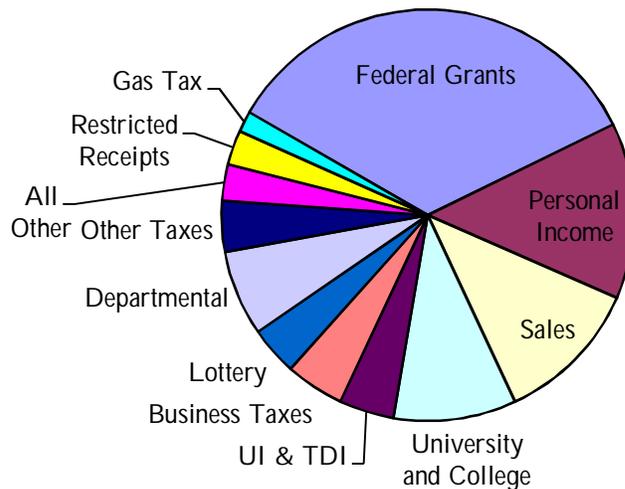

Section I

Budget at a Glance

Governor's FY 2016 Budget at a Glance

On March 12, Governor Raimondo released her FY 2016 budget recommendations in a televised address to the General Assembly. Supporting documents, excluding the capital budget, and a draft of the legislation were also made available that day; the official FY 2016 Budget submittal was introduced March 13. The capital budget was made available electronically on March 25 as were bound copies of the remaining supporting documents. The Governor signed 2015-H 5264 on February 9 that extended the submission date 35 days to March 12.

Sources of Funds



Budget Issues

- **FY 2016 Gap.** The Budget Office estimates that in preparing the FY 2016 budget, the Governor faced a projected revenue-expenditure gap of about \$190 million. This was higher than the House Fiscal Staff projections partially because the Budget Office calculated a higher number based on fully funding FY 2015 employee raises that the Assembly's budget assumed would be absorbed through turnover and other savings. Additionally that gap grew because of projected overspending only partially offset by increased resources from the FY 2014 closing and consensus revenue estimates.

The Governor's budget appears to have resolved a significant majority of this gap with reductions to spending in human service agencies which appear to be structural in nature. Almost a third of the deficit is resolved through one-time items and there are other changes for which there are growing out-year costs, notably the phasing in of several revenue reductions.

- **Out-Year Projections.** The out-years again appear to be significantly unbalanced, though to a somewhat smaller degree than prior years. The forecast included with the Budget estimates a \$74.6 million gap for FY 2017, equating to 2.2 percent of useable revenues, that grows to \$376.7 million in FY 2020, 10.6 percent of useable revenues. The FY 2017 gap is due to the use of one-time items in the resolution of the current budget gap as well as commitment of future expenses and revenue losses

not reflected in FY 2016. The estimate also reflects growing impact of casino gaming in Massachusetts, which is expected to peak by FY 2019 at over \$125 million.

- **Budget Assumptions.** Her budget follows the traditional Rhode Island budgeting practice of assuming passage of legislation submitted with the budget and approval by requisite federal agencies of changes under their purview. Should any of that legislation not pass; the budget will be significantly unbalanced.
- **Revenue and Caseload Estimating Conferences.** The Governor proposes changes to both the scope and process of the revenue and caseload estimating conferences including removing cash assistance spending from the purview of the Caseload Estimating Conference. She also proposes requiring an additional conference be held within the first ten days of February.
- **Submission Deadline.** The Governor proposes delaying the budget submission deadline by one month from the third Thursday in January to the third Thursday in February. For years when a new governor is inaugurated, the deadline would be delayed five weeks from the first Thursday in February to the second Thursday in March.
- **Supplemental Pension System Contributions.** The Governor includes legislation removing the requirement that final revenues exceeding budgeted estimates in FY 2014 be transferred to the Retirement System to pay down the unfunded liability. In FY 2014, the final audited closing showed \$14.2 million in excess revenues forcing a \$13.8 million transfer, which is net the impact of the transfer to the Rainy Day Fund. The Governor also proposes giving the Director of the Office of Management and Budget the authority to determine if excess funds can be transferred to the Retirement System in other years. The determination is to be based on current and future deficits, parameters for which are not defined.

Taxes and Revenues

Tourism Taxes

The Governor’s budget includes four separate proposals relating to taxes on tourism and lodging that have a combined state impact of \$3.1 million in additional revenues for FY 2016. The combined impact of these proposals is an increase in local 1.0 percent hotel tax revenues of \$1.0 million and a revenue loss of \$1.7 million to the state’s eight tourism districts. The proposals are summarized in the table below and described separately in the paragraphs that follow.

Tourism Tax Proposal	Sales Tax	State Hotel Tax	State Combined	Commerce Corp.	Tourism Districts	Cities & Towns
Hotel Tax Redistribution	\$ -	\$ (3.8)	\$ (3.8)	\$ 6.0	\$ (2.2)	\$ -
Hotel Room Resale	0.8	-	0.8	0.2	0.2	0.1
Small B&Bs and Unlicensed Rentals	0.7	-	0.7	0.2	0.3	0.2
Vacation Homes	5.4	-	5.4	-	-	0.8
Total Impact	\$ 6.9	\$ (3.8)	\$ 3.1	\$ 6.4	\$ (1.7)	\$ 1.0

in millions

- **Hotel Tax Reallocation and Redistribution.** For FY 2016, the Governor proposes legislation to modify the existing state hotel tax revenue distribution to fund state level tourism and marketing programs through the Rhode Island Commerce Corporation. Shares of the 5.0 percent state hotel tax are decreased

for seven of the eight tourism districts for a combined revenue loss of \$2.2 million; the difference in shares as well as all funds that were deposited as general revenues are transferred to the Commerce Corporation. The Governor's budget includes an associated transfer of \$3.8 million from general revenues to the Commerce Corporation.

- **Hotel Room Resale.** The Governor's budget proposes legislation that subjects the resale cost of hotel rooms to sales and hotel taxes. Current statute requires resellers collect and remit taxes on the wholesale cost of rooms purchased for resale. The Budget assumes an additional \$0.8 million in associated sales tax revenues; no additional hotel tax revenues are assumed, reflective of the Governor's proposal to reallocate state hotel tax collections and transfer the state share to the Commerce Corporation. Municipalities are anticipated to receive an additional \$0.1 million in local 1.0 percent hotel tax collections.
- **Small Bed and Breakfasts and Other Temporary and Unlicensed Rentals.** The Governor includes legislation to subject rentals of rooms at bed and breakfast inns with less than three rooms for rent to sales and hotel taxes. The Budget includes associated sales tax revenues of \$0.7 million; no additional hotel tax revenues are assumed, reflective of the Governor's proposal to reallocate state hotel tax collections and transfer the state share to the Commerce Corporation. Municipalities are anticipated to receive an additional \$0.2 million in local 1.0 percent hotel tax collections.
- **Vacation Homes.** The Governor's FY 2016 budget assumes \$5.4 million of additional sales tax revenues from legislation subjecting the temporary rental of vacation homes or other residences, regardless of the number of rooms for rent, to the sales and local 1.0 percent hotel taxes; reflective of the Governor's proposal to reallocate state hotel tax collections and transfer the state share to the Commerce Corporation. Municipalities are anticipated to receive an additional \$0.8 million in local 1.0 percent hotel tax collections.

Personal Income Tax

- **Earned Income Tax Credit.** The Governor proposes increasing the Earned Income Tax Credit for low and moderate wage earners from 10.0 percent of the federal credit to 12.5 percent for effective tax year 2016 growing to 15.0 percent for tax year 2017. Her FY 2016 budget assumes an associated revenue loss of \$3.0 million. The five-year forecast assumes an impact of \$12.7 million in FY 2017 annualizing to a loss of \$13.2 million in FY 2018. However, the FY 2017 impact appears to be overstated and appears to be only \$9.4 million. The 2014 Assembly enacted changes that enhanced the value of the credit, including altering the rate to 10.0 percent of the federal credit and making it 100 percent refundable.
- **Social Security Retirement Exemption.** The Governor includes legislation that exempts Social Security benefits from state personal income tax for single filers with federal adjusted gross incomes of \$50,000 or less and married joint and qualifying widow or widower filers with federal adjusted gross incomes of \$60,000 or less. Under current law, Social Security benefits are taxable at the state level if they are taxable at the federal level. The Budget assumes a revenue loss of \$3.9 million for FY 2016. The loss annualizes to \$8.0 million for FY 2017.

Other Taxes

- **Cigarette Tax.** The Governor's budget assumes \$7.1 million in revenues associated with proposed legislation to increase the cigarette excise tax by \$0.25 per pack, to \$3.75 per 20-pack, effective August

1, 2015. The total price per pack in Rhode Island remains lower than in Massachusetts because of minimum markup provisions. The Office of Revenue Analysis estimates that the final retail price per pack in Rhode Island would be approximately \$0.54 less per pack; it is currently \$0.83 less.

