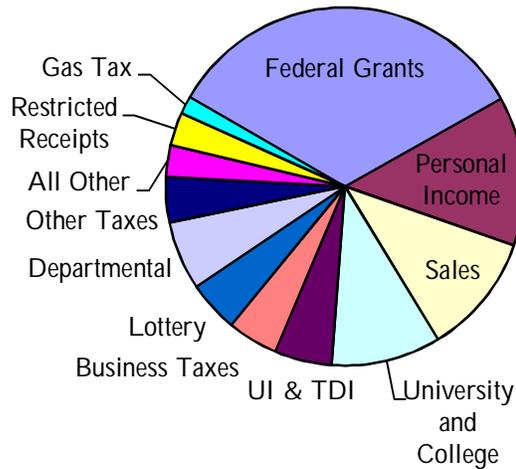

Section I

Budget at a Glance

Governor's FY 2015 Budget at a Glance

On January 15, Governor Chafee released his FY 2015 budget recommendations in a televised address to the General Assembly. Supporting documents and a draft of the legislation were also made available. The official FY 2015 Budget submittal, along with his revisions to the FY 2014 enacted budget are contained in 2014-H 7133, introduced on January 16, 2014.

Sources of Funds



The table below shows the total budget by fund source and how it compares to the budget adopted for FY 2014. General revenue spending would increase by \$96.3 million or 2.9 percent.

FY 2015	General				
	Revenue	Federal	Restricted	Other	All Funds
FY 2014 Enacted	\$ 3,359.8	\$ 2,717.7	\$ 255.0	\$ 1,880.6	\$ 8,213.1
Governor	3,456.1	2,878.4	258.9	1,950.6	8,544.0
Change to Enacted	\$ 96.3	\$ 160.7	\$ 3.9	\$ 70.0	\$ 330.9
Percent Change	2.9%	5.9%	1.5%	3.7%	4.0%

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 appears to have resolved a significant majority of this gap with the prior year surplus in addition to other non-recurring items. Reductions to spending in human service agencies also account for a large share of the deficit resolution.

- ***Out-Year Projections.*** The out-years again appear 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.
- ***Budget Assumptions.*** His budget follows the traditional Rhode Island budgeting practice of assuming passage of legislation submitted with the budget and approval by requisite federal agencies of changes under their purview. Should any of that legislation not pass, the budget will be significantly unbalanced.
- ***Supplemental Pension System Contributions.*** The Governor includes legislation removing the requirement that final revenues exceeding budgeted estimates be transferred to the Retirement System to pay down the unfunded liability but it is not retroactive to FY 2013 for which there is a \$0.2 million transfer. This is the second year he has proposed this action; the 2013 Assembly rejected this proposal.

Taxes and Revenues

- ***Use Tax Safe Harbor.*** The Governor's budget includes \$2.2 million in additional sales and use tax revenues from his proposal to establish a safe harbor provision on the state personal income tax return. Filers who purchase taxable items from vendors that do not collect or remit Rhode Island sales tax are responsible for the payment of use tax on those purchases. Personal income tax return forms will include a table to assist filers with the determination of use tax owed based on the filer's Rhode Island adjusted gross income and major purchases. Proper use of this tool will absolve the filer from the requirement to pay any additional taxes owed as well as any penalties.
- ***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 includes \$0.9 million in additional sales and hotel tax revenues.
- ***Other Temporary Lodging.*** The Governor proposes legislation to subject rentals of time share properties and rooms at bed and breakfast inns with at least one bedroom for rent to the sales and hotel taxes. The Budget assumes associated revenues of \$0.5 million in sales and hotel tax revenues.
- ***Automated Sales Suppression Devices.*** The Governor proposes legislation to outlaw the use of technology that enables the understatement of actual sales for sales tax purposes. The Budget includes \$0.8 million in associated revenues.
- ***Revenue Officers.*** The Governor's budget assumes \$7.6 million in additional revenues from filling 10.0 compliance and collection positions in the Division of Taxation.
- ***E-Cigarettes.*** The Governor proposes legislation to define electronic devices that deliver nicotine through a vaporization process, e-cigarettes, as other tobacco products and subjects them to the 80.0 percent of the wholesale cost tax applied to those items. Currently, these products are only subject to state sales tax. The Budget assumes \$750,000 in additional revenues.

- **Table Game Income.** The Governor proposes legislation to limit the statutory 2.0 percent increase in Twin River's share of net table game revenue, triggered by a decrease in video lottery revenues, to a period of four fiscal years. It further provides that the increase would only take effect after the commencement of table gaming in Massachusetts. Current law has the state retaining 18 percent of table game revenues only until an annual decline in slot revenue occurs; at that point its share drops to 16 percent permanently. The proposal additionally applies the requirement that Massachusetts gaming has begun to the revenue arrangement with the Town of Lincoln, whose increased take in the event of a slots downturn is already statutorily limited to four years.
- **State Employee Compliance.** The Governor assumes \$0.4 million of additional revenues from establishing compliance with state income tax laws as a condition of employment for all state employees.
- **Employee Classification Taskforce.** The Governor's budget includes additional revenues of \$1.8 million from the creation of an interdepartmental task force to prevent misclassification of employees by employers. The taskforce will include representatives of the Department of Labor and Training, the Division of Taxation, the Commerce Corporation, the Attorney General, and the State Police.
- **Registration Block.** The Governor's 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 Governor's budget includes \$141.3 million in revenues from extending the hospital licensing fee into FY 2015 using the same two-tiered fee as included in FY 2014. The licensing fee appears annually in the Appropriations Act.
- **Insurance Recovery Fund.** The Revised Budget transfers \$0.9 million from the Insurance Recovery Fund into the state General Fund. 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.
- **Bond Premium Proceeds.** 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 General Fund on or before June 30, 2014. The 2013 Assembly appropriated \$7.0 million of proceeds received in FY 2013 for the capitalization of the newly created Municipal Road and Bridge Revolving Fund.

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 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 Governor recommends the enacted amount of \$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 owned by nonprofit educational institutions, nonprofit hospitals, or any state-owned hospital, veterans' residential facility or correctional facility, exempted from taxation by state law. Reimbursement is statutorily based on 27.0 percent of the tax that would have been collected if the property had been taxable, subject to appropriation. If the appropriation is less than the necessary amount, the reimbursements are ratably reduced. The Budget does not reflect

the updated distribution and value of FY 2015 reimbursements have not been determined because of delays in data submission from municipalities.

- **Motor Vehicles Excise Tax.** The Budget funds the Motor Vehicles Excise Tax program at the enacted amount of \$10.0 million. The 2010 Assembly enacted legislation mandating a \$500 exemption for which the state will reimburse municipalities an amount subject to appropriation. The legislation allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement.
- **Library Resource Sharing Aid.** The Governor recommends \$8.8 million, which is the enacted amount but \$1.0 million or 11.4 percent less than current law requirements. Current law allows 25.0 percent reimbursement of second prior year expenditures.
- **Library Construction Aid.** The Governor provides \$2.3 million to fund library construction aid requirements, 6.8 percent less than the enacted level but fully funded. The state reimburses libraries up to half the total costs for eligible projects on an installment basis for a period of up to 20 years. The payments do not begin until the state fiscal year following the completion, acceptance, and audit of the project. The 2011 Assembly adopted legislation to set a three-year moratorium on the acceptance of applications for library construction aid projects.
- **Property Valuation Reimbursement.** The Governor recommends \$0.5 million for FY 2014 and \$0.6 million for FY 2015 to reimburse communities conducting property valuation updates.
- **Airport Impact Aid.** The Governor provides the enacted level of \$1.0 million for both FY 2014 and 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 Governor includes the enacted amount of \$5.0 million for the second year of a 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 who adhere to certain criteria. Communities with these plans must have submitted approved funding improvement plans if they are required or if they are not required they must be making 100 percent of their annual required contribution.

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

- **FY 2015 Formula Education Aid.** The Governor recommends \$804.5 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 \$34.8 million more than enacted and fully funds current estimates.
- **Funding Formula Assumptions.** The Governor funds the fourth year of the education funding formula adopted by the 2010 Assembly. The calculation for FY 2015 uses June 30, 2013 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. Aid amounts are subject to final student enrollment data collected in March 2014.

