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# **Section VI**

## **Special Reports**

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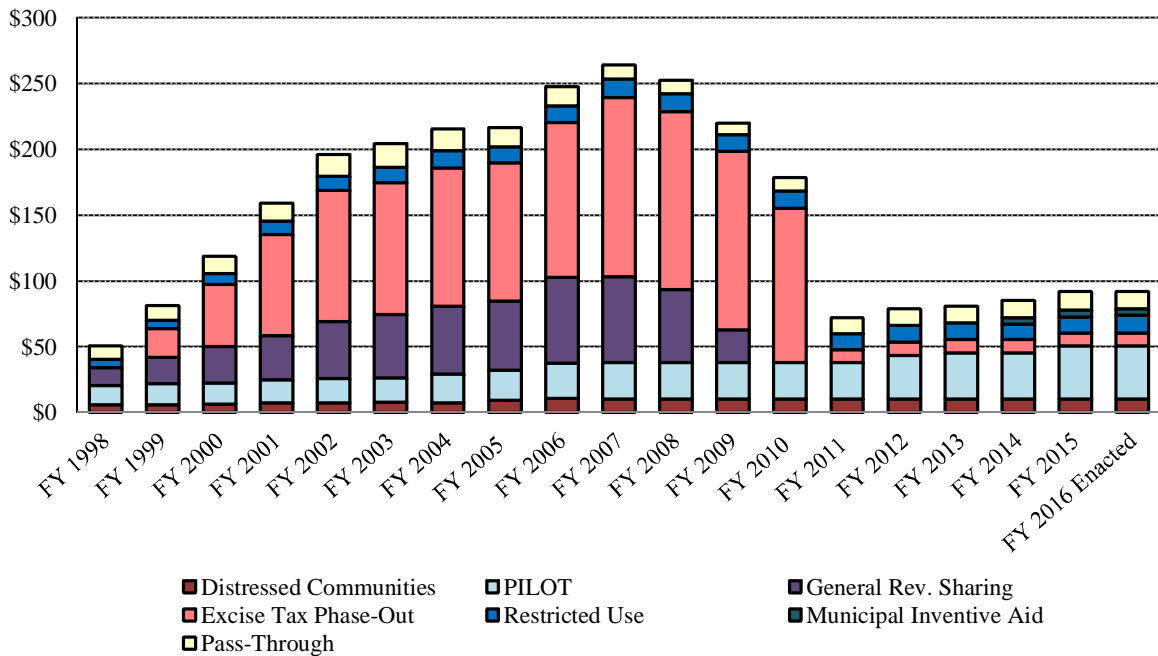


# State Aid to Local Governments

## Introduction

The Assembly provided state aid to cities and towns totaling \$77.7 million for FY 2015 and \$78.8 million for FY 2016. Funding for general aid programs in both years includes the enacted level of \$65.5 million. Funding for restricted use programs includes \$11.9 million for FY 2015 and \$13.4 million, which is \$1.4 million more than enacted, for FY 2016. Local communities will also receive \$14.3 million for FY 2015 and \$13.0 million for FY 2016 in public service corporation property taxes, which the state collects and passes through to the communities.

The following graph shows historical funding data, in millions. The graph below also shows the allocation of funding for state aid programs from FY 1998 through the FY 2016 enacted amount.



The major changes to aid programs included in the enacted budget are discussed on the following pages, followed by tables that show recommended distribution of general aid by community as well as restricted aid programs by community, including library operating aid, which is considered restricted and is not included in the general aid totals, and public service corporations' tax collections, a local levy collected at the state level and returned to local governments for tax collection efficiency purposes. It should be noted that some programs require data updates not reflected in the distributions. Those updates will likely change allocations to each community.

**General.** The Assembly provided the enacted level of \$65.5 million for both FY 2015 and FY 2016 for general state aid programs to local governments.

Fiscal Year	1990	1995	2000	2005	2010	2014	2015	2016 Enacted
<b>General Aid - State Sources</b>								
Distressed Communities	\$ -	\$ 7.2	\$ 6.6	\$ 9.5	\$ 10.4	\$ 10.4	\$ 10.4	\$ 10.4
PILOT	0.3	12.2	16.1	22.7	27.6	35.1	40.1	40.1
Excise Tax Phase-Out	-	-	47.3	105.0	117.2	10.0	10.0	10.0
Municipal Incentive Aid	-	-	-	-	-	5.0	5.0	5.0
General Rev. Sharing	27.8	13.6	27.6	52.4	-	-	-	-
<b>Subtotal</b>	<b>\$ 28.1</b>	<b>\$ 33.0</b>	<b>\$ 97.5</b>	<b>\$ 189.7</b>	<b>\$ 155.1</b>	<b>\$ 60.5</b>	<b>\$ 65.5</b>	<b>\$ 65.5</b>
<b>Restricted Use Aid - State Sources</b>								
Library Resource Aid	\$ 1.6	\$ 3.3	\$ 5.7	\$ 8.1	\$ 8.8	\$ 8.8	\$ 8.8	\$ 8.8
Library Const. Aid	1.3	1.9	1.6	2.5	2.6	2.5	2.3	2.7
Police & Fire Incentive	4.1	1.3	0.9	1.1	-	-	-	-
Prop. Val. Reimb.	-	-	0.0	0.6	1.6	0.5	0.7	1.8
Oversight Reimbursement	-	-	-	-	-	0.1	0.1	0.2
<b>Subtotal</b>	<b>\$ 7.2</b>	<b>\$ 6.5</b>	<b>\$ 8.2</b>	<b>\$ 12.3</b>	<b>\$ 13.0</b>	<b>\$ 11.8</b>	<b>\$ 11.9</b>	<b>\$ 13.4</b>
<b>Total - State Sources</b>	<b>\$ 35.2</b>	<b>\$ 39.5</b>	<b>\$ 105.7</b>	<b>\$ 202.0</b>	<b>\$ 168.2</b>	<b>\$ 72.3</b>	<b>\$ 77.4</b>	<b>\$ 78.8</b>
<b>Other Aid - Pass-Through</b>								
<b>Public Service Corp.</b>	<b>\$ 9.9</b>	<b>\$ 7.2</b>	<b>\$ 12.8</b>	<b>\$ 14.6</b>	<b>\$ 10.2</b>	<b>\$ 13.2</b>	<b>\$ 14.3</b>	<b>\$ 13.0</b>

*In millions*

- Distressed Communities Relief Fund.** The Assembly provided 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 for FY 2016. 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 Assembly provided the enacted level of \$40.1 million for FY 2016 payments to municipalities for the Payment in Lieu of Taxes program. Under this program, the state annually reimburses communities for property taxes that would have been due on real property exempted from taxation by state law, including property owned by nonprofit educational institutions or nonprofit hospitals and any state-owned hospital, veterans' residential facility or correctional facility. Cities and towns 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. If the appropriation is less than the necessary amount, the reimbursements are ratably reduced. Funding enacted for FY 2016 is \$5.0 million more than recommended by the Governor and reflects 23.7 percent of the value of the foregone tax.
- Motor Vehicle Excise Tax Phase-Out.** The Assembly funded the Motor Vehicle Excise Tax program at the enacted level of \$10.0 million for FY 2016. The 2010 Assembly enacted legislation mandating a \$500 exemption, for which the state will reimburse municipalities an amount subject to appropriation. State law allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement. It should be noted that FY 2016 distribution amounts are based on December 2013 data. The Division of Municipal Finance anticipates adjusting planned FY 2016 distribution in fall 2015, when updated tax rolls are available from communities.
- Municipal Incentive Aid.** The Budget includes the enacted amount of \$5.0 million for both FY 2015 and FY 2016 for the Municipal Incentive Aid program, which encourages sustainable funding of retirement plans and reduction of unfunded liabilities. A municipality may receive funding if its pension plan meets program funding requirements. Aid is distributed based on population in March of each year. If a municipality is ineligible to receive aid, its share will be reappropriated to the following fiscal year. If requirements are not met for a second year, its share will be distributed to the qualifying municipalities, according to their share of total state population.

Distribution for FY 2015 reflects Coventry's compliance with program requirements for the year; Johnston's FY 2015 share will be reappropriated to FY 2016. The Budget assumes distribution to all 39 municipalities for FY 2016.

- **Library Resource Sharing Aid.** The Budget provides the enacted level of \$8.8 million for FY 2016 grants-in-aid to libraries. This is \$1.1 million or 12.2 percent less than the reimbursement of 25.0 percent of second prior year expenditures authorized under current law, which also allows for a ratable reduction to cap the appropriation.
- **Library Construction Aid.** The Assembly provided \$2.7 million to fully fund library construction aid requirements. The state reimburses libraries up to half of 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 a three-year moratorium on the acceptance of applications for library construction aid projects that ended on July 1, 2014.
- **Property Valuation Reimbursement.** The Budget includes full funding of \$0.7 million for FY 2015 and \$1.8 million for FY 2016 to reimburse communities conducting property valuation updates.
- **Oversight Reimbursement.** The Assembly provided \$0.1 million for FY 2015 and \$0.2 million for FY 2016 for reimbursements of 50.0 percent of the cost of a financial advisor position to communities no longer under state Fiscal Stability Act oversight. Funding for FY 2015 includes reimbursements to Central Falls, East Providence, and Woonsocket; FY 2016 reimbursements also include Central Coventry Fire District.
- **Public Service Corporation Tax.** The Budget assumes the state will collect and distribute \$14.3 million for FY 2015 and \$13.0 million for FY 2016 of property taxes from public service corporations on behalf of municipalities and pass that back to them. The 2009 Assembly adopted the Governor's recommendation to freeze the tax rate applied to the tangible personal property of public service corporations at the FY 2008 rate.

### State Aid

State aid can be classified into *general* state aid and *restricted use* aid. *General* aid payments made to municipalities can be used for general budget use or as reimbursement for costs incurred. Examples include: distressed communities relief, payments in lieu of taxes, vehicle excise tax phase-out payments, municipal incentive aid, and general revenue sharing. The general purpose of these programs is to relieve pressure on local property taxes by providing revenues from the state's broad based taxes to local governments.

*Restricted use* aid includes payments made to a municipality for a specific purpose or payments to non-governmental entities providing a public service. These include library aid and police and fire incentive pay reimbursements. The largest source of restricted aid is education aid, which is not included here. This information is shown separately in the Education Aid report in this publication.

*Pass-through aid* in the form of the Public Service Corporation tax is a third category often listed as state aid. However, it is not paid from state sources. For efficiency of collections, the Division of Taxation collects this local levy at the state level and returns the collections back to the local governments.

## General State Aid

**Distressed Communities Relief Program.** The Distressed Communities Relief program was established in 1990 to provide assistance to the communities with the highest property tax burdens relative to the wealth of the taxpayers.

Rankings	Central			East		North		West		
	Burrillville	Falls	Coventry	Cranston	Providence	Providence	Pawtucket	Providence	Warwick	Woonsocket
FY 2013										
Levy/Full Value	22	23	12	3	15	2	6	1	5	4
Per Capita Income 2000	10	1	12	7	8	9	4	3	5	2
Personal Income/Full Value	8	1	11	10	14	4	3	7	5	2
Full Value Per Capita	8	1	9	7	10	6	3	4	5	2
Qualifying Rankings	2	3	0	3	1	3	4	4	4	4
FY 2014										
Levy/Full Value	20	3	14	5	10	4	8	1	6	2
Per Capita Income 2000	11	1	10	7	9	6	4	3	5	2
Personal Income/Full Value	5	1	11	12	13	6	3	8	4	2
Full Value Per Capita	7	1	10	8	9	6	3	4	5	2
Qualifying Rankings	2	4	0	3	0	4	4	4	4	4
FY 2015										
Levy/Full Value	17	1	16	7	11	5	8	2	6	3
Per Capita Income 2000	12	1	10	8	6	7	4	3	5	2
Personal Income/Full Value	5	1	15	16	22	6	3	14	4	2
Full Value Per Capita	7	1	11	9	10	6	3	4	5	2
Qualifying Rankings	2	4	0	2	1	4	4	3	4	4
FY 2016										
Levy/Full Value	19	2	22	7	8	4	5	3	6	1
Per Capita Income 2013	13	1	10	8	5	7	3	4	6	2
Personal Income/Full Value	6	1	12	13	15	5	3	14	4	2
Full Value Per Capita	8	1	10	9	7	6	3	4	5	2

The 2005 Assembly increased eligibility for FY 2006 to any community falling into the lowest 20.0 percent for at least three of four indices to be eligible for assistance under the Distressed Communities Relief program.

Dedicated funding for the program was from \$0.30 of the \$2.00 real estate transfer tax collected for each \$500 or fractional part of the purchase price of property sold, \$5.0 million from state appropriations, and 0.19 percent of all net terminal income from video lottery slots. The 2007 Assembly adopted the Governor's recommendation to convert the real estate conveyance portion to general revenues and make the program subject to appropriation. Distributions from only video lottery terminal revenues were shared equally among qualifying communities.

The 2012 Assembly adopted legislation allowing municipalities to receive the entirety of their distressed aid payments in August. Payments had been made twice a year in August and March.

Historically, a majority of the funds, \$9.6 million, was distributed on a weighted allocation and legislation was included in past budgets to allow \$0.8 million previously linked to lottery revenues to be shared equally among the communities. Since FY 2014, all of the funds are distributed on a weighted basis, based on updated qualifying tax levies. The program has been level funded at \$10.4 million since FY 2008.

Most funds are distributed based on the ratio of an eligible municipality's tax levy to the total tax levy of all eligible municipalities. However, when a new community qualifies, that community receives 50.0 percent of current law requirements for the first year it qualifies. The remaining 50.0 percent is distributed to the other distressed communities proportionately.

When a community falls out of the program, it receives a one-time transition payment of 50.0 percent of the prior year requirement, exclusive of any reduction for first year qualification. Cranston entered the

program in FY 2013 and no longer qualifies as of FY 2015. It received its full allocation only for FY 2014; distribution for FY 2015 includes a transition payment out of the program for Cranston. For FY 2016, East Providence qualifies for the program and the Budget includes an associated transition payment.

The Governor recommended the FY 2015 enacted level of \$10.4 million for FY 2016. The Assembly concurred.

**Payment in Lieu of Taxes (PILOT).** This program reimburses cities and towns for property taxes that would have been due on real property exempted from taxation by state law, including property owned by nonprofit educational institutions or nonprofit hospitals and any state-owned hospital, veterans' residential facility or correctional facility. Municipalities may be reimbursed up to 27.0 percent of the tax that would have been collected, subject to appropriation. Distribution is updated annually, based on each municipality' tax rolls, as certified by the Division of Municipal Finance. If the appropriation is less than the necessary amount, reimbursements are ratably reduced. The state makes one payment to communities in July of each year.

The Governor recommended the FY 2014 enacted amount of \$35.1 million for FY 2016, to reflect the one-time nature of funding made available for FY 2015 through the refinancing of tobacco bonds. The Assembly provided the enacted amount of \$40.1 million, \$5.0 million more than the Governor's recommendation, which represents a reimbursement of 23.7 percent of the value for FY 2016.

**Motor Vehicle Excise Tax Phase-Out.** The 1998 General Assembly enacted legislation to eliminate the property tax on motor vehicles and trailers over a period of seven years. It was modified in subsequent legislative sessions to substantially extend the phase-out period. The exemption is a reduction in the assessed value subject to taxation. Cities and towns are paid by the state for the lost taxes due to the exemptions.

It began with a \$1,500 exemption for FY 2000 tax bills. Cities and towns were held harmless for the exemptions and were reimbursed on the basis of 100 percent collections. They also received adjustments for freezing tax rates at the FY 1998 level through FY 2003. Fire districts could no longer levy motor vehicle excise taxes, and they were fully reimbursed for the lost revenues.

The 2008 Assembly adopted Governor Carcieri's recommendation to maintain the exemption at \$6,000 for FY 2008 and FY 2009, and to permanently reduce the Motor Vehicle Excise Tax reimbursements to 98.0 percent of the calculated value beginning with FY 2008.

Governor Carcieri included legislation in his FY 2010 revised budget to eliminate the third and the fourth quarter reimbursements to municipalities and subject future exemptions to the annual appropriations act for FY 2011 and thereafter.

The 2010 Assembly provided \$117.2 million to fund the program at 88.0 percent of the amount that would have been due in FY 2010. It also enacted legislation that mandates a \$500 exemption for which the state will reimburse municipalities an amount subject to appropriation for FY 2011 and thereafter. It has been funded at \$10.0 million since. Municipalities may provide an additional exemption; it is not subject to reimbursement. The Assembly removed the prohibition on taxing the difference when the value of a vehicle is higher than assessed in the prior fiscal year. It allowed motor vehicle rates and ratios of assessment to be less than earlier levels, which were frozen. The Assembly also restored fire districts' authority to levy a motor vehicles excise tax and excluded them from reimbursements.

The Budget includes the FY 2015 enacted amount of \$10.0 million for FY 2016. Distribution of funds included in the Governor's FY 2016 recommendation and enacted budget reflects December 2013 data;

The Division of Municipal Finance anticipates updating planned distribution in fall 2015, following receipt of updated tax data from municipalities.

**Municipal Incentive Aid.** The Assembly provided the enacted amount of \$5.0 million for FY 2016 for the third and final year of the Municipal Incentive Aid program, which encourages sustainable funding of retirement plans and reduction of unfunded liabilities.

To receive aid, municipalities must meet certain benchmarks for each program year. For FY 2014, a municipality could receive funds if it had no locally administered pension plan, if it submitted an approved Funding Improvement Plan by June 1, 2013, or if its locally administered plan was not required to submit a Funding Improvement Plan. A municipality qualifies for the program for FY 2015 and FY 2016 if its pension plan is in the state-administered Municipal Employee Retirement System; if it has submitted or implemented an approved Funding Improvement Plan within 18 months of critical status notification; or, if it is not required to submit a Funding Improvement Plan and is making 100 percent of its required funding payment.

Aid is distributed on the basis of the most recent estimate of population of each municipality as a share of the total state population, as reported by the Bureau of the Census in the year the payment is made. Program payments are made in March of each year. If a municipality is not eligible to receive aid, its share may be reappropriated to the following fiscal year. To receive the prior and current years' share of aid, the municipality must meet the funding requirements for both years.

For FY 2014, 38 municipalities qualified for the program. Coventry did not submit a funding improvement plan for one of its pension plans by the specified deadline; its FY 2014 payment was reappropriated to FY 2015.

Payments for FY 2015 reflect Coventry's compliance with FY 2014 and FY 2015 program requirements and Johnston's non-compliance. Johnston's FY 2015 payment will be reappropriated to FY 2016. The Budget assumes distribution to all 39 municipalities for FY 2016.

**General Revenue Sharing.** Beginning in FY 1994, a portion of total state tax revenues from the second prior fiscal year were earmarked as state aid to cities and towns and distributed based on per capita income and local tax burdens for public purposes. In the FY 1999 budget, the General Assembly began increasing the percentage of revenues dedicated to the General Revenue Sharing program as a mechanism for reimbursing municipalities for lost local revenues from the ten-year phase-out of the inventory tax.

The 2005 Assembly provided that 6.25 percent of the *state share* of video lottery net terminal income solely attributable to new machines at Lincoln and Newport dedicated to the program, up to a maximum of \$10.0 million to non-distressed communities based on the proportion of the general revenue sharing distribution for that year. The 2006 Assembly converted that dedication to 0.10 percent of *all* net terminal income up to a maximum of \$10.0 million to non-distressed communities.

The 2009 Assembly adopted Governor Carcieri's recommendation to subject the program permanently to appropriation. It has not been funded since FY 2009.

### **Restricted Use State Aid**

**Library Resource Sharing Aid.** Current law requires the state to support local libraries via grants-in-aid at a level equivalent to 25.0 percent of the amount appropriated and expended from local tax revenues in the second prior fiscal year by the municipalities in which the libraries are located.



Aid remained relatively stable from FY 1991 through FY 1997. For FY 1998, the General Assembly appropriated an additional \$1.0 million to begin increasing funding to meet the 25.0 percent program requirement by FY 2000. The state is also required to fund 100 percent of the administrative and operating costs of the Rhode Island Library Network. It should be noted that the 25.0 percent requirement also applies to institutional libraries; however, that funding is not shown in this report as local aid.

The 2003 Assembly amended the statute to include Providence Public Library endowment funding as part of the local effort; the annual amount of endowment funds that may be included is capped at 6.0 percent of the three-year average market value of the endowment, calculated at the end of the calendar year. The 2004 Assembly further amended the laws to extend this allowance to all libraries.

The 2008 Assembly concurred with the Governor's recommendation to provide \$8.8 million for FY 2009 library operating aid. For FY 2009, the Assembly also enacted legislation to reduce the maintenance of effort requirement for municipalities to library services funding of at least 80.0 percent of the previous fiscal year. The 2009 Assembly enacted legislation to continue allowing communities to meet the 80.0 percent maintenance of effort for libraries to qualify for state library aid.

