federal match.

Education

- ***Higher Education.*** The Governor recommends \$932.9 million for Public Higher Education including debt service. This includes \$163.9 million from general revenues and assumes in-state undergraduate tuition increases of 9.9 percent at the University, 9.0 percent at the College and 8.2 percent at the Community College. These rates are consistent with those approved by the Board of Governors. The recommendation also includes \$11.2 million from federal fiscal stabilization funds for fire safety projects.

- ***Race to the Top.*** The Governor's budget includes \$35.0 million in the event that Rhode Island is awarded federal Race to the Top funds. The Budget also includes 15.0 new full-time equivalent positions to work on this grant.
- ***Need Based Scholarships and Grants.*** The Governor's budget includes the enacted level of \$6.4 million from general revenues for need based grants and scholarships.
- ***Arts Discretionary Grants.*** The Governor's budget includes savings of \$0.7 million from general revenues from the elimination of state funded discretionary grants. These grants are awarded to individuals and organizations to help support the arts and encourage artists to continue to make the arts visible in the community.
- ***Percent for Public Art Program.*** The Governor's budget eliminates funding for the Percent for Public Art Program and ends the requirement of all state agencies to expend 1.0 percent of all construction, remodeling, and renovation projects on works of art on June 30, 2010. Agencies beginning projects July 1, 2010 may expend funds on art for public display, but are not required to expend 1.0 percent of the project cost.

Public Safety

- ***Prison Population.*** The Budget includes \$2.4 million from general revenues to restore a portion of the \$5.0 million of population reduction savings included in the FY 2010 enacted budget. Despite a projection of a further reduction of 124 inmates from the enacted estimate of 3,767 inmates, the Department anticipates it will be unable to close enough housing modules to achieve the full savings.
- ***Correctional Officer Training Class.*** The Budget includes \$0.7 million from general revenues for recruitment and training for one new officer class for FY 2011. This class was postponed from FY 2010 to FY 2011 because of the 17 graduates from the previous class who are waiting to be hired.
- ***State Criminal Alien Assistance Funds.*** The Budget includes \$0.4 million from general revenues to offset a shortfall from federal State Criminal Alien Assistance Funds. The Department of Corrections is anticipating \$0.8 million based on FY 2010 federal reimbursement. This is \$0.4 million less than the FY 2010 enacted budget. Funds are calculated based on the federal formula for reimbursement.
- ***Weapons Requalification.*** The Budget includes \$0.5 million from general revenues for expenditures associated with the Department of Corrections biennial weapons requalification process for FY 2011 and FY 2012. Funding is anticipated to pay for overtime, military supplies, mileage, and rental costs for a firing range facility for over 1,000 correctional officers.
- ***Child Support Enforcement.*** The Budget includes general revenue savings of \$1.2 million to reflect shifting expenses to anticipated federal reimbursement for services provided by the Family Court's Child Support Enforcement Unit. This is based on estimates developed by the Judiciary with the assistance of a contracted professional consulting firm.
- ***Sheriffs to Department of Public Safety.*** The Budget reflects the transfer of \$16.5 million and staffing of 180.0 full-time positions for the Sheriffs program from the Department of Administration to the Department of Public Safety.