- **Commercial Energy Sales Tax.** The Governor's budget includes legislation to exempt the purchase of energy by commercial users from sales tax. The budget assumes the exemption will be phased in 20.0 percent annual increments over a period of five years until purchases are 100 percent exempt for FY 2020. Under current law, sales of electricity, natural gas, and heating fuels are exempt for residential purchasers and manufacturing businesses. The Budget assumes a revenue loss of \$4.9 million for FY 2016, reflecting the exemption of the first 20.0 percent; the loss grows to \$26.2 million for FY 2020.
- **Self-Audit Program.** The Governor's FY 2016 budget includes legislation permitting the Division of Taxation to establish agreements with Rhode Island businesses to perform self-audits and pay any sales and use taxes owed. Participants would pay reduced interest and no penalties, except in the case of fraud or willful evasion. The Budget includes \$0.5 million in associated sales tax revenue.
- **Contingency Fee Contract Services.** The Governor includes legislation allowing the Division of Taxation to contract with third-party service providers for the review of tax data and collections. The Budget assumes an additional \$1.8 million in revenue resulting from enhanced data review and compliance efforts.
- **Real Estate Conveyance Tax.** The Governor's budget includes legislation subjecting the sale of a controlling interest in a business entity holding real property to the real estate conveyance tax of \$2.30 per \$500 of value. The Budget includes \$0.7 million of associated revenues.
- **State Property Tax.** The Governor proposes legislation establishing a state property tax on real property of \$2.50 per \$1,000 of assessed value on specific non-owner occupied homes and residential properties valued at \$1.0 million or more; her recommended budget assumes \$11.8 million in additional revenues and an effective date of July 1, 2015.

Other Revenues

- **DMV Fees.** The Governor's FY 2016 budget assumes \$13.2 million of additional revenues by delaying the transfer of transportation related fees collected by the Division of Motor Vehicles to the Department of Transportation. Current law provides that 25 percent of these fees, currently estimated at \$52.8 million, are transferred in FY 2016, with 75 percent in FY 2017, and all fees transferred in FY 2018. The FY 2016 transfer would be eliminated, with the remaining transfers made pursuant to current law. The Governor proposes additional Rhode Island Capital Plan funding to offset the impact.
- **Outpatient and Imaging Services Surcharges.** The Governor's budget proposes legislation to eliminate the 2.0 percent surcharge on outpatient and imaging service facilities' net patient revenues over a period of four years, annually decreasing the surcharge in half percent increments. The Budget assumes an associated revenue loss for FY 2016 of \$0.6 million. That grows to \$2.2 million by FY 2019.
- **Hospital Licensing Fee.** The Governor's budget includes \$156.1 million in revenues from extending the hospital licensing fee into FY 2016 using the same two-tiered fee as included in FY 2015. The licensing fee appears annually in the Appropriations Act.

- ***Rhode Island Airport Corporation Transfer.*** The Governor proposes that the Rhode Island Airport Corporation transfer \$0.4 million to the state General Fund by June 30, 2016 to reflect advanced debt service payments for general obligation bonds that have been issued on the Corporation's behalf.
- ***Clean Water Finance Agency Transfer.*** The Governor proposes that the Clean Water Finance Agency transfer \$11.0 million to the state General Fund by June 30, 2016 in part to offset the cost of general obligation bonds that have been issued on the Agency's behalf.
- ***Narragansett Bay Commission Transfer.*** The Governor proposes that the Narragansett Bay Commission transfer \$2.8 million to the state General Fund by June 30, 2016 to offset the cost of general obligation bonds that have been issued on the Commission's behalf.
- ***Resource Recovery Corporation Transfer.*** The Governor proposes that the Resource Recovery Corporation transfer \$1.5 million to the state General Fund by June 30, 2016.
- ***RIHEBC Transfer.*** The Governor's budget transfers \$5.0 million from the Rhode Island Health and Educational Building Corporation reserves to state general revenues in FY 2016.
- ***Tobacco Settlement Financing.*** The Budget assumes \$19.0 million of additional revenues from the redistribution of proceeds from the Tobacco Settlement Financing Corporation. The 2014 Assembly authorized the Tobacco Settlement Financing Corporation to raise no less than \$20.0 million in additional funds through the refunding of its bonds. The FY 2015 enacted budget assumed \$5.0 million each would be deposited into the General Fund and the Municipal Road and Bridge Revolving Fund. The remaining proceeds were to be deposited into the Information Technology Investment Fund. The refinancing yielded a total of \$36.3 million of revenues.
- ***Energy Efficiency Rebates.*** The FY 2015 budget includes \$1.3 million in newly identified energy efficiency rebates from National Grid as a result of capital improvements on the Pastore Center such as energy efficient boilers, lighting, motors, refrigeration, HVAC systems, and related controls.

Tax Credits and Incentives

- ***Enterprise Zone Tax Credit.*** The Governor proposes the elimination of the Enterprise Zone Tax Credit, applicable to the corporate tax, for FY 2016; the Budget includes associated revenues of \$0.4 million. A qualified business in an enterprise zone is allowed a credit against its corporate income tax liability for wages paid to employees hired to meet the 12 month, 5.0 percent jobs growth requirement.
- ***Anchor Tax Credit.*** The Governor's recommended budget includes the creation of a tax credit program establishing a credit of an unspecified amount that may be applied against corporate income tax liability for up to five years by qualifying businesses that have successfully solicited the relocation of a separate business to the state or relocating at least ten employees of that separate business on a permanent basis. The Budget dedicates \$5.7 million from debt refinancing proceeds over two fiscal years for this purpose but the credits do not appear limited to that total, nor is there a cap on the total credits that may be received by an entity. The administration has indicated its intent was to limit the amount available and will submit language to clarify that.
- ***Tax Increment Financing.*** The Governor recommends the creation of a tax increment financing program, under which the Commerce Corporation may contract with developers to develop or redevelop specific areas in qualifying communities in exchange for a portion of state revenues realized as a result of

the redevelopment project. The Commerce Corporation would be empowered to calculate realized revenues used in determining payments to developers.

- **Rebuild Rhode Island Tax Credit.** The Governor proposes the establishment of a partially refundable tax credit of up to 30.0 percent of project costs available for capital investment projects. The Budget does not include an FY 2016 impact, as it assumes credits will not be issued until July 1, 2016. The five-year forecast included with the budget projects FY 2017 revenue loss of \$7.1 million growing to \$25.1 million by FY 2020. The proposed legislation does not include a cap on the total credits that may be received by a single entity.
- **Job Creation Tax Initiative.** Documents supporting the Governor's budget indicate support for the establishment of new job creation and development tax incentives for businesses. However, her FY 2016 recommended budget does not propose or include any associated legislation and revenue estimates do not reflect the passage of such an initiative.
- **Reporting Requirements.** The Governor's budget includes legislation permitting the Executive Office of Commerce to establish reporting requirements for all tax credits and incentives. Entities that fail to comply with reporting requirements will lose any further credits or incentives.

Economic Development

- **Debt Restructuring.** The Governor recommends refinancing and restructuring a portion of the state's general obligation bond debt. The Budget assumes a general revenue savings of \$84.0 million over two years, which the Governor proposes to use to fund several economic development initiatives. This assumes use of \$64.5 million in FY 2016 and \$19.4 million in FY 2017. Budget documents indicate this will increase annual debt service in later years but result in a small net present value savings.
- **First Wave Closing Fund.** The Governor recommends \$5.0 million from the debt restructuring savings to establish a First Wave Closing Fund, which would provide a company with financing to ensure that certain transactions that are deemed critical to the state's economy occur, subject to the Commerce Corporation's Board approval.
- **I-195 Redevelopment Project Fund.** The Budget includes \$25.0 million from the debt restructuring savings to establish a fund to provide developers and businesses with financing for capital investment, including land acquisition in order to promote the development of the land. The Fund would be administered by the I-195 Redevelopment District Commission.
- **Streetscape Improvement Fund.** The Governor proposes legislation to authorize the Commerce Corporation to award loans, matching grants and other forms of financing to enhance sidewalks, signage of public space and lighting in order to create an attractive environment in local business districts. The Governor recommends \$1.0 million in FY 2016 and indicates intent to recommend \$1.0 million in FY 2017. General revenue funding comes from debt refinancing.
- **Incentives for Tax Stabilization.** The Governor recommends the creation of an incentive program allowing the Commerce Corporation to enter into agreements to reimburse qualifying communities up to 10.0 percent of foregone property tax revenues in exchange for the municipalities' providing developers with tax stabilization agreements for redeveloped and rehabilitated properties. Supporting documents

suggest that these would be funded from a pool of \$12.7 million in general revenue funding available from debt refinancing.