The chief library officer annually determines each municipality's compliance with the maintenance of effort requirement by comparing appropriation and expenditure amounts as reported by the libraries or the municipalities. In the event that a municipality has failed to meet the maintenance of effort requirement, the chief library officer will notify the municipality that it is not eligible for a state grant-in-aid. A municipality that is deemed ineligible may request a waiver from the requirement by submitting a letter to the chief library officer.

For FY 2016, the Budget includes level funding for the program at \$8.8 million, which is \$1.1 million, or 12.2 percent, less than current law allows and consistent with the Governor's recommendation.

**Library Construction Aid.** State law establishes a library construction aid program, administered by the Office of Library and Information Services, which provides the authority to make grants-in-aid to a municipality or a free public library for construction of or capital improvements to any free public library to provide better services to the public.

State grants-in-aid are limited to a maximum of 50.0 percent of total eligible costs, as determined by the Office of Library and Information Services. The grants are paid 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 a project. During the repayment period, the state share may include the costs of interest on the state share of the project costs if the municipality or free public library was required to borrow the state's share of the project costs.

Reimbursable costs also include any cost of borrowing for the state share during the construction period. Examples of costs not eligible for state funds include fundraising or public relations costs incurred by the municipality or the free library. In a case where the library is a component of local government, payments are made to the municipality. Payments for free public libraries are made directly to the libraries.

Library construction aid is considered indirect aid. Payments are not necessarily made to a local government; some are made directly to free public libraries, and therefore cannot be considered traditional local aid. Additionally, funds are targeted for specific use and are not for general support of the local government or free library budget.

The 2011 Assembly adopted legislation to set a three-year moratorium on the acceptance of applications for library construction aid projects through the end of FY 2014. The Office has been permitted to accept applications since July 1, 2014. The Assembly provided \$2.7 million for FY 2016 to fully fund library construction aid.

**State and Municipal Police Incentive Pay.** The Rhode Island General Laws establish the Municipal Police Incentive Pay program. The purpose is to provide financial compensation to members of the state, city and town police departments, sheriffs and deputy sheriffs, members of the Rhode Island marshals' unit, Rhode Island Capitol Police, park police and conservation officers of the Division of Enforcement in the Department of Environmental Management, and the state fire marshal and deputy fire marshals who have earned college credits in the field of police work.

The amount of the incentive is based on a point system, which is related to the individual's level of educational attainment. The state payments go directly to the municipalities which, in turn, make payments to the participants in the program. Governor Carcieri proposed to eliminate the program for FY 2009; the 2008 Assembly maintained it in the general laws, but no funding has been provided since. Municipalities are still required to reimburse police officers for eligible expenses incurred in earning credits associated with the program.

**Municipal Firefighters Incentive Pay.** The Rhode Island General Laws establish a Municipal Firefighters Incentive Pay program. The purpose of this program is to provide financial compensation to members of the municipal fire departments and fire districts, the Cumberland Rescue Department and emergency service technicians of the Town of Lincoln who have furthered their education at the college level.

The amount of the incentive is based on a point system, which is related to the individual's level of educational attainment. The state payments go directly to the municipalities which, in turn, make payments to the participants in the program. Governor Carcieri proposed to eliminate the program for FY 2009; the 2008 Assembly maintained it in the general laws, but no funding has been provided since. Current law does not require that municipalities reimburse firefighters for eligible expenses; however, some municipalities do so voluntarily.

**Property Valuation Reimbursement.** Section 44-5-11.6 of the Rhode Island General Laws requires that municipalities update property valuations using statistical techniques every third and sixth year after a full revaluation. The statute also requires that the state reimburse municipalities for 100 percent of the cost of the first update, not to exceed \$20 per parcel. Reimbursements for subsequent updates are 80.0 percent for the second statistical update and 60.0 percent for the third and all subsequent updates. A distressed community will receive 80.0 percent reimbursement for the second and all subsequent updates. The reimbursement is made upon receipt of bills for completion of the revaluation.

The Assembly provided \$0.7 million for FY 2015 and \$1.8 million for FY 2016, to fully fund actual and anticipated expenses for maximum allowable reimbursements to communities scheduled to complete revaluations. The state does not reimburse non-distressed municipalities for complete revaluations, only for updates. Expenditures fluctuate; they were \$0.4 million in FY 2014, \$0.9 million in both FY 2013 and FY 2012, \$0.7 million in FY 2011, \$1.5 million in FY 2010, and \$1.0 million in FY 2009.

For FY 2016, fifteen communities are required to conduct assessments and qualify for reimbursements, including Burrillville, Central Falls, Jamestown, Johnston, Lincoln, Little Compton, New Shoreham, North Kingstown, North Smithfield, Providence, Scituate, Smithfield, South Kingstown, West Warwick, and Westerly.

**Actuarial Valuations.** Pension legislation adopted by the 2011 Assembly requires municipalities administering local plans to complete actuarial reviews and to submit them to the study commission, with the state reimbursing communities for half the cost. Governor Chafee included legislation in Article 26 of 2012-H 7323, clarifying that the state will reimburse municipalities for half of the cost of the actuarial valuations due on April 1, 2012. A total of \$0.3 million was spent over FY 2012 and FY 2013.

**Oversight Reimbursement.** Legislation enacted by the 2013 Assembly requires that the state reimburse municipalities no longer subject to state Fiscal Stability Act oversight for 50.0 percent of the cost of an executive officer to act as a chief financial advisor. The Assembly provided \$0.1 million for FY 2015, reflective of financial advisors contracted in Central Falls and East Providence and the establishment of a financial advisor position in Woonsocket, as of January 1, 2015. For FY 2016, the Budget includes \$0.2 million for reimbursements to Central Falls, East Providence, Woonsocket, and the Central Coventry Fire District.

### **Pass-Through Revenues**

**Public Service Corporation Tax.** The FY 2015 and FY 2016 budgets assume the state will collect \$14.3 million and \$13.0 million, respectively, in property taxes from public service corporations on behalf of municipalities, and pass the funds back to them. The Assembly concurred with the Governor's 2009 proposal to freeze the tax rate applied to the tangible personal property of public service corporations at the FY 2008 rates. Annual tax collections had dropped from \$16.6 million in FY 2004 to \$10.2 million in FY 2010.

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations used exclusively in conducting business for the corporation is exempt from local taxation under current law; however, it is subject to taxation by the state. Tangible personal property includes lines, cables, ducts, pipes, machines and machinery, and equipment.

By March 1 of each year, companies are required to declare the value of their tangible personal property to the Division of Taxation. The Division of Taxation uses this data to calculate the taxes due from each company. The calculation is based on the average assessment ratios in the state and the average property tax rate. Funds are collected by the Division and distributed as prescribed in statute. The statewide average assessment ratio is the total statewide assessment divided by the total book value. The average property tax is calculated as the total statewide levy divided by the statewide assessment. Funds collected by the state from this tax are distributed to cities and towns on the basis of the ratio of city or town population to the population of the state as a whole. It should be noted that while this category of state aid is displayed in the tables later in this report, the funds are not appropriated by the General Assembly.

### **Other Local Revenues**

**Meals and Beverage.** The 2003 Assembly enacted a one percent additional tax on gross receipts from sale of food and beverages sold in or from eating and drinking establishments effective August 1, 2003. Meals are defined as food sold ready for immediate consumption, regardless of when or where consumed. Eating establishments include all entities preparing these foods, including caterers. The Division of Taxation collects the tax and distributes it to the city or town where the meals and beverages were delivered. Distributions for FY 2014 totaled \$22.3 million; they were \$21.4 million in FY 2013, \$21.0 million for FY 2012 and \$19.4 million for FY 2011.

**Hotel Tax.** The 2004 Assembly enacted a one percent additional tax on occupancy charges effective January 1, 2005. The tax is paid by anyone receiving monetary charge for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised as or held out to the public to be a space where living quarters are supplied for pay to transient

use. The Division of Taxation collects the tax for all except the City of Newport and distributes it to the city or town where the occupancy occurred. Distributions for FY 2014 totaled \$3.1 million; they were \$3.0 million for FY 2013, \$2.8 million for FY 2012, and \$2.6 million FY 2011.

The Governor's FY 2016 recommended budget includes four separate proposals relating to taxes on tourism, including the expansion of the definition of hotel, subjecting rooms sold by resellers and on online hosting platforms to the state sales and hotel taxes, and subjecting the rental of vacation homes to the state sales and local 1.0 percent hotel tax. The combined impact of these proposals is a total estimated increase in local 1.0 percent hotel tax revenues of \$1.0 million for municipal governments. The Assembly concurred with the recommended expansion.

For additional information, the tables at the end of this section show recent distribution from these sources.

## **Distribution by Community**

## General Aid Total

Includes Distressed Communities, PILOT, Motor Vehicles Excise Tax and Municipal Incentive Aid

<i>Community</i>	<i>FY 2015 Enacted</i>	<i>FY 2015 Gov. Rev.*</i>	<i>FY 2015 Final **</i>	<i>Change to Enacted</i>
Barrington	\$ 330,474	\$ 324,035	\$ 324,035	\$ (6,439)
Bristol	1,050,965	1,030,483	1,030,483	(20,482)
Burrillville	419,599	411,938	411,938	(7,661)
Central Falls	399,607	405,412	405,412	5,805
Charlestown	77,457	81,621	81,621	4,164
Coventry	385,693	246,097	412,223	26,530
Cranston	8,488,692	8,592,447	8,592,447	103,755
Cumberland	381,216	405,772	405,772	24,556
East Greenwich	544,659	504,473	504,473	(40,186)
East Providence	1,023,506	952,844	952,844	(70,662)
Exeter	113,152	122,884	122,884	9,732
Foster	89,352	79,314	79,314	(10,038)
Glocester	139,418	149,501	149,501	10,083
Hopkinton	100,594	108,358	108,358	7,764
Jamestown	61,414	47,772	47,772	(13,642)
Johnston**	512,983	422,956	422,956	(90,027)
Lincoln	337,754	298,007	298,007	(39,747)
Little Compton	40,750	29,592	29,592	(11,158)
Middletown	161,697	146,103	146,103	(15,594)
Narragansett	172,003	136,238	136,238	(35,765)
Newport	1,565,948	1,509,886	1,509,886	(56,062)
New Shoreham	11,645	11,085	11,085	(560)
North Kingstown	353,642	312,183	312,183	(41,459)
North Providence	2,081,761	2,126,420	2,126,420	44,659
North Smithfield	233,182	237,999	237,999	4,817
Pawtucket	2,942,994	3,064,611	3,064,611	121,617
Portsmouth	186,830	160,680	160,680	(26,150)
Providence	34,738,636	34,894,897	34,894,897	156,261
Richmond	94,496	103,197	103,197	8,701
Scituate	173,293	118,519	118,519	(54,774)
Smithfield	1,027,810	1,001,848	1,001,848	(25,962)
South Kingstown	501,503	469,361	469,361	(32,142)
Tiverton	181,839	133,487	133,487	(48,352)
Warren	132,685	142,861	142,861	10,176
Warwick	3,039,830	2,955,009	2,955,009	(84,821)
Westerly	475,907	463,142	463,142	(12,765)
West Greenwich	87,623	87,875	87,875	252
West Warwick	1,140,549	1,155,430	1,155,430	14,881
Woonsocket	1,663,717	1,717,976	1,717,976	54,259
<b>Total</b>	<b>\$ 65,464,867</b>	<b>\$ 65,162,303</b>	<b>\$ 65,328,429</b>	<b>\$ (136,438)</b>

\*FY 2015 revised recommendation reflects Coventry and Johnston out of compliance for Municipal Incentive Aid.

\*\*FY 2015 Final aid totals reflect noncompliance with Municipal Incentive Aid requirements; payment will be reappropriated to FY 2016.

## General Aid Total

Includes Distressed Communities, PILOT, Motor Vehicles Excise Tax and Municipal Incentive Aid

<i>Community</i>	<i>FY 2015 Enacted</i>	<i>FY 2016 Gov. Rec.*</i>	<i>FY 2016 Enacted*</i>	<i>Change to FY 2015 Final</i>
Barrington	\$ 330,474	\$ 320,833	\$ 322,659	\$ (1,376)
Bristol	1,050,965	889,348	987,196	(43,286)
Burrillville	419,599	389,361	405,262	(6,675)
Central Falls	399,607	416,099	418,770	13,358
Charlestown	77,457	81,544	81,544	(77)
Coventry	385,693	412,443	412,443	220
Cranston	8,488,692	6,330,494	7,034,803	(1,557,644)
Cumberland	381,216	407,776	407,791	2,020
East Greenwich	544,659	442,719	485,269	(19,204)
East Providence	1,023,506	1,605,703	1,632,929	680,085
Exeter	113,152	123,783	123,783	899
Foster	89,352	79,550	79,602	288
Glocester	139,418	149,719	149,719	219
Hopkinton	100,594	108,374	108,374	17
Jamestown	61,414	47,851	47,851	79
Johnston**	512,983	560,296	560,296	137,340
Lincoln	337,754	298,541	298,541	534
Little Compton	40,750	29,570	29,570	(22)
Middletown	161,697	145,907	145,907	(196)
Narragansett	172,003	135,721	135,721	(517)
Newport	1,565,948	1,288,088	1,444,086	(65,800)
New Shoreham	11,645	10,539	10,539	(546)
North Kingstown	353,642	311,359	311,545	(638)
North Providence	2,081,761	2,160,744	2,249,779	123,359
North Smithfield	233,182	238,914	238,914	915
Pawtucket	2,942,994	3,006,346	3,069,757	5,147
Portsmouth	186,830	160,957	160,957	277
Providence	34,738,636	32,631,125	36,134,996	1,240,099
Richmond	94,496	103,118	103,118	(79)
Scituate	173,293	118,828	118,828	310
Smithfield	1,027,810	881,118	956,080	(45,768)
South Kingstown	501,503	436,191	457,843	(11,518)
Tiverton	181,839	134,118	134,118	632
Warren	132,685	142,324	142,324	(537)
Warwick	3,039,830	2,628,650	2,809,979	(145,030)
Westerly	475,907	437,004	454,162	(8,980)
West Greenwich	87,623	88,288	88,288	413
West Warwick	1,140,549	1,207,277	1,207,277	51,847
Woonsocket	1,663,717	1,504,248	1,504,248	(213,728)
<b>Total</b>	<b>\$ 65,464,867</b>	<b>\$ 60,464,867</b>	<b>\$ 65,464,867</b>	<b>\$ 136,438</b>

*\*Motor Vehicle Excise Tax distribution reflects May 2014 data; distribution will be revised in fall 2015.*

## Distressed Communities Relief

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2015 Gov. Rev.</i>	<i>FY 2015 Final</i>	<i>Change to Enacted</i>
Barrington	\$ -	\$ -	\$ -	\$ -
Bristol	-	-	-	-
Burrillville	-	-	-	-
Central Falls	197,930	197,930	197,930	-
Charlestown	-	-	-	-
Coventry	-	-	-	-
Cranston	1,160,322	1,160,322	1,160,322	-
Cumberland	-	-	-	-
East Greenwich	-	-	-	-
East Providence	-	-	-	-
Exeter	-	-	-	-
Foster	-	-	-	-
Glocester	-	-	-	-
Hopkinton	-	-	-	-
Jamestown	-	-	-	-
Johnston	-	-	-	-
Lincoln	-	-	-	-
Little Compton	-	-	-	-
Middletown	-	-	-	-
Narragansett	-	-	-	-
Newport	-	-	-	-
New Shoreham	-	-	-	-
North Kingstown	-	-	-	-
North Providence	948,672	948,672	948,672	-
North Smithfield	-	-	-	-
Pawtucket	1,387,409	1,387,409	1,387,409	-
Portsmouth	-	-	-	-
Providence	5,071,751	5,071,751	5,071,751	-
Richmond	-	-	-	-
Scituate	-	-	-	-
Smithfield	-	-	-	-
South Kingstown	-	-	-	-
Tiverton	-	-	-	-
Warren	-	-	-	-
Warwick	-	-	-	-
Westerly	-	-	-	-
West Greenwich	-	-	-	-
West Warwick	783,095	783,095	783,095	-
Woonsocket	835,279	835,279	835,279	-
<b>Total</b>	<b>\$ 10,384,458</b>	<b>\$ 10,384,458</b>	<b>\$ 10,384,458</b>	<b>\$ -</b>



## Distressed Communities Relief

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2016 Gov. Rec.</i>	<i>FY 2016 Enacted</i>	<i>Change to FY 2015 Final</i>
Barrington	\$ -	\$ -	\$ -	\$ -
Bristol	-	-	-	-
Burrillville	-	-	-	-
Central Falls	197,930	211,123	211,123	13,193
Charlestown	-	-	-	-
Coventry	-	-	-	-
Cranston	1,160,322	-	-	(1,160,322)
Cumberland	-	-	-	-
East Greenwich	-	-	-	-
East Providence	-	685,142	685,142	685,142
Exeter	-	-	-	-
Foster	-	-	-	-
Glocester	-	-	-	-
Hopkinton	-	-	-	-
Jamestown	-	-	-	-
Johnston	-	-	-	-
Lincoln	-	-	-	-
Little Compton	-	-	-	-
Middletown	-	-	-	-
Narragansett	-	-	-	-
Newport	-	-	-	-
New Shoreham	-	-	-	-
North Kingstown	-	-	-	-
North Providence	948,672	989,710	989,710	41,038
North Smithfield	-	-	-	-
Pawtucket	1,387,409	1,430,131	1,430,131	42,722
Portsmouth	-	-	-	-
Providence	5,071,751	5,332,583	5,332,583	260,832
Richmond	-	-	-	-
Scituate	-	-	-	-
Smithfield	-	-	-	-
South Kingstown	-	-	-	-
Tiverton	-	-	-	-
Warren	-	-	-	-
Warwick	-	-	-	-
Westerly	-	-	-	-
West Greenwich	-	-	-	-
West Warwick	783,095	835,708	835,708	52,613
Woonsocket	835,279	900,062	900,062	64,783
<b>Total</b>	<b>\$ 10,384,458</b>	<b>\$ 10,384,458</b>	<b>\$ 10,384,458</b>	<b>\$ -</b>

## Payment in Lieu of Taxes

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2015 Gov. Rev.</i>	<i>FY 2015 Final</i>	<i>Change to Enacted</i>
Barrington	\$ 15,625	\$ 15,625	\$ 15,625	\$ -
Bristol	825,102	825,102	825,102	-
Burrillville	134,639	134,639	134,639	-
Central Falls	21,572	21,572	21,572	-
Charlestown	-	-	-	-
Coventry	-	-	-	-
Cranston	6,043,928	6,043,928	6,043,928	-
Cumberland	118	118	118	-
East Greenwich	360,281	360,281	360,281	-
East Providence	222,995	222,995	222,995	-
Exeter	-	-	-	-
Foster	431	431	431	-
Glocester	-	-	-	-
Hopkinton	-	-	-	-
Jamestown	-	-	-	-
Johnston	-	-	-	-
Lincoln	-	-	-	-
Little Compton	-	-	-	-
Middletown	-	-	-	-
Narragansett	-	-	-	-
Newport	1,315,321	1,315,321	1,315,321	-
New Shoreham	-	-	-	-
North Kingstown	1,594	1,594	1,594	-
North Providence	631,707	631,707	631,707	-
North Smithfield	-	-	-	-
Pawtucket	545,565	545,565	545,565	-
Portsmouth	-	-	-	-
Providence	27,109,512	27,109,512	27,109,512	-
Richmond	-	-	-	-
Scituate	-	-	-	-
Smithfield	646,892	646,892	646,892	-
South Kingstown	186,169	186,169	186,169	-
Tiverton	-	-	-	-
Warren	-	-	-	-
Warwick	1,595,654	1,595,654	1,595,654	-
Westerly	146,095	146,095	146,095	-
West Greenwich	-	-	-	-
West Warwick	-	-	-	-
Woonsocket	277,209	277,209	277,209	-
<b>Total</b>	<b>\$ 40,080,409</b>	<b>\$ 40,080,409</b>	<b>\$ 40,080,409</b>	<b>\$ -</b>