- **Special Education Categorical Funds.** The education funding formula allows for additional resources from the state for high-cost special education students when those costs exceed five times the district's combined per pupil core instruction amount and student success factor amount. The Governor recommends \$1.5 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 Governor recommends \$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 Governor recommends \$4.4 million for FY 2015 for the fourth year of funding, a \$1.1 million increase. The state will provide funding to mitigate the excess costs associated with transporting students to out-of-district non-public schools and within regional school districts. This is projected to be phased in over ten years.
- **Career and Technical Education Categorical Funds.** The education funding formula allows for additional resources from the state to help meet the initial capital investment needs to transform existing or create new comprehensive career and technical education programs and offset the higher than average costs of maintaining highly specialized programs. The Governor recommends \$3.5 million for FY 2015. This is \$0.5 million more than enacted and represents a plan to gradually increase funds annually.
- **School Construction Aid.** The Governor recommends \$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.
- **Teacher Retirement.** The Governor recommends \$89.8 million to fund the state's share of the employer contribution for teacher retirement costs for FY 2015. His FY 2014 revised recommendation, included \$80.9 million which is \$0.8 million less than enacted to reflect revised projections.
- **Group Home Aid.** The Governor's budget includes \$6.1 million for group home aid, which is \$0.8 million less than current law requirements based on a proposal from the Department of Elementary and Secondary Education to change the way group home beds affect total funding. The Governor's revised FY 2014 recommendation is consistent with the enacted amount but \$60,000 less than current law requirements based on the December 31 bed count.
- **Textbook Reimbursement.** The Governor recommends eliminating funding for reimbursements allowed under the textbook loan program for FY 2015; the enacted budget includes \$240,000. 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 Governor eliminates the administrative cost reimbursement to districts for the school breakfast program for which the enacted budget includes \$270,000. Administrative costs would shift to districts; 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 \$0.3 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

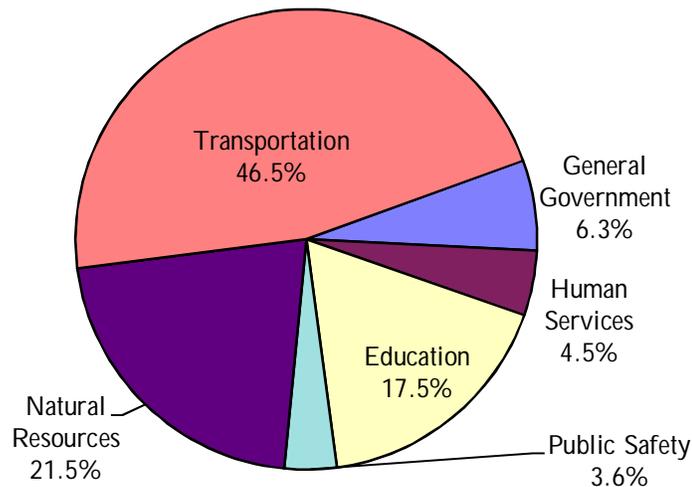
- **38 Studios Debt Service.** The Budget includes \$12.3 million for debt service relating to 38 Studios as part of the Job Creation Guaranty program. This provides enough funding to replenish the Capital Reserve Fund in order to make a \$12.5 million payment. The enacted budget includes \$2.5 million for the first 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 \$4.0 million in both FY 2014 and FY 2015 from general revenues to support general operations of the Economic Development Corporation renamed the Commerce Corporation.
- **Executive Office of Commerce.** The 2013 Assembly adopted legislation creating the Executive Office of Commerce 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 Governor's budget delays this to July 1, 2015. He also proposes to maintain the Office of Regulatory Reform in the Department of Administration instead of transferring it to the new Executive Office.
- **Rhode Island Ready Project.** The Revised Budget delays \$75,000 from FY 2014 to FY 2015 for the Rhode Island Ready Project, an initiative developed by the administration to enhance collaborative efforts between the Commerce Corporation, state agencies such as the Department of Environmental Management, 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 Governor provides the enacted amount of \$1.2 million in 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 Governor recommends \$0.5 million in FY 2015 for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new projects. This reflects a reduction of \$0.5 million from the FY 2014 funding level and assumes the phase-out of state sources by \$0.5 million each year.
- **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.

- **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 Coordinator.** The Budget includes \$75,000 from general revenues to support a Creative and Cultural Economy Coordinator position in the Commerce Corporation.
- **Creative and Cultural Economy Grants.** The Budget includes an additional \$1.0 million for a Creative and Cultural Economy initiative through the State Council on the Arts. Grants will be awarded for art, signage, and cultural interpretation that enhance transportation corridors, gateways and districts. This is a joint program that will involve the Department of Transportation, the Historic Preservation and Heritage Commission, the Commerce Corporation, municipalities and regional convention and visitors' bureaus.
- **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 in historic sites. Annual debt service payments would be approximately \$2.6 million per year for the 20 year term.
- **Historic Structures Tax Credit.** The Governor proposes the expansion of the Historic Structures Tax Credit program, which was restarted on a limited basis in FY 2013. He includes legislation to authorize 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 Governor's budget includes the enacted level of \$1.3 million in FY 2014 and \$1.7 million in FY 2015 from general revenues, which is \$0.4 million more than enacted for the new job development programs and supports provided for in the enacted budget that include 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.
- **Marketplace Fairness/Corporate Tax.** The Governor proposes legislation to lower the corporate tax rate from 9.0 percent to 6.0 percent upon passage of the federal Marketplace Fairness Act, which permits states to require the collection and remittance of sales tax by remote sellers. This legislation also exempts the sale of electricity and gas to businesses from sales tax. This rescinds the 2011 Assembly action updated in subsequent years that would reduce the sales tax from 7.0 percent to 6.5 percent and increase the local meals and beverage tax from 1.0 percent to 1.5 percent upon the Act's passage.

Capital Budget (See Section IV: Capital Budget)

- **Outlays and Funding.** The FY 2015 through FY 2019 recommended plan includes \$3,633.3 million of outlays on \$8,473.5 million of project estimates. Average outlays would be \$726.7 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 \$577.9 million of general obligation bond debt issuances, including \$275.0 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 \$22.8 million.
- **Other Debt Approvals.** The plan also requires \$148.0 million to be approved by the 2014 Assembly under the Public Debt Management Act for information technology, T.F. Green Airport, Virks building restoration at the Pastore Center and construction of parking space and retail areas at the Garrahy Courthouse. The Budget also calls for \$52.1 million in additional debt for new historic tax credits. Those outlays are not in the budget totals; however, the debt service is.
- **Financing.** Paying for the five-year outlays includes \$1,065.6 million from debt financing and \$2,567.7 million from current or pay-go sources. Pay-go represents 70.7 percent with debt funding being 29.3 percent.

FY 2015 - FY 2019 Capital Projects by Function



- **Debt Levels.** Total net tax supported debt increases during the FY 2015 through FY 2019 period by \$23.7 million from \$1,889.9 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 Ratios.** Net tax supported debt would remain 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.
- **Debt Service.** Debt service in the recommended capital budget would increase from 6.4 percent of useable general revenues in FY 2014 to 6.8 percent in FY 2019.

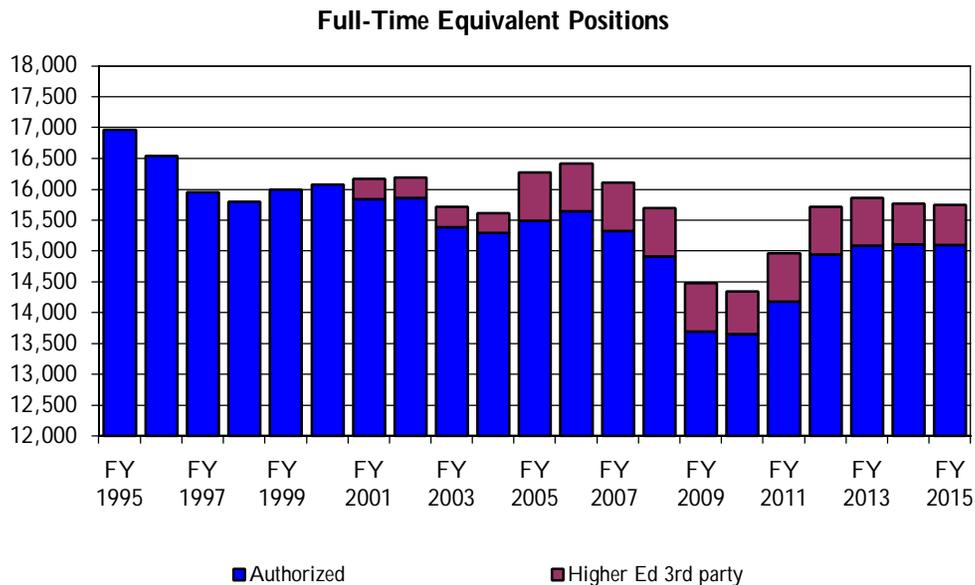
- **Rhode Island Capital Plan Fund.** The plan relies heavily on the use of Rhode Island Capital Plan funds, an important source of pay-go funds designed to reduce the need for borrowing. Total outlays for the five year period are \$572.8 million. In certain instances the use of funds does not follow past practices, as illustrated in the recommendation for the Department of Corrections to use funding for personnel expenditures.