- **Affordable Housing.** The Budget includes \$3.0 million from general revenues from debt restructuring to finance the development of affordable housing. This program will be administered by Rhode Island Housing, which will leverage federal **resources and private equity** for the program. Previously, the voters approved a total of \$75.0 million from general obligation bonds for the construction of affordable housing units.
- **Small Business Assistance Program.** The Governor recommends \$5.5 million from debt restructuring to establish a Small Business Assistance Program for businesses with less than 200 employees that are having difficulties obtaining financing from traditional lending organizations. Ten percent of the funding must be set-aside for a microloan program to be administered by a third party with expertise in microloans.
- **Innovation Initiative.** The Governor proposes establishing an Innovation Initiative for small businesses with less than 500 employees to purchase research and development support from the state's institutions of higher education and other providers. The Budget provides \$0.5 million from general revenues from debt restructuring in FY 2016 to create a voucher program that would allow small businesses to earn \$5,000 to \$50,000. The Governor indicates intent to recommend \$0.5 million in FY 2017.
- **Rhode Island Infrastructure Bank.** The Budget renames the Clean Water Finance Agency as the Rhode Island Infrastructure Bank, expands the Agency's purview to include renewable energy and efficiency projects, and authorizes the Bank to create an Efficient Buildings Fund. The Budget includes \$2.0 million from the debt restructuring savings, \$2.0 million from reprogrammed Energy Revolving Loan funds at the Commerce Corporation and \$3.0 million from the Regional Greenhouse Gas Initiative receipts from the Office of Energy Resources.
- **Industry Cluster Grants.** The Governor proposes the creation of an Industry Cluster Grants Program and includes \$2.0 million from the debt restructuring savings, including \$750,000 in FY 2016 for the Commerce Corporation to provide startup and technical assistance grants ranging from \$75,000 to \$250,000; and to provide competitive grants ranging from \$100,000 to \$500,000 for activities within an industry cluster and to close industry cluster gaps.
- **Innovate RI Small Business Programs.** The Budget includes \$1.0 million from general revenues, doubling enacted funding to support Small Business Innovation Research grants and the Bioscience and Engineering Internship programs.
- **38 Studios Debt Service.** The Governor includes \$8.6 million in FY 2015 for debt service relating to 38 Studios, \$3.7 million less than enacted. This assumes use of settlement proceeds that the Corporation received. The Budget also includes \$12.5 million in FY 2016.
- **Executive Office of Commerce.** The Budgets include \$0.3 million and \$1.0 million in FY 2015 and FY 2016, respectively, and 5.0 full-time equivalent positions to support the new Executive Office of Commerce. The 2013 Assembly created the Office to be administered by a secretary of commerce who would also head the Commerce Corporation, formerly the Economic Development Corporation, effective February 1, 2015. The Budget transfers Housing and Community Development functions to the Office of Commerce. It also transfers the Rhode Island Film and Television Office from the

Department of Administration to the Office of Commerce. It does not however transition Department of Business Regulation functions, leaving it as a stand-alone department.

- ***Experimental Program to Stimulate Competitive Research (EPSCoR).*** The Governor provides the enacted amount of \$1.15 million in FY 2016 for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research.
- ***Commerce Corporation - Operations.*** The Budget includes \$7.9 million from general revenues to support general operations of the Corporation. This is \$3.9 million more than enacted. The Budget also includes an additional \$10 million from a combination of direct general revenues and hotel tax proceeds redirected from general revenues for a series of programs identified separately in this report.
- ***Tourism Marketing Campaign.*** The Commerce Corporation's budget includes \$5.5 million from direct general revenues and hotel tax proceeds redirected from general revenues for a statewide tourism campaign that will promote Rhode Island as a vacation and leisure destination and will also include efforts to attract businesses.
- ***Competitive Student Loan Forgiveness.*** The Commerce Corporation's budget includes \$1.8 million from direct general revenues and hotel tax proceeds redirected from general revenues for a student loan forgiveness program to provide up to four years of loan forgiveness for an associate, bachelor or a graduate degree in the fields of natural or environmental sciences, computer technology, engineering or medicine. Recipients must work at least 35 hours per week for an employer located in the state; two-thirds of the awardees must be permanent residents of the state.
- ***High School, College and Employer Partnerships.*** The Commerce Corporation's budget includes \$0.9 million from direct general revenues and hotel tax proceeds redirected from general revenues to allow the Commerce Corporation to provide funds to support partnerships among high schools, the Community College of Rhode Island, other institutions of higher education, and employers to offer courses towards high school diplomas, internships, and associate degrees.
- ***Building and Fire Permit Initiatives.*** The Commerce Corporation's budget includes \$250,000 from direct general revenues and hotel tax proceeds redirected from general revenues to expedite building permit and fire inspection processes for state supported projects.
- ***Office of Economic Empowerment.*** The Commerce Corporation's budget includes \$0.3 million from direct general revenues and hotel tax proceeds redirected from general revenues to fund a new Office of Economic Empowerment, which would serve as a one-stop shop for individuals to access federal and state benefits, including education, job training, and employment opportunities.
- ***Slater Technology Fund.*** The revised budget removes the \$150,000 in the enacted budget for state support for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new projects. No funding is included for FY 2016, consistent with a plan to phase out support.
- ***Chafee Center at Bryant.*** The Governor recommends \$376,200 for each FY 2015 and FY 2016, \$250,000 more than enacted in each year to support the Center, which helps local companies initiate and/or develop international trade opportunities.
- ***Energy Efficiency/Demand Side Management Programs.*** As part of the creation of the Infrastructure Bank, the Governor recommends extending the system reliability and least-cost procurement by 21 years and electric demand side charge by 20 years. These surcharges fund the

Energy Efficiency/Demand Side Management programs and a portion of them would now be used for debt coverage on Infrastructure Bank loans.

- **Historic Tax Credit Trust Fund Debt Service.** The Budgets include \$21.4 million and \$31.3 million from general revenues in FY 2015 and FY 2016, respectively, to fund debt service for historic tax credits. Funding in the current year reflects a savings of \$10.3 million to reflect a delay in issuance based on project completion and available funds in the Trust Fund.
- **I-195 Commission.** The Budget includes \$1.1 million, including \$0.8 million from general revenues for the I-195 Redevelopment Commission to fund its operations for FY 2016. FY 2015 revised funding totals \$1.2 million. The Budget also includes \$0.5 million in both FY 2015 and FY 2016 for debt service costs of the I-195 land acquisition project.
- **Minimum Wage.** Documents supporting the Governor's budget indicate support for an increase in the minimum wage from \$9.00 to \$10.10 per hour. The FY 2016 recommended budget does not propose or include any associated legislation; however, it does assume that minimum wage employees at the Department of Environmental Management will receive the increased wage effective January 1, 2016.
- **Demand-Driven Workforce Development.** Supporting documents to the Governor's budget indicate intent to realign workforce training efforts with an emphasis on employers' needs to train people for positions that currently exist and use performance measurements to optimize the investment of existing workforce development funding. The total budget recommendation appears to include \$31.7 million from all sources for job development programs and supports in FY 2016. There is no accompanying legislation; the Administration does not believe any is required.

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

- **Distressed Communities Relief Fund.** The Governor recommends 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 inclusion of East Providence as a distressed community. In the first year of a community's qualification, it receives a transition payment of half its proportional share.
- **Payment in Lieu of Taxes Program.** The Governor recommends \$35.1 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. The recommendation is \$5.0 million less than enacted to reflect the one-time nature of funding made available for FY 2015 through refinancing of tobacco bonds. Municipalities may be reimbursed up to 27.0 percent of the tax that would have been collected if the property had been taxable, subject to appropriation. The FY 2016 recommended reimbursements reflect 20.75 percent of the value of the foregone tax; the FY 2015 reimbursement reflects 25.4 percent.
- **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 lowering the mandated exemption to \$500, for which the state will reimburse municipalities an amount subject to appropriation. Municipalities may provide an additional exemption; however, it will not be subject to reimbursement.

- **Library Resource Sharing Aid.** The Governor recommends \$8.8 million which is the enacted amount but \$1.1 million, or 12.2 percent, less than current law allows. Current law allows 25.0 percent reimbursement of second prior year expenditures, subject to appropriation.
- **Library Construction Aid.** The Governor provides \$2.7 million 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. The 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 library construction aid projects ended June 30, 2014.
- **Property Valuation Reimbursement.** The Governor recommends \$0.7 million for FY 2015 and \$1.8 million for FY 2016 to reimburse communities conducting property valuation updates.
- **Airport Impact Aid.** The Governor provides the enacted level of \$1.0 million for both FY 2015 and FY 2016 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 Governor includes the enacted amount of \$5.0 million for the third and final year of the three-year Municipal Incentive Aid program to be distributed, based on population, to municipalities that do not have locally-administered pension plans and those with plans that adhere to certain criteria. Communities with these plans must have submitted approved funding improvement plans, if they are required, or if they are not required they must be making their required funding payment.
- **Municipal Building and Fire Code Inspections.** The Budget includes legislation to mandate that projects receiving Commerce Corporation incentives be subject only to state building code and the state fire code with the inspections done by the state. A municipality with a population greater than 150,000 may opt to review and inspect its own projects. Providence is the only city that currently meets that population threshold.

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

- **Mandatory Full-Day Kindergarten.** The Governor's budget includes legislation requiring that, beginning in August 2016, all school districts offer full-day kindergarten to every eligible student in order to qualify for any state education aid. The FY 2016 budget includes \$1.4 million in formula aid in the event that full-day kindergarten is implemented in August 2015, one year earlier than mandated, in the seven communities that currently do not have it.
- **FY 2016 Formula Education Aid.** The Governor recommends \$842.9 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 \$35.8 million more than enacted and fully funds current estimates. It includes \$1.4 million in FY 2016 to fund full-day kindergarten programs if the seven communities that do not have it begin programs in August 2015.
- **Funding Formula Assumptions.** The Governor funds the fifth year of the education funding formula adopted by the 2010 Assembly. The calculation for FY 2016 uses June 30, 2014 student enrollment data adjusted for FY 2016 projected charter school enrollments, a per pupil core instruction

amount of \$8,928 and state share ratio variables updated with June 30, 2014 data. It assumes that districts that will receive more state funding will have the additional funding phased in over seven years and districts that are going to receive less state funding will have that loss phased in over ten years. Aid amounts are subject to final student enrollment data collected in March 2015.

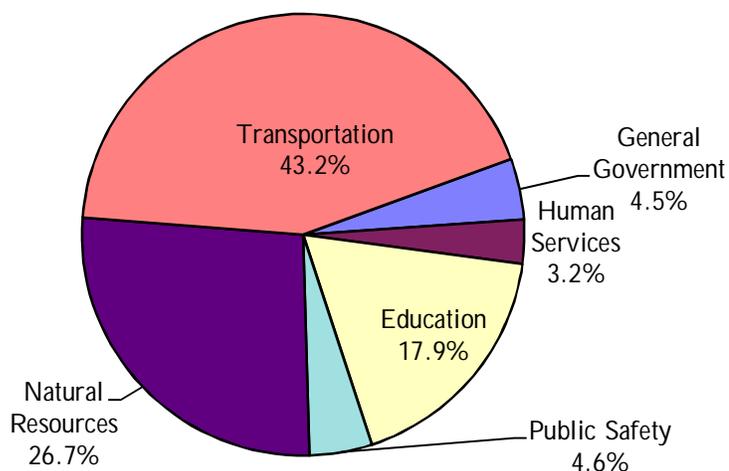
- **Special Education Funds.** The education funding formula allows for additional resources from the state for high-cost special education students when those costs exceed five times the district's combined per pupil core instruction amount and student success factor amount. The Governor recommends \$2.5 million for FY 2016. This is \$1.0 million more than enacted and represents a plan to gradually increase funds annually.
- **Early Childhood Funds.** The education funding formula allows for additional resources from the state to increase access to voluntary, free, high-quality pre-kindergarten programs. The Governor recommends \$4.0 million for FY 2016. This is \$1.0 million more than enacted and represents a plan to gradually increase funds annually.
- **Transportation Funds.** The education funding formula allows for additional resources from the state to districts for transportation costs. The Governor recommends \$2.4 million for FY 2016 for the fifth year of funding, \$2.0 million less than enacted to reflect her proposal to repeal the requirement that local education agencies provide transportation for students attending private schools. The state currently provides 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 Funds.** The education funding formula allows for additional resources from the state to help meet the initial capital investment needs to transform existing or create new comprehensive career and technical education programs and offset the higher than average costs of maintaining highly specialized programs. The Governor recommends \$3.5 million for FY 2016, which is consistent with the enacted budget.
- **School Construction Aid.** The Governor recommends \$70.9 million to fund projected costs of school housing aid to local districts for FY 2016, which is \$2.8 million more than the final FY 2015 entitlement. Supporting documents indicate the intent for an appropriation of \$80.0 million for FY 2017. The Governor also recommends \$20.0 million from general revenues derived from bond refinancing proceeds in FY 2016 to establish a new capital fund and create a School Building Authority office within the Department of Elementary and Secondary Education to oversee the fund. The legislation is not clear on how the existing aid program and new fund will work together.
- **Group Home Aid.** The Governor's budget reflects \$5.1 million for group home aid consistent with current law that requires that aid be paid for all beds opened as of December 31, 2014. The FY 2016 budget is \$1.0 million less than the FY 2015 enacted budget.
- **Textbook Mandate and Reimbursement.** The Governor recommends eliminating the requirement that cities and towns provide textbooks for non-public school students and eliminating funding for the limited reimbursements allowed under the program for FY 2016; the enacted budget includes \$240,000. Under current law, the state reimburses districts only 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 Governor recommends the enacted level of \$270,000 from general revenues for the administrative cost reimbursements to districts for the school breakfast program. Food is paid from federal sources.
- **Vision Services.** The Governor’s 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 \$745,000; there are savings of \$0.2 million included for FY 2016, which reflects the end of state funding for the program. The program provides teaching and consultation services to children who are blind or visually impaired, their families and educational staff within the school environment.

Capital Budget (See Section IV: Capital Budget)

- **Outlays and Funding.** The FY 2016 through FY 2020 recommended plan includes \$3,381.5 million of outlays on \$8,517.3 million of project estimates. Average outlays would be \$676.3 million per year for the five-year period with \$338.7 million required at the end of the period to complete the projects.
- **Debt Restructuring.** The Governor’s recommended budget includes a restructuring of general obligation bond debt, where principal payments are deferred and/or shortened to provide additional savings in particular years. The budget includes savings of \$64.5 million in FY 2016, with anticipated FY 2017 savings of \$19.4 million. General revenue funded debt service would increase in FY 2018, remain flat in FY 2019 and then increase by approximately \$15 million per year from FY 2020 to FY 2025 as compared to the current debt structure. In total, an additional \$90.0 million of long term debt will be incurred to save the projected \$83.9 million during the next two fiscal years. However, net present value savings are estimated to be positive.

FY 2016 - FY 2020 Capital Projects by Function



- **General Obligation Bonds Referenda.** Financing the five-year plan is based on \$463.9 million of general obligation bond debt issuances, including \$243.0 million approved by voters in November 2014

and \$73.0 million from new general obligation bonds to be presented to the voters on the November 2016 ballot.

- **Other Debt Approvals.** The plan also requires \$67.7 million of new debt for several Higher Education projects, of which the Governor's budget includes \$5.1 million to be approved by the 2015 Assembly under the Public Debt Management Act for fraternity infrastructure improvements at the University of Rhode Island.
- **Financing.** Paying for the five-year outlays includes \$852.2 million from debt financing and \$2,529.3 million from current or pay-go sources. Pay-go represents 74.8 percent with debt funding being 25.2 percent.
- **Debt Levels.** Total net tax supported debt decreases during the period through FY 2020 by \$357.9 million from \$1,864.5 million to \$1,506.6 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 Ratios.** Net tax supported debt would decrease from 3.6 percent of personal income reported for FY 2014 to 3.4 percent into FY 2015 before dropping gradually back to 2.3 percent in FY 2020, assuming that the capital budget is not increased. However, as with debt levels, past practice indicates it is likely to be higher than projected.
- **Debt Service.** Debt service in the recommended capital budget would decrease from 6.7 percent of useable general revenues in FY 2015 to 4.9 percent in FY 2020.
- **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 \$599.4 million.

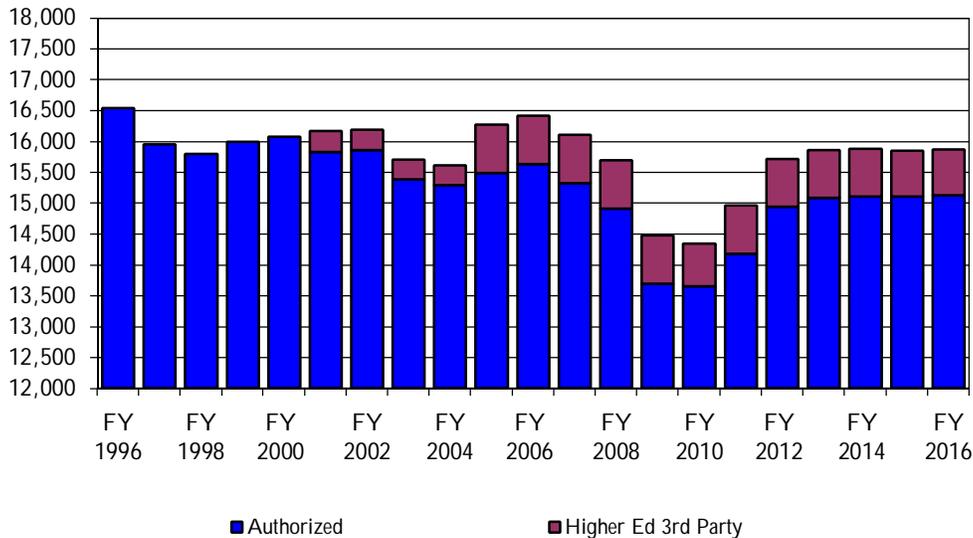
State Government (See Section VI, Special Reports: State Government Personnel and Staffing)

- **Staffing.** The Governor recommends \$1,909.5 million for personnel expenditures and 15,119.4 full-time equivalent positions, including 745.8 higher education positions dedicated for research or supported by other third-party funds. The recommendation is \$47.4 million more and 33.4 more positions than the FY 2015 enacted budget. The expenditures include both salaries and benefits, as well as contracted services.