## Payment in Lieu of Taxes

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2016 Gov. Rec.</i>	<i>FY 2016 Enacted</i>	<i>Change to FY 2015 Final</i>
Barrington	\$ 15,625	\$ 12,812	\$ 14,638	\$ (987)
Bristol	825,102	686,512	784,360	(40,742)
Burrillville	134,639	111,567	127,468	(7,171)
Central Falls	21,572	18,740	21,411	(161)
Charlestown	-	-	-	-
Coventry	-	-	-	-
Cranston	6,043,928	4,941,490	5,645,799	(398,129)
Cumberland	118	104	119	1
East Greenwich	360,281	298,535	341,085	(19,196)
East Providence	222,995	191,019	218,245	(4,750)
Exeter	-	-	-	-
Foster	431	363	415	(16)
Glocester	-	-	-	-
Hopkinton	-	-	-	-
Jamestown	-	-	-	-
Johnston	-	-	-	-
Lincoln	-	-	-	-
Little Compton	-	-	-	-
Middletown	-	-	-	-
Narragansett	-	-	-	-
Newport	1,315,321	1,094,494	1,250,492	(64,829)
New Shoreham	-	-	-	-
North Kingstown	1,594	1,308	1,494	(100)
North Providence	631,707	624,679	713,714	82,007
North Smithfield	-	-	-	-
Pawtucket	545,565	444,891	508,302	(37,263)
Portsmouth	-	-	-	-
Providence	27,109,512	24,583,441	28,087,312	977,800
Richmond	-	-	-	-
Scituate	-	-	-	-
Smithfield	646,892	525,939	600,901	(45,991)
South Kingstown	186,169	151,913	173,565	(12,604)
Tiverton	-	-	-	-
Warren	-	-	-	-
Warwick	1,595,654	1,272,221	1,453,550	(142,104)
Westerly	146,095	120,380	137,538	(8,557)
West Greenwich	-	-	-	-
West Warwick	-	-	-	-
Woonsocket	277,209	-	-	(277,209)
<b>Total</b>	<b>\$ 40,080,409</b>	<b>\$ 35,080,409</b>	<b>\$ 40,080,409</b>	<b>\$ -</b>

## Motor Vehicle Excise Phase-Out

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2015 Gov. Rev.</i>	<i>FY 2015 Final</i>	<i>Change to Enacted</i>
Barrington	\$ 236,976	\$ 230,537	\$ 230,537	\$ (6,439)
Bristol	116,200	95,718	95,718	(20,482)
Burrillville	209,316	201,655	201,655	(7,661)
Central Falls	88,261	94,066	94,066	5,805
Charlestown	40,197	44,361	44,361	4,164
Coventry	219,567	246,097	246,097	26,530
Cranston	902,676	1,006,431	1,006,431	103,755
Cumberland	222,875	247,431	247,431	24,556
East Greenwich	121,975	81,789	81,789	(40,186)
East Providence	576,285	505,623	505,623	(70,662)
Exeter	82,278	92,010	92,010	9,732
Foster	67,222	57,184	57,184	(10,038)
Glocester	93,040	103,123	103,123	10,083
Hopkinton	61,873	69,637	69,637	7,764
Jamestown	35,711	22,069	22,069	(13,642)
Johnston	376,545	422,956	422,956	46,411
Lincoln	237,608	197,861	197,861	(39,747)
Little Compton	24,136	12,978	12,978	(11,158)
Middletown	84,730	69,136	69,136	(15,594)
Narragansett	96,326	60,561	60,561	(35,765)
Newport	133,938	77,876	77,876	(56,062)
New Shoreham	7,124	6,564	6,564	(560)
North Kingstown	226,217	184,758	184,758	(41,459)
North Providence	348,919	393,578	393,578	44,659
North Smithfield	176,956	181,773	181,773	4,817
Pawtucket	671,382	792,999	792,999	121,617
Portsmouth	104,673	78,523	78,523	(26,150)
Providence	1,712,321	1,868,582	1,868,582	156,261
Richmond	58,014	66,715	66,715	8,701
Scituate	124,353	69,579	69,579	(54,774)
Smithfield	279,144	253,182	253,182	(25,962)
South Kingstown	170,945	138,803	138,803	(32,142)
Tiverton	107,329	58,977	58,977	(48,352)
Warren	81,767	91,943	91,943	10,176
Warwick	1,049,606	964,785	964,785	(84,821)
Westerly	221,373	208,608	208,608	(12,765)
West Greenwich	59,026	59,278	59,278	252
West Warwick	218,649	233,530	233,530	14,881
Woonsocket	354,466	408,725	408,725	54,259
<b>Total</b>	<b>\$ 10,000,000</b>	<b>\$ 10,000,000</b>	<b>\$ 10,000,000</b>	<b>\$ -</b>

## Motor Vehicle Excise Phase-Out

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2016 Gov. Rec.*</i>	<i>FY 2016 Enacted*</i>	<i>Change to FY 2015 Final</i>
Barrington	\$ 236,976	\$ 230,537	\$ 230,537	\$ -
Bristol	116,200	95,718	95,718	-
Burrillville	209,316	201,655	201,655	-
Central Falls	88,261	94,066	94,066	-
Charlestown	40,197	44,361	44,361	-
Coventry	219,567	246,097	246,097	-
Cranston	902,676	1,006,431	1,006,431	-
Cumberland	222,875	247,431	247,431	-
East Greenwich	121,975	81,789	81,789	-
East Providence	576,285	505,623	505,623	-
Exeter	82,278	92,010	92,010	-
Foster	67,222	57,184	57,184	-
Glocester	93,040	103,123	103,123	-
Hopkinton	61,873	69,637	69,637	-
Jamestown	35,711	22,069	22,069	-
Johnston	376,545	422,956	422,956	-
Lincoln	237,608	197,861	197,861	-
Little Compton	24,136	12,978	12,978	-
Middletown	84,730	69,136	69,136	-
Narragansett	96,326	60,561	60,561	-
Newport	133,938	77,876	77,876	-
New Shoreham	7,124	6,564	6,564	-
North Kingstown	226,217	184,758	184,758	-
North Providence	348,919	393,578	393,578	-
North Smithfield	176,956	181,773	181,773	-
Pawtucket	671,382	792,999	792,999	-
Portsmouth	104,673	78,523	78,523	-
Providence	1,712,321	1,868,582	1,868,582	-
Richmond	58,014	66,715	66,715	-
Scituate	124,353	69,579	69,579	-
Smithfield	279,144	253,182	253,182	-
South Kingstown	170,945	138,803	138,803	-
Tiverton	107,329	58,977	58,977	-
Warren	81,767	91,943	91,943	-
Warwick	1,049,606	964,785	964,785	-
Westerly	221,373	208,608	208,608	-
West Greenwich	59,026	59,278	59,278	-
West Warwick	218,649	233,530	233,530	-
Woonsocket	354,466	408,725	408,725	-
<b>Total</b>	<b>\$ 10,000,000</b>	<b>\$ 10,000,000</b>	<b>\$ 10,000,000</b>	<b>\$ -</b>

*\*Reflects May 2014 data; distribution will be revised in fall 2015.*

## Municipal Incentive Aid

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2015 Gov. Rev.*</i>	<i>FY 2015 Final**</i>	<i>Change to Enacted</i>
Barrington	\$ 77,873	\$ 77,873	\$ 77,873	\$ -
Bristol	109,663	109,663	109,663	-
Burrillville	75,644	75,644	75,644	-
Central Falls	91,844	91,844	91,844	-
Charlestown	37,260	37,260	37,260	-
Coventry	166,126		166,126	-
Cranston	381,766	381,766	381,766	-
Cumberland	158,223	158,223	158,223	-
East Greenwich	62,403	62,403	62,403	-
East Providence	224,226	224,226	224,226	-
Exeter	30,874	30,874	30,874	-
Foster	21,699	21,699	21,699	-
Glocester	46,378	46,378	46,378	-
Hopkinton	38,721	38,721	38,721	-
Jamestown	25,703	25,703	25,703	-
Johnston	136,438	-	-	(136,438)
Lincoln	100,146	100,146	100,146	-
Little Compton	16,614	16,614	16,614	-
Middletown	76,967	76,967	76,967	-
Narragansett	75,677	75,677	75,677	-
Newport	116,689	116,689	116,689	-
New Shoreham	4,521	4,521	4,521	-
North Kingstown	125,831	125,831	125,831	-
North Providence	152,463	152,463	152,463	-
North Smithfield	56,226	56,226	56,226	-
Pawtucket	338,638	338,638	338,638	-
Portsmouth	82,157	82,157	82,157	-
Providence	845,052	845,052	845,052	-
Richmond	36,482	36,482	36,482	-
Scituate	48,940	48,940	48,940	-
Smithfield	101,774	101,774	101,774	-
South Kingstown	144,389	144,389	144,389	-
Tiverton	74,510	74,510	74,510	-
Warren	50,918	50,918	50,918	-
Warwick	394,570	394,570	394,570	-
Westerly	108,439	108,439	108,439	-
West Greenwich	28,597	28,597	28,597	-
West Warwick	138,805	138,805	138,805	-
Woonsocket	196,763	196,763	196,763	-
<b>Total</b>	<b>\$ 5,000,000</b>	<b>\$ 4,697,436</b>	<b>\$ 4,863,562</b>	<b>\$ (136,438)</b>

\*Governor's FY 2015 revised recommendation reflects Coventry and Johnston out of compliance for FY 2015.

\*\*Final FY 2015 distribution reflects Coventry in compliance; Johnston's \$0.1 million allocation will be reappropriated to FY 2016.

## Municipal Incentive Aid

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2016 Gov. Rec.</i>	<i>FY 2016 Enacted</i>	<i>Change to FY 2015 Final**</i>
Barrington	\$ 77,873	\$ 77,484	\$ 77,484	\$ (389)
Bristol	109,663	107,118	107,118	(2,545)
Burrillville	75,644	76,139	76,139	496
Central Falls	91,844	92,170	92,170	326
Charlestown	37,260	37,183	37,183	(77)
Coventry	166,126	166,346	166,346	220
Cranston	381,766	382,573	382,573	808
Cumberland	158,223	160,241	160,241	2,019
East Greenwich	62,403	62,395	62,395	(8)
East Providence	224,226	223,919	223,919	(307)
Exeter	30,874	31,773	31,773	899
Foster	21,699	22,003	22,003	304
Glocester	46,378	46,596	46,596	219
Hopkinton	38,721	38,737	38,737	17
Jamestown	25,703	25,782	25,782	79
Johnston	136,438	137,340	137,340	137,340
Lincoln	100,146	100,680	100,680	534
Little Compton	16,614	16,592	16,592	(22)
Middletown	76,967	76,771	76,771	(196)
Narragansett	75,677	75,160	75,160	(517)
Newport	116,689	115,718	115,718	(971)
New Shoreham	4,521	3,975	3,975	(546)
North Kingstown	125,831	125,293	125,293	(538)
North Providence	152,463	152,777	152,777	314
North Smithfield	56,226	57,141	57,141	915
Pawtucket	338,638	338,325	338,325	(313)
Portsmouth	82,157	82,434	82,434	277
Providence	845,052	846,519	846,519	1,467
Richmond	36,482	36,403	36,403	(79)
Scituate	48,940	49,249	49,249	310
Smithfield	101,774	101,997	101,997	224
South Kingstown	144,389	145,475	145,475	1,086
Tiverton	74,510	75,141	75,141	632
Warren	50,918	50,381	50,381	(537)
Warwick	394,570	391,644	391,644	(2,926)
Westerly	108,439	108,016	108,016	(423)
West Greenwich	28,597	29,010	29,010	413
West Warwick	138,805	138,039	138,039	(766)
Woonsocket	196,763	195,461	195,461	(1,302)
<b>Total</b>	<b>\$ 5,000,000</b>	<b>\$ 5,000,000</b>	<b>\$ 5,000,000</b>	<b>\$ 136,438</b>

*\*\*Final FY2015 distribution reflects Coventry in compliance; Johnston's \$0.1 million allocation will be reappropriated to FY 2016.*

## Library Aid

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2015 Gov. Rev.</i>	<i>FY 2015 Final</i>	<i>Change to Enacted</i>
Barrington	\$ 341,488	\$ 341,488	\$ 341,488	\$ -
Bristol	139,595	139,595	139,595	-
Burrillville	141,022	141,022	141,022	-
Central Falls	17,569	17,569	17,569	-
Charlestown	47,766	47,766	47,766	-
Coventry	222,474	222,474	222,474	-
Cranston	539,079	539,079	539,079	-
Cumberland	273,112	273,112	273,112	-
East Greenwich	121,085	121,085	121,085	-
East Providence	363,025	363,025	363,025	-
Exeter	45,664	45,664	45,664	-
Foster	31,550	31,550	31,550	-
Glocester	71,631	71,631	71,631	-
Hopkinton	34,685	34,685	34,685	-
Jamestown	87,697	87,697	87,697	-
Johnston	124,729	124,729	124,729	-
Lincoln	191,018	191,018	191,018	-
Little Compton	30,298	30,298	30,298	-
Middletown	137,973	137,973	137,973	-
Narragansett	122,983	122,983	122,983	-
Newport	381,739	381,739	381,739	-
New Shoreham	78,270	78,270	78,270	-
North Kingstown	273,440	273,440	273,440	-
North Providence	176,242	176,242	176,242	-
North Smithfield	63,304	63,304	63,304	-
Pawtucket	329,493	329,493	329,493	-
Portsmouth	103,554	103,554	103,554	-
Providence*	2,207,807	2,207,807	2,207,807	-
Richmond	26,531	26,531	26,531	-
Scituate	95,113	95,113	95,113	-
Smithfield	269,275	269,275	269,275	-
South Kingstown	199,345	199,345	199,345	-
Tiverton	102,842	102,842	102,842	-
Warren	53,916	53,916	53,916	-
Warwick	691,943	691,943	691,943	-
Westerly	255,839	255,839	255,839	-
West Greenwich	28,154	28,154	28,154	-
West Warwick	155,644	155,644	155,644	-
Woonsocket	196,505	196,505	196,505	-
<b>Total</b>	<b>\$ 8,773,398</b>	<b>\$ 8,773,398</b>	<b>\$ 8,773,398</b>	

\*Includes the Statewide Reference Library Resource Grant.



## Library Aid

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2016 Gov. Rec.</i>	<i>FY 2016 Enacted</i>	<i>Change to FY 2015 Final</i>
Barrington	\$ 341,488	\$ 337,167	\$ 337,167	\$ (4,322)
Bristol	139,595	168,505	168,505	28,910
Burrillville	141,022	144,949	144,949	3,927
Central Falls	17,569	26,046	26,046	8,477
Charlestown	47,766	46,654	46,654	(1,112)
Coventry	222,474	217,150	217,150	(5,324)
Cranston	539,079	553,271	553,271	14,192
Cumberland	273,112	266,665	266,665	(6,447)
East Greenwich	121,085	121,208	121,208	123
East Providence	363,025	354,339	354,339	(8,686)
Exeter	45,664	45,910	45,910	246
Foster	31,550	30,796	30,796	(754)
Glocester	71,631	70,625	70,625	(1,006)
Hopkinton	34,685	31,101	31,101	(3,584)
Jamestown	87,697	87,375	87,375	(322)
Johnston	124,729	116,751	116,751	(7,978)
Lincoln	191,018	195,339	195,339	4,321
Little Compton	30,298	30,355	30,355	57
Middletown	137,973	135,162	135,162	(2,811)
Narragansett	122,983	120,040	120,040	(2,943)
Newport	381,739	380,016	380,016	(1,723)
New Shoreham	78,270	80,325	80,325	2,055
North Kingstown	273,440	266,128	266,128	(7,312)
North Providence	176,242	175,272	175,272	(970)
North Smithfield	63,304	65,478	65,478	2,174
Pawtucket	329,493	336,605	336,605	7,112
Portsmouth	103,554	101,476	101,476	(2,078)
Providence*	2,207,807	2,213,877	2,213,877	6,070
Richmond	26,531	26,246	26,246	(285)
Scituate	95,113	94,694	94,694	(419)
Smithfield	269,275	269,640	269,640	365
South Kingstown	199,345	201,734	201,734	2,389
Tiverton	102,842	100,382	100,382	(2,460)
Warren	53,916	54,101	54,101	185
Warwick	691,943	673,157	673,157	(18,786)
Westerly	255,839	274,847	274,847	19,008
West Greenwich	28,154	29,133	29,133	979
West Warwick	155,644	152,016	152,016	(3,628)
Woonsocket	196,505	178,865	178,865	(17,640)
<b>Total</b>	<b>\$ 8,773,398</b>	<b>\$ 8,773,398</b>	<b>\$ 8,773,398</b>	<b>\$ -</b>

\*Includes the Statewide Reference Library Resource Grant.

## Public Service Corporation Tax

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2015 Gov. Rev.</i>	<i>FY 2015 Final</i>	<i>Change to Enacted</i>
Barrington	\$ 221,639	\$ 221,639	\$ 221,639	\$ -
Bristol	308,928	308,928	308,928	-
Burrillville	216,868	216,868	216,868	-
Central Falls	262,600	262,600	262,600	-
Charlestown	106,035	106,035	106,035	-
Coventry	474,601	474,601	474,601	-
Cranston	1,090,383	1,090,383	1,090,383	-
Cumberland	454,704	454,704	454,704	-
East Greenwich	178,130	178,130	178,130	-
East Providence	639,014	639,014	639,014	-
Exeter	90,136	90,136	90,136	-
Foster	62,363	62,363	62,363	-
Glocester	132,587	132,587	132,587	-
Hopkinton	110,548	110,548	110,548	-
Jamestown	73,464	73,464	73,464	-
Johnston	390,714	390,714	390,714	-
Lincoln	286,509	286,509	286,509	-
Little Compton	47,318	47,318	47,318	-
Middletown	218,914	218,914	218,914	-
Narragansett	214,997	214,997	214,997	-
Newport	330,398	330,398	330,398	-
New Shoreham	11,697	11,697	11,697	-
North Kingstown	358,048	358,048	358,048	-
North Providence	435,538	435,538	435,538	-
North Smithfield	161,729	161,729	161,729	-
Pawtucket	965,684	965,684	965,684	-
Portsmouth	234,854	234,854	234,854	-
Providence	2,415,159	2,415,159	2,415,159	-
Richmond	103,920	103,920	103,920	-
Scituate	140,191	140,191	140,191	-
Smithfield	291,036	291,036	291,036	-
South Kingstown	412,970	412,970	412,970	-
Tiverton	213,316	213,316	213,316	-
Warren	144,380	144,380	144,380	-
Warwick	1,120,907	1,120,907	1,120,907	-
Westerly	308,860	308,860	308,860	-
West Greenwich	82,423	82,423	82,423	-
West Warwick	394,835	394,835	394,835	-
Woonsocket	559,030	559,030	559,030	-
<b>Total</b>	<b>\$ 14,265,427</b>	<b>\$ 14,265,427</b>	<b>\$ 14,265,427</b>	<b>\$ -</b>

## Public Service Corporation Tax

<i>City or Town</i>	<i>FY 2015 Enacted</i>	<i>FY 2016 Gov. Rec.*</i>	<i>FY 2016 Enacted*</i>	<i>Change to FY 2015 Final</i>
Barrington	\$ 221,639	\$ 221,639	\$ 201,686	\$ (19,953)
Bristol	308,928	308,928	278,819	(30,109)
Burrillville	216,868	216,868	198,184	(18,684)
Central Falls	262,600	262,600	239,912	(22,688)
Charlestown	106,035	106,035	96,784	(9,251)
Coventry	474,601	474,601	432,985	(41,616)
Cranston	1,090,383	1,090,383	995,808	(94,575)
Cumberland	454,704	454,704	417,096	(37,608)
East Greenwich	178,130	178,130	162,408	(15,722)
East Providence	639,014	639,014	582,845	(56,169)
Exeter	90,136	90,136	82,701	(7,435)
Foster	62,363	62,363	57,271	(5,092)
Glocester	132,587	132,587	121,286	(11,301)
Hopkinton	110,548	110,548	100,831	(9,717)
Jamestown	73,464	73,464	67,109	(6,355)
Johnston	390,714	390,714	357,486	(33,228)
Lincoln	286,509	286,509	262,063	(24,446)
Little Compton	47,318	47,318	43,188	(4,130)
Middletown	218,914	218,914	199,830	(19,084)
Narragansett	214,997	214,997	195,635	(19,362)
Newport	330,398	330,398	301,205	(29,193)
New Shoreham	11,697	11,697	10,345	(1,352)
North Kingstown	358,048	358,048	326,128	(31,920)
North Providence	435,538	435,538	397,667	(37,871)
North Smithfield	161,729	161,729	148,734	(12,995)
Pawtucket	965,684	965,684	880,635	(85,049)
Portsmouth	234,854	234,854	214,568	(20,286)
Providence	2,415,159	2,415,159	2,203,425	(211,734)
Richmond	103,920	103,920	94,755	(9,165)
Scituate	140,191	140,191	128,192	(11,999)
Smithfield	291,036	291,036	265,491	(25,545)
South Kingstown	412,970	412,970	378,660	(34,310)
Tiverton	213,316	213,316	195,585	(17,731)
Warren	144,380	144,380	131,137	(13,243)
Warwick	1,120,907	1,120,907	1,019,420	(101,487)
Westerly	308,860	308,860	281,158	(27,702)
West Greenwich	82,423	82,423	75,512	(6,911)
West Warwick	394,835	394,835	359,305	(35,530)
Woonsocket	559,030	559,030	508,769	(50,261)
<b>Total</b>	<b>\$ 14,265,427</b>	<b>\$ 14,265,427</b>	<b>\$ 13,014,620</b>	<b>\$ (1,250,807)</b>

\*Governor's recommendation estimated as of May 7, 2014; FY 2016 enacted reflects distribution data updated June 2015.

## Meals and Beverage Tax

<i>City or Town</i>	<i>FY 2011</i>	<i>FY 2012</i>	<i>FY 2013</i>	<i>FY 2014</i>
Barrington	\$ 135,625	\$ 135,686	\$ 137,483	\$ 150,289
Bristol	327,042	340,439	333,801	349,976
Burrillville	174,052	170,110	194,053	188,267
Central Falls	92,902	100,396	95,042	108,588
Charlestown	102,788	106,466	109,250	129,269
Coventry	331,317	359,173	353,161	369,572
Cranston	1,342,820	1,464,102	1,496,186	1,565,772
Cumberland	357,915	377,291	387,440	398,311
East Greenwich	447,265	467,401	505,899	542,163
East Providence	740,237	789,039	815,946	850,141
Exeter	72,117	73,550	77,753	82,729
Foster	15,627	14,081	14,837	15,555
Glocester	57,017	70,135	72,985	72,882
Hopkinton	43,541	47,474	51,648	48,816
Jamestown	79,350	81,039	77,397	82,430
Johnston	455,592	464,125	464,676	477,395
Lincoln	623,233	680,568	680,872	752,037
Little Compton	36,462	32,462	38,168	36,886
Middletown	565,079	609,116	601,666	650,819
Narragansett	460,945	534,213	500,618	523,958
Newport	1,627,651	1,833,841	1,912,423	1,850,957
New Shoreham	225,192	256,173	257,729	287,318
North Kingstown	424,631	463,093	462,381	473,098
North Providence	338,650	333,767	348,156	314,626
North Smithfield	156,161	181,683	195,593	229,300
Pawtucket	643,598	670,833	649,192	707,825
Portsmouth	168,433	172,717	177,469	175,345
Providence	4,047,090	4,443,753	4,555,807	4,744,243
Richmond	110,470	116,580	118,985	121,428
Scituate	53,285	60,262	67,382	63,926
Smithfield	524,556	558,121	582,110	649,927
South Kingstown	561,221	623,204	642,828	705,854
Tiverton	156,098	189,157	188,622	199,203
Warren	208,132	241,958	230,369	249,162
Warwick	2,130,242	2,319,661	2,338,168	2,502,697
Westerly	625,338	704,012	713,100	747,540
West Greenwich	101,165	97,853	103,943	124,809
West Warwick	324,975	311,829	313,596	321,518
Woonsocket	495,850	500,016	488,443	470,248
<b>Total</b>	<b>\$ 19,383,665</b>	<b>\$ 20,995,381</b>	<b>\$ 21,355,178</b>	<b>\$ 22,334,876</b>

## Local Hotel Tax

<i>City or Town</i>	<i>FY 2011</i>	<i>FY 2012</i>	<i>FY 2013</i>	<i>FY 2014</i>
Barrington	\$ -	\$ -	\$ -	\$ -
Bristol	14,742	13,073	14,631	15,804
Burrillville	-	-	-	-
Central Falls	-	-	-	-
Charlestown	9,477	8,766	8,232	8,825
Coventry	33,396	30,491	29,526	34,086
Cranston	3,301	3,967	3,929	3,885
Cumberland	-	-	-	-
East Greenwich	189	158	229	370
East Providence	13,695	15,378	15,256	18,373
Exeter	-	-	-	-
Foster	74	57	38	104
Glocester	825	781	816	1,148
Hopkinton	-	-	-	-
Jamestown	3,818	4,409	4,043	3,870
Johnston	2,885	2,824	3,020	3,165
Lincoln	36,521	38,782	41,808	43,671
Little Compton	5,589	3,777	4,474	1,835
Middletown	232,431	263,989	259,616	289,889
Narragansett	37,474	34,552	34,265	34,462
Newport	696,785	744,778	790,380	815,986
New Shoreham	99,549	99,845	112,692	126,106
North Kingstown	9,739	28,071	31,236	32,951
North Providence	-	-	-	-
North Smithfield	956	1,108	1,379	1,284
Pawtucket	19,148	18,645	20,463	22,076
Portsmouth	2,967	3,627	3,943	4,913
Providence	707,255	753,159	782,201	825,596
Richmond	1,517	1,499	1,596	1,462
Scituate	1,622	1,717	1,458	2,059
Smithfield	52,094	56,265	56,971	62,429
South Kingstown	50,496	53,940	56,764	58,652
Tiverton	-	-	-	-
Warren	-	-	-	-
Warwick	353,993	386,408	416,065	432,937
Westerly	116,835	143,201	163,639	188,057
West Greenwich	35,515	36,480	39,230	40,274
West Warwick	42,026	38,451	36,974	41,880
Woonsocket	17,533	23,292	27,010	21,953
<b>Total</b>	<b>\$ 2,602,449</b>	<b>\$ 2,811,493</b>	<b>\$ 2,961,884</b>	<b>\$ 3,138,100</b>

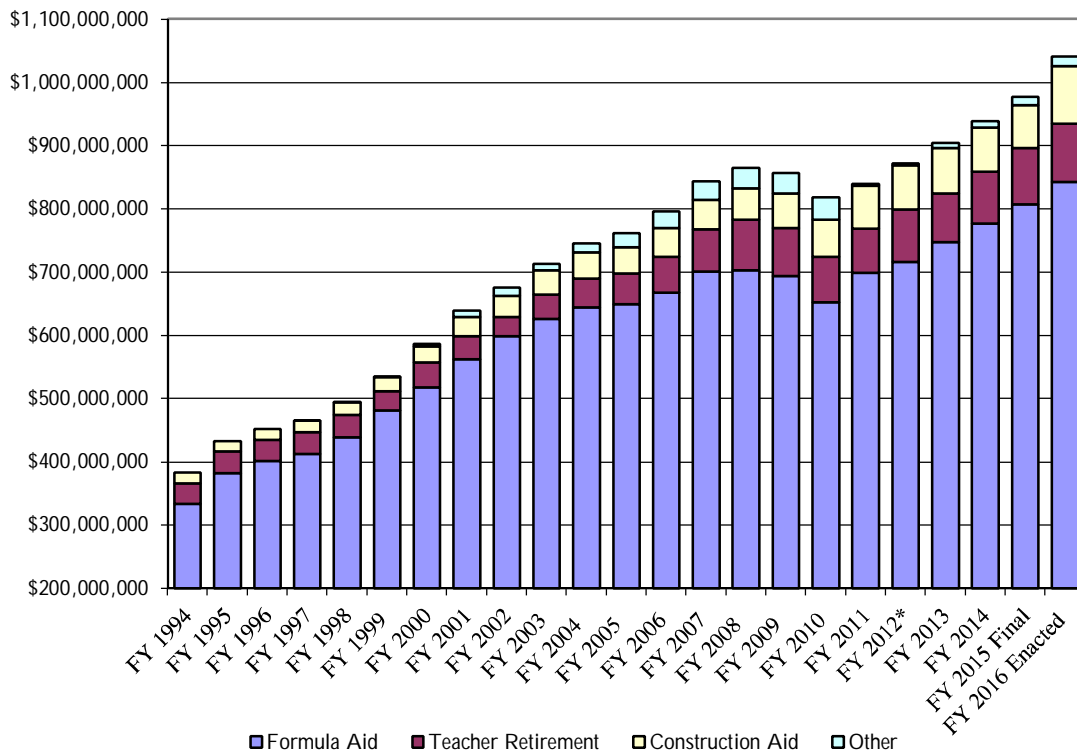


# Education Aid

## Summary

The Assembly enacted \$1,040.4 million for FY 2016 total aid for local school districts. This is \$62.7 million more than enacted for FY 2015. Funding for FY 2016 includes \$841.9 million in direct distributions to local school districts, \$14.3 million in categorical funding, \$0.5 million in other aid for distribution by the Department, \$92.8 million for the state's contribution to teacher retirement, and \$90.9 million for school construction costs.

### State Education Aid



\* Davies begins appearing with education aid

The 2010 Assembly adopted a funding formula to be effective with the FY 2012 budget. This formula distributes aid to all districts, charter schools and the state schools: Davies Career and Technical School and the Metropolitan Career and Technical School. It is based on the principle that the money follows the student and includes a core instruction amount per pupil that every student will receive, a single poverty weight as a proxy for student supports, and a new state share ratio that considers the district's ability to generate revenues and its poverty concentration. There is no minimum share in the formula.

The funding plan also allows for additional support from the state to districts for high-cost special education students, career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. Group home aid is paid on a per-bed basis, in addition to aid paid through the funding formula.

There is redistribution of aid among communities with some getting less aid than prior years. In an effort to mitigate any losses to communities, the formula is being phased in over a ten-year period. The budget for FY 2016 represents the fifth year of the phase in.

## Education Aid by Component

The Assembly enacted \$1,040.4 million for FY 2016 total aid for local school districts. This is \$62.7 million more than enacted for FY 2015. Funding for FY 2016 includes \$841.9 million in direct distributions to local school districts, \$14.3 million in categorical funding, \$0.5 million in other aid for distribution by the Department, \$92.8 million for the state's contribution to teacher retirement, and \$90.9 million for school construction costs.

The following table compares the FY 2016 enacted funding for the major components of education aid to the FY 2015 enacted budget and the Governor's FY 2016 recommendation. It is followed by an explanation of each of the items in the table.

Education Aid	FY 2015 Enacted	FY 2015 Final	FY 2016 Governor	FY 2016 Enacted	Change to Enacted	Change to Governor
<b>Operating Aid</b>						
Local Districts	\$ 679,524,926	\$ 679,524,926	\$ 705,751,636	\$ 707,344,184	\$ 27,819,258	\$ 1,592,548
Central Falls	39,010,583	39,010,583	39,369,337	39,520,102	509,519	150,765
Met School*	10,501,360	10,501,360	9,987,505	9,864,425	(636,935)	(123,080)
Davies Career & Technical*	12,240,174	12,240,174	11,656,803	11,640,152	(600,022)	(16,651)
Charter Schools	59,166,676	59,055,780	70,165,418	67,513,058	8,346,382	(2,652,360)
UCAP	574,513	574,513	849,196	856,203	281,690	7,007
Group Homes Funding	6,093,233	6,168,233	5,115,172	5,115,172	(978,061)	-
<b>Subtotal</b>	<b>\$ 807,111,465</b>	<b>\$ 807,075,569</b>	<b>\$ 842,895,067</b>	<b>\$ 841,853,296</b>	<b>\$ 34,741,831</b>	<b>\$ (1,041,771)</b>
<b>Categorical Funding</b>						
High Cost Special Education	\$ 1,500,000	\$ 1,500,000	\$ 2,500,000	\$ 2,500,000	\$ 1,000,000	\$ -
Career and Technical	3,500,000	3,500,000	3,500,000	3,500,000	-	-
Early Childhood	2,950,000	2,950,000	3,950,000	3,950,000	1,000,000	-
Transportation	4,351,360	4,351,360	2,351,360	4,351,360	-	2,000,000
<b>Subtotal</b>	<b>\$ 12,301,360</b>	<b>\$ 12,301,360</b>	<b>\$ 12,301,360</b>	<b>\$ 14,301,360</b>	<b>\$ 2,000,000</b>	<b>\$ 2,000,000</b>
<b>Set-Aside Funds</b>						
Full-Day Kindergarten Pilot	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)	\$ (250,000)
Textbook Loans	240,000	115,745	-	240,000	-	240,000
School Breakfast	270,000	270,000	270,000	270,000	-	-
<b>Subtotal</b>	<b>\$ 760,000</b>	<b>\$ 635,745</b>	<b>\$ 520,000</b>	<b>\$ 510,000</b>	<b>\$ (250,000)</b>	<b>\$ (10,000)</b>
<b>Total</b>	<b>\$ 820,172,825</b>	<b>\$ 820,012,674</b>	<b>\$ 855,716,427</b>	<b>\$ 856,664,656</b>	<b>\$ 36,491,831</b>	<b>\$ 948,229</b>
<b>Other Aid</b>						
Teacher Retirement	\$ 89,529,396	\$ 88,620,682	\$ 92,805,836	\$ 92,805,836	\$ 3,276,440	\$ -
Construction Aid	67,949,504	68,100,072	70,907,110	70,907,110	2,957,606	-
School Building Authority	-	-	20,000,000	20,000,000	20,000,000	-
<b>Statewide Total</b>	<b>\$ 977,651,725</b>	<b>\$ 976,733,428</b>	<b>\$ 1,039,429,373</b>	<b>\$ 1,040,377,602</b>	<b>\$ 62,725,877</b>	<b>\$ 948,229</b>

*\*Only reflects operating support consistent with other school districts. Capital projects funded from Rhode Island Capital Plan funds appear in the Department of Elementary and Secondary Education's operating budget.*

The funding formula calculation for FY 2016 uses March 14, 2015 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. Districts are billed quarterly for students attending charter and state schools. The Governor's recommendation was based on June 30, 2014 student enrollment.



## Operating Aid

**Local Districts.** The Budget includes \$707.3 million for formula aid to locally operated school districts, which is \$27.8 million more than enacted. This reflects the fifth year of the funding formula. Included in this total is \$1.2 million in FY 2016 to fund full-day kindergarten programs in the five communities that do not currently have it. Seven districts currently do not offer universal full-day kindergarten, but two districts committed to implementing it prior to the release of the March 2015 enrollment updates, thus funding for those districts was included with the updated data. The \$1.2 million represents funding for the remaining districts that had not yet made the decision by the time the enrollment update was finalized.

**Central Falls Operations.** The Budget includes \$39.5 million for formula aid for the Central Falls School District. This is \$0.5 million or 1.3 percent more than FY 2015 enacted aid. Beginning with FY 2012, Central Falls is funded pursuant to the funding formula.

The formula produces a \$1.4 million reduction, reflecting year five of the funding formula. This reduction reflects a declining Central Falls enrollment primarily due to the growth in the number of students attending charter schools. The formula also includes a stabilization fund for the Central Falls school district until the city can begin paying its local share. This is the second year of stabilization funding and the budget includes \$3.7 million.

**Metropolitan Career and Technical School.** The Budget includes \$9.9 million for formula aid for the Metropolitan Career and Technical School. This is \$0.6 million or 6.0 percent less than the FY 2015 enacted level. Prior to FY 2012, the Met School was fully state supported.

The Met School is funded like other districts with the state share being that of the sending district for each student plus the local contribution being the local per pupil cost of each sending district, which it must pay to the School. The estimated local contribution is \$4.8 million once the formula is fully phased in. Table 6 at the end of this report includes estimated enrollment for FY 2016.

**Davies Career and Technical School.** The Budget includes \$11.6 million from general revenues for formula aid to support the Davies Career and Technical School. This is \$0.6 million or 4.9 percent less than the FY 2015 enacted level and includes \$0.1 million to represent the state's share of teacher retirement costs. The funding formula legislation requires that state schools participating in the state retirement system have their state aid adjusted to reflect reimbursement for the employer contributions for those staff employed by the state. Davies was fully state supported until FY 2012, but is now funded like other districts with the state share being that of the sending district for each student plus the local contribution being the local per pupil cost of each sending district, which must pay it to the School.

The local share for FY 2016 is estimated at \$4.0 million and is shown in the school's budget as restricted receipt expenditures. Davies' operating budget will continue to be submitted as part of the Department's budget and Davies' employees are still state employees. Table 6 at the end of this report includes estimated enrollment by sending district for FY 2016.

**Charter Schools.** The Budget includes \$67.5 million for formula aid to charter schools. This is \$8.3 million or 14.1 percent more than the FY 2015 enacted level. This increase includes funding for the opening of one new school for the 2015-2016 school year and expansions of existing charter schools. Since FY 2012, charter schools are funded pursuant to the education funding formula, like other districts. The state share is that of the sending district for each student and the local contribution is the local per pupil cost of each sending district which must pay it to the school.

Charter schools are public schools authorized by the state to operate independently from many state and local district rules and regulations. The 2010 Assembly increased the statewide total to no more than 35 charters; it had previously been no more than 20 charters serving no more than 4.0 percent of the state's

school age population. At least half of the 35 total charters are reserved for charter school applications designed to increase the educational opportunities for at-risk pupils. Mayoral academies are charter schools and included in the total. There are currently 21 charter schools in Rhode Island. The Governor's budget assumed two new schools would open during the 2015-2016 school year for a total of 23 schools; however, only one received final approval and the Assembly removed funding related to the other school. Table 6 at the end of this report includes estimated enrollment for FY 2016.

During the 2015 session, both the House and the Senate passed legislation regarding charter schools, though none of the legislation passed both bodies to become law. The House passed 2015-H 5555 as amended, which would require the Council on Elementary and Secondary Education to make an affirmative finding that a proposed new mayoral academy or charter school or expansion of such school would not have a detrimental impact on the finances and/or academic performance of the sending districts, prior to granting approval. It also passed 2015-H 5160, Substitute A, as amended, which would require the approval from the city or town council of each sending district as part of the approval requirements for a new mayoral academy or charter school or the expansion of such school. Schools previously approved to open or expand would be allowed to continue according to the conditions of the approval. The first bill was heard by the Senate Education Committee, but not forwarded to the full Senate, while no Senate action was taken at all on the second bill.

The Senate passed 2015-S 0087, Substitute A, which would do the same as 2015-H 5160, but also prohibit the acceptance of any application for a new mayoral academy or charter school until the General Assembly makes revisions to the school funding formula to address structural disparities. This bill passed the Senate floor, but no action was taken by the House. House bill 5160 was amended from this version to its final version after discussions on the House floor indicated the second component would not pass.

**Urban Collaborative Accelerated Program.** The Budget includes \$0.9 million for the third year of funding for the Urban Collaborative Accelerated Program (UCAP) for FY 2016. The 2012 Assembly adopted legislation requiring that the Urban Collaborative Accelerated Program be funded pursuant to the education funding formula beginning in FY 2014. The program operates as an independent public school dedicated to reducing the dropout rates in Providence, Central Falls and Cranston. Table 6 at the end of this report includes estimated enrollment by sending district for FY 2016.

**Group Homes.** The Budget includes \$5.1 million for group home aid, based on 431 beds and uses a method proposed by the Department and adopted by the 2014 Assembly that changed the way group home beds affect total funding allowed under Rhode Island General Law, Section 16-7-22(1)(ii), which requires that the number of group home beds be deducted from enrollment data for the purpose of determining average daily membership. Instead of showing the impact of group home beds on funding formula aid, the budget includes the impact in group home aid. The decrease in funding is being phased-in over the remaining years of the transition period.

The 2007 Assembly enacted legislation to ensure that the payment of communities' group home aid more closely reflects the actual number of group home beds open at the time of the budget. The legislation mandates that increases in beds prior to December 31 of each year shall be paid as part of the supplemental budget for that year and included in the budget year recommendation. Decreases in beds are not reflected until the budget year so any decreases in group home beds during FY 2015 would not be reflected until FY 2016. This is unlike increases which are funded as part of the supplemental budget. The 2008 Assembly increased the per bed amount from \$15,000 to \$22,000 for the group home beds associated with Bradley Hospital's residential CRAFT program.

Prior to FY 2002, an official community of residence, which is generally based on the parents' residence, was determined for each child living in a group home. The district of official residence was responsible to pay the district in which the child is placed for the cost of the child's education. This system produced

disputes among communities concerning financial responsibility, which often resulted in legal fees for all parties involved, and districts hosting group homes were largely unsuccessful in seeking reimbursements.

The 2001 Assembly enacted legislation to provide a per bed allotment to districts in which group homes are located. The legislation relieved the sending district of financial responsibility for students placed in out-of-district group homes. In FY 2016, the 18 communities hosting group homes will receive \$15,000 per bed or \$22,000 for the CRAFT beds, adjusted for the remaining years of the transition period. This is the per pupil rate that was provided in the FY 2002 budget in an attempt to reflect the mix of regular and special education students residing in these homes; it has never increased.

### **Categorical Funding**

The education funding formula allows for additional resources from the state to districts for high-cost special education students, career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. For each categorical fund, the Department of Elementary and Secondary Education will prorate the funds available for distribution among those eligible school districts if the total approved costs for which districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year. There was an expectation that funding for these expenditures would grow annually as the funding formula was phased-in.

**High Cost Special Education.** The funding formula allows for additional funding from the state for high cost special education students when those costs exceed five times the district's combined per pupil core instruction amount and student success factor amount. The Budget includes \$2.5 million for FY 2016, which is \$1.0 million more than enacted and consistent with the Governor's recommendation.

**Career and Technical Programs.** The 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 career pathways in critical and emerging industries and to help offset the higher than average costs associated with facilities, equipment, maintenance, repair and supplies necessary for maintaining the quality of highly specialized programs. The Department developed criteria for the purpose of allocating funds and prorates the funds available for distribution among those eligible school districts, if the total approved costs for which districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year. The Budget includes \$3.5 million for FY 2016, consistent with the enacted budget and the Governor's recommendation. These funds are not shown in the distribution tables at the end of this report. There was an expectation that funding for these expenditures would grow annually.

**Early Childhood Education.** The funding formula allows for additional resources from the state to increase access to voluntary, free, high quality pre-kindergarten programs. The Budget includes \$4.0 million for FY 2016, which is \$1.0 million more than enacted and consistent with the Governor's recommendation. These funds are currently distributed through a request for proposal process and go directly to childcare programs; they are not shown in the distribution tables at the end of this report.

**Transportation.** The funding formula allows for additional resources from the state to districts for transportation costs. The Budget includes \$4.4 million for FY 2016 for the fifth year of funding, which is consistent with the FY 2015 enacted budget and \$2.0 million above the Governor's recommendation. The Assembly did not concur with 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.

## Set-Aside Funds

**Full-Day Kindergarten Pilot Program.** The Budget does not include \$250,000 from general revenues, which was in the enacted budget and Governor's recommendation, for a full-day kindergarten incentive grant program. This program is no longer required since the remaining districts are pursuing the transition to full-day kindergarten and are funded with the kindergarten transition funds included with the formula aid.

This grant provided one-time, startup funding for school districts that transfer from offering a part-time kindergarten to a full-day kindergarten. Funding was historically provided through the full-day kindergarten investment fund that was established by the 2000 Assembly and funded until FY 2012, at \$4.2 million, with the implementation of the education funding formula. Funding was appropriated based on the number of students enrolled in full-day kindergarten programs and the tax equity index of each district. The new program passed by the 2013 Assembly was intended to support start-up costs associated with moving from a part-time to a full-time kindergarten. Legislation and funding included in the FY 2016 Budget makes this program obsolete.

**Mandatory Full-Day Kindergarten.** The Budget includes legislation in Article 6 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 seven districts that did not offer full-day kindergarten during the 2014-2015 school year are: Coventry, Cranston, East Greenwich, Johnston, North Kingstown, Tiverton, and Warwick.

**Textbook Loans.** The Budget includes the enacted level of \$240,000 for the textbook loan program. The state reimburses districts for the cost of providing textbooks to non-public school students in the areas of English/language arts and history/social studies in kindergarten through 12<sup>th</sup> grade. The Governor had proposed legislation eliminating the requirement that municipalities provide textbooks for non-public school students and eliminated funding for the reimbursements allowed under the program for FY 2016; The Assembly did not concur and restored the enacted level of funding.

**School Breakfast.** The Budget includes \$270,000 for FY 2016 for the administrative cost reimbursement to districts for the school breakfast program, which is consistent with the enacted level and the Governor's recommendation. State law mandates that all public schools provide a breakfast program and costs, other than transportation, associated with this program in excess of federal money for the meals, shall be borne exclusively by the state.

Current law requires the Assembly to "*annually appropriate some sum and distribute it based on each district's proportion of the number of breakfasts served in the prior school year relative to the statewide total in the same year.*" As in the lunch program, children are eligible for free meals if their families have incomes at or below 130 percent of poverty. Children from families with income between 130 percent and 185 percent of poverty are eligible for reduced-price meals. Children from families with income over 185 percent of poverty pay a regular price for their meals.

## Other Aid

**Teacher Retirement.** The Budget includes \$92.8 million to fund the state's 40.0 percent share of the employer contribution for teacher retirement, an increase of \$3.3 million or 3.7 percent more than the FY 2015 enacted budget and consistent with the Governor's recommendation. Prior to changes enacted in a special legislative session during the fall of 2011, teachers had contributed 9.5 percent of their salaries; as of July 1, 2012, teachers contribute 8.75 percent. That rate is set in the General Laws.

Employers contribute the difference between the teachers' share and the amount needed to support the system, as determined annually by the State Employees' Retirement System. The state pays 40.0 percent

of the employer's share. For districts that choose not to participate in social security, there is an additional 4.0 percent contribution; 2.0 percent paid by both the employee and the district. The state does not pay a share of this 2.0 percent.

The FY 2016 Budget includes legislation to codify the pension settlement agreement. There are several changes to the cost-of-living adjustment, accrual rates, and retirement age; it also allows municipalities to re-amortize the unfunded liability four additional years. The changes include providing a cost-of-living increase every four years instead of every five as well as two, one-time \$500 payments to all current retirees. It changes the formula for calculating the cost-of-living increase to use both investment returns and the consumer price index with a maximum of 3.5 percent; currently it is only based on investment returns with a 4.0 percent maximum. It also increases the base used for cost-of-living calculations from \$25,000 to \$30,000 for current retirees.

It returns state employees, teachers and Municipal Employees Retirement System (MERS) general employees with at least 20 years of service as of June 30, 2012 to a defined benefit plan with a 2.0 percent annual accrual and higher employee contribution rate. It also allows local municipalities to re-amortize the unfunded liability four additional years to 25 years for MERS plans and the local employer portion of teacher contributions.

There is no impact to the FY 2016 budget; assuming all municipalities re-amortize, the local impact is a savings of \$3.3 million in FY 2017, while the state impact would be a cost of \$7.2 million.

**School Housing (Construction) Aid.** The Budget includes \$70.9 million for construction aid to local districts. This is \$3.0 million more than the FY 2015 enacted budget, \$2.8 million more than the FY 2015 revised cost, and consistent with the Governor's recommendation. The state reimburses cities and towns for a share of school capital projects. The shares are based on a district's wealth compared to the aggregate state wealth, and the minimum share for each district is 35.0 percent for FY 2016. The funding formula legislation had included a two-year phased increase in the state's minimum housing aid share to provide that no local district receives less than a 40.0 percent state reimbursement by FY 2012 for projects completed after June 30, 2012. The previous minimum had been 30.0 percent.

The Governor proposed legislation as part of his FY 2013 budget to roll back the state's minimum housing aid participation to 35.0 percent. The 2012 Assembly adopted the proposal and added language to ensure that projects that received approval from the Board of Regents prior to June 30, 2012 and were expecting the 40.0 percent minimum would be allowed to receive it.

The 2011 Assembly instituted a three-year moratorium on the approval of new projects with exception for projects necessitated by health and safety reasons, effective July 1, 2011 through July 1, 2014. The 2014 Assembly extended the moratorium to May 1, 2015. During the moratorium, the Council approved \$162.0 million of health and safety projects.

To encourage municipalities to refinance their bonds, the 2013 General Assembly enacted legislation that entitles them to 80.0 percent of the total savings from bond refinancing, rather than the typical local share, for bond refinancing occurring between July 1, 2013 and December 31, 2015. The Governor provided language in Article 9 to end this provision on June 30, 2015, six months earlier; the Assembly did not concur.

**School Building Authority Fund.** The Budget includes \$20.0 million from general revenues available from debt restructuring for the establishment of a new School Building Authority Fund and includes legislation to create a School Building Authority office within the Department of Elementary and Secondary Education to oversee the Fund. The new school housing aid program will complement the existing one and will be for smaller projects that do not require the full rehabilitation of a school. The

program would be administered by the Rhode Island Health and Educational Building Corporation and funding would be used for financial assistance and loans for school construction projects.

The Authority will determine the necessity of school construction and develop a priority system, among numerous other related duties. The legislation establishes a seven member advisory board to advise the Authority, and requires the Council on Elementary and Secondary Education to approve all projects prior to the award of financial assistance through the Fund. Districts will be required to submit and execute asset protection plans for all buildings under its control, not just buildings for which aid is being sought.

The funding level is consistent with the Governor's recommendation. The Assembly made several changes to the Governor's original proposal and she subsequently requested amendment after further discussing the intent and vision for the program with the Governor's Office. Those included more detailed language on priorities, reimbursements to municipalities, and duties and responsibilities of all the parties involved. The intent is to provide another vehicle to get additional funding to communities more quickly than when bonds are issued and the municipality is reimbursed after the project is completed.

This program differs from the regular school construction aid program in that disbursements from this fund do not require General Assembly approval and loans of up to \$500,000 do not require local voter approval, if that is allowed at the local level. Funds will be dispersed on a pay-as-you-go basis for approved projects and the program retains cost sharing at current levels, though it includes a provision for incentive points, similar to the existing program. It ends the rolling application process for all housing aid projects and allows for a prioritization of funding.

The Budget includes authorization for 1.0 new position to administer the program, though no funding is provided. It also makes no changes to the composition of the Rhode Island Health and Educational Building Corporation Board, though the Governor's recommendation and amendments included composition and compensation changes, and the legislation includes reporting requirements by both the Corporation and the Authority.

## **Calculation and Distribution Tables**

The ten tables on the following pages include the calculation and distribution of the FY 2016 enacted education aid to districts, charter and state schools. Tables 1A and 1B show the total enacted level of funding and Tables 2 through 8 illustrate different components of the funding formula. Table 9 has education aid to districts for FY 2009 through FY 2014 for comparison purposes.

Table 1A: Total Education Aid for Districts for FY 2016

Table 1B: Total Education Aid for Charter and State Schools for FY 2016

Table 2: Calculation of Funding Formula for FY 2016

Table 3: Group Home Aid

Table 4: Calculation of State Share Ratio

Table 5: Transition Plan for Districts

Table 6: FY 2016 Estimated Charter & State School Enrollment by Sending District

Table 7: Transitioned Formula Funding to Charter and State Schools by Sending District

Table 8: Categorical Aid for FY 2016

Table 9: Education Aid for FY 2009 - FY 2014

### **Table 1A: Total Enacted Education Aid for Districts for FY 2016**

**A.** Column **A** is the amount that districts will receive in the fifth year of the new formula's implementation pursuant to the ten-year phase in of the formula. 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. This calculation is shown in Table 2. Column **A** also includes \$1.2 million for the districts that have yet to implement universal full-day kindergarten.

**B.** Column **B** is the amount of group home aid districts will receive in FY 2016. Changes from FY 2015 are shown in Table 3. Group home aid is paid pursuant to current law in addition to aid paid through the funding formula.

**C.** The formula allows for additional resources from the state for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. Column **C** shows the distribution from high-cost special education and transportation funds.

**D.** Column **D** shows the FY 2016 total enacted education aid.

**E.** Column **E** is the FY 2015 enacted aid.

**F.** Column **F** is the difference between the FY 2016 total enacted education aid shown in Column **D** and the FY 2015 enacted budget in Column **E**.

**G.** Column **G** is the Governor's FY 2016 recommended budget. It was based on June 30, 2014 student enrollment data.

**H.** Column **H** is the difference between the FY 2016 total enacted education aid shown in Column **D** and the Governor's FY 2016 recommendation shown in Column **G**.



**Table 1A: Total Education Aid for Districts for FY 2016**

	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>
<i>District</i>	<i>FY 2016 Formula Aid*</i>	<i>Group Home Aid</i>	<i>Categoricals</i>	<i>Total FY 2016 Enacted*</i>
Barrington	\$ 5,040,087	\$ -	\$ 117,009	\$ 5,157,096
Burrillville	12,982,749	283,374	35,091	13,301,214
Charlestown	1,706,421	-	-	1,706,421
Coventry	21,765,325	95,489	58,389	21,919,203
Cranston	50,354,984	46,354	728,183	51,129,521
Cumberland	16,552,780	-	137,164	16,689,944
East Greenwich	2,770,431	-	141,136	2,911,567
East Providence	30,348,208	510,748	235,859	31,094,815
Foster	1,181,172	-	25,683	1,206,855
Glocester	2,515,667	-	30,939	2,546,606
Hopkinton	5,470,735	-	-	5,470,735
Jamestown	438,478	-	17,774	456,252
Johnston	13,920,605	-	320,785	14,241,390
Lincoln	10,225,160	113,099	95,990	10,434,249
Little Compton	398,464	-	-	398,464
Middletown	8,369,412	302,018	51,852	8,723,282
Narragansett	2,134,161	-	20,647	2,154,808
Newport	10,402,340	184,024	10,855	10,597,219
New Shoreham	85,500	-	18,248	103,748
North Kingstown	10,662,516	-	31,418	10,693,934
North Providence	17,944,337	182,432	223,956	18,350,725
North Smithfield	5,683,082	101,850	39,636	5,824,568
Pawtucket	78,238,483	491,410	147,438	78,877,331
Portsmouth	4,212,562	536,183	49,026	4,797,771
Providence	221,212,806	1,083,736	764,352	223,060,894
Richmond	5,063,630	-	-	5,063,630
Scituate	3,909,685	-	65,159	3,974,844
Smithfield	5,089,386	219,020	39,790	5,348,196
South Kingstown	7,289,894	300,911	166,355	7,757,160
Tiverton	6,027,039	-	41,493	6,068,532
Warwick	36,354,185	247,344	163,365	36,764,894
Westerly	8,272,261	-	146,557	8,418,818
West Warwick	21,833,719	-	47,523	21,881,242
Woonsocket	53,126,130	54,653	52,917	53,233,700
Bristol-Warren	15,310,869	109,676	786,772	16,207,317
Chariho	191,602	-	1,131,086	1,322,688
Exeter-West Greenwich	5,387,085	252,851	590,140	6,230,076
Foster-Glocester	4,872,233	-	241,622	5,113,855
Central Falls	39,520,102	-	77,151	39,597,253
<b>Total</b>	<b>\$ 746,864,286</b>	<b>\$ 5,115,172</b>	<b>\$ 6,851,360</b>	<b>\$ 758,830,818</b>
<i>Adjusted Chariho</i>	12,432,387	-	1,131,086	13,563,474

\*Based on current law. Final aid is subject to change, based upon any updates resulting from a recent Superior Court decision affecting regionalized school districts.

**Table 1A: Total Education Aid for Districts for FY 2016**

<i>District</i>	<i>E</i>	<i>F</i>	<i>G</i>	<i>H</i>
	<i>FY 2015 Enacted</i>	<i>Total FY 2016 Change to Enacted</i>	<i>FY 2016 Governor</i>	<i>FY 2016 Total Change to Governor</i>
Barrington	\$ 4,701,418	\$ 455,678	\$ 5,201,902	\$ (44,806)
Burrillville	13,173,610	127,603	13,344,587	(43,373)
Charlestown	1,708,666	(2,245)	1,721,411	(14,990)
Coventry	21,039,824	879,379	21,824,571	94,632
Cranston	47,040,378	4,089,142	50,225,086	904,434
Cumberland	15,756,436	933,507	16,548,009	141,935
East Greenwich	2,469,555	442,012	2,862,681	48,886
East Providence	29,373,000	1,721,815	31,148,199	(53,384)
Foster	1,193,192	13,663	1,196,566	10,289
Glocester	2,640,483	(93,877)	2,541,121	5,485
Hopkinton	5,576,348	(105,613)	5,520,458	(49,723)
Jamestown	406,834	49,417	458,374	(2,122)
Johnston	13,192,809	1,048,580	13,771,349	470,041
Lincoln	9,855,862	578,387	10,486,716	(52,467)
Little Compton	401,928	(3,464)	401,954	(3,490)
Middletown	8,905,309	(182,026)	8,712,708	10,574
Narragansett	1,993,920	160,888	2,190,317	(35,510)
Newport	10,623,202	(25,983)	10,521,650	75,569
New Shoreham	91,103	12,645	103,010	739
North Kingstown	10,725,467	(31,533)	10,654,823	39,111
North Providence	16,607,860	1,742,865	18,161,926	188,799
North Smithfield	5,587,845	236,723	5,759,368	65,200
Pawtucket	74,842,935	4,034,396	77,428,354	1,448,977
Portsmouth	4,882,427	(84,656)	4,815,937	(18,166)
Providence	215,122,639	7,938,255	221,826,401	1,234,493
Richmond	5,205,437	(141,807)	5,082,617	(18,987)
Scituate	3,960,437	14,407	3,955,392	19,452
Smithfield	5,115,212	232,984	5,401,302	(53,106)
South Kingstown	7,977,157	(219,997)	7,633,379	123,782
Tiverton	5,828,165	240,367	6,022,278	46,254
Warwick	36,064,777	700,117	36,598,936	165,958
Westerly	7,704,193	714,625	8,426,238	(7,420)
West Warwick	21,027,603	853,639	21,820,351	60,891
Woonsocket	50,690,278	2,543,422	53,113,115	120,586
Bristol-Warren	16,749,945	(542,628)	16,229,214	(21,897)
Chariho	1,316,445	6,243	1,147,858	174,830
Exeter-West Greenwich	6,637,627	(407,551)	6,275,034	(44,958)
Foster-Glocester	5,204,461	(90,607)	5,157,147	(43,292)
Central Falls	39,085,004	512,249	39,379,823	217,430
<b>Total</b>	<b>\$ 730,479,794</b>	<b>\$ 28,351,024</b>	<b>\$ 753,670,162</b>	<b>\$ 5,160,655</b>
<i>Adjusted Chariho</i>	13,806,896	(243,422)	13,472,344	91,129

### **Table 1B: Total Education Aid for Charter and State Schools for FY 2016**

- A.** Column **A** is the FY 2015 enacted formula aid.
- B.** Column **B** includes mid-year revisions to FY 2015 based on current law requirements that any changes in enrollment as of October 1 that are greater than 10.0 percent get adjusted in that year.
- C.** Column **C** is the base formula aid calculation for FY 2016. It uses March 14, 2015 enrollment and lottery data.
- D.** Column **D** is the difference between FY 2016 base funding and FY 2015 enacted formula aid.
- E.** Column **E** shows the transition calculation. Charter and state schools that will receive more state funding will have the additional funding phased in over seven years and those that are going to receive less state funding will have that loss phased in over ten years.
- F.** Column **F** is the FY 2016 enacted formula aid. It is the transition calculation in Column **E** added or subtracted from the FY 2015 revised formula aid shown in Column **B**. Growth due to adding grades is paid in the year of the growth.
- G.** Column **G** is the difference between the fifth year of funding under the formula and total state formula aid shown in Column **C**.
- H.** Column **H** shows the Governor's FY 2016 recommended formula aid.
- I.** Column **I** is the difference between the FY 2016 enacted formula aid shown in Column **F** and the Governor's recommendation shown in Column **H**.

**Table 1B: Total Education Aid for Charter and State Schools for FY 2016**

<i>School</i>	<i>A FY 2015 Enacted Formula Aid</i>	<i>B FY 2015 Revised Formula Aid</i>	<i>C FY 2016 Base Formula Funding</i>	<i>D Change to Enacted</i>
Academy for Career Exploration (Textron)	\$ 2,318,176	\$ 2,318,176	\$ 2,256,530	\$ (61,646)
Achievement First	2,705,111	2,705,111	5,163,546	2,458,435
Beacon	1,679,403	1,679,403	1,944,354	264,951
Blackstone	1,652,884	1,652,884	2,642,238	989,354
Compass	534,940	534,940	385,043	(149,897)
Engineering Early College†	-	-	-	-
Greene School	942,594	942,594	1,074,633	132,039
Highlander	3,754,605	3,754,605	4,426,538	671,933
Hope Academy	369,149	369,149	665,193	296,044
International	2,867,484	2,867,484	3,004,632	137,148
Kingston Hill	625,616	625,616	499,030	(126,586)
Learning Community	6,137,788	6,137,788	6,047,335	(90,453)
New England Laborers	1,194,388	1,194,388	882,417	(311,971)
Nowell	1,596,758	1,596,758	1,597,962	1,204
Nurses Institute	2,508,982	2,398,086	2,195,154	(313,828)
Paul Cuffee	7,962,689	7,962,689	7,890,799	(71,890)
RI Mayoral Academies Blackstone Prep.	9,068,092	9,068,092	11,030,068	1,961,976
RISE Mayoral Academy	-	-	523,340	523,340
Segue Institute	2,649,456	2,649,456	2,713,776	64,320
Southside Elementary	255,742	255,742	508,072	252,330
Times2 Academy	6,986,801	6,986,801	7,183,575	196,774
Trinity	1,755,462	1,755,462	2,189,101	433,639
Village Green	1,600,556	1,600,556	1,883,074	282,518
<b>Charter Schools Subtotal</b>	<b>59,166,676</b>	<b>59,055,780</b>	<b>66,706,410</b>	<b>7,539,733</b>
Davies Career and Tech	12,240,174	12,223,378	7,848,437	(4,391,737)
Met School	10,501,360	10,501,360	6,679,749	(3,821,611)
Urban Collaborative	574,513	574,513	1,439,781	865,268
<b>Total</b>	<b>\$82,482,723</b>	<b>\$82,355,031</b>	<b>\$ 82,674,376</b>	<b>\$ 191,653</b>

† School received initial approval to open for FY 2016, but not final approval.

**Table 1B: Total Education Aid for Charter and State Schools for FY 2016**

<i>School</i>	<i>E</i> <i>Transition</i> <i>=1/3rd or</i> <i>1/6th*</i>	<i>F</i> <i>FY 2016</i> <i>Enacted Aid**</i>	<i>G</i> <i>Change to</i> <i>Base</i> <i>Calculation</i>	<i>H</i> <i>FY 2016</i> <i>Governor</i> <i>Recommended</i>	<i>I</i> <i>Change to</i> <i>Governor</i>
Academy for Career Exploration (Textron)	\$ (10,274)	\$ 2,307,902	\$ 51,372	\$ 2,291,698	\$ 16,204
Achievement First	2,458,435	5,163,546	-	5,391,640	(228,094)
Beacon	264,951	1,944,354	-	2,044,695	(100,341)
Blackstone	989,354	2,642,238	-	2,678,946	(36,708)
Compass	(24,983)	509,957	124,914	509,620	337
Engineering Early College†	-	-	-	1,060,052	(1,060,052)
Greene School	44,012	986,606	(88,028)	1,007,866	(21,261)
Highlander	671,933	4,426,538	-	4,453,429	(26,891)
Hope Academy	296,044	665,193	-	734,676	(69,483)
International	137,148	3,004,632	-	3,021,621	(16,988)
Kingston Hill	(21,098)	604,518	105,488	614,217	(9,699)
Learning Community	(15,075)	6,122,713	75,378	6,126,851	(4,138)
New England Laborers	(51,995)	1,142,393	259,975	1,156,423	(14,030)
Nowell	200	1,596,958	(1,004)	1,616,589	(19,631)
Nurses Institute	(52,305)	2,456,677	261,523	2,533,189	(76,512)
Paul Cuffee	(11,982)	7,950,707	59,908	7,953,844	(3,136)
RI Mayoral Academies Blackstone Prep.	1,961,976	11,030,068	-	10,937,966	92,102
RISE Mayoral Academy	523,340	523,340	-	652,514	(129,173)
Segue Institute	21,440	2,670,896	(42,880)	2,679,797	(8,901)
Southside Elementary	252,330	508,072	-	508,072	-
Times2 Academy	196,774	7,183,575	-	7,619,514	(435,939)
Trinity	433,639	2,189,101	-	2,160,875	28,226
Village Green	282,518	1,883,074	-	2,411,323	(528,249)
<b><i>Charter Schools Subtotal</i></b>	<b>8,346,380</b>	<b>67,513,057</b>	<b>806,647</b>	<b>70,165,418</b>	<b>(2,652,361)</b>
Davies Career and Tech	(600,021)	11,640,152	3,791,716	11,656,803	(16,651)
Met School	(636,935)	9,864,425	3,184,676	9,987,505	(123,080)
Urban Collaborative	281,690	856,203	(583,577)	849,196	7,007
<b>Total</b>	<b>\$ 7,391,114</b>	<b>\$ 89,873,837</b>	<b>\$ 7,199,461</b>	<b>\$ 92,658,922</b>	<b>\$ (2,785,085)</b>

† School received initial approval to open for FY 2016, but not final approval.

\* Growth due to adding grades is all paid in the year of growth

\*\*Based on current law. Final aid is subject to change, based upon any updates resulting from a recent Superior Court decision affecting regionalized school districts.

## Table 2: Calculation of Funding Formula for FY 2016

**A.** The student counts are shown in Column **A** based on the resident average daily membership as of March 14, 2015. Average daily membership calculates an average of the number of days all students are formally members of a district and/or a school per year.

**B.** Column **B** includes the number of students in pre-kindergarten through 12<sup>th</sup> grade that receive USDA reimbursable lunch as reported to the Department of Elementary and Secondary Education by the districts.

**C.** Column **C** includes the percent of students that are eligible for free and reduced price lunch - Column **B** divided by Column **A**.

**D.** Column **D** is the core instruction funding, which is the student count in Column **A** times the core instruction per pupil amount of \$8,928. The legislation requires the core instruction per pupil amount to be updated annually.

**E.** Column **E** includes the student success factor funding which is a single poverty weight as a proxy for student supports and is 40.0 percent times the number of students in pre-K through 12<sup>th</sup> grade that receive free and reduced price lunch in Column **B** times the core instruction amount.

**F.** The total foundation amount in Column **F** is the sum of the core instruction amount in Column **D** plus the student success factor funding in Column **E**.

**G.** Column **G** is the state share ratio; the calculation is described in Table 4.

**H.** Column **H** includes the state foundation aid under the funding formula. It is the total foundation amount in Column **F** times the state share ratio in Column **G**.

**I.** Column **I** is the FY 2015 enacted formula aid in Table 5.

**J.** Column **J** is the fifth year transition amount. It is the amount that will be added or subtracted from the FY 2015 base aid amount. It assumes 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. The calculation is shown in Table 5.

**K.** Column **K** is the amount that districts would receive in the fifth year of the new formula's implementation pursuant to the ten-year phase in of the formula.

**L.** Column **L** is the difference between the fifth year of funding under the formula shown in Column **K** and the total state foundation aid shown in Column **H**.

**Table 2: Calculation of Funding Formula for FY 2016**

	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>
<i>District</i>	<i>FY 2016 PK-12 RADM</i>	<i>FY 2016 FRPL RADM</i>	<i>%FRPL</i>	<i>Core Instruction Funding</i>	<i>Student Success Factor Funding</i>	<i>Total Foundation</i>
Barrington	3,287	164	5.0%	\$ 29,346,336	\$ 585,677	\$ 29,932,013
Burrillville	2,395	824	34.4%	21,382,560	2,942,669	24,325,229
Charlestown	890	234	26.3%	7,945,920	835,661	8,781,581
Coventry	4,615	1,425	30.9%	41,202,720	5,088,960	46,291,680
Cranston	9,879	4,274	43.3%	88,199,712	15,263,309	103,463,021
Cumberland	4,449	1,027	23.1%	39,720,672	3,667,622	43,388,294
East Greenwich	2,365	171	7.2%	21,114,720	610,675	21,725,395
East Providence	5,252	2,658	50.6%	46,889,856	9,492,250	56,382,106
Foster	283	67	23.7%	2,526,624	239,270	2,765,894
Glocester	523	92	17.6%	4,669,344	328,550	4,997,894
Hopkinton	1,123	274	24.4%	10,026,144	978,509	11,004,653
Jamestown	641	59	9.2%	5,722,848	210,701	5,933,549
Johnston	3,179	1,416	44.5%	28,382,112	5,056,819	33,438,931
Lincoln	2,982	836	28.0%	26,623,296	2,985,523	29,608,819
Little Compton	371	59	15.9%	3,312,288	210,701	3,522,989
Middletown	2,293	705	30.7%	20,471,904	2,517,696	22,989,600
Narragansett	1,323	294	22.2%	11,811,744	1,049,933	12,861,677
Newport	2,044	1,269	62.1%	18,248,832	4,531,853	22,780,685
New Shoreham	116	21	18.1%	1,035,648	74,995	1,110,643
North Kingstown	3,849	850	22.1%	34,363,872	3,035,520	37,399,392
North Providence	3,486	1,604	46.0%	31,123,008	5,728,205	36,851,213
North Smithfield	1,765	329	18.6%	15,757,920	1,174,925	16,932,845
Pawtucket	8,874	6,958	78.4%	79,227,072	24,848,410	104,075,482
Portsmouth	2,430	388	16.0%	21,695,040	1,385,626	23,080,666
Providence	22,507	19,486	86.6%	200,942,496	69,588,403	270,530,899
Richmond	1,150	202	17.6%	10,267,200	721,382	10,988,582
Scituate	1,433	272	19.0%	12,793,824	971,366	13,765,190
Smithfield	2,354	395	16.8%	21,016,512	1,410,624	22,427,136
South Kingstown	3,294	720	21.9%	29,408,832	2,571,264	31,980,096
Tiverton	1,789	543	30.4%	15,972,192	1,939,162	17,911,354
Warwick	8,965	3,234	36.1%	80,039,520	11,549,261	91,588,781
Westerly	3,065	1,157	37.7%	27,364,320	4,131,878	31,496,198
West Warwick	3,405	1,765	51.8%	30,399,840	6,303,168	36,703,008
Woonsocket	5,890	4,450	75.6%	52,585,920	15,891,840	68,477,760
Bristol-Warren	3,327	1,224	36.8%	29,703,456	4,371,149	34,074,605
Chariho	-	-	-	-	-	-
Exeter-West Greenwich	1,649	257	15.6%	14,722,272	917,798	15,640,070
Foster-Glocester	1,106	230	20.8%	9,874,368	821,376	10,695,744
Central Falls*	2,579	2,221	86.1%	23,025,312	7,931,635	30,956,947
<b>Total</b>	<b>130,927</b>	<b>62,154</b>		<b>\$ 1,168,916,256</b>	<b>\$ 221,964,365</b>	<b>\$ 1,390,880,621</b>
<i>Adjusted Chariho</i>	<i>3,163</i>	<i>710</i>		<i>28,239,264</i>	<i>2,535,552</i>	<i>30,774,816</i>

*Per pupil core instruction amount is \$8,928*

**Table 2: Calculation of New Funding Formula for FY 2016**

<i>District</i>	<i>G State Share Ratio (Table 4)</i>	<i>H FY 2016 Base Funding</i>	<i>I FY 2015 Enacted Formula Aid</i>	<i>J Adjusted Year Five Difference (Table 5)</i>	<i>K FY 2016 Formula Aid</i>	<i>L Difference from Base Funding</i>
Barrington	19.7%	\$ 5,908,863	\$ 4,605,699	\$ 434,388	\$ 5,040,087	\$ (868,776)
Burrillville	54.2%	13,185,082	12,881,582	101,167	12,982,749	(202,333)
Charlestown	19.3%	1,695,198	1,708,666	(2,245)	1,706,421	11,224
Coventry	49.3%	22,822,432	20,875,838	648,865	21,765,325	(1,057,107)
Cranston	54.6%	56,496,162	46,449,281	3,348,960	50,354,984	(6,141,178)
Cumberland	42.5%	18,429,047	15,614,646	938,134	16,552,780	(1,876,267)
East Greenwich	15.9%	3,459,628	2,393,842	355,262	2,770,431	(689,198)
East Providence	59.8%	33,713,223	28,665,701	1,682,507	30,348,208	(3,365,014)
Foster	42.9%	1,186,543	1,178,487	2,685	1,181,172	(5,371)
Glocester	40.2%	2,009,418	2,616,917	(101,250)	2,515,667	506,249
Hopkinton	44.9%	4,942,670	5,576,348	(105,613)	5,470,735	528,065
Jamestown	8.7%	516,065	399,684	38,794	438,478	(77,588)
Johnston	47.7%	15,955,417	12,903,199	1,017,406	13,920,605	(2,034,812)
Lincoln	38.3%	11,347,945	9,663,767	561,393	10,225,160	(1,122,785)
Little Compton	10.8%	381,143	401,928	(3,464)	398,464	17,321
Middletown	33.2%	7,634,244	8,516,446	(147,034)	8,369,412	735,169
Narragansett	18.9%	2,428,253	1,987,115	147,046	2,134,161	(294,092)
Newport	46.0%	10,470,445	10,368,288	34,052	10,402,340	(68,105)
New Shoreham	8.3%	91,885	82,308	3,192	85,500	(6,385)
North Kingstown	27.3%	10,218,319	10,713,692	(82,562)	10,662,516	444,197
North Providence	58.1%	21,422,571	16,205,220	1,739,117	17,944,337	(3,478,234)
North Smithfield	36.4%	6,165,009	5,442,118	240,964	5,683,082	(481,927)
Pawtucket	83.1%	86,509,234	74,103,107	4,135,376	78,238,483	(8,270,752)
Portsmouth	16.3%	3,757,012	4,303,672	(91,110)	4,212,562	455,550
Providence	87.8%	237,581,739	213,028,339	8,184,467	221,212,806	(16,368,933)
Richmond	39.6%	4,354,592	5,205,437	(141,807)	5,063,630	709,037
Scituate	28.3%	3,889,513	3,913,720	(4,035)	3,909,685	20,173
Smithfield	25.3%	5,670,341	4,798,909	290,477	5,089,386	(580,955)
South Kingstown	19.0%	6,069,482	7,533,977	(244,083)	7,289,894	1,220,413
Tiverton	35.2%	6,298,331	5,800,664	165,889	6,027,039	(271,291)
Warwick	40.4%	36,970,172	35,657,699	437,491	36,354,185	(615,987)
Westerly	30.4%	9,576,605	7,620,089	652,172	8,272,261	(1,304,344)
West Warwick	64.2%	23,553,167	20,973,995	859,724	21,833,719	(1,719,448)
Woonsocket	85.1%	58,241,231	50,568,580	2,557,550	53,126,130	(5,115,100)
Bristol-Warren	35.6%	12,134,483	15,946,146	(635,277)	15,310,869	3,176,386
Chariho	0.0%	-	229,922	(38,320)	191,602	191,602
Exeter-West Greenwich	26.3%	4,108,683	5,642,766	(255,681)	5,387,085	1,278,403
Foster-Glocester	42.1%	4,497,742	4,947,131	(74,898)	4,872,233	374,491
Central Falls*	93.5%	28,935,258	37,222,887	(1,381,271)	39,520,102	10,584,844
<b>Total</b>		<b>\$ 782,627,144</b>	<b>\$ 716,747,812</b>	<b>\$ 25,268,427</b>	<b>\$ 746,864,286</b>	<b>\$ (35,762,858)</b>
<i>Adjusted Chariho</i>		<i>10,992,460</i>	<i>12,720,373</i>	<i>(287,986)</i>	<i>12,432,387</i>	<i>1,439,928</i>

\*This includes a \$3.7 million stabilization fund payment to Central Falls.



### **Table 3: Group Home Aid**

- A.** Column *A* is the FY 2015 enacted amount of group home aid. The distribution includes \$15,000 per bed with the exception of \$22,000 per bed for the group home beds associated with Bradley Hospital's residential CRAFT program, both of which are then adjusted for the seven or ten year phase in, for a total of 448 beds.
- B.** Column *B* is the revised current law entitlement based on the December 31, 2014 report from the Department of Children, Youth and Families that identified 451 beds eligible for aid.
- C.** Column *C* shows the Governor's FY 2016 recommendation that assumes a bed count of 431.
- D.** Column *D* is the difference between the FY 2015 enacted aid shown in column *A* and the Governor's FY 2016 recommendation in column *C*.
- E.** Column *E* is the difference between the FY 2015 revised current law entitlement shown in column *B* and the Governor's FY 2016 recommendation in column *C*.
- F.** Column *F* shows FY 2016 enacted group home aid to reflect the impact of updated enrollment data on group home aid.
- G.** Column *G* is the difference between the FY 2016 enacted aid in column *F* and the Governor's FY 2016 recommendation shown in column *C*.

**Table 3: Group Home Aid**

<i>District</i>	<i>A</i> <i>FY 2015</i> <i>Enacted</i> <i>Aid</i>	<i>B</i> <i>FY 2015</i> <i>Revised</i>	<i>C</i> <i>Governor's</i> <i>FY 2016 Aid</i>	<i>D</i> <i>Change to</i> <i>Enacted</i>	<i>E</i> <i>Change to</i> <i>Revised</i>	<i>F</i> <i>FY 2016</i> <i>Enacted</i>	<i>G</i> <i>Change to</i> <i>Governor</i>
Barrington	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Burrillville	266,361	326,361	283,374	17,013	(42,987)	283,374	-
Charlestown	-	-	-	-	-	-	-
Coventry	107,883	107,883	95,489	(12,394)	(12,394)	95,489	-
Cranston	53,182	53,182	46,354	(6,828)	(6,828)	46,354	-
Cumberland	-	-	-	-	-	-	-
East Greenwich	-	-	-	-	-	-	-
East Providence	575,275	575,275	510,748	(64,527)	(64,527)	510,748	-
Foster	-	-	-	-	-	-	-
Glocester	-	-	-	-	-	-	-
Hopkinton	-	-	-	-	-	-	-
Jamestown	-	-	-	-	-	-	-
Johnston	-	-	-	-	-	-	-
Lincoln	123,826	123,826	113,099	(10,727)	(10,727)	113,099	-
Little Compton	-	-	-	-	-	-	-
Middletown	374,656	374,656	302,018	(72,638)	(72,638)	302,018	-
Narragansett	-	-	-	-	-	-	-
Newport	254,914	254,914	184,024	(70,890)	(70,890)	184,024	-
New Shoreham	-	-	-	-	-	-	-
North Kingstown	-	-	-	-	-	-	-
North Providence	211,819	211,819	182,432	(29,387)	(29,387)	182,432	-
North Smithfield	110,978	110,978	101,850	(9,128)	(9,128)	101,850	-
Pawtucket	606,854	621,854	491,410	(115,444)	(130,444)	491,410	-
Portsmouth	547,476	547,476	536,183	(11,293)	(11,293)	536,183	-
Providence	1,541,907	1,541,907	1,083,736	(458,171)	(458,171)	1,083,736	-
Richmond	-	-	-	-	-	-	-
Scituate	-	-	-	-	-	-	-
Smithfield	233,753	233,753	219,020	(14,733)	(14,733)	219,020	-
South Kingstown	308,034	308,034	300,911	(7,123)	(7,123)	300,911	-
Tiverton	-	-	-	-	-	-	-
Warwick	301,470	301,470	247,344	(54,126)	(54,126)	247,344	-
Westerly	-	-	-	-	-	-	-
West Warwick	-	-	-	-	-	-	-
Woonsocket	98,870	98,870	54,653	(44,218)	(44,218)	54,653	-
Bristol-Warren	114,733	114,733	109,676	(5,057)	(5,057)	109,676	-
Exeter-West Greenwich	261,242	261,242	252,851	(8,391)	(8,391)	252,851	-
Foster-Glocester	-	-	-	-	-	-	-
Central Falls	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 6,093,233</b>	<b>\$ 6,168,233</b>	<b>\$ 5,115,172</b>	<b>\$ (1,478,626)</b>	<b>\$ (1,053,061)</b>	<b>\$ 5,115,172</b>	<b>\$ -</b>

### Table 4: Calculation of State Share Ratio

The following table shows the calculation of each community’s state share ratio for the purpose of the education funding formula. The share ratio formula considers the district’s ability to generate revenues and its poverty concentration.

**A.** The assessed value of real and tangible personal property for each city and town as of December 31 of the third preceding calendar year in accordance with Rhode Island General Law, Section 16-7-21. The assessed value as of December 31, 2011, is used for FY 2016 calculations. Property value is certified annually by the Department of Revenue’s Division of Municipal Finance, based on local sales data and appraisals.

**B.** The adjusted equalized weighted assessed property valuations for the third preceding calendar year per current law, as of December 31, 2011, as reported by the Department of Revenue’s Division of Municipal Finance. The total assessed local property value of a community is adjusted for differences in local assessment rates to allow the reporting of figures comparable on a statewide basis, resulting in the equalized weighted assessed valuation (EWAV).

The valuations are then adjusted by the ratio that the community’s median family income bears to the statewide median family income, as reported in the most recent federal census data. Use of both the property value and the median family income is an attempt to compensate for districts that have significant disparity between median family income and the full value of property. Once community wealth is determined, it is divided by pupil counts to calculate the per pupil wealth for each community compared to the per pupil wealth for the state as a whole.

**C.** The FY 2016 student counts are shown in Column *C* based on the resident average daily membership as of June 30, 2014. Average daily membership calculates an average of the number of days all students are formally members of a district and/or a school per year.

**D.** The resulting relative per pupil community wealth is then multiplied by 0.475 and subtracted from 1.0, yielding the district’s share ratio. The result is multiplied by 100 to convert this share ratio to a percentage.

**E.** Column *E* includes the percentage of students eligible for USDA reimbursable school meals in pre-Kindergarten through 6<sup>th</sup> grade as of June 30, 2014.

**F.** The calculation in Column *F* is the square root of the sum of the state share ratio for the community calculation in Column *D* squared plus the district’s percentage of students eligible for USDA reimbursable school meals in grades pre-Kindergarten through 6<sup>th</sup> in Column *E* squared, divided by two.

$$h \quad ( \quad ) = \frac{\text{+ \% 6}}{2}$$

**G.** Column *G* shows what the share ratio was for FY 2015. It uses property valuations as of December 31, 2010 and student counts as of June 30, 2013.

**H.** Column *H* shows the difference between the share ratio for FY 2016 and that for FY 2015.

**Table 4: Calculation of State Share Ratio**

<i>District</i>	<i>A</i> <i>Assessed Value</i> <i>12/31/11</i>	<i>B</i> <i>Adjusted EWAV</i> <i>12/31/11</i>	<i>C</i> <i>June 2014</i> <i>Student Count*</i>	<i>D</i> <i>Adjusted</i> <i>EWAV</i>
Barrington	\$ 2,982,443,388	\$ 4,294,620,703	3,245	27.0%
Burrillville	1,607,203,611	1,455,405,851	2,417	66.8%
Charlestown	2,400,382,443	2,517,075,414	1,008	0.0%
Coventry	3,525,437,865	3,244,729,537	4,782	62.6%
Cranston	7,087,108,566	6,876,888,665	10,228	62.9%
Cumberland	3,826,379,936	3,977,780,117	4,857	54.8%
East Greenwich	2,312,095,540	3,416,411,240	2,374	20.6%
East Providence	4,646,547,442	3,509,132,211	5,346	63.8%
Foster	220,268,995	224,594,860	285	56.5%
Glocester	417,979,623	422,851,786	499	53.3%
Hopkinton	931,466,958	920,303,420	1,192	57.4%
Jamestown	2,032,977,802	3,208,545,248	653	0.0%
Johnston	2,945,080,370	2,872,305,347	3,099	48.9%
Lincoln	2,784,171,808	3,289,228,476	3,275	44.6%
Little Compton	1,854,806,408	2,466,907,667	393	0.0%
Middletown	2,643,035,904	2,749,617,693	2,293	33.9%
Narragansett	4,527,080,489	5,886,860,460	1,399	0.0%
Newport	5,272,317,661	5,534,084,319	2,032	0.0%
New Shoreham	1,753,910,209	2,548,133,822	117	0.0%
North Kingstown	3,969,303,956	5,102,235,650	3,930	28.4%
North Providence	2,781,231,163	2,168,942,173	3,579	66.6%
North Smithfield	1,588,477,504	1,712,200,950	1,768	46.6%
Pawtucket	3,781,568,939	2,461,386,518	10,077	86.5%
Portsmouth	3,355,186,809	3,853,245,896	2,509	15.3%
Providence	11,685,525,495	6,717,133,206	26,192	85.9%
Richmond	883,799,519	1,023,555,447	1,175	52.0%
Scituate	884,845,672	1,693,333,481	1,440	35.1%
Smithfield	2,749,497,569	3,003,765,973	2,370	30.1%
South Kingstown	4,541,390,959	5,253,197,490	3,456	16.2%
Tiverton	1,956,313,434	1,999,179,390	1,815	39.2%
Warwick	10,261,732,408	9,404,110,189	9,151	43.3%
Westerly	6,309,044,068	5,785,156,386	3,103	0.0%
West Warwick	2,266,422,455	1,776,956,166	3,390	71.1%
Woonsocket	1,868,296,247	1,142,596,841	5,774	89.1%
Bristol/Warren	4,197,893,856	4,311,773,477	3,429	30.6%
Exeter/West Greenwich	1,699,866,426	2,021,826,006	1,653	32.5%
Foster/Glocester	939,462,889	953,001,825	1,154	54.5%
Central Falls	517,527,074	209,007,560	3,888	97.0%
<b>Total</b>	<b>\$ 120,008,081,460</b>	<b>\$ 120,008,081,460</b>	<b>139,347</b>	

\*Includes charter and state school students

**Table 4: Calculation of State Share Ratio**

<i>District</i>	<i>E</i> <i>FY 2014 % of</i> <i>PK-6 FRPL</i>	<i>F</i> <i>FY 2016 State</i> <i>Share Ratio</i>	<i>G</i> <i>FY 2015 State</i> <i>Share Ratio</i>	<i>H</i> <i>Change to</i> <i>Share Ratio</i>
Barrington	7.1%	19.6%	21.2%	-1.5%
Burrillville	37.6%	54.2%	53.6%	0.6%
Charlestown	27.3%	19.3%	18.7%	0.6%
Coventry	30.7%	49.3%	48.3%	1.0%
Cranston	44.8%	54.6%	54.3%	0.3%
Cumberland	24.6%	42.5%	42.2%	0.3%
East Greenwich	9.1%	15.9%	12.7%	3.2%
East Providence	55.5%	59.8%	56.9%	2.9%
Foster	22.1%	42.9%	40.4%	2.5%
Glocester	19.8%	40.2%	42.5%	-2.3%
Hopkinton	27.2%	44.9%	49.1%	-4.2%
Jamestown	12.3%	8.7%	8.6%	0.1%
Johnston	46.5%	47.7%	51.8%	-4.1%
Lincoln	30.8%	38.3%	39.6%	-1.2%
Little Compton	15.3%	10.8%	13.7%	-2.9%
Middletown	32.5%	33.2%	32.9%	0.3%
Narragansett	26.7%	18.9%	18.9%	0.0%
Newport	65.0%	46.0%	46.7%	-0.8%
New Shoreham	11.7%	8.3%	9.5%	-1.2%
North Kingstown	26.2%	27.3%	27.3%	0.0%
North Providence	48.2%	58.1%	56.1%	2.1%
North Smithfield	21.9%	36.4%	35.9%	0.5%
Pawtucket	79.6%	83.1%	83.3%	-0.1%
Portsmouth	17.2%	16.3%	11.3%	4.9%
Providence	89.7%	87.8%	88.0%	-0.2%
Richmond	20.9%	39.6%	39.1%	0.5%
Scituate	19.1%	28.3%	32.5%	-4.2%
Smithfield	19.3%	25.3%	21.8%	3.5%
South Kingstown	21.4%	19.0%	18.5%	0.5%
Tiverton	30.6%	35.2%	32.6%	2.6%
Warwick	37.2%	40.4%	41.3%	-0.9%
Westerly	43.0%	30.4%	28.7%	1.7%
West Warwick	56.4%	64.2%	62.7%	1.4%
Woonsocket	80.8%	85.0%	84.2%	0.9%
Bristol/Warren	40.0%	35.6%	36.7%	-1.1%
Exeter/West Greenwich	18.0%	26.3%	27.1%	-0.8%
Foster/Glocester	23.8%	42.0%	41.7%	0.4%
Central Falls	89.8%	93.5%	95.4%	-1.9%
<b>Total</b>				

### **Table 5: Transition Plan for Districts**

The funding formula results in a redistribution of aid among communities with some getting less aid than prior years. In an effort to mitigate any losses to communities and allow for an adjustment period, the law allows for a transition of up to seven years. The Department of Elementary and Secondary Education has developed a methodology to implement this transition based on how a district fares compared to funding distributions under the current system. It requires establishing the total gain or loss to each district.

**A.** Column **A** is the amount of formula aid that districts received in the fourth year of the formula's implementation, FY 2015.

**B.** Column **B** is the FY 2016 total base funding calculation.

**C.** Column **C** is the difference between FY 2016 base funding shown in Column **B** and the amount of formula aid received in FY 2015 and shown in Column **A**.

**D.** Column **D** shows the transition calculation. 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.

**Table 5: Transition Plan for Districts**

<i>District</i>	<i>A</i> <i>FY 2015 Enacted</i> <i>Base Formula</i> <i>Funding</i>	<i>B</i> <i>FY 2016 Base</i> <i>Calculation</i>	<i>C</i> <i>Difference</i>	<i>D</i> <i>Transition =</i> <i>1/3rd or 1/6th</i>
Barrington	\$ 4,605,699	\$ 5,908,863	\$ 1,303,164	\$ 434,388
Burrillville	12,881,582	13,185,082	303,500	101,167
Charlestown	1,708,666	1,695,198	(13,468)	(2,245)
Coventry	20,875,838	22,822,432	1,946,594	648,865
Cranston	46,449,281	56,496,162	10,046,881	3,348,960
Cumberland	15,614,646	18,429,047	2,814,401	938,134
East Greenwich	2,393,842	3,459,628	1,065,786	355,262
East Providence	28,665,701	33,713,223	5,047,522	1,682,507
Foster	1,178,487	1,186,543	8,056	2,685
Glocester	2,616,917	2,009,418	(607,499)	(101,250)
Hopkinton	5,576,348	4,942,670	(633,678)	(105,613)
Jamestown	399,684	516,065	116,381	38,794
Johnston	12,903,199	15,955,417	3,052,218	1,017,406
Lincoln	9,663,767	11,347,945	1,684,178	561,393
Little Compton	401,928	381,143	(20,785)	(3,464)
Middletown	8,516,446	7,634,244	(882,202)	(147,034)
Narragansett	1,987,115	2,428,253	441,138	147,046
Newport	10,368,288	10,470,445	102,157	34,052
New Shoreham	82,308	91,885	9,577	3,192
North Kingstown	10,713,692	10,218,319	(495,373)	(82,562)
North Providence	16,205,220	21,422,571	5,217,351	1,739,117
North Smithfield	5,442,118	6,165,009	722,891	240,964
Pawtucket	74,103,107	86,509,234	12,406,127	4,135,376
Portsmouth	4,303,672	3,757,012	(546,660)	(91,110)
Providence	213,028,339	237,581,739	24,553,400	8,184,467
Richmond	5,205,437	4,354,592	(850,845)	(141,807)
Scituate	3,913,720	3,889,513	(24,207)	(4,035)
Smithfield	4,798,909	5,670,341	871,432	290,477
South Kingstown	7,533,977	6,069,482	(1,464,495)	(244,083)
Tiverton	5,800,664	6,298,331	497,667	165,889
Warwick	35,657,699	36,970,172	1,312,473	437,491
Westerly	7,620,089	9,576,605	1,956,516	652,172
West Warwick	20,973,995	23,553,167	2,579,172	859,724
Woonsocket	50,568,580	58,241,231	7,672,651	2,557,550
Bristol-Warren	15,946,146	12,134,483	(3,811,663)	(635,277)
Chariho	229,922	-	(229,922)	(38,320)
Exeter-West Greenwich	5,642,766	4,108,683	(1,534,083)	(255,681)
Foster-Glocester	4,947,131	4,497,742	(449,389)	(74,898)
Central Falls	37,222,887	28,935,258	(8,287,629)	(1,381,271)
<b>Total</b>	<b>\$ 716,747,812</b>	<b>\$ 782,627,144</b>	<b>\$ 65,879,332</b>	<b>\$ 25,268,427</b>
<i>Adjusted Chariho</i>	<i>12,720,373</i>	<i>10,992,460</i>	<i>(1,727,913)</i>	<i>(287,986)</i>

**Table 6: FY 2016 Estimated Charter & State School Enrollment by Sending District**

<i>Sending District</i>	<i>ACE (Textron)</i>	<i>Achievement First</i>	<i>Beacon</i>	<i>Blackstone Academy</i>	<i>Compass</i>	<i>Greene School</i>
Barrington	-	-	-	-	-	-
Burrillville	-	-	19	-	-	-
Charlestown	-	-	-	-	46	1
Coventry	-	-	2	-	1	37
Cranston	-	49	7	-	-	10
Cumberland	-	-	29	-	-	1
East Greenwich	-	-	1	-	2	3
East Providence	-	-	3	-	-	-
Foster	-	-	-	-	-	-
Glocester	-	-	-	-	-	-
Hopkinton	-	-	2	-	-	6
Jamestown	-	-	-	-	1	2
Johnston	-	-	3	-	-	1
Lincoln	-	-	10	-	-	-
Little Compton	-	-	-	-	-	-
Middletown	-	-	-	-	-	-
Narragansett	-	-	-	-	7	3
Newport	-	-	-	-	-	-
New Shoreham	-	-	-	-	-	-
North Kingstown	-	-	2	-	36	8
North Providence	-	18	8	1	-	-
North Smithfield	-	-	20	-	-	-
Pawtucket	-	-	10	124	-	5
Portsmouth	-	-	2	-	-	-
Providence	215	444	17	30	4	36
Richmond	-	-	-	-	-	1
Scituate	-	-	3	-	-	-
Smithfield	-	-	3	-	-	-
South Kingstown	-	-	-	-	32	8
Tiverton	-	-	-	-	-	-
Warwick	-	7	12	-	1	14
Westerly	-	-	-	-	23	6
West Warwick	-	-	2	-	-	9
Woonsocket	-	-	103	-	-	1
Bristol-Warren	-	-	-	-	-	-
Exeter-West Greenwich	-	-	-	-	13	5
Foster-Glocester	-	-	2	-	-	3
Central Falls	-	-	16	100	-	18
<b>Total</b>	<b>215</b>	<b>518</b>	<b>276</b>	<b>255</b>	<b>166</b>	<b>178</b>



**Table 6: FY 2016 Estimated Charter & State School Enrollment by Sending District**

<i>Sending District</i>	<i>Highlander</i>	<i>Hope Academy</i>	<i>International</i>	<i>Kingston Hill</i>	<i>Learning Community</i>	<i>New England Laborers</i>
Barrington	1	-	-	-	-	-
Burrillville	-	-	-	-	-	-
Charlestown	-	-	-	28	-	-
Coventry	-	-	1	7	-	3
Cranston	57	-	18	-	2	71
Cumberland	-	-	8	-	-	1
East Greenwich	-	-	2	-	-	-
East Providence	4	-	22	-	1	-
Foster	-	-	-	-	-	-
Glocester	-	-	-	-	-	-
Hopkinton	-	-	-	-	-	-
Jamestown	-	-	-	-	-	-
Johnston	16	-	-	1	-	14
Lincoln	1	-	1	-	-	-
Little Compton	-	-	-	-	-	-
Middletown	-	-	-	2	-	-
Narragansett	-	-	3	7	-	-
Newport	-	-	-	-	-	-
New Shoreham	-	-	-	-	-	-
North Kingstown	2	-	-	66	-	-
North Providence	6	5	11	1	-	3
North Smithfield	-	-	-	-	-	-
Pawtucket	38	-	137	2	119	3
Portsmouth	-	-	-	-	-	-
Providence	333	67	94	1	110	20
Richmond	-	-	-	-	-	-
Scituate	-	-	1	-	-	3
Smithfield	-	-	2	1	-	-
South Kingstown	-	-	-	38	-	-
Tiverton	-	-	-	-	-	-
Warwick	2	-	2	6	1	16
Westerly	-	-	-	12	-	-
West Warwick	1	-	2	5	-	5
Woonsocket	-	-	-	-	-	1
Bristol-Warren	3	-	-	-	-	-
Exeter-West Greenwich	-	-	-	13	-	-
Foster-Glocester	-	-	-	-	-	1
Central Falls	4	-	38	-	325	1
<b>Total</b>	<b>468</b>	<b>72</b>	<b>342</b>	<b>190</b>	<b>558</b>	<b>142</b>

**Table 6: FY 2016 Estimated Charter & State School Enrollment by Sending District**

<i>Sending District</i>	<i>Nowell Academy</i>	<i>Nurses Institute</i>	<i>Paul Cuffee</i>	<i>RI Mayoral Academies Blackstone Valley Prep</i>	<i>RISE Mayoral Academy</i>
Barrington	-	1	-	-	-
Burrillville	-	1	-	-	14
Charlestown	-	-	-	-	-
Coventry	-	-	-	-	-
Cranston	2	18	-	-	-
Cumberland	1	6	-	365	-
East Greenwich	-	-	-	-	-
East Providence	4	7	-	-	-
Foster	-	-	-	-	-
Glocester	-	-	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	-	-	-	-	-
Johnston	-	3	-	-	-
Lincoln	-	1	-	189	-
Little Compton	-	-	-	-	-
Middletown	-	-	-	-	-
Narragansett	-	-	-	-	-
Newport	-	-	-	-	-
New Shoreham	-	-	-	-	-
North Kingstown	1	-	-	-	-
North Providence	1	3	-	-	-
North Smithfield	-	-	-	1	10
Pawtucket	32	25	-	455	-
Portsmouth	-	-	-	-	-
Providence	75	135	774	1	1
Richmond	-	-	-	-	-
Scituate	-	-	-	-	-
Smithfield	-	1	-	-	-
South Kingstown	-	1	-	-	-
Tiverton	-	-	-	-	-
Warwick	2	5	-	2	-
Westerly	-	-	-	-	-
West Warwick	-	1	-	-	-
Woonsocket	24	-	-	-	40
Bristol-Warren	-	1	-	-	-
Exeter-West Greenwich	-	-	-	-	-
Foster-Glocester	-	1	-	-	-
Central Falls	18	15	-	381	-
<b>Total</b>	<b>160</b>	<b>225</b>	<b>774</b>	<b>1,394</b>	<b>65</b>

**Table 6: FY 2016 Estimated Charter & State School Enrollment by Sending District**

<i>Sending District</i>	<i>Segue Institute</i>	<i>Southside Elementary</i>	<i>Times2</i>	<i>Trinity</i>	<i>Village Green</i>
Barrington	-	-	-	-	2
Burrillville	-	-	-	-	-
Charlestown	-	-	-	-	1
Coventry	-	-	-	-	2
Cranston	-	-	-	-	3
Cumberland	-	-	-	-	3
East Greenwich	-	-	-	-	1
East Providence	-	-	-	-	18
Foster	-	-	-	-	-
Glocester	-	-	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	-	-	-	-	-
Johnston	-	-	-	-	2
Lincoln	-	-	-	-	3
Little Compton	-	-	-	-	-
Middletown	-	-	-	-	-
Narragansett	-	-	-	-	-
Newport	-	-	-	-	-
New Shoreham	-	-	-	-	-
North Kingstown	-	-	-	-	1
North Providence	-	-	-	-	4
North Smithfield	-	-	-	-	-
Pawtucket	-	-	-	-	23
Portsmouth	-	-	-	-	-
Providence	-	48	685	204	125
Richmond	-	-	-	-	1
Scituate	-	-	-	-	1
Smithfield	-	-	-	-	-
South Kingstown	-	-	-	-	1
Tiverton	-	-	-	-	-
Warwick	-	-	-	-	1
Westerly	-	-	-	-	-
West Warwick	-	-	-	-	2
Woonsocket	-	-	-	-	2
Bristol-Warren	-	-	-	-	-
Exeter-West Greenwich	-	-	-	-	1
Foster-Glocester	-	-	-	-	1
Central Falls	240	-	-	-	12
<b>Total</b>	<b>240</b>	<b>48</b>	<b>685</b>	<b>204</b>	<b>210</b>

**Table 6: FY 2016 Estimated Charter & State School Enrollment by Sending District**

<i>Sending District</i>	<i>Metropolitan</i>			<i>Total</i>	<i>Charter/State School % of Total Enrollment</i>
	<i>Davies Career &amp; Tech Center</i>	<i>Career &amp; Tech Center</i>	<i>Urban Collaborative</i>		
Barrington	-	4	-	8	0.2%
Burrillville	-	4	-	38	1.6%
Charlestown	-	5	-	81	8.3%
Coventry	-	4	-	57	1.2%
Cranston	5	32	9	283	2.8%
Cumberland	18	8	-	440	9.0%
East Greenwich	-	3	-	12	0.5%
East Providence	3	29	-	91	1.7%
Foster	-	-	-	-	0.0%
Glocester	-	-	-	-	0.0%
Hopkinton	-	-	-	8	0.7%
Jamestown	-	12	-	15	2.3%
Johnston	2	6	-	48	1.5%
Lincoln	52	5	-	262	8.1%
Little Compton	-	1	-	1	0.3%
Middletown	-	18	-	20	0.9%
Narragansett	-	7	-	27	2.0%
Newport	-	33	-	33	1.6%
New Shoreham	-	-	-	-	0.0%
North Kingstown	-	12	-	128	3.2%
North Providence	70	14	-	145	4.0%
North Smithfield	1	-	-	32	1.8%
Pawtucket	486	49	-	1,508	14.5%
Portsmouth	-	11	-	13	0.5%
Providence	63	392	120	3,994	15.1%
Richmond	-	3	-	5	0.4%
Scituate	-	4	-	12	0.8%
Smithfield	14	5	-	26	1.1%
South Kingstown	-	24	-	104	3.1%
Tiverton	-	15	-	15	0.8%
Warwick	-	27	1	99	1.1%
Westerly	-	1	-	42	1.4%
West Warwick	-	3	-	30	0.9%
Woonsocket	3	47	-	221	3.6%
Bristol-Warren	-	27	-	31	0.9%
Exeter-West Greenwich	-	2	-	34	2.0%
Foster-Glocester	-	4	-	12	1.1%
Central Falls	158	26	7	1,359	34.5%
<b>Total</b>	<b>875</b>	<b>837</b>	<b>137</b>	<b>9,234</b>	<b>13.7%</b>

**Table 7: Transitioned Formula Funding to Charter and State Schools by Sending District**

<i>Sending District</i>	<i>ACE (Textron)</i>	<i>Achievement First</i>	<i>Beacon</i>	<i>Blackstone Academy</i>	<i>Compass</i>	<i>Greene School</i>
Barrington	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Burrillville	-	-	103,560	-	-	-
Charlestown	-	-	-	-	84,105	1,723
Coventry	-	-	8,803	-	4,402	169,903
Cranston	-	299,334	34,126	-	-	52,652
Cumberland	-	-	129,691	-	-	3,792
East Greenwich	-	-	1,422	-	3,412	5,403
East Providence	-	-	16,015	-	-	-
Foster	-	-	-	-	-	-
Glocester	-	-	-	-	-	-
Hopkinton	-	-	9,624	-	-	25,664
Jamestown	-	-	-	-	777	1,553
Johnston	-	-	16,188	-	-	5,964
Lincoln	-	-	35,586	-	-	-
Little Compton	-	-	-	-	-	-
Middletown	-	-	-	-	-	-
Narragansett	-	-	-	-	12,473	5,057
Newport	-	-	-	-	-	-
New Shoreham	-	-	-	-	-	-
North Kingstown	-	-	4,879	-	89,767	20,490
North Providence	-	110,030	49,825	7,266	-	-
North Smithfield	-	-	71,512	-	-	-
Pawtucket	-	-	97,959	1,193,313	-	51,948
Portsmouth	-	-	2,907	-	-	-
Providence	2,256,530	4,723,189	170,925	316,761	31,362	357,532
Richmond	-	-	-	-	-	3,538
Scituate	-	-	7,568	-	-	-
Smithfield	-	-	6,772	-	-	-
South Kingstown	-	-	-	-	56,933	14,911
Tiverton	-	-	-	-	-	-
Warwick	-	30,993	47,570	-	3,604	51,895
Westerly	-	-	-	-	66,779	19,545
West Warwick	-	-	13,750	-	-	51,564
Woonsocket	-	-	927,911	-	-	10,631
Bristol-Warren	-	-	-	-	-	-
Exeter-West Greenwich	-	-	-	-	31,428	12,665
Foster-Glocester	-	-	7,509	-	-	11,263
Central Falls	-	-	180,251	1,124,898	-	196,941
<b>Total</b>	<b>\$ 2,256,530</b>	<b>\$ 5,163,546</b>	<b>\$ 1,944,354</b>	<b>\$ 2,642,238</b>	<b>\$ 385,043</b>	<b>\$ 1,074,633</b>

**Table 7: Transitioned Formula Funding to Charter and State Schools by Sending District**

<i>Sending District</i>	<i>Highlander</i>	<i>Hope Academy</i>	<i>International</i>	<i>Kingston Hill</i>	<i>Learning Community</i>
Barrington	\$ 2,467	\$ -	\$ -	\$ -	\$ -
Burrillville	-	-	-	-	-
Charlestown	-	-	-	51,704	-
Coventry	-	-	4,402	30,811	-
Cranston	340,285	-	107,253	-	9,750
Cumberland	-	-	31,854	-	-
East Greenwich	-	-	2,843	-	-
East Providence	29,895	-	134,528	-	5,338
Foster	-	-	-	-	-
Glocester	-	-	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	-	-	-	-	-
Johnston	93,720	-	-	5,964	-
Lincoln	3,422	-	3,422	-	-
Little Compton	-	-	-	-	-
Middletown	-	-	-	5,930	-
Narragansett	-	-	7,079	13,822	-
Newport	-	-	-	-	-
New Shoreham	-	-	-	-	-
North Kingstown	5,854	-	-	165,874	-
North Providence	35,293	30,102	63,319	5,190	-
North Smithfield	-	-	-	-	-
Pawtucket	362,150	-	1,304,629	14,842	1,185,892
Portsmouth	-	-	-	-	-
Providence	3,482,803	635,090	887,558	10,977	1,125,913
Richmond	-	-	-	-	-
Scituate	-	-	2,523	-	-
Smithfield	-	-	4,515	2,257	-
South Kingstown	-	-	-	71,166	-
Tiverton	-	-	-	-	-
Warwick	8,649	-	8,649	21,623	3,604
Westerly	-	-	-	36,919	-
West Warwick	5,729	-	11,459	28,647	-
Woonsocket	-	-	-	-	-
Bristol-Warren	9,538	-	-	-	-
Exeter-West Greenwich	-	-	-	33,305	-
Foster-Glocester	-	-	-	-	-
Central Falls	46,732	-	430,599	-	3,716,838
<b>Total</b>	<b>\$ 4,426,538</b>	<b>\$ 665,193</b>	<b>\$ 3,004,632</b>	<b>\$ 499,030</b>	<b>\$ 6,047,335</b>

**Table 7: Transitioned Formula Funding to Charter and State Schools by Sending District**

<i>Sending District</i>	<i>New England Laborers</i>	<i>Nowell Academy</i>	<i>Nurses Institute</i>	<i>Paul Cuffee</i>	<i>RI Mayoral Academies Blackstone Valley</i>
Barrington	\$ -	\$ -	\$ 2,467	\$ -	\$ -
Burrillville	-	-	6,775	-	-
Charlestown	-	-	-	-	-
Coventry	14,966	-	-	-	-
Cranston	416,338	11,700	117,004	-	-
Cumberland	5,309	3,792	31,854	-	1,602,559
East Greenwich	-	-	-	-	-
East Providence	-	25,624	52,317	-	-
Foster	-	-	-	-	-
Glocester	-	-	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	-	-	-	-	-
Johnston	64,752	-	17,892	-	-
Lincoln	-	-	4,790	-	739,786
Little Compton	-	-	-	-	-
Middletown	-	-	-	-	-
Narragansett	-	-	-	-	-
Newport	-	-	-	-	-
New Shoreham	-	-	-	-	-
North Kingstown	-	3,415	-	-	-
North Providence	15,570	7,266	21,798	-	-
North Smithfield	-	-	-	-	3,251
Pawtucket	31,169	317,623	259,738	-	4,391,806
Portsmouth	-	-	-	-	-
Providence	200,720	769,949	1,456,787	7,890,799	7,841
Richmond	-	-	-	-	-
Scituate	8,577	-	-	-	-
Smithfield	-	-	3,160	-	-
South Kingstown	-	-	2,372	-	-
Tiverton	-	-	-	-	-
Warwick	63,427	8,649	25,227	-	7,208
Westerly	-	-	-	-	-
West Warwick	35,522	-	8,021	-	-
Woonsocket	10,631	242,988	-	-	-
Bristol-Warren	-	-	4,451	-	-
Exeter-West Greenwich	-	-	-	-	-
Foster-Glocester	3,754	-	5,256	-	-
Central Falls	11,683	206,955	175,244	-	4,277,618
<b>Total</b>	<b>\$ 882,417</b>	<b>\$ 1,597,962</b>	<b>\$ 2,195,154</b>	<b>\$ 7,890,799</b>	<b>11,030,068</b>

**Table 7: Transitioned Formula Funding to Charter and State Schools by Sending District**

<i>Sending District</i>	<i>RISE</i>				
	<i>Mayoral Academy</i>	<i>Segue Institute</i>	<i>Southside Elementary</i>	<i>Times2</i>	<i>Trinity</i>
Barrington	\$ -	\$ -	\$ -	\$ -	\$ -
Burrillville	79,364	-	-	-	-
Charlestown	-	-	-	-	-
Coventry	-	-	-	-	-
Cranston	-	-	-	-	-
Cumberland	-	-	-	-	-
East Greenwich	-	-	-	-	-
East Providence	-	-	-	-	-
Foster	-	-	-	-	-
Glocester	-	-	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	-	-	-	-	-
Johnston	-	-	-	-	-
Lincoln	-	-	-	-	-
Little Compton	-	-	-	-	-
Middletown	-	-	-	-	-
Narragansett	-	-	-	-	-
Newport	-	-	-	-	-
New Shoreham	-	-	-	-	-
North Kingstown	-	-	-	-	-
North Providence	-	-	-	-	-
North Smithfield	35,106	-	-	-	-
Pawtucket	-	-	-	-	-
Portsmouth	-	-	-	-	-
Providence	10,977	-	508,072	7,183,575	2,189,101
Richmond	-	-	-	-	-
Scituate	-	-	-	-	-
Smithfield	-	-	-	-	-
South Kingstown	-	-	-	-	-
Tiverton	-	-	-	-	-
Warwick	-	-	-	-	-
Westerly	-	-	-	-	-
West Warwick	-	-	-	-	-
Woonsocket	397,893	-	-	-	-
Bristol-Warren	-	-	-	-	-
Exeter-West Greenwich	-	-	-	-	-
Foster-Glocester	-	-	-	-	-
Central Falls	-	2,713,776	-	-	-
<b>Total</b>	<b>\$ 523,340</b>	<b>\$ 2,713,776</b>	<b>\$ 508,072</b>	<b>\$ 7,183,575</b>	<b>\$ 2,189,101</b>



**Table 7: Transitioned Formula Funding to Charter and State Schools by Sending District**

<i>Sending District</i>	<i>Village Green</i>	<i>Davies Career and Technical Center</i>	<i>Metropolitan Career and Technical Center</i>	<i>Urban Collaborative</i>	<i>Total</i>
Barrington	\$ 3,525	\$ -	\$ 7,755	\$ -	\$ 16,214
Burrillville	-	-	21,293	-	210,992
Charlestown	1,723	-	9,307	-	148,562
Coventry	10,564	-	21,128	-	264,979
Cranston	18,526	32,176	206,706	61,427	1,707,277
Cumberland	12,893	78,877	36,405	-	1,937,026
East Greenwich	1,422	-	4,834	-	19,336
East Providence	117,445	22,421	188,980	-	592,563
Foster	-	-	-	-	-
Glocester	-	-	-	-	-
Hopkinton	-	-	-	-	35,288
Jamestown	-	-	9,939	-	12,269
Johnston	10,224	11,928	32,376	-	259,008
Lincoln	13,003	212,149	19,846	-	1,032,004
Little Compton	-	-	966	-	966
Middletown	-	-	58,109	-	64,039
Narragansett	-	-	13,148	-	51,579
Newport	-	-	161,677	-	161,677
New Shoreham	-	-	-	-	-
North Kingstown	2,439	-	33,175	-	325,893
North Providence	24,912	446,347	95,497	-	912,416
North Smithfield	-	3,251	-	-	113,120
Pawtucket	230,054	4,571,397	455,655	-	14,468,176
Portsmouth	-	-	18,311	-	21,218
Providence	1,252,931	638,226	4,130,438	1,301,543	41,539,599
Richmond	3,538	-	10,614	-	17,690
Scituate	3,532	-	10,091	-	32,291
Smithfield	-	37,020	12,189	-	65,913
South Kingstown	1,694	-	46,767	-	193,843
Tiverton	-	-	52,115	-	52,115
Warwick	5,045	-	114,602	5,045	405,790
Westerly	-	-	-	-	123,243
West Warwick	11,459	-	32,084	-	198,235
Woonsocket	15,187	28,855	466,234	-	2,100,331
Bristol-Warren	-	-	96,018	-	110,007
Exeter-West Greenwich	2,345	-	6,567	-	86,310
Foster-Glocester	3,754	-	16,519	-	48,055
Central Falls	136,857	1,765,790	290,404	71,767	15,346,353
<b>Total</b>	<b>\$ 1,883,074</b>	<b>\$ 7,848,437</b>	<b>\$ 6,679,749</b>	<b>\$ 1,439,782</b>	<b>\$ 82,674,376</b>

**Table 8: Categorical Aid for FY 2016**

<i>Sending District</i>	<i>High Cost Special</i>		
	<i>Education</i>	<i>Transportation</i>	<i>Total</i>
Barrington	\$ 75,924	\$ 41,085	\$ 117,009
Burrillville	21,038	14,053	35,091
Charlestown	-	-	-
Coventry	30,662	27,727	58,389
Cranston	248,212	479,971	728,183
Cumberland	36,943	100,221	137,164
East Greenwich	109,501	31,635	141,136
East Providence	235,859	-	235,859
Foster	18,141	7,542	25,683
Glocester	12,651	18,288	30,939
Hopkinton	-	-	-
Jamestown	17,774	-	17,774
Johnston	65,164	255,621	320,785
Lincoln	95,990	-	95,990
Little Compton	-	-	-
Middletown	51,852	-	51,852
Narragansett	20,647	-	20,647
Newport	10,855	-	10,855
New Shoreham	18,248	-	18,248
North Kingstown	31,418	-	31,418
North Providence	117,852	106,104	223,956
North Smithfield	21,461	18,175	39,636
Pawtucket	64,933	82,505	147,438
Portsmouth	49,026	-	49,026
Providence	473,715	290,637	764,352
Richmond	-	-	-
Scituate	19,637	45,522	65,159
Smithfield	1,400	38,390	39,790
South Kingstown	32,463	133,892	166,355
Tiverton	41,493	-	41,493
Warwick	158,378	4,987	163,365
Westerly	146,557	-	146,557
West Warwick	-	47,523	47,523
Woonsocket	16,871	36,046	52,917
Bristol-Warren	139,648	647,124	786,772
Chariho	26,388	1,104,699	1,131,087
Exeter-West Greenwich	63,022	527,118	590,140
Foster-Glocester	15,791	225,831	241,622
Central Falls	10,486	66,665	77,151
<b>Subtotal</b>	<b>\$ 2,500,000</b>	<b>\$ 4,351,360</b>	<b>\$ 6,851,360</b>
Charters & State Schools	-	-	-
<b>Total</b>	<b>\$ 2,500,000</b>	<b>\$ 4,351,360</b>	<b>\$ 6,851,360</b>

**Table 9: Education Aid for FY 2009 – FY 2014**

<i>District</i>	<i>FY 2009</i>	<i>FY 2010</i>	<i>FY 2011</i>	<i>FY 2012</i>	<i>FY 2013</i>	<i>FY 2014</i>
Barrington	\$ 1,907,570	\$ 1,800,191	\$ 1,777,692	\$ 2,374,854	\$ 3,350,904	\$ 3,971,797
Burrillville	13,789,047	13,169,342	13,049,312	13,008,772	12,965,501	13,063,243
Charlestown	1,824,817	1,725,632	1,708,264	1,704,449	1,694,669	1,706,995
Coventry	19,167,853	18,278,654	18,106,570	18,670,838	19,707,074	20,348,442
Cranston	34,241,412	32,032,775	31,729,746	34,148,058	39,188,868	43,347,609
Cumberland	12,749,195	11,966,879	11,853,639	12,663,079	13,834,760	14,705,457
East Greenwich	1,457,699	1,450,763	1,327,711	1,507,198	1,955,236	2,323,568
East Providence	26,404,603	24,881,232	24,531,957	25,375,608	26,993,305	28,082,665
Foster	1,372,428	1,305,135	1,293,021	1,242,314	1,214,327	1,204,783
Glocester	3,150,714	2,973,405	2,946,000	2,862,833	2,792,685	2,705,444
Hopkinton	5,758,687	5,749,276	5,695,888	5,726,195	5,615,973	5,515,535
Jamestown	445,251	391,353	386,846	369,267	363,461	361,936
Johnston	10,412,388	9,701,822	9,609,655	10,131,916	11,083,498	11,997,593
Lincoln	6,762,647	6,384,476	6,320,677	6,999,556	8,156,329	8,990,606
Little Compton	324,893	291,845	288,570	313,858	338,666	365,270
Middletown	10,102,194	9,653,308	9,562,746	9,407,808	9,288,241	9,109,276
Narragansett	1,601,846	1,440,139	1,423,684	1,488,608	1,663,260	1,805,079
Newport	11,718,446	10,912,686	10,812,053	10,701,213	10,661,062	10,656,332
New Shoreham	40,148	57,149	56,081	61,851	72,292	81,762
North Kingstown	11,342,544	10,735,891	10,633,129	10,674,839	10,758,204	10,796,604
North Providence	12,949,606	12,222,938	12,107,544	12,751,556	14,139,108	15,094,386
North Smithfield	4,542,906	4,384,693	4,342,683	4,630,725	5,133,980	5,400,054
Pawtucket	67,589,810	63,316,158	62,743,324	64,600,780	68,246,641	71,459,692
Portsmouth	6,235,178	6,026,090	5,968,097	5,762,149	5,380,832	5,128,661
Providence	198,173,499	181,619,378	179,813,040	185,804,948	197,968,379	206,273,348
Richmond	5,711,973	5,722,291	5,669,397	5,648,866	5,474,556	5,335,436
Scituate	3,136,637	2,942,545	2,913,522	3,155,942	3,514,829	3,720,471
Smithfield	5,265,557	5,023,550	4,899,277	4,966,920	4,982,755	4,985,793
South Kingstown	9,759,935	9,289,273	9,198,692	8,832,470	8,511,975	8,154,486
Tiverton	5,620,900	5,326,062	5,275,223	5,329,648	5,677,809	5,775,390
Warwick	35,667,487	33,816,257	33,493,714	33,796,578	34,449,461	35,164,250
Westerly	6,132,170	5,780,009	5,721,304	5,982,372	6,572,162	7,164,219
West Warwick	20,065,546	19,030,395	18,855,252	19,143,704	19,775,027	20,309,057
Woonsocket	47,937,431	44,881,514	44,356,033	45,012,523	46,744,955	48,170,444
Bristol-Warren	19,987,011	19,071,142	18,896,443	18,625,047	17,832,369	17,089,869
Exeter-West Greenwich	7,159,892	6,894,092	6,708,949	6,818,348	6,705,948	6,639,220
Chariho	892,154	387,074	383,667	642,082	898,449	1,127,409
Foster-Glocester	5,522,536	5,268,913	5,219,945	5,372,978	5,289,023	5,213,358
Central Falls	44,524,530	43,255,325	42,865,644	41,145,437	39,744,688	38,451,858
Met School Operations	11,830,303	12,508,767	13,025,640	12,236,284	11,648,256	11,085,049
<b>Total</b>	<b>\$ 693,279,442</b>	<b>\$ 651,668,420</b>	<b>\$ 645,570,630</b>	<b>\$ 659,692,470</b>	<b>\$ 690,389,517</b>	<b>\$ 712,882,446</b>



## Revenues Changes

The Governor recommended \$0.4 million less and \$216.9 million more general revenues than estimated at the November 2014 Revenue Estimating Conference for FY 2015 and FY 2016, respectively. The May 2015 Revenue Estimating Conference increased the FY 2015 estimates by \$106.8 million for a total of \$3,615.7 million and included \$3,416.8 million for FY 2016. The Budget includes total FY 2015 revenues of \$3,616.7 million and \$3,543.8 million for FY 2016. Notable items and changes are described below.

### Personal Income Taxes

- ***Earned Income Tax Credit.*** The Budget includes a revenue loss of \$3.1 million for FY 2016 from modification to the Earned Income Tax Credit for low and moderate wage earners. Effective January 1, 2016, the credit will equal 12.5 percent of the federal credit. 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. The loss annualizes to \$6.4 million for FY 2017.
- ***Social Security Retirement Exemption.*** The Budget assumes a loss of \$9.4 million from exempting the Social Security benefits of single and joint filers who have reached full social security retirement age and have federal adjusted gross incomes of \$80,000 or less and \$100,000 or less, respectively, from personal income tax, effective January 1, 2016. Under current law, Social Security benefits are taxable at the state level if they are taxable at the federal level. The impact annualizes to \$19.5 million in FY 2017.
- ***New Qualified Jobs Credits.*** The Budget includes a revenue loss of \$1.0 million associated with credits, assigned to businesses for the creation of qualified new full-time positions in FY 2016. The Assembly adopted legislation establishing a program to be administered by the Commerce Corporation, under which qualified businesses may receive credits from \$2,500 up to \$7,500 per new full-time job, subject to certain criteria including the creation of new jobs in targeted industries, jobs created in specific communities, and jobs created by businesses that relocate from out-of-state.
- ***Contingency Fee Contract Services.*** The Budget includes an additional \$1.0 million in personal income tax revenues from establishing contracts between the Division of Taxation and third-party service providers for the review of tax data and collections. The Budget additionally assumes \$0.8 million in associated interest and penalties for a combined impact of \$1.8 million in new revenues.

### Sales and Use Taxes

- ***Hotel Room Resale.*** The Budget assumes an additional \$0.8 million in sales tax revenues from subjecting the resale cost of hotel rooms and travel package bundles to the state sales tax, state hotel tax of 5.0 percent, and local hotel tax of 1.0 percent. Current statute requires resellers collect and remit taxes on the wholesale cost of rooms purchased for resale. No hotel tax revenues from this initiative are assumed in the Budget, reflective of the reallocation of the state share of hotel tax revenues to the Commerce Corporation.
- ***Small Bed and Breakfasts and Other Temporary and Unlicensed Lodging.*** The Assembly enacted legislation expanding the definition of hotel to include the rentals of rooms at bed and breakfast inns with less than three rooms for rent or rooms in other unlicensed lodging, subjecting these rentals to the state sales tax, state hotel tax of 5.0 percent, and local hotel tax of 1.0 percent. The Budget includes an associated \$0.9 million of sales tax revenues; no additional hotel tax revenues are assumed, reflective of the reallocation and redistribution of the state share of hotel tax revenues.
- ***Vacation Homes.*** The Budget assumes \$5.4 million of additional sales tax revenues from expanding the

statutory definition of hotel to include the temporary rental of vacation homes. The Assembly adopted legislation subjecting these rentals to the state 7.0 percent sales tax and local 1.0 percent hotel taxes, but not to the state 5.0 percent hotel tax.

- ***Self-Audit Program.*** The Budget includes \$0.5 million in additional sales tax collections from permitting the Division of Taxation to establish agreements with Rhode Island businesses to perform self-audits and pay any sales and use taxes owed for reduced interest and no penalty costs.
- ***Commercial Energy Sales Tax.*** The Budget includes a revenue loss of \$24.4 million from the elimination of sales tax on the purchase of electricity, gas, and heating fuels by commercial or business users, effective July 1, 2015. The Governor had proposed phasing in an exemption of these purchases in 20.0 percent annual increments over a period of five years.
- ***Cigarette Tax.*** The Budget assumes total revenues of \$7.1 million from a \$0.25 increase to the excise tax on cigarettes, effective August 1, 2015. This includes \$5.9 million in increased excise tax collections, \$0.7 million in sales tax revenues, and \$0.6 million from the floor tax applied to inventory held as of 12:01 a.m. on August 1, 2015. The estimated final retail price per pack is \$9.17, \$0.54 cents less than in Massachusetts, which has higher minimum markup provisions.
- ***Alcohol Taxes Restructuring.*** The Budget assumes a net loss of \$7.9 million from permanent restructuring of alcohol taxