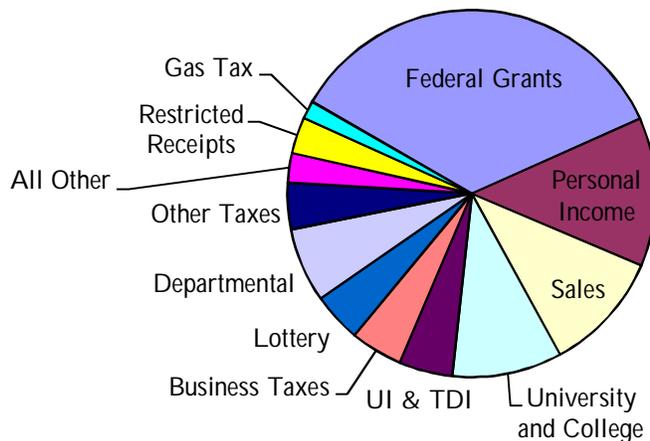

Budget at a Glance

FY 2015 Budget at a Glance

The Assembly adopted a budget with total expenditures of \$8,780.2 million, which is \$236.2 million more than the Governor recommended. It contains \$3,445.2 million from general revenues, which is \$10.9 million less than the Governor recommended.

Sources of Funds



Budget Issues

- **FY 2015 Gap.** House Fiscal Staff estimates that in preparing the FY 2015 budget, the Governor faced a projected revenue-expenditure gap of about \$140 million as of July. By November, that had dropped to roughly \$100 million because of increased resources from the FY 2013 closing, an increased consensus revenue estimate for FY 2014 offset by a projected overspending issue. 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 resolved a significant majority of this gap with the prior year surplus in addition to other non-recurring items. Reductions to spending in human services agencies also account for a large share of the deficit resolution.

Three post-budget events impacted the Governor's two year budget solution by about \$67 million. His administration reached agreements with most major state employee unions that were expected to add about \$27.7 million to FY 2014 and FY 2015 expenses. May Caseload estimates showed the need for \$33.4 million in additional general revenue spending and was only partially offset by an uptick in revenues of \$5.9 million.

The Assembly closed this new budget gap by accepting most of the Governor's budget reductions and rejecting some of his new spending initiatives. The Budget maximizes use of all other available funding sources such as federal and restricted funds and makes a number of changes to tax programs. It also assumes that departments and agencies will absorb the cost of the employee contracts without added appropriations. Additionally some of the caseload increases are expected to be reduced as the state restarts a recertification process that had been suspended during the rollout of the Affordable Care Act.

- **Out-Year Projections.** The Governor's budget projected the out-years to be significantly unbalanced. The forecast included with the Budget estimates a \$151.1 million gap for FY 2016, equating to 4.4 percent of useable revenues, that grows to \$419.3 million in FY 2019, 11.5 percent of useable revenues. The FY 2016 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 not reflected in FY 2015. The estimate also reflects a loss of almost \$37 million from the potential impact of casino gaming in Massachusetts. Those losses account for nearly \$140 million or one third of the FY 2019 gap. The Assembly does not resolve the out-year budget gaps. Current service expenditures for FY 2016 are likely to exceed available resources under current law by \$122.4 million.

Taxes and Revenues

- **Business Tax Restructuring.** The Budget includes multiple changes to business taxes, including the implementation of combined reporting for business corporation tax filers, the elimination of the franchise tax, the use of single sales factor apportionment and market based sourcing, effective January 1, 2015. The Budget assumes \$2.7 million in additional revenues offset by \$0.5 million for implementation expenses.
- **Estate Tax.** The Budget includes legislation to change the estate tax threshold to an exclusionary credit, which eliminates tax liabilities for estate values up to \$1.5 million for deaths occurring on or after January 1, 2015. The same credit is available to all estates, including those larger than \$1.5 million. The Budget assumes an associated revenue loss of \$9.4 million for FY 2015.
- **Use Tax Safe Harbor.** The Budget includes \$2.2 million in revenues from establishing a use tax safe harbor provision on the state personal income tax return. Personal income tax return forms will include a table to assist filers with the calculation of use tax owed for purchases made from retailers that do not collect state sales tax. Proper use of the tool is another method to voluntarily comply with current law and will absolve filers from having to pay any additional taxes, interest, and penalties.
- **Hotel Room Resale.** The Budget does not include the Governor's proposal to generate \$0.9 million by subjecting the markup charged by resellers that purchase rooms from hotels at wholesale rates, to state sales tax, state hotel tax, and local hotel tax.
- **Circuit Breaker Eligibility/EITC.** The Budget includes the modification of two tax assistance programs: limiting property tax relief credit funding to the elderly and disabled populations by excluding low income recipients and modification of the Earned Income Tax Credit for low and moderate wage earners to equal 10.0 percent of the federal credit, of which 100.0 percent is refundable. The net impact of these changes is \$3.9 million of savings for FY 2015; annualized, the changes are estimated to be revenue neutral for FY 2016.
- **Alcohol Taxes Pilot.** The Budget extends the pilot restructuring of alcohol excise taxes and the exemption of retail sales of wine and spirits from sales and use taxes to June 30, 2015 and includes an associated revenue loss of \$1.6 million.
- **Other Temporary Lodging.** The Budget does not include the Governor's proposal to generate \$0.5 million by subjecting rentals of time share properties and rooms at bed and breakfast inns to sales and hotel taxes.

- **Automated Sales Suppression Devices.** The Budget includes legislation to outlaw the use of technology that enables the understatement of actual sales for sales tax purposes and assumes \$0.8 million in associated revenues.
- **Revenue Officers.** The Budget assumes \$7.6 million in additional revenues from filling 10.0 compliance and collection positions within the Division of Taxation.
- **E-Cigarettes.** The Budget does not include the Governor's proposal to generate \$0.8 million through defining e-cigarettes as other tobacco products and subjecting them to the 80.0 percent of wholesale cost tax applied to those items.
- **Twin River Marketing.** The Budget increases the state's participation in marketing expenses for Twin River Casino. Under current law, the state share is roughly 60 percent of marketing costs incurred between \$4.0 million and \$10.0 million, a maximum of \$3.6 million. The Budget includes legislation that requires the state to reimburse a share of \$3.0 million in additional costs using the same methodology but after higher spending thresholds are met.
- **Public Employee Compliance.** The Budget includes revenues of \$1.1 million from instituting enhanced income tax compliance for public employees. Non-compliant state and municipal employees and officials will be notified of their status by the Division of Taxation and provided with means to come into compliance. The wages of employees who are unresponsive or refuse to come into compliance will be garnished as determined by the Division, until their liability is satisfied.
- **Employee Classification Task Force.** The Budget includes additional revenues of \$1.8 million from the creation of an interdepartmental task force to prevent misclassification of employees by employers. The task force will include representatives of the Department of Labor and Training, the Division of Taxation, the Department of Business Regulation, the Attorney General, the State Police and the Workers' Compensation Court.
- **Job Development Fund.** The Budget includes a revenue loss of \$1.3 million from exempting the entire Job Development Fund assessment on employers' applicable payroll from the state's 10 percent indirect cost recovery charge on restricted receipts. Funding will be used for job programs and administration.
- **Registration Block.** The Budget includes \$0.5 million in additional revenues from the establishment of an income tax compliance requirement for new vehicle registrations.
- **Hospital Licensing Fee.** The Budget includes \$145.9 million in FY 2014 and \$156.1 million in FY 2015 from the license fee using the same two-tiered fee as included in FY 2014. The licensing fee appears annually in the Appropriations Act.
- **Insurance Recovery Fund.** The Budget transfers \$0.9 million from the Insurance Recovery Fund into the state General Fund in FY 2014. The Insurance Recovery Fund receives receipts from insurance companies for claim settlements and had a cash balance of \$2.3 million on June 30, 2013.

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

- **Distressed Communities Relief Fund.** The Budget includes the enacted level of \$10.4 million for the Distressed Communities Relief Fund, but with redistribution of funding among communities. Communities' aid distribution is based on updated qualifying tax levies and reflects exclusion of

Cranston as a distressed community. Communities falling out of qualification receive half a payment during the transition year.

- ***Payment in Lieu of Taxes Program.*** The Budget includes \$40.1 million for the Payment in Lieu of Taxes program that reimburses cities and towns for property taxes that would have been due on real property exempted from taxation by state law. This is \$5.0 million more than enacted. The appropriation represents a reimbursement of 25.4 percent of the value and reflects updated assessment data certified by the Division of Municipal Finance. 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.
- ***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 Budget includes \$8.8 million to fund library operating aid at the enacted level.
- ***Library Construction Aid.*** The Budget provides \$2.3 million for FY 2015 to fully fund library construction aid requirements. 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. Payments do not begin until the state fiscal year following the completion, acceptance, and audit of the project. The three-year moratorium on the acceptance of applications for new projects established by the 2011 Assembly ended June 30, 2014.
- ***Property Valuation Reimbursement.*** The Budget includes \$0.5 million for FY 2014 and \$0.6 million for FY 2015 to reimburse communities conducting property valuation updates.
- ***Airport Impact Aid.*** The Budget includes the enacted level of \$1.0 million for FY 2015 to the Commerce 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 proportionately based on the number of total landings and takeoffs.
- ***Municipal Incentive Aid.*** The Budget includes the enacted amount of \$5.0 million for the 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. The Assembly also enacted changes to the program, to allow the reappropriation of allocations for communities that have not met the funding criteria to the following fiscal year, to provide an opportunity to come into compliance.
- ***Municipal Road and Bridge Fund.*** The Budget transfers \$3.3 million of bond premium proceeds that were deposited into the Rhode Island Capital Plan Fund in FY 2014 to the Municipal Road and Bridge Revolving Fund on or before June 30, 2014. It also provides \$5.0 million from proceeds from refunding tobacco bonds. The 2013 Assembly appropriated \$7.0 million of bond premium proceeds received in FY 2013 for the capitalization of the fund.
- ***Tipping Fees.*** The Budget extends the current municipal tipping fees charged by the Resource Recovery Corporation by one year, through FY 2015. It also requires that the Corporation provide a

rate plan with its budget submission to the state on or before October 1, 2014. The current fees range from \$29 to \$32 per ton and are based on the proportion of solid waste recycled by each municipality.

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

- **FY 2015 Formula Education Aid.** The Budget includes \$801.0 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 funding formula. This is \$31.4 million more than enacted and fully funds current estimates.
- **Funding Formula Assumptions.** The Budget funds the fourth year of the education funding formula adopted by the 2010 Assembly. The calculation for FY 2015 uses March student enrollment data adjusted for FY 2015 projected charter school enrollments, a per pupil core instruction amount of \$8,966 and state share ratio variables updated with June 30, 2013 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.
- **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 Budget includes \$1.5 million for FY 2015. 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 Budget includes \$3.0 million for FY 2015. 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 Budget includes \$4.4 million for FY 2015 for the fourth year of funding, a \$1.1 million increase. The state is on a long term plan to provide funding to mitigate the excess costs associated with transporting students to out-of-district non-public schools and within regional school districts.
- **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 Budget includes \$3.5 million for FY 2015. This is \$0.5 million more than enacted and represents a plan to gradually increase funds annually.
- **School Construction Aid Funding.** The Budget includes \$67.9 million to fund projected costs of school housing aid to local districts for FY 2015, which is \$0.3 million more than the final FY 2014 entitlement. The final FY 2014 cost is \$67.7 million or \$2.3 million less than enacted.
- **School Construction Aid Moratorium.** The Assembly extends the moratorium on the approval of new school housing aid projects with exception for projects necessitated by health and safety reasons from July 1, 2014 to May 1, 2015.
- **Teacher Retirement.** The Budget includes \$89.5 million to fund the state's share of the employer contribution for teacher retirement costs for FY 2015. This is \$7.8 million more than enacted.

- **Group Home Aid.** The Budget includes \$6.1 million for group home aid, which is \$1.0 million less than enacted and reflects all beds opened as of December 31, 2013.
- **Textbook Reimbursement.** The Budget includes the enacted level of \$240,000 for reimbursements allowed under the textbook loan program for FY 2015. 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 12th grade.
- **School Breakfast.** The Budget includes the enacted level of \$270,000 for the administrative cost reimbursement to districts for the school breakfast program.
- **Vision Services.** The Budget continues the plan to shift 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 \$0.7 million; there are savings of \$0.3 million included for FY 2015, which is the second year of the initiative. The 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

- **38 Studios Debt Service.** The Budget includes \$12.3 million from general revenues for debt service relating to 38 Studios as part of the Job Creation Guaranty program. This provides sufficient funding to replenish the Capital Reserve Fund in order to make a \$12.5 million payment.
- **Volvo Ocean Race.** The Budget includes \$775,000 from general revenues relating to the Volvo Ocean Race that the City of Newport is scheduled to host on May 17, 2015. This is the same amount that the 2012 Assembly provided for hosting the America's Cup World Series in FY 2012; the majority of funds were used for security services.
- **EDC/Commerce Corporation Operations.** The Budget includes \$3.9 million from general revenues for both FY 2014 and FY 2015 to support operations of the Commerce Corporation.
- **Executive Office of Commerce.** The Assembly did not concur with the Governor's proposal to delay the creation of the Executive Office of Commerce from February 1, 2015 to July 1, 2015.
- **Rhode Island Ready Project.** The Budget includes \$75,000 for the Rhode Island Ready Project, an initiative developed by the administration to enhance collaborative efforts between the Commerce Corporation, state agencies, and cities and towns to increase the probability of business attraction, expansion and growth efforts. The project is intended to reduce time and increase the predictability of getting land developed, buildings constructed and operations up and running.
- **Experimental Program to Stimulate Competitive Research (EPSCoR).** The Budget includes the enacted amount of \$1.2 million for FY 2015 for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research.
- **Innovate RI Small Business Program.** The Budget includes the enacted amount of \$0.5 million from general revenues to support the Innovate RI Small Business and the Bioscience and Engineering Internship Programs.

- **Slater Technology Fund.** The Budget includes \$150,000 for FY 2015 for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new projects.
- **Convention Center Authority.** The Budget includes \$23.0 million from general revenues for the Convention Center Authority to cover debt service requirements.
- **Creative and Cultural Economy Bond.** The Budget includes \$35.0 million of new general obligation bonds to be submitted to the voters on the November 2014 ballot for renovations to public and nonprofit theaters and performance spaces with \$5.0 million of that reserved for qualifying projects at historic sites. The program will be administered by the Rhode Island State Council on the Arts in consultation with the Historical Preservation and Heritage Commission. Annual debt service payments would be approximately \$2.8 million for the 20 year term.
- **Bryant University.** The Assembly provided a total of \$0.3 million to support the Export Assistance Center and the Small Business Development Center to aid small businesses and to promote economic development.
- **URI Small Business Development Center.** The Assembly provided \$250,000 to enhance the state's commitment to the small business development center at the University of Rhode Island established in conjunction with the United States Small Business Administration.
- **Historic Structures Tax Credit.** The Budget does not include the Governor's proposal to expand the Historic Structures Tax Credit program by authorizing an additional \$52.1 million in debt.
- **Historic Tax Credit Trust Fund Debt Service.** The Budgets include \$21.3 million and \$31.7 million from general revenues in FY 2014 and FY 2015, respectively, to fund debt service for historic tax credits. This assumes issuance of \$75.0 million in new bonds in FY 2014 to cover expected credits. As of December 2013, \$6.0 million remained in the Trust Fund from the initial \$150.0 million issuance.
- **I-195 Commission.** The Budget includes \$0.3 million for the I-195 Redevelopment Commission to fund its operations for FY 2015. The Budget includes \$0.5 million in both FY 2014 and FY 2015 for debt service costs of the I-195 land acquisition project.
- **Job Development Programs.** The Budget includes \$22.8 million, including \$1.1 million from general revenues to support jobs programs administered by the Governor's Workforce Board and Human Resource Investment Council, including the new job development programs and supports established in the FY 2014 enacted budget including the Back to Work Rhode Island program, the work immersion and non-trade apprentice program, extended child care for certain families and a jobs match program.

Housing

- **Lead and Housing Fund.** The Assembly provided \$3.4 million from restricted receipts to fund lead and housing initiatives administered by the Housing Resources Commission. This includes a transfer of \$0.6 million from the Attorney General's mortgage fraud settlement funds and \$2.8 million from increasing the real estate conveyance tax from \$2.00 to \$2.30 per \$500 or fractional part paid for the purchase of property conveyed for more than \$100. The fee increase will provide a permanent stream of funding for lead and housing initiatives.
- **Affordable Housing.** The Capital Budget includes \$25.0 million of approved general obligation bonds for affordable housing projects and assumes use of \$12.5 million each in FY 2014 and FY

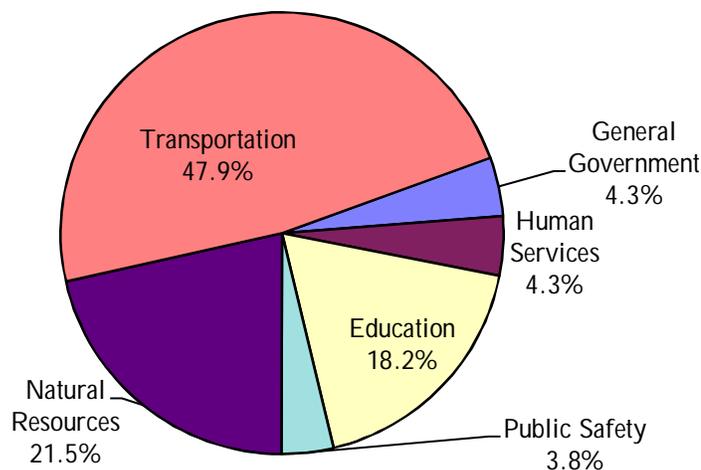
2015. The bond proceeds will be used by the Housing Resources Commission to provide state funds to promote affordable housing through redevelopment of existing structures and new construction.

- **Harrington Hall Renovations.** The Assembly provided \$2.6 million from Rhode Island Capital Plan funds, including \$1.2 million for FY 2014 to renovate the facility, which will include updating the heating, ventilation and air conditioning system, painting and a new kitchen.

Capital Budget (See Section IV: Capital Budget)

- **Outlays and Funding.** The FY 2015 through FY 2019 adopted plan includes \$3,605.7 million of outlays on \$8,424.5 million of project estimates. Average outlays would be \$721.1 million per year for the five-year period with \$473.6 million required at the end of the period to complete the projects.
- **General Obligation Bonds Referenda.** Financing the plan is based on \$550.9 million of general obligation bond debt issuances, including \$248.0 million from new general obligation bonds to be presented to the voters on the November 2014 ballot. Debt service on these bonds is paid from state general revenues, and once all are issued the annual debt service is estimated to be \$20.5 million.
- **Other Debt Approvals.** The plan also includes \$120.0 million, approved by the 2014 Assembly under the Public Debt Management Act, for projects at T.F. Green Airport, construction of parking space and retail areas at the Garrahy Courthouse and to purchase equipment, fixtures and furnishings for a new nursing education center.
- **Financing.** Paying for the five-year outlays includes \$995.6 million from debt financing and \$2,610.1 million from current or pay-go sources. Pay-go represents 72.4 percent with debt funding being 27.6 percent.

FY 2015 - FY 2019 Capital Projects by Function



- **Debt Levels.** Total net tax supported debt increases during the period through FY 2019 by \$15.4 million from \$1,898.2 million to \$1,913.6 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 Service.** Debt service in the capital budget would decrease from 7.2 percent of useable general revenues in FY 2015 to 7.0 percent in FY 2019.

- **Debt Ratios.** Net tax supported debt remains unchanged at 3.9 percent of personal income reported for FY 2013 into FY 2014 before dropping gradually back to 2.9 percent in FY 2019 assuming that the capital budget is not increased. However, as with debt levels, past practice indicates it is likely to be higher than projected.

- **Rhode Island Capital Plan Fund.** The plan relies heavily on the use of Rhode Island Capital Plan funds, an important source of pay-go funds designed to reduce the need for borrowing. Total outlays for the five year period are \$615.2 million.

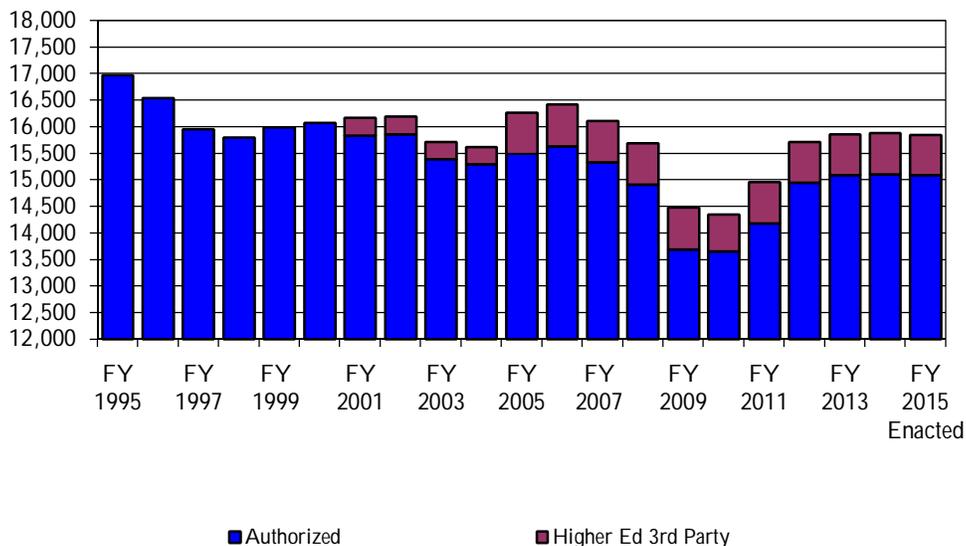
State Government

- **Staffing.** The Budget includes 15,086.0 full-time equivalent positions, including 750.8 higher education positions supported by research or other third-party funds. This is 32.3 positions less than enacted to primarily reflect vacancy reductions.

Among the changes are an additional 3.0 positions for the new job development programs, 7.0 positions to administer the new temporary caregiver insurance program, 14.0 positions for the Division of Taxation, including 7.0 revenue agents and 7.0 positions to implement the restructuring of business taxes for tax year 2015. Major vacancy eliminations include 57.0 from the Department of Human Services and 20.0 from the Department of Transportation.

As of June 28, 2014, 13,908.9 positions filled, leaving 1,001.8 non-research vacancies. In FY 2013, the state averaged 13,664.6 filled positions reflecting an average of 1,233.9 non-research vacancies.

Full-Time Equivalent Positions



- **Employee Classification Study.** The Budget adds \$0.5 million from general revenues for FY 2014 for a classification and compensation study.

- **Contractor Assessment.** The Assembly did not concur with the Governor’s proposal to repeal the 5.5 percent assessment on contractual costs to be paid to the retirement system when state agencies obtain contractual services that are substantially similar to and in lieu of services provided by regular employees; this was enacted with pension reform legislation.

- **Reporting Requirements.** The Assembly adopted the Governor's proposals to require that reports on non-state employee expenditures be annually submitted to the Budget Office instead of the Secretary of State and increased the threshold for reporting from \$100,000 to \$150,000. It further required that the Budget Office electronically post all contracts and reports online using the transparency portal or an equivalent website.
- **State Employees Contracts.** The Governor's budget did not include a cost-of-living increase for state employees, however in April 2014, the Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017. This includes 2.0 percent salary increases effective April 6, 2014 and October 5, 2014 offset by increased cost sharing measures for medical benefits. The cost for FY 2015 is estimated to be \$47.4 million of which \$24.3 million is from general revenues which reflects approximately 3.5 percent growth over FY 2014. The Budget assumes that the increased costs will be achieved through turnover, vacancies and other savings.
- **Direct Deposit.** The Assembly adopted the Governor's proposal requiring all state employees who are hired after September 30, 2014 to participate in the direct deposit payroll system. Employees hired before September 30, 2014 and not currently participating in the direct deposit system must do so by June 30, 2016.
- **Medical Benefit Savings.** The Budget includes general revenue medical benefit savings of \$3.3 million and \$7.1 million, for FY 2014 and FY 2015 respectively, from lower claims experience and better trends.
- **Directors' Salaries.** The Budget maintains the current law requirement that the Department of Administration seek the General Assembly's approval in determining salaries for cabinet directors. The Governor had proposed repealing the provision.
- **State Leases.** The Budget maintains the requirement that state entities obtain legislative approval before entering into a long-term lease agreement of five years or more, or lease agreements that are more than \$0.5 million. The Governor had proposed eliminating this requirement. The Assembly also directed the Department of Administration to prepare a report by October 31, 2014 to include all current property owned or leased by state or quasi agencies and develop a strategic plan for leases that are starting or ending by June 30, 2016.
- **Unemployment Insurance Benefits.** The Budget includes \$268.6 million for FY 2014 and \$207.5 million for FY 2015 for unemployment insurance benefits. It reflects the end of the federal emergency unemployment compensation program on December 28, 2013.
- **Unemployment Insurance Loan Repayment.** The Budget includes \$31.1 million for FY 2014 and \$20.5 million for FY 2015 for interest and principal payments on the state's federal unemployment insurance loans. An interest payment of \$5.0 million was made in September 2013.
- **Unemployment Assessment.** The Budget includes clarifying language to ensure the 0.3 percent surcharge imposed on employers to bring the unemployment fund back to solvency ends the quarter after the loans are repaid. This is estimated to occur by November 2014.
- **Temporary Caregiver Insurance.** The Budget includes \$20.7 million and 7.0 new positions from the temporary disability insurance trust fund for benefit payments and administration of the new temporary caregiver insurance program, allowing eligible claimants up to four weeks of benefits to care

for a seriously ill child, spouse, domestic partner, parent, parent-in-law or grandparent, or to bond with a newborn child, new adopted child or new foster care child.

- ***Police and Fire Relief Fund.*** The Budget includes the enacted level of \$4.2 million from general revenues for annuity payments and in-state tuition to eligible spouses, domestic partners and dependents of certain injured or deceased police officers and firefighters from the Police and Fire Relief program.
- ***Contingency Fund.*** The Budget includes the enacted amount of \$250,000 for the Governor's Contingency Fund.
- ***Transition Expenses.*** The Budget includes a total of \$0.2 million from general revenues for transition expenses for the general officers not seeking reelection. This includes \$0.1 million in the Office of the Governor and \$25,000 each in the Office of the Lieutenant Governor, Secretary of State and Office of the General Treasurer. It does not include transition funding for the Office of the Attorney General.
- ***Rhode Island Financial Accounting Network System.*** The Budgets include expenditures of \$1.6 million for both FY 2014 and FY 2015 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.
- ***Matching Public Funds for Elections.*** The Budget includes \$2.0 million from general revenues for the Matching Public Funds campaign finance program administered by the Rhode Island Board of Elections for the November 2014 election. Funding is available to candidates for Governor, Lieutenant Governor, Secretary of State, General Treasurer and Attorney General.
- ***New Voting Equipment.*** The Budget includes \$0.1 million for the Board of Elections to purchase new voting booths to supplement the current supply. The additional booths will be used in communities that have multiple-page ballots that require more time to complete.
- ***Lobby Tracker Module.*** The Budget includes \$36,000 over FY 2014 and FY 2015 for the Office of the Secretary of State's new lobby tracker program to monitor all reporting activity of lobbyists, entities, and lobbying firms registered with the state. The program will track compensation for lobbyists, expenses, and contributions.
- ***Office of Diversity, Equity, and Opportunity.*** The Budget reflects the creation of the Office of Diversity, Equity, and Opportunity. Existing staff of 7.0 full-time positions and funding would be transferred from the Division of Purchasing's Minority Business Enterprise Office and the Division of Human Resources' Outreach and Diversity Office.
- ***Technology Investment Fund.*** The Budgets assume use of \$7.2 million from the Technology Investment Fund. The 2011 Assembly enacted legislation to allow proceeds from land sales and other transfers 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. The 2014 Assembly directed no less than \$10.0 million from expected proceeds from refunding tobacco settlement bonds into the fund and dedicated 10.0 percent of the E-911 \$1.00 monthly surcharge on phone lines to the fund, effective July 1, 2015. That is estimated to generate \$1.5 million annually to provide predictable funding.

- **Virks Building Renovation.** The Budget provides \$14.0 million from Rhode Island Capital Plan funds in lieu of issuing debt to renovate the Virks building in the Pastore Center as recommended by the Governor. This is estimated to save \$5.8 million in interest costs. The Office of Health and Human Services will occupy the facility once it is renovated.
- **Garrahy Courthouse Parking.** The Assembly authorized borrowing up to \$45.0 million for the Garrahy Courthouse parking project, which will include construction of approximately 1,250 parking spaces and 13,800 square feet of retail space on state owned land near the Garrahy Courthouse. The authorization stipulates that purchase and sale agreements for at least three parcels under the control of the I-195 Commission are executed before the debt can be issued. Additionally, the authorization to issue the debt sunsets after five years. Debt service payments will be supported by parking revenues, which may be state subsidized.
- **DEPCO.** The Assembly authorized the Rhode Island Refunding Bond Authority to issue new taxable bonds to refund a portion of outstanding bonds from the Depositors Economic Protection Corporation, which was created in 1991 to pay off depositors who lost their savings in the collapse of the Rhode Island Share and Deposit Indemnity Corporation. Savings generated will reduce state debt.
- **Tobacco Settlement.** The Assembly authorized the Tobacco Settlement Financing Corporation to raise additional funds in an amount of not less than \$20.0 million from the Tobacco Settlement Financing Corporation Act through the refunding of its bonds. Of this amount, \$5.0 million each will be deposited into the State General Fund and the Municipal Road and Bridge Revolving Fund, and the remaining proceeds will be deposited into the Information Technology Investment Fund.

Health and Human Services

- **Affordable Care Act - Expanded Medicaid.** The Assembly included \$172.0 million for FY 2014 and \$492.4 million for FY 2015 from federal Medicaid funds to provide medical benefits to certain adults beginning January 2014 as authorized by the 2013 Assembly. 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.
- **Rlte Care.** The FY 2015 budget includes \$615.4 million, of which \$297.7 million is from general revenues for families enrolled in the Rlte Care program.
- **Rlte Care Redetermination.** The FY 2015 budget recognizes general revenue savings of \$14.7 million from restarting the process that re-determines eligibility for current Medicaid recipients on August 1, 2014 instead of January 1, 2015 as originally projected by the Office of Health and Human Services. The May Caseload Conference estimates showed \$62.4 million in unexpected increases, \$33.3 million from general revenues, to the Rlte Care expenses in FY 2015, some of which was attributed to a suspension of the redetermination process during the rollout of the Affordable Care Act.
- **Rhody Health Partners.** The Assembly provided \$252.3 million, including \$126.1 million from general revenues for payments made to Neighborhood Health and United Healthcare for disabled adults in the Medicaid program.
- **Behavioral Healthcare Services.** The Assembly transferred Medicaid-funded behavioral health care services from the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to the Office of Health and Human Services so that mental health and substance abuse treatment services for disabled individuals will be appropriated to one agency and included \$60.8 million, of which \$30.1 million is from general revenues.

- ***Rhody Health Options.*** The Budget includes \$270.0 million, including \$147.9 million from general revenues for the state's integrated system to pay for nursing home and acute care services for individuals eligible for Medicare and Medicaid through a managed care plan.
- ***Nursing Facilities Payments.*** The Budget includes an April 1, 2015 adjustment for nursing facilities and adds \$2.6 million, including \$1.3 million from general revenues for the fee-for-service payments. This provides FY 2015 funding of \$162.1 million, including \$81.0 million from general revenues. The Governor had proposed skipping the adjustment scheduled for October 1, 2014 for the second year in a row.
- ***Home and Community Based Services.*** The Budget includes \$53.8 million, including \$23.8 million from general revenues for the fee-for-service payments made to home and community care providers in FY 2015.
- ***Katie Beckett Services.*** The Assembly enacted legislation requiring the Office of Health and Human Services to collect financial information from families who are receiving medical benefits through the Katie Beckett option; the action will not change a child's eligibility for the program.
- ***Medical Assistance Recoveries.*** The Assembly enacted legislation to strengthen the state's medical assistance eligibility and recovery efforts for long term care recipients when an individual has a life estate and to conform to new federal requirements that allow states to recover resources from third party settlements paid to medical assistance recipients.
- ***Hospital Payments.*** The Budget provides \$22.6 million, including \$11.3 million from general revenues for an inpatient and outpatient reimbursement to community hospital and also includes \$1.0 million from general revenues to support graduate medical education.
- ***Uncompensated Care.*** The Budget includes a \$136.8 million payment to the state's community hospitals for uncompensated care costs. This includes \$68.2 million from general revenues.
- ***Out-of-State Residential Placements.*** The Assembly included legislation to require any out-of-state residential facility to enroll in the state's Medicaid program if providing services to a Medicaid eligible individual unless otherwise approved by the Office of Health and Human Services. It also requires the Department of Children, Youth and Families to report its out-of-state placements on a biweekly basis.
- ***Unified Health Infrastructure Project.*** The Budget includes state and federal funding totaling \$39.2 million in FY 2014 and \$39.1 million in FY 2015 to support the Unified Health Infrastructure Project in the Office of Health and Human Services and the Department of Human Services. This project replaces the current eligibility system with an integrated system that also coordinates with the Health Benefits Exchange. The general revenue component is \$6.6 million for FY 2014 and \$10.1 million for FY 2015, \$8.3 million more over the two years than enacted.
- ***Services for Adults with Developmental Disabilities.*** The Budget includes \$226.0 million for FY 2014 and \$227.8 million for FY 2015 to provide residential and community based support services to approximately 4,200 adults with developmental disabilities in both the state-run and privately operated system. This includes state support of \$110.0 million in FY 2014 and \$111.0 million in FY 2015.
- ***Compassion Centers.*** The Budget includes legislation repealing the numerical limits to the number of plants and usable marijuana that compassion centers can possess to instead limit the compassion

centers to an inventory based on projected needs of registered qualifying patients. Previously, each center could possess no more than 150 marijuana plants, of which no more than 99 could be mature, and 1,500 ounces of usable marijuana.

- **Community Health Centers.** The Budget eliminates \$0.7 million paid to the 12 federally qualified community health centers for uncompensated health care expenses. This includes \$0.3 million from general revenues.
- **SNAP Outreach Program.** The Budget removes \$100,000 from general revenues that was used to support the University of Rhode Island's supplemental nutrition assistance outreach program.
- **Rhode Island Works Employment Programs.** The Budget includes \$1.5 million from federal temporary assistance to needy families block grant funds for the pilot program included in the FY 2014 enacted budget for wage reimbursements and related assistance for subsidized employment and on-the-job training programs. The program also requires the Department of Human Services to promote innovation, test new ways of delivering services, and award contracts to job development vendors on a competitive basis.
- **Child Care Eligibility.** The Budget includes \$1.5 million from federal temporary assistance to needy families block grant funds to extend the Child Care Subsidy Transition pilot program which allows families eligible for subsidized child care because their income is at or below 180 percent of poverty to remain eligible until the family income exceeds 225 percent. The Budget contains legislation to extend the pilot program for two years, expiring September 30, 2016.
- **Supplemental Security Income.** The Assembly extended the \$206 state payment currently made to individuals living in a non-Medicaid funded assisted living facility to individuals living in an assisted living facility that was financed by Rhode Island Housing prior to January 1, 2006.
- **Family Care Community Partnership.** The Budget includes general revenue savings of \$0.9 million from reducing the Family Care Community Partnership contract to \$5.2 million for FY 2015 assuming it will be renegotiated in FY 2015. The Department of Children, Youth and Families contracts with four lead agencies to coordinate a continuum of services offered by a network of providers within each agency's geographic area.
- **In-State Program for Seriously Emotionally Disturbed Girls.** The Budget includes general revenue savings of \$0.3 million by moving the Department of Children, Youth and Families' current caseload of ten adolescent girls with serious emotional disturbances to a new in-state program that will be operational by August 2014.
- **System of Care.** The Budget includes \$70.5 million for out-of-home and foster care services provided through the System of Care networks.
- **Training School Capacity Reduction.** The Budget includes general revenue savings of \$1.2 million based on a census of less than 100 youth.
- **Pharmaceutical Assistance to the Elderly.** The Budget includes \$0.3 million from all sources for the pharmaceutical assistance to the elderly program, including \$24,484 from general revenues and \$0.3 million from available restricted receipt rebate funds.

- ***New Veterans' Home.*** The Budget includes the expenditure of general obligation bond proceeds approved by the voters in November 2012 for the new Veterans' Home adjacent to the existing home in Bristol, including \$5.3 million in FY 2014 and \$15.5 million in FY 2015.

Education

- ***Board of Education.*** The Assembly included legislation to restructure the Board of Education. It included a 17-member Board which will be responsible for setting goals and working on system-wide initiatives and whose members will serve on one of two eight-member councils, one for elementary and secondary education and one for higher education. These councils will have full statutory authority for governance and regulatory functions.
- ***Office of Postsecondary Commissioner.*** The Budget includes \$0.6 million for a new office of postsecondary commissioner as part of the Board of Education restructuring.
- ***Public Higher Education.*** The Budget includes \$1,080.8 million for Public Higher Education including debt service. The Budget includes \$191.0 million from general revenues, which is \$12.1 million more than FY 2014, of which \$10.0 million is intended to ensure that no institution raises tuition for FY 2015 and that internal student financial aid remains at the same level as FY 2014.
- ***University Engineering Building Referendum.*** The Budget includes \$125.0 million of new general obligation bonds to be submitted to the voters on the November 2014 ballot for the first phase of a project to renovate and build additions to the College of Engineering complex at the University of Rhode Island. Annual debt service would be \$10.3 million.
- ***Nursing Education Center.*** The Budget includes authorization for the Board of Education and the Department of Administration to enter into a 15-year lease with the developer of the South Street Landing property in Providence for use as a joint nursing education center by the University of Rhode Island and Rhode Island College. The annual lease payment would be \$6.0 million funded from a combination of general revenues, tuition and fees beginning in FY 2017. The Assembly also authorized issuance of \$15.0 million from Certificates of Participation to purchase equipment, fixtures and furnishings for the nursing education center. Annual debt service assuming a ten-year term and 7.0 percent interest would be \$1.5 million.
- ***University Electric Substation.*** The Budget includes \$7.0 million from Rhode Island Capital Plan funds for FY 2015 for renovations to the University's electric substations that are beyond their service life. The Governor had recommended issuing debt for these repairs; pay-go funding will save approximately \$4.5 million in interest costs.
- ***Telecommunications Education Access Fund.*** The Budget includes \$1.5 million, including \$0.4 million from general revenues, for both FY 2014 and FY 2015 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 Budget includes \$250,000 in general revenue support for public television for FY 2015. Funding represents the second year of a two year plan to assist in the transition from a state agency to control by the Rhode Island PBS Foundation.

- ***Need Based Scholarships and Grants.*** The Budget includes a total of \$12.1 million for need based scholarships and grants for FY 2015, consistent with the enacted amount. This includes \$8.0 million from tuition savings funds, and \$4.1 million from guaranty loan reserve funds. The use of the reserve funds is new and substitutes for a like amount from general revenues.
- ***College Access Challenge Grant.*** The Budget includes an additional \$51,597 from general revenues for need based scholarships and grants for FY 2014 to provide federal maintenance of effort for a \$1.5 million College Access Challenge grant in higher education's budget.
- ***Adult Education Grants.*** The Budget includes \$3.5 million from Human Resource Investment Council funds to support adult education grants. This provides total funding of \$5.5 million for FY 2015 including \$2.0 million from general revenues.
- ***Arts Grants.*** The Budget includes \$1.0 million from general revenues for grants awarded through the Rhode Island State Council on the Arts to artists and nonprofits throughout the state. This includes increased funding for Providence Waterfire.

Public Safety

- ***Prison Population.*** The Budget assumes a population of 3,170, which is 18 more inmates than the enacted population of 3,152. It also assumes a revised population of 3,192 for FY 2014, which is 40 more than enacted.
- ***Correctional Officer Training Class.*** The Budget delays recruitment and training for a new correctional officer class from FY 2014 to FY 2015.
- ***Weapons Requalification.*** The Budget includes \$0.5 million from general revenues for annual weapons requalification for correctional officers based on an arbitrator's decision, upheld by the Rhode Island Supreme Court, to amend biennial weapons requalification and allow for annual requalification.
- ***Emergency Management Agency.*** The Budget includes the separation of the Emergency Management Agency and the National Guard, which previously operated as two separate and distinct programs within the Military Staff. This creates two stand-alone agencies; the Military Staff and the Emergency Management Agency, and was included to reflect the individual agency missions as well as current operational structure. There are no major changes to funding levels or positions.
- ***Natural Disaster Reimbursements.*** The Budget includes \$10.2 million for FY 2015 from Federal Emergency Management Agency funds for expenditures incurred due to damage caused by the 2010 Floods, Tropical Storm Irene, Hurricane Sandy, and the Blizzard of 2013.
- ***Indigent Defense Program.*** The Budget includes \$3.5 million from general revenues in FY 2015 for the Judiciary's indigent defense program, which is \$0.1 million less than enacted to reflect historical expenditures.
- ***Consolidated Training Academy.*** The Budget includes \$9.5 million from Rhode Island Capital Plan funds and \$10.0 million from Google forfeiture funds for the construction of a Consolidated Training Academy for use by the State Police, the Municipal Police Training Academy, and the Providence Police Department.

Environment

- ***Open Space and Healthy Communities Bonds.*** The Budget includes \$33.0 million of new general obligation bonds to be submitted to the voters on the November 2014 ballot for brownfields remediation, flood prevention, farmland acquisition, recreation and development grants, as well as improvements and renovations to the Roger Williams Park and Zoo. Annual debt service would be \$2.7 million.
- ***Rocky Point.*** The Budget includes \$0.1 million in FY 2014 and \$3.4 million in FY 2015 for maintenance and renovations at Rocky Point. The state completed the purchase in FY 2013.
- ***Fort Adams Sailing Improvements.*** The Budget includes \$4.1 million in FY 2014 and \$3.0 million in FY 2015 for improvements to Fort Adams State Park, which will allow the state to host large-scale sailing events.
- ***Galilee Piers.*** The Budget includes \$1.8 million in FY 2014 and \$2.0 million in FY 2015 from state and federal sources for infrastructure improvements at the Port of Galilee.
- ***Clean Water State Revolving Loan Bonds.*** The Budget includes \$20.0 million of new general obligation bonds to be submitted to the voters on the November 2014 ballot for the Clean Water State Revolving Loan Fund, a subsidized loan program for local governmental units to finance wastewater infrastructure projects. Annual debt service would be \$1.7 million.
- ***World War II State Park.*** The Budget includes \$2.6 million from Rhode Island Capital Plan funds to revitalize the currently closed World War II State Park. The Assembly also provided the City of Woonsocket with \$250,000 from general revenues for FY 2015 as the first year of a five-year initiative to transfer maintenance and operation of the park from the state to Woonsocket following the completion of the capital project. This assumes the Department will enter into an agreement with the city to ensure support is available over the five-year period.
- ***State Piers.*** The Budget includes \$4.0 million for marine infrastructure and pier development at sites critical to Rhode Island's tourism and fishing economy. The Governor proposed general obligation bonds for the November 2014 ballot; however, the Budget includes Rhode Island Capital Plan funds instead, avoiding the interest costs.
- ***State Recreational Facilities Improvements.*** The Budget includes \$13.4 million from Rhode Island Capital Plan funds for improvements at Rhode Island parks and management areas. This restores \$8.2 million that the Governor had recommended eliminating along with his proposal for \$4.0 million from new general obligation bonds. The Budget does not include the new debt.
- ***DEM Customer Service Unit.*** The Budget codifies the existence of a customer service unit within the Department of Environmental Management, which it already has, to provide technical assistance to customers and help them comply with environmental regulations and requirements. The Assembly also required that the Department and the Office of Regulatory Reform collaborate on a report detailing an alternative compliance approach plan by May 1, 2015.

Transportation

- ***Sakonnet Bridge Tolls.*** The Assembly ended tolls on the Sakonnet River Bridge and transferred 3.5 cents of gasoline tax to the Turnpike and Bridge Authority for operations and debt service.

- ***Infrastructure and Maintenance.*** The Budget dedicates multiple sources of funds to the Highway Maintenance account, primarily to be used by the Department of Transportation for costs related to improvements to the state's highways, roads and bridges, with a percentage of the proceeds annually allocated to the Public Transit Authority for operational support. This includes increased inspection and good driver dismissal fees beginning in FY 2015. The majority of the new sources are currently treated as general revenues and will be phased-in through FY 2018, providing approximately \$50.0 million of new transportation funding annually.
- ***Transportation Equipment.*** The Budget includes \$2.4 million from Rhode Island Capital Plan funds for the Department to purchase heavy equipment in FY 2014, with \$2.5 million programmed each year through FY 2019. This is \$1.5 million more per year than included in the approved plan.
- ***Transit Hubs.*** The Budget includes \$35.0 million of new general obligation bonds to be submitted to the voters on the November 2014 ballot to make renovations and enhancements to mass transit hubs throughout the state. The FY 2015 budget includes \$0.3 million from Rhode Island Capital Plan funds for a preliminary conceptual design of the new transit hub system. Annual debt service would be \$3.3 million.
- ***T.F. Green Airport.*** The Budget includes authorization for the Rhode Island Airport Corporation to issue up to \$60.0 million from revenue bonds for various improvements at T.F. Green Airport, including the extension of the main runway. Annual debt service would be \$4.5 million and supported by Airport Corporation revenues.
- ***Rhode Island Public Transit Authority Debt Service.*** The Budget includes general revenue funding for the Authority's debt service payments in lieu of Authority sources in order to reduce the projected operating shortfalls. This includes \$1.7 million in FY 2014 and \$1.8 million in FY 2015.