Among the changes are 5.0 new positions for the Executive Office of Commerce, 6.0 new positions in the Office of the Governor, 6.5 customer service representatives for the Division of Motor Vehicles, 3.0 revenue agents, and 11.0 federally funded positions in several departments for the administration of two initiatives: the State Innovations Model Initiative and the Rate Review Cycle III grant.

As of February 21, there were 13,823.9 positions filled, leaving 1,103.9 non-research vacancies. In FY 2014, the state averaged 13,908.9 filled positions, reflecting an average of 1,001.8 non-research vacancies. In FY 2013, the state averaged 13,664.6 filled positions with 1,233.9 non-research vacancies.

Full-Time Equivalent Positions



- Unidentified Statewide Personnel Savings.** The Budget includes \$22.0 million in general revenue savings from unidentified statewide personnel savings. The Governor plans to negotiate with labor unions to achieve the savings in addition to proposals contained in Article 22, which removes certain protections and parity provisions to provide flexibility on hires, lay-offs and medical benefits.
- Employee Classification Study.** The Budgets include a total of \$1.0 million from general revenues, \$0.5 million in each year for a classification and compensation study.
- Medical Benefit Savings.** The FY 2015 budget includes general revenue savings of \$3.4 million in medical benefit savings resulting from lower claims experience.
- Directors' Salaries.** The Governor's budget proposes to repeal the requirement that the Department of Administration seek the General Assembly's approval in determining salaries for cabinet directors. Directors' salaries would solely be determined by the director of the Department of Administration.
- Positions in Unclassified Service.** The Governor proposes legislation to allow the director of the Department of Administration to deem non-union senior agency level positions as unclassified as positions are vacated and created. The director of the Department of Administration would be allowed to set the compensation for those positions.
- Longevity Payments.** The Governor proposes to freeze longevity payments at the amount earned by an employee as of the last pay period in June 2015 or the last pay period prior to the expiration of applicable collective bargaining agreements, whichever occurs later. It further requires that longevity amount not be included as part of an employee's base rate salary.
- Personnel Appeal Board.** The Governor proposes legislation to allow the Personnel Appeal Board to reverse an action of the personnel administrator only if the Board were to find that an action had been arbitrary, capricious, or contrary to rule or law.
- Probationary Period.** The Governor proposes to extend the probationary period for all positions from 6 months to 12 months.

- **Retiree Health Insurance.** The Governor proposes altering the requirements for what benefits shall be included in early retiree health plans.
- **State Employee Healthcare.** The Governor includes legislation in Article 22 to remove the requirement that non-union employees receive health benefits that are substantially similar to those received by union employees under collective bargaining agreements.
- **CurrentCare Health Information Exchange.** The Governor's budget eliminates the enacted amount of \$225,000 from general revenues that the state pays as a \$1 per member per month fee for state employees to support the Health Information Exchange, which is an electronic network that gives medical professionals access to their patients' health information.
- **Higher Education Positions.** The Governor proposes converting the classified positions assigned to higher education to non-classified positions and removing them from the merit system, prospectively.
- **Lean Process Improvement Projects.** The Budget includes \$0.1 million from general revenues for the Office of Management and Budget to fund lean process improvement projects to improve operational efficiency.
- **Legal Notices.** The Governor proposes legislation to allow legal notices and advertisements to be posted electronically in lieu of in a newspaper, provided that the intent to do so is advertised where notice or advertisement is currently required to be published for three consecutive weeks. The Budget assumes a general revenue savings of \$0.1 million. The Governor requested an amendment on March 26 to withdraw this proposal.
- **Unemployment Insurance Benefits.** The Governor's budget includes \$175.5 million in FY 2016 for the payment of unemployment insurance benefits, including \$1.5 million from federal funds for the Work Share program and the remainder from the Trust Fund. This is \$34.5 million less than enacted to reflect current benefit recipients.
- **New Unemployment Insurance Tax and Benefit System.** The Governor's budget includes \$1.6 million from Job Development Fund restricted receipts in FY 2016 for continued development costs to build and implement a new tax and benefit system for unemployment insurance administration. This requires legislation that was inadvertently omitted from the budget.
- **Unemployment Insurance Loan Repayment.** The Governor's budget includes \$26.3 million in FY 2015 for interest and principal payments to pay off the state's federal unemployment insurance loans. There is no funding in FY 2016 because the loans were paid in full in November 2014. Beginning in January 2015, employers no longer have to pay the additional assessment, nor do they have to lose the additional federal unemployment tax credits.
- **Temporary Caregiver Insurance.** The Governor's budget includes \$11.0 million and funds 3.0 positions allocated from unused positions elsewhere in the Department of Labor and Training, for a total of 10.0 positions from the temporary disability insurance trust fund for benefit payments and administration of the 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 Governor's budget includes \$4.1 million from general revenues for the Police and Fire Relief program for annuity payments and in-state tuition to eligible spouses,

domestic partners and dependents of certain injured or deceased police officers and fire fighters. This is \$0.1 million less than enacted.

- **Contingency Fund.** The Budgets include the enacted amount of \$250,000 for the Governor's Contingency Fund.
- **Rhode Island Financial Accounting Network System.** The Budgets include \$1.7 million in each year for ongoing maintenance of the Rhode Island Financial Accounting Network System.
- **Information Technology Investment Fund.** The Budgets assume use of \$20.0 million from the Information Technology Investment Fund, including \$12.6 million in FY 2015. It assumes \$6.4 million in bond premiums that were deposited into the Rhode Island Capital Plan Fund in FY 2015 will be transferred into the Information Technology Investment Fund before June 30, 2015 to support the Unified Health Infrastructure Project. Under current law, a total of \$26.3 million from refinancing of tobacco bonds would be deposited into the Fund; the Governor proposes transferring approximately \$7.3 million.
- **Capital Projects Consolidation.** The Governor's Budget consolidates construction, property and asset management functions into the Department of Administration. It appears that the positions are kept in their respective agencies, including the Departments of Behavioral Healthcare, Developmental Disabilities and Hospitals, Environmental Management, and Transportation.
- **CollegeBoundfund.** The Governor recommends transferring administrative responsibility of the state's tuition savings program from the Higher Education Assistance Authority to the Office of the General Treasurer.
- **Municipal Incentive Grants.** The Budget includes \$0.1 million for FY 2016 for a municipal incentive grants program to be administered by the Office of the Lieutenant Governor. The program would provide assistance to municipalities to be used toward regionalization and consolidation efforts. No additional guidance on the use of funds is included in the budget.
- **Statewide Operational Savings.** The Budget assumes undistributed statewide general revenue savings of \$2.0 million from a Division of Purchasing and Bureau of Audits review of recent state commodity and deliverable based contracts to ensure that the state has achieved all attainable savings. The Department of Administration will also obtain outside services to identify the savings.
- **Energy Procurement.** The Budget assumes \$1.0 million in savings through competitive purchasing and energy efficiency initiatives.
- **Printing Savings.** The Budget includes statewide savings of \$0.1 million in printing costs. The Division of Information Technology will conduct a review of state printing to reduce the number of office printers.
- **Telephone Savings.** The Division of Information Technology will conduct a review of desk phones to identify and eliminate unused and underused telephone lines. The Budget includes \$0.1 million in statewide savings from this.
- **Voter Rolls.** The Budget includes \$35,000 for FY 2015 and \$100,000 for FY 2016 for the Office of the Secretary of State to pursue efforts to update the state's voter rolls and contact eligible voters who have not registered.

- **Matching Public Funds for Elections.** The Governor recommends \$2.6 million from general revenues for FY 2015 for the Matching Public Funds campaign finance program administered by the Rhode Island Board of Elections for the November 2014 election. This is \$0.6 million more than enacted, which reflects that candidate requests were higher than anticipated.
- **Convention Center Authority.** The Budgets includes \$21.0 million and \$23.0 million from general revenues for the Convention Center Authority to cover debt service requirements in FY 2015 and FY 2016, respectively. This includes a savings of \$2.0 million in the current year, primarily from refunding existing bonds.
- **License Plate Reissuance Delay.** The Governor proposes a one-year delay in the start of license plate reissuance, from FY 2016 to FY 2017. Documents supporting the Governor's recommended budget note that costs associated with implementation are higher than anticipated; however, project costs have not been finalized. The Administration is currently reviewing the plans for potential revision.
- **Health Reform Assessment.** The Governor proposes a health reform assessment, which would take effect on January 1, 2016 on all health insurance premiums sold inside and outside of the exchange on the small group and the individual markets to support the operations of HealthSource RI. This is estimated to generate \$11.8 million in calendar year 2016, of which \$6.2 million would be used in FY 2016. The first year assessment is intended to align with the \$8.8 million that would be generated by charges applicable if the federal exchange were used, in addition to roughly \$3.0 million in transition costs that would be incurred by transferring to the federal exchange. The \$8.8 million figure assumes significant growth in premiums written through the exchange.

Health and Human Services

- **Division of Advocacy.** The Governor's budget consolidates the Governor's Commission on Disabilities, the Commission on the Deaf and Hard of Hearing, the Office of the Child Advocate, and the Office of the Mental Health Advocate under a newly created Division of Advocacy within the Executive Office of Health and Human Services. The consolidation would be for administrative purposes only and all agencies would maintain their responsibilities as mandated by current law.
- **Medicaid for Certain Adults.** The Governor includes \$539.1 million from federal Medicaid funds to provide medical benefits to certain low income, non-disabled adults in FY 2015 and \$547.1 million in FY 2016. 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.
- **Managed Care Plans.** The Governor's FY 2016 budget includes state expenditure savings of \$4.8 million from a 0.9 percent reduction to the capitated rates that, as projected at the November caseload conference, would be paid to Neighborhood Health and UnitedHealth for those enrolled in RItE Care or the Rhody Health Partners programs. Her budget includes \$845.3 million, including \$406.3 million from general revenues for both programs. The net savings is \$4.7 million because it is offset by a \$0.1 million revenue loss in health care premium taxes.
- **Rhody Health Options.** The Governor includes \$274.9 million, including \$136.3 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. This includes savings of \$0.6 million from a rate reduction, offset by a \$12,783 revenue loss in health care premium taxes.

- ***Nursing Facilities Payments.*** The FY 2016 budget includes \$183.8 million for the fee-for-service nursing home payments. The Governor includes savings of \$18.0 million from eliminating the October 1, 2015 nursing home rate increase and a three percent rate reduction. This includes \$8.9 million less from general revenues offset by a \$1.0 million revenue loss in health care taxes.
- ***Hospital Rates.*** The Governor's FY 2016 budget includes savings of \$31.6 million, including \$15.7 million from general revenues by freezing the inpatient and outpatient rates to the community hospitals for services paid by the state and managed care plans and applying a five percent reduction to those rates.
- ***Hospital Payments.*** The Governor eliminates \$22.6 million, \$11.3 million from general revenues, for the inpatient and outpatient upper payment limit reimbursements to be made to the community hospitals in FY 2016.
- ***New State Hospital.*** The Governor's capital plan does not include funding to build a new state hospital at the Pastore Government Center, pending further study of the future needs by the current administration.
- ***Graduate Medical Education.*** The Governor eliminates the \$1.0 million state payment to Lifespan for graduate medical education activities in FY 2015 and FY 2016.
- ***Electronic Visit Verification.*** The Governor includes savings of \$5.9 million, \$2.9 million from general revenues, in the Office of Health and Human Services and Department of Behavioral Healthcare, Developmental Disabilities and Hospitals from implementing an electronic visit verification process for home care providers.
- ***Predictive Modeling.*** The Governor includes savings of \$2.0 million, \$1.0 million from general revenues, from addressing fraud, waste and abuse, and identifying Medicaid provider payment reimbursement policies and inconsistencies through the predictive modeling initiative.
- ***Medicaid Program Efficiencies.*** The Governor includes savings of \$4.0 million, \$2.7 million from general revenues, from program efficiencies that include: confirming residency, addressing out-of-plan services in managed care and shifting state costs to Medicaid or, for certain individuals, Medicare.
- ***Personal Care Payments.*** The Governor includes general revenue savings of \$0.2 million from reducing the administrative payment made for elderly and disabled clients enrolled in the participant-directed program.
- ***Medicaid Task Force.*** The FY 2016 budget includes savings of \$92.6 million, \$46.0 million from general revenues, that will be refined through the efforts of the 28-member "Working Group to Reinvent Medicaid," appointed by the Governor. Savings are included in the Office of Health and Human Services and the departments of Behavioral Healthcare, Developmental Disabilities and Hospitals; Children, Youth, and Families; and Human Services. This includes \$30.2 million for value based payments to hospitals, \$30.2 million to address services provided to high cost populations, \$16.1 million to modify arrangements with the managed care plans, \$6.0 million for better care for individuals with behavioral health issues, \$6.0 million for value based payments in long term care, and \$4.0 million for improved oversight and efficiency.

- **Cost of Care Automation.** The Governor includes savings of \$0.9 million, \$0.5 million from general revenues from streamlining and improving the billing system to ensure proper payment is made from participants receiving services through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals' Division of Developmental Disabilities.
- **Rogler Group Home.** The Governor includes general revenue savings of \$0.4 million in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals from closing the Rogler group home.
- **Eleanor Slater Hospital Food Service.** The Governor includes savings of \$300,000, \$150,000 from general revenues, from transferring food purchasing activities and warehousing operations to the Department of Corrections.
- **Unified Health Infrastructure Project.** The Governor provides state and federal funding totaling \$53.9 million in FY 2015 and \$38.4 million in FY 2016 to support the Unified Health Infrastructure Project. This includes \$8.9 million from general revenues for FY 2015 and \$5.7 million for FY 2016 and dedication of \$4.4 million and \$2.0 million from the Information Technology Investment Fund in FY 2015 and FY 2016, respectively.
- **Services for Adults with Developmental Disabilities.** The Governor includes \$223.7 million in FY 2015 and \$227.9 million in FY 2016 to provide residential and community based support services to approximately 4,200 adults with developmental disabilities in both the state-run and privately operated systems. This includes state support of \$111.7 million in FY 2015 and \$114.1 million in FY 2016.
- **Department of Justice Consent Decree.** The Governor's budget adds \$4.0 million, including \$2.0 million from general revenues for direct services for adults with developmental disabilities to comply with the consent decree. The budget also includes \$725,000 from general revenues to fund other costs related to the consent decree.
- **DCYF Budgetary Discretion.** The Governor includes legislation that would give the Director of the Department of Children, Youth and Families the authority to reallocate line item appropriations to achieve more effective outcomes for clients. This legislation would also allow the Director to reinvest any savings achieved by the Department in technology, infrastructure and other related services. The authority would apply to FY 2016 and FY 2017.
- **Technology Upgrades.** The Governor's FY 2016 budget includes \$0.5 million from general revenues to purchase new computer equipment including desktop computers, thin line computers, tablets, and software at the Department of Children, Youth and Families.
- **System of Care.** In FY 2016, the Governor's budget includes \$71.7 million from all sources, including \$52.6 million from general revenues for out-of-home and foster care services provided through the System of Care networks. The revised budget funds services provided through the contracts at \$81.7 million, including \$62.8 million from general revenues. The current contracts expire at the end of FY 2015 with the option to renew for FY 2016.
- **Utilization Management.** The Budget includes \$0.8 million from general revenues for the procurement of utilization management services in order to adjust placement costs within the System of Care.

- **Foster Care Support.** The Budget includes \$1.0 million from general revenues to fund unspecified improvements to foster care services. This is offset by \$0.6 million in savings from Department of Children, Youth and Families' staff taking over foster care support and referral functions previously contracted to private providers.
- **PANDA Contract.** The Budget includes \$0.3 million from general revenues for the contract with Rhode Island Hospital for the Pediatric Abuse and Neglect Diagnostic clinic. This is \$0.1 million less than enacted in both FY 2015 and FY 2016 and assumes that the hospital will be able to offer the same services under a reduced contract.
- **Cash Assistance Benefits Caseload.** The Governor's budget includes \$108.7 million, including \$29.8 million from general revenues for Rhode Island Works assistance, subsidized child care, supplemental security income and general public assistance. This is \$2.0 million more than enacted, including \$0.2 million more from general revenues for updated costs adopted at the November Caseload Estimating Conference. The Governor includes legislation to exclude these estimates from future Caseload Estimating Conferences.
- **Rhode Island Works Employment Programs.** The Governor includes \$3.9 million from federal temporary assistance to needy families block grant funds for the pilot programs included in the enacted budget. This includes wage reimbursements and related assistance for subsidized employment and on-the-job training programs and expanded childcare assistance for participating families up to 225 percent of the federal poverty level. This includes the enacted level of \$1.5 million for Rhode Island Works and adds \$0.9 million, for a total of \$2.4 million for child care assistance.
- **Meals on Wheels.** The Governor's budget adds \$330,000 from general revenues for Meals on Wheels for FY 2016. This is in addition to \$200,000 already provided as a community service grant through the Department of Human Services.
- **Pharmaceutical Assistance to the Elderly.** The Governor's budget includes \$0.1 million from restricted receipts for the pharmaceutical assistance to the elderly program.
- **Child Support IRS Reserve Account.** The Governor includes \$300,000 from general revenues to establish an account for Internal Revenue Service recalls of tax intercepts after child support payments are made to custodial parents. The average total of the payments has been approximately \$0.3 million annually and prior resources used for these recalls are no longer available.
- **Paratransit Expenses.** The Governor's budget includes \$5.7 million from all sources for paratransit expenses in both FY 2015 and FY 2016, which is \$0.5 million less than enacted from general revenues to reflect the utilization of a new vendor contract for managing the state's paratransit system.
- **Director of Division of Veterans' Affairs.** The Governor includes \$0.1 million from general revenues to fund the position of the Director of the Division of Veterans' Affairs; the position has been included in the prior budgets, but not funded. The job description and specifications are currently being updated, which then require approval in a public hearing before the position can be filled.
- **New Veterans' Home.** The Governor's budget includes the expenditure of general obligation bond proceeds approved by the voters in November 2012 for the design and construction of the new Veterans' Home adjacent to the existing home in Bristol, including \$8.1 million in FY 2015 and \$13.4 million in FY 2016. It also includes \$34.2 million from federal reimbursement funds for FY 2016.

- ***Non-Prescribing Boards Consolidation.*** The Governor includes a proposal to consolidate all of the non-prescribing health professional boards into a single division within the Department of Health and create a single board of review for appeals, discipline and advisory functions. The budget includes savings of \$0.2 million from the elimination of 2.0 full-time positions. There are 25 professional boards that include a variety of professions, such as dietitians, physical therapists, occupational therapists, optometrists, social workers and funeral home directors.
- ***Professional Licensing.*** The Budget proposes to repeal 32 professional licensing fees, the majority of which are administered by the Department of Health. This is estimated to reduce revenues by \$0.4 million in FY 2016.
- ***Poison Control Center.*** The Governor recommends \$150,000 from general revenues in FY 2015 and \$200,000 in FY 2016 to fund the Poison Control Center, which provides assistance and medical diagnosis of poisonings.

Education

- ***Public Higher Education.*** The Governor's budget includes \$1,058.7 million for Public Higher Education institutions including debt service. The Budget includes \$189.9 million from general revenues, which is \$7.1 million more than FY 2015.
- ***Public Higher Education Tuition and Fees.*** The Governor's budget appears to assume tuition and fee increases consistent with Board approval of 2.8 percent for in-state and out-of-state students at the University, 7.8 percent for in-state students at the College and 8.0 percent at the Community College.
- ***University Fraternity Circle Infrastructure Project.*** The Governor submitted authorization for Assembly approval of \$5.1 million from revenue bonds for improvements to water distribution and storm water management systems, gas, electric, roadways, walkways and parking lots for the University of Rhode Island's fraternity circle. Annual debt service would be \$0.4 million.
- ***Rhode Island College Re-Purpose Adams Library.*** The Governor's capital budget adds \$12.1 million from Rhode Island Capital Plan funds to the academic buildings renovations project for which the voters approved \$50.0 million from general obligation bonds in 2012. The additional funds will be used to re-purpose areas within Adams Library to accommodate several departments that will be moving there from other buildings in conjunction with the other renovations.
- ***University Chemistry Building.*** The Governor's capital budget includes \$4.0 million from Rhode Island Capital Plan funds, \$2.0 million from University funds and \$1.5 million from private funding to build out the fourth floor of the new chemistry building for which the voters approved \$61.0 million from general obligation bonds in 2010. Final cost estimates were more than originally anticipated, requiring the additional funding to finish the building.
- ***Gateway to URI (Welcome Center).*** The Governor's capital budget includes \$7.3 million from unrestricted University funds for a new project to design and construct a new welcome center located on Upper College Road. The new building will offer space to create a one-stop shop of information and programs for prospective students and their families.

- **Higher Education Asset Protection.** The Governor's budget includes \$67.1 million from Rhode Island Capital Plan funds for asset protection projects at the institutions of public higher education for the five-year period of the capital plan.
- **Office of Postsecondary Commissioner.** The Governor recommends \$2.0 million and 15.0 full-time equivalent positions to staff the Office of Postsecondary Commissioner based on the new Commissioner's request.
- **Need Based Scholarships and Grants.** The Governor recommends eliminating the state's current need based scholarships and grants program and allocating \$10.1 million from tuition savings fees and federal loan reserve funds for a new Last Dollar Scholarship program for students with proven academic performance and financial need to attend Rhode Island's public higher education institutions.
- **Dual Enrollment Initiative.** The Governor recommends \$1.3 million from tuition savings fees for a new dual and concurrent enrollment initiative to allow qualified high school students to earn college credit at no cost to the student.
- **Higher Education Assistance Authority Merger.** The Governor's budget reflects the transfer of 15.0 full-time equivalent positions from the Rhode Island Higher Education Assistance Authority to the Office of Postsecondary Commissioner and abolishes the Authority as a stand-alone agency.
- **Telecommunications Education Access Fund.** The Governor recommends \$1.5 million in FY 2015 and \$2.2 million in FY 2016, including \$0.4 million from general revenues in both years, 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.
- **Race to the Top Software Maintenance Contracts.** The Governor's budget includes \$0.6 million from general revenues for several software maintenance contracts that had been created and funded with federal Race to the Top funds; however, Race to the Top funds will expire in FY 2015.
- **Teacher Diversity.** The Governor's budget includes \$250,000 from general revenues for recruiting and training of a more diverse pool of educators to reflect the demographics of the students in high need communities around the state.
- **Channel 36 Rhode Island PBS Transition Grant.** The Governor includes \$250,000 from general revenues for a third year of grant funding to assist in the transition of Channel 36 from a state agency to control of the Rhode Island PBS Foundation. It appears this was based on a request from the agency and was intended to be only \$200,000. The FY 2014 budget included \$300,000 and the FY 2015 enacted budget includes \$250,000.
- **Arts Grants.** The Governor provides the enacted amount of \$1.1 million from general revenues for grants awarded to various arts organizations and artists throughout the state.
- **Creative and Cultural Economy Bond.** The Budget includes \$35.0 million from general obligation bonds approved by 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 is administered by the Rhode Island State Council on the Arts in consultation with the Historical Preservation and Heritage Commission.

Public Safety

- **Prison Population.** The Budget assumes a population of 3,292, which is 122 more inmates than the enacted population of 3,170. It also assumes a revised population of 3,239 for FY 2015, which is 69 more than enacted. Through the first eight months of FY 2015, the average inmate population is 3,189.
- **Correctional Officer Training Class.** The Budget delays a new correctional officer class from FY 2015 to FY 2016, for a savings of \$0.7 million in the current year. The revised budget maintains funding for recruitment of the new class, which will be held in FY 2016 at a cost of \$0.8 million. The class is delayed pending an outcome of litigation with the Department of Justice concerning the correctional officer examination process.
- **Overtime Costs.** In FY 2016, the Governor proposes general revenue savings of \$0.4 million in overtime costs associated with construction projects performed by inmate work crews and outside vendors. The overtime is related to the protection of outside vendors as well as the supervision of inmate work crews. The Budget assumes these costs will be included as part of total project costs, and not paid from the Department's general revenues.
- **Weapons Requalification.** The Budget includes \$0.5 million of general revenue savings by modifying existing statutory language to switch from annual weapons requalification for correctional officers to biennial requalification.
- **Corrections Asset Protection.** The Governor includes \$20.0 million from Rhode Island Capital Plan funds for FY 2016 through FY 2020 for asset protection projects at correctional facilities including drainage system improvements, window replacement, painting and HVAC.
- **Minimum Security Renovations.** The Governor includes \$7.9 million from Rhode Island Capital Plan funds for FY 2016 through FY 2020 to construct a new support services facility, expand the minimum security kitchen area, and install new equipment to increase its capacity to serve, feed, and house a larger inmate population.
- **Medium Security Renovations.** The Governor includes \$17.9 million from Rhode Island Capital Plan funds for infrastructure improvements at the John J. Moran medium security facility. This includes the expansion of available space for dining areas, kitchen, dispensary, and other inmate programs and recreational activities.
- **Indigent Defense Program.** The Budget includes the enacted amount of \$3.5 million from general revenues in FY 2016 for the Judiciary's indigent defense program.
- **Judicial Asset Protection.** The Governor includes \$4.7 million from Rhode Island Capital Plan funds for FY 2016 through FY 2020 for asset protection projects at Judicial buildings, including drainage system improvements, security upgrades, courtroom restorations, interior refurbishments to public areas and office spaces, cellblock upgrades, elevator upgrades and exterior refurbishments.
- **Judicial Complex Restoration.** The Governor includes \$3.8 million from Rhode Island Capital Plan funds for FY 2016 through FY 2020 for restoration of the Licht complex. This includes plaster repair, courtroom bench restoration, carpet replacement, and repainting of the courthouse interior.

- **Judicial HVAC.** The Governor includes \$4.7 million from Rhode Island Capital Plan funds for FY 2016 through FY 2020 for the replacement, restoration and cleaning of the heating, ventilation and air conditioning system for all judicial complexes including Licht, Garrahy, Murray, McGrath, Noel, Traffic Tribunal and Fogarty Judicial Annex. Work includes water pump and boiler installations and the replacement of water lines, fan coils, exhaust fans and air handlers.
- **56th State Police Training Academy.** The Budget delays the start of the 56th State Police Training Academy to February 2016; an anticipated 30 trainees will be sworn into the State Police in July 2016. The Budget includes savings of \$1.8 million from the delay to FY 2017.
- **State Police Pay-Go Pension Trust Fund.** The Governor includes \$1.0 million of general revenue savings for FY 2016 from the establishment of a trust fund to pay for State Police pay-go pensions. Sworn members hired prior to July 1, 1987 were not required to contribute to their pensions, which are funded through an annual appropriation. She recommends an initial deposit of \$15.0 million from Google forfeiture funds to seed the trust.
- **Consolidated Training Academy.** The Budget includes \$0.3 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. The Governor proposes total funding of \$19.5 million from FY 2015 through FY 2018 for the project and includes \$9.8 million from Rhode Island Capital Plan funds and \$9.8 million from Google forfeiture funds.
- **New Joint Force Headquarters.** The Governor includes \$2.5 million from Rhode Island Capital Plan funds in FY 2015 and \$0.6 million in FY 2016 for Phase I of a project to build a new headquarters for the National Guard to be located at Camp Fogarty in East Greenwich. The Military Staff currently shares space with the Emergency Management Agency in Cranston. The total project cost is \$32.7 million including \$22.0 million from federal funds and \$10.7 million from Rhode Island Capital Plan funds.

Environment

- **Bays, Rivers and Watersheds Coordination Team.** The Governor's Budget abolishes the Bays, Rivers and Watersheds Coordination Team, which is responsible for the coordination of the environmental agencies in the state to restore and develop both freshwater and marine waters and watersheds. The restricted receipts from an \$80,000 transatlantic cable fee, a \$1 per hundred gallons charge on septage disposal in the state, and a \$250,000 annual allocation from the Oil Spill, Prevention, Administration and Response Fund would now be utilized by the Department of Environmental Management for efforts relating to watershed and marine monitoring, water pollution abatement, and climate change.
- **Commercial Feed Registration Fee Increase to Local Agriculture and Seafood Program.** The Budget increases the commercial feed registration fee from \$60 to \$100 per year, per product. The increase would be deposited as restricted receipts into the Local Agriculture and Seafood Small Grants and Technical Assistance Fund. Sixty dollars of the fee would still be deposited into the state General Fund, consistent with the current practice.
- **Open Space and Healthy Communities Bonds.** The Budget includes \$33.0 million from general obligation bonds approved by the voters in November 2014 for brownfields remediation, flood

prevention, farmland acquisition, recreation and development grants, as well as improvements and renovations to the Roger Williams Park and Zoo.

- **Clean Water State Revolving Loan Bonds.** The Budget includes \$20.0 million from general obligation bonds approved by the voters in November 2014 for the Clean Water State Revolving Loan Fund, a subsidized loan program for local governmental units to finance wastewater infrastructure projects.
- **Fort Adams Sailing Improvements.** The Budget includes \$3.4 million in FY 2015 and \$3.6 million in FY 2016 for improvements to Fort Adams State Park, which will allow the state to host large-scale sailing events. The state has been awarded a stopover for the Volvo Ocean Race, which will take place in May of 2015. The funding for FY 2016 also reflects anticipated private donations for the construction of a mid-park educational and recreational facility.
- **Rocky Point.** The Governor recommends \$3.7 million from Rhode Island Capital Plan funds in FY 2015 for maintenance and renovations at the approximately 85 acre property formerly known as Rocky Point Park. The work in FY 2015 has included demolition of buildings on the property, which will be followed by a master planning phase and then a phase to develop the property for use as a state park.
- **Galilee Piers.** The Budget includes \$3.9 million in FY 2015 and \$0.4 million in FY 2016 from state and federal sources for infrastructure improvements at the Port of Galilee. This is \$1.7 million more than the approved plan.
- **World War II State Park Improvements.** The Budget includes \$1.8 million in FY 2015 and \$0.8 million in FY 2016 from Rhode Island Capital Plan funds to revitalize the currently closed World War II State Park, eliminating the currently empty pond and replacing it with a splash park. The FY 2015 budget includes \$250,000 from general revenues for the first year of the five-year initiative to transfer maintenance and operation of the World War II State Park from the state to Woonsocket following the completion of the capital project. Because of the delay in the capital project, the Governor's budget shifts first installment of \$250,000 from FY 2015 to FY 2016.
- **State Recreational Facilities Improvements.** The Budget includes \$9.2 million from Rhode Island Capital Plan funds for the FY 2016 through FY 2020 period, including \$2.9 million for FY 2016, for improvements at Rhode Island parks and management areas. This is \$1.1 million more than the approved plan.
- **State Piers.** The Budget includes \$4.0 million from Rhode Island Capital Plan funds for the FY 2016 through FY 2020 period, including \$0.1 million for FY 2016, for marine infrastructure and pier development at sites critical to Rhode Island's tourism and fishing economy.

Transportation

- **DMV Fees.** The Governor's FY 2016 budget assumes \$13.2 million of additional revenues by delaying the transfer of transportation related fees collected by the Division of Motor Vehicles to the Department of Transportation in FY 2016. Current law provides that 25 percent of these fees, which are worth \$52.8 million, are transferred in FY 2016, with 75 percent in FY 2017, and all fees transferred in FY 2018. The FY 2016 transfer would be eliminated, with the remaining transfers made pursuant to current law. In lieu of this transfer, the Budget includes an additional \$20.0 million of Rhode Island Capital Plan funding, which results in a net addition of \$6.8 million for the Department.

- **Winter Maintenance.** The Governor's FY 2015 budget includes \$19.1 million for winter maintenance expenditures, \$5.9 million more than enacted to reflect increased operations during the winter of 2015. The budget assumes \$17.1 million of winter maintenance expenditures in FY 2016.
- **Highway Drainage.** The Budget includes \$3.7 million for catch basin inspection and cleaning. Pursuant to the state's sewer systems permit, the Department must inspect and clean the state's 25,000 catch basins annually; however, the Department of Justice has cited the state for being out of compliance with the permit. Funding would be derived from a dedicated portion of the Highway Maintenance Account.
- **Turnpike and Bridge Authority.** The budget includes a transfer to the Turnpike and Bridge Authority of \$15.0 million, which is derived from 3.5 cents of the gasoline tax, to be used for the maintenance and operation of the Sakonnet River Bridge. Consistent with legislation enacted by the 2014 Assembly, gasoline tax revenues are being used in lieu of tolls on the new bridge.
- **Rhode Island Public Transit Authority.** The budget submitted to the Governor by the Public Transit Authority includes deficit projections of \$1.4 million in FY 2015 and \$5.0 million for FY 2016.
- **Rhode Island Public Transit Authority Debt Service.** The Governor recommends the Authority's debt service payments be made with general revenues in lieu of Authority sources in order to reduce the projected operating shortfalls. This includes \$1.7 million in FY 2016.
- **Rhode Island Public Transit Authority Transfer.** The Budget includes a transfer of \$2.1 million from the Highway Maintenance Account to the Rhode Island Public Transit Authority in FY 2016. This reflects a five percent share of funding available in the account, consistent with legislation enacted by the 2014 Assembly.
- **Maintenance Facilities.** The Governor includes \$1.6 million from Rhode Island Capital Plan funds for FY 2016 through FY 2020 for improvements to departmental infrastructure, including pavement repair, replacement and repairs of the HVAC systems, roof repairs and improvements to windows and garage doors at several facilities.
- **Salt Storage Facilities.** The Governor includes \$1.0 million from Rhode Island Capital Plan funds each year of the FY 2016 through FY 2020 period for the construction of salt storage facilities at various locations statewide where salt is currently stored uncovered.
- **Capital Equipment Replacement.** The Governor includes \$10.2 million from Rhode Island Capital Plan funds for the FY 2016 through FY 2020 period to purchase heavy trucks, sweepers, loaders, backhoes and tractors to replace the Maintenance Division's existing fleet.
- **Bus Purchases.** The Governor includes \$2.2 million from Rhode Island Capital Plan funds in FY 2018 to match federal funds for bus purchases by the Rhode Island Public Transit Authority. This is a departure from traditional use of Rhode Island Capital Plan funds. In previous years, general obligation bonds or state fleet revolving funds were used.