- ***Fugitive Task Force.*** Consistent with his revised budget recommendation, the Governor's FY 2011 budget includes general revenue savings of \$0.7 million from the elimination of the State Police's Violent Fugitive Task Force and creation of a new statewide Worker's Compensation Investigations Unit and funds it with available internal service funds.
- ***Trooper Recruitment Delay.*** The Budget includes \$57,500 from delaying the start of recruitment for the 54th Trooper Training Academy for FY 2010 until August 2010, FY 2011.
- ***Dispatch Unit and Port Security.*** The Budget includes legislation to transfer the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety no later than January 1, 2011. The Budget does not include the transfer of positions or funding for these activities.
- ***Executive Director.*** The Budget includes \$0.1 million for a new Executive Director position to assist in human resources activities, legal matters and the transition of the Sheriffs into the Department of Public Safety.
- ***Operations and Maintenance Controller.*** The Budget includes \$85,270 for a new Operations and Maintenance Controller position that was hired in October 2009 for the new State Police Headquarters. The Department requested and the Governor recommended adding this position in FY 2010; however, the 2009 Assembly did not provide the funding.
- ***Inaugural Expenses.*** The Governor recommends \$72,775 from general revenues for non-recurring inaugural activities to occur in FY 2011. Inauguration ceremonies will be held on January 2, 2011. This event is held every four years. Costs assigned to the Military Staff vary from year to year, but have included salary expenses for guard activations, convention center rental, chair and table rental, tent rental, catering services, transportation of state officers, state police detail and other various items.

Environment

- ***Dispatch Unit and Port Security Transfer.*** The Budget includes legislation to transfer the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety no later than January 1, 2011. The Budget does not include the transfer of positions or funding for these activities.
- ***Big River Management Area Well Development.*** The Budget includes \$26.7 million from FY 2011 through FY 2013 for the Water Resources Board's Big River Groundwater Development project. Funding would be used to develop a new groundwater supply in the Big River Management Area to ensure an adequate drinking water supply for central Rhode Island, including residential, commercial and industrial usages. The Governor did not submit legislation for Assembly approval of the revenue bonds.
- ***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 \$2.5 million for FY 2011 through FY 2013 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 \$8.2 million for FY 2011 through FY 2013 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.
- ***Fort Adams Rehabilitation.*** The five-year capital plan includes \$1.6 million from Rhode Island Capital Plan funds for rehabilitation projects at Fort Adams state park in Newport. Projects include the restoration of the prison area, utility upgrades and improvements to entry and exit points to increase accessibility.
- ***Pier Upgrades.*** The Budget includes \$4.8 million from Rhode Island Capital Plan funds from FY 2011 through FY 2015 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 \$6.7 million from Rhode Island Capital Plan funds from FY 2011 through FY 2015 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.

Transportation

- ***Winter Maintenance Expenses.*** The Budget includes \$9.0 million in FY 2011 for winter maintenance related expenses. This is \$0.1 million more than enacted, and \$1.7 million less than the five-year average of \$10.7 million.
- ***Gasoline Tax.*** The Budget includes an estimate of \$4.2 million per penny for the gasoline tax yield for FY 2011, which is \$0.2 million less than enacted based on an updated estimate. Gasoline tax funding is used to support personnel and operating costs at the Department of Transportation. The Governor's recommendation assumes reductions for general maintenance and winter maintenance activities, as well as the delay of equipment and vehicle purchases during FY 2011 to account for the reduction in proceeds.
- ***Rhode Island Public Transit Authority.*** The Budget includes a gasoline tax transfer of \$41.0 million to the Authority for FY 2011. This is \$1.9 million less than included in the enacted budget and is based on the Administration's estimate of the per penny gasoline tax yield. Funding is used for personnel and operating expenses at the Authority, which would need to be reduced to account for the reduction in proceeds.

- ***Transportation Consolidation.*** The Budget includes legislation that instructs the director of the Department of Transportation to develop a plan to integrate the functions of the Rhode Island Public Transit Authority into the Department. The plan would be submitted no later than October 1, 2010, and would consider all operational and financial issues associated with the transfer.
- ***Turnpike and Bridge Lease Financing for Sakonnet River Bridge.*** The Budget includes legislation that would allow a long term financing agreement between the Turnpike and Bridge Authority and the Department of Transportation for the Sakonnet River Bridge. The legislation would require a toll on the bridge, with 30.0 percent of the revenues maintained by the Authority to offset capital expenses on the Newport Pell and Mount Hope Bridges, and 70.0 percent to the Department for bridge rehabilitation projects throughout the state.

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