State Government

- **Staffing.** The Governor recommends 15,097.0 full-time equivalent positions, including 642.9 higher education positions supported by research or other third-party funds. The recommendation is 21.3 positions less than enacted, which is substantially less than prior years' recommendations and includes a number of new positions, which are offset by reductions in current vacancies.

Among the changes are an additional 10.0 positions for HealthSource RI, the Health Benefits Exchange, 3.0 for the Office of Diversity, Equity and Opportunity, 3.0 positions for the new job development programs, 7.0 positions to administer the new temporary caregiver insurance program, and 7.0 revenue agents. Major vacancy eliminations include 49.0 from the Department of Human Services and 20.0 from the Department of Transportation.

As of December 28, 2013, there were 13,947.5 positions filled, leaving 963.9 non-research vacancies. In FY 2013, the state averaged 13,664.6 filled positions reflecting an average of 598.3 non-research vacancies.



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

- **Contractor Assessment.** The Budget proposes to repeal the required 5.5 percent assessment on contractual costs to be paid to the retirement system when a department, commission, board, council, agency or a public corporation agrees to 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.** Current law requires that state agencies report all privatization contracts in excess of \$100,000 to the Secretary of State on a quarterly basis. The Governor proposes to increase the threshold to \$150,000 and require that the reporting be annually submitted to the Budget Office. He also proposes repealing the legislation that requires all departments to submit quarterly reports of legal and other services to the State Budget Office, and the chairpersons of the House and Senate Finance Committees.
- **State Employees Pay.** The Budget does not include funding for state employee salary increases; most current labor contracts expired on June 30, 2013. It does add \$0.3 million for labor contract negotiations in FY 2014.
- **Direct Deposit.** The Governor includes legislation that requires all state employees who are hired after September 30, 2014 to participate in the direct deposit system for payroll. Employees hired before September 30, 2014 and not currently participating in the direct deposit system must do so by June 30, 2016. The Budgets include \$85,000 for implementation and processing fees.
- **Medical Benefit Savings.** The FY 2014 and FY 2015 budgets include general revenue savings of \$3.3 million and \$3.7 million, respectively, 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.
- **State Leases.** The Budget eliminates 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.
- **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.
- **Unemployment Insurance Benefits.** The Governor's budget reduces benefit expenditures paid from both federal funds and the Unemployment Insurance Trust Fund in both FY 2014 and FY 2015 because of the end of the federal emergency unemployment compensation program on December 28, 2013.
- **Unemployment Insurance Loan Repayment.** The Governor's budget includes \$31.1 million in FY 2014 and \$20.5 million in 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.
- **Job Development Fund Assessment.** The Governor includes legislation to authorize the use of revenues from the 0.3 percent surcharge imposed on employers to pay back the state's federal unemployment insurance loans, in excess of the debt, towards a new information technology system instead of solely for benefit payments, as in current law.
- **Temporary Caregiver Insurance.** The Governor's 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 Governor's budget includes the enacted level of \$4.2 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 firefighters.
- ***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 in each year 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 Governor recommends \$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 would be used in communities that have multiple-page ballots that require more time to complete.
- ***Lobby Tracker Module.*** The Governor recommends \$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 all legislation, bills, 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. The Governor adds \$0.3 million to fund three new positions.
- ***Information Technology Projects.*** The Governor proposes issuance of \$30.0 million from Certificates of Participation to finance and invest in information technology projects. Assuming 5.0 percent interest and a 10-year term, the annual debt service would be \$3.9 million.
- ***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 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.

- **Virks Building Renovation.** The Governor proposes issuance of \$13.0 million from Certificates of Participation to renovate the Virks building in the Pastore Center. The Office of Health and Human Services will occupy the facility once it is renovated. The projected annual debt service would be \$1.3 million over 15 years, half of which would be supported by federal funds.
- **Garrahy Courthouse Parking.** The Governor proposes 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 spaces. Debt service payments would be supported by parking revenues, which may be state subsidized.

Health and Human Services

- **Affordable Care Act - Expanded Medicaid.** The Governor includes \$307.1 million 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.
- **Managed Care Plans.** The Governor's FY 2015 budget includes state savings of \$10.2 million from a 2.95 percent reduction to the capitated rates projected at the November caseload conference to be paid to Neighborhood Health and UnitedHealth for those enrolled in Rite Care or the Rody Health Partner programs. His budget includes \$770.7 million, including \$373.7 million from general revenues for both programs. The savings include \$21.7 million less paid to the plans including \$10.8 million less from general revenues, offset by a \$0.4 million revenue loss in health care premium taxes.
- **Katie Beckett Services.** The Governor proposes a monthly cost sharing requirement for a family with a disabled child receiving services through the Katie Beckett option. He includes savings of \$2.9 million, \$1.5 million from general revenues from assuming a \$250 payment if the family has an annual incomes above 250 percent of poverty, or \$59,625 for a family of four. Currently there is no cost sharing requirement and eligibility will continue to be based on the child's income and disability.
- **Rody Health Options.** The Governor includes \$330.0 million, including \$163.3 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.
- **Nursing Facilities Payments.** The Governor includes general revenue savings of \$3.3 million from eliminating the October 1, 2014 nursing home rate increase. This includes reduced expenses of \$7.5 million, including \$3.7 million from general revenues offset by a \$0.4 million revenue loss in health care taxes. The FY 2015 budget includes \$167.5 million for total fee-for-service nursing home payments.
- **Estate Recovery.** The Governor includes legislation to allow the state to strengthen its ability to recover assets from its long term care recipients; however, the budget does not include any savings from this initiative.
- **Hospital Rates.** The Governor's FY 2015 budget includes savings of \$7.9 million, including \$3.9 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 through the state's medical assistance program.

- **Hospital Payments.** The Governor eliminates the \$11.1 million outpatient upper payment limit reimbursement to be made to the community hospitals in FY 2015. The savings include \$5.5 million from general revenues.
- **New Psychiatric Hospital - Pastore Center.** The Governor includes \$41.2 million from Rhode Island Capital Plan funds for a new 93,745 square foot 140 bed psychiatric hospital as part of the Eleanor Slater Hospital system, at the Pastore Center in Cranston to house adult psychiatric patients.
- **OHHS - Payments for Medically Fragile Adolescents.** The Governor's FY 2015 budget transfers expenses for six medically fragile adolescent from the Department of Children, Youth and Families to the Office of Health and Human Services to leverage Medicaid for the currently state only payments. The supporting documentation includes general revenue savings of \$0.5 million; however, his budget inadvertently excludes the funding from the Office's budget.
- **Unified Health Infrastructure Project.** The Governor provides state and federal funding totaling \$36.1 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 \$8.6 million for FY 2014 and \$10.1 million for FY 2015, \$15.0 million more over the two years than enacted.
- **Extended Family Planning Services.** The Governor includes \$0.4 million, including \$0.2 million from general revenues to provide family planning services to all individuals with incomes at or below 250 percent of poverty; currently the Medicaid program only covers services for females.
- **Services for Adults with Developmental Disabilities.** The Governor includes \$226.0 million in FY 2014 and \$227.8 million in 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 \$111.4 million in FY 2015.
- **Influenza Hospital Surveillance.** The Governor eliminates the Influenza Hospital Surveillance program within the Department of Health that had been funded from a grant that has ended. Although the program was discontinued, the Department still conducts routine surveillance for influenza.
- **Community Health Centers.** The Governor's 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 Governor's budget excludes the enacted level of \$100,000 from general revenues to support the University of Rhode Island's supplemental nutrition assistance outreach program, which uses these funds to secure a like amount of federal funds.
- **Rhode Island Works Employment Programs.** The Governor includes the enacted level of \$3.0 million from federal temporary assistance to needy families block grant funds for the pilot program included in the enacted budget for 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.

- **Indirect Cost Recovery.** The Governor's budget adds \$0.4 million from general revenues in both FY 2014 and FY 2015 to restore unachieved savings in the Department of Human Services because it has not secured an approved indirect cost recovery rate on certain federal grants.
- **Family Care Community Partnership.** The Budget includes \$0.9 million from general revenue savings by reducing the Family Care Community Partnership contract to \$5.2 million for 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 area.
- **In-State Program for Seriously Emotionally Disturbed Girls.** The Budget includes \$0.3 million from general revenue savings in the Department of Children, Youth and Families' budget by moving its current caseload of ten adolescent girls with serious emotional disturbances to an in-state program. The state does not currently have an in-state program that can provide services and the current cost is approximately \$2.0 million annually.
- **Training School Medical Expenses.** The Budget includes \$1.3 million from general revenues for medical expenses contracted through Rhode Island Hospital for youth at the training school; this is \$0.3 million less than enacted.
- **System of Care.** The Budget includes \$69.0 million for out-of-home and foster care services provided through the System of Care networks.
- **Other DCYF Contracts.** The Budget includes general revenue savings of \$0.2 million from an across the board reduction to non-System of Care contracted services for social worker training, data analysis, security, information technology, clerical and other temporary services.
- **Training School Capacity Reduction.** The Budget includes savings of \$1.2 million from general revenues based on a census of 100 youth.
- **Youth Ages 19 to 21.** The Governor's budget includes legislation that would allow the Department of Children, Youth and Families' Director to transfer youth to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals at the age of 19. This would result in a net savings of \$0.5 million from general revenues after costs assumed by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.
- **Pharmaceutical Assistance to the Elderly.** The Governor's budget includes \$0.3 million from all sources for the pharmaceutical assistance to the elderly program.
- **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 \$5.3 million in FY 2014 and \$15.5 million in FY 2015.

Education

- **Board of Education.** The Governor includes legislation to restructure the Board of Education. He proposes a 15-member Board which would be responsible for setting goals and working on system-wide initiatives and whose members would serve on one of two seven-member councils, one for elementary and secondary education and one for higher education. These councils would have full statutory authority for governance and regulatory functions.

- **Office of Postsecondary Commissioner.** The Governor recommends \$1.1 million and 12.8 full-time equivalent positions to staff a new office of postsecondary commissioner as part of the Board of Education restructuring.
- **Public Higher Education.** The Governor's budget includes \$1,072.7 million for Public Higher Education including debt service. The Budget includes \$191.7 million from general revenues, which is \$12.6 million more than FY 2014, of which \$10.0 million is intended to ensure that no institution raises tuition for FY 2015.
- **University Engineering Building Referendum.** The Governor recommends \$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.
- **Telecommunications Education Access Fund.** The Governor recommends \$1.5 million, including \$0.4 million from general revenues, in 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 Governor's budget provides \$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 Governor recommends a total of \$12.3 million for need based scholarships and grants for FY 2015, which is consistent with the enacted amount. This includes \$4.3 million from general revenues, \$6.5 million from tuition savings funds, and \$1.5 million from loan reserve funds. The use of the reserve funds is new and substitutes for a like amount in unavailable revenues from the tuition savings programs.
- **College Access Challenge Grant.** The Governor recommends 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 Governor includes the enacted amount of \$3.8 million from Human Resource Investment Council funds to support adult education grants. This would provide total funding of \$5.8 million for FY 2015 including \$2.0 million from general revenues.

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. The FY 2014 enacted budget assumes savings of \$51,051 from hiring 24 entry-level correctional officers from the FY 2014 class to partially offset overtime expenses.

- **Personnel Costs to Capital Fund.** The Governor proposes shifting \$0.8 million in overtime costs associated with additional supervision required for construction projects at the Department of Corrections from general revenues to Rhode Island Capital Plan funds.
- **Weapons Requalification.** The Budget includes \$0.5 million from general revenues for annual weapons requalification for correctional officers based on an arbitrator's decision to amend biennial weapons requalification and allow for annual requalification. This decision was challenged by the Department and upheld by the Rhode Island Supreme Court.
- **Emergency Management Agency.** The Governor recommends separating the Emergency Management Agency and the National Guard, currently two separate and distinct programs in the Military Staff. This action would result in two stand-alone agencies; the Military Staff and the Emergency Management Agency, and is being recommended 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 Governor 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 \$0.4 million from Rhode Island Capital Plan 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 \$20.0 million from FY 2014 through FY 2018 for the project and includes \$9.5 million from Rhode Island Capital Plan funds and \$10.0 million from Google forfeiture funds.
- **Contract Arbitration.** The Budget includes \$0.7 million for FY 2014 and \$0.8 million for FY 2015 for a 3.0 percent raise of base salary for all State Troopers with ranks below Lieutenant. The increase is the result of a September 2013 contract arbitration, which ruled that the increases should be retroactive to May 2012.

Environment

- **Open Space and Healthy Communities Bonds.** The Budget includes \$40.0 million of new general obligation bonds to be submitted to the voters on the November 2014 ballot for facilities and infrastructure improvements, flood prevention, brownfield remediation, lake restoration, open space acquisition, recreation acquisition and development grants, parkland development and acquisition for distressed communities, green infrastructure grants, local agriculture and seafood grants, and a shellfish management and restoration facility. Annual debt service would be \$3.2 million.
- **Rocky Point.** The Governor recommends \$2.8 million from previously approved funding for maintenance and renovations at Rocky Point in FY 2014. The state completed the purchase of Rocky Point in FY 2013 after the federal district court and state properties committee approved the final purchase and sales agreement.
- **Fort Adams Sailing Improvements.** The Budget includes \$6.1 million in FY 2014 and \$2.5 million in FY 2015 for improvements to Fort Adams State Park, which will allow the state to host

large-scale sailing events. The funding for FY 2015, which was not included in the approved capital plan, reflects water and electric hookups and other improvements for major sailing events.

- **Galilee Piers.** The Budget includes \$5.3 million in FY 2014 and \$0.7 million in FY 2015 from state and federal sources for infrastructure improvements at the Port of Galilee. This is \$0.3 million more than the approved plan.
- **Tipping Fees.** The Budget extends the current municipal tipping fees charged by the Resource Recovery Corporation by one year, through FY 2015. The current fees range from \$29 to \$32 per ton and are based on the proportion of solid waste recycled by each municipality.
- **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 loans to be issued by the Clean Water Finance Agency. The proposed funding is 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 \$1.6 million.
- **Water Facilities Assistance Bonds.** The Budget includes \$15.0 million of new general obligation bonds to be submitted to the voters on the November 2014 ballot for the Water Facilities Assistance Program. The funding would enable the Water Resources Board to issue grants to local water suppliers to implement water resource programs. Annual debt service would be \$1.2 million.

Transportation

- **Infrastructure and Maintenance.** The Governor's recommendation reprograms \$99.4 million of existing Department of Transportation resources over five years for a statewide bridge rehabilitation program, drainage improvements and heavy equipment purchases.
- **Transportation Debt Service.** The Budget funds \$19.3 million of the Department's debt service payment from general revenues in FY 2015. This is \$10.0 million more than included in the enacted budget, and is consistent with the recent initiative to transfer debt service payments from the gas tax to general revenues in \$10.0 million increments until all of its debt service is paid from general revenues.
- **Transportation Equipment.** The FY 2014 Budget includes \$2.4 million from Rhode Island Capital Plan funds for the Department to purchase heavy equipment, with \$2.5 million programmed each year through FY 2019. This is \$1.5 million more per year than included in the approved plan.
- **Transportation Bonds.** The Budget includes \$40.0 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.
- **Airport Corporation Revenue Bonds.** The Governor requests authorization for the Rhode Island Airport Corporation to issue up to \$60.0 million of revenue bonds for various improvements at T.F. Green Airport, including the extension of the main runway. The projected annual debt service would be \$4.5 million and supported by Airport Corporation revenues.

- ***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 2014 and \$1.8 million in FY 2015 with the expectation that the Authority assume responsibility for its debt service payments beginning in FY 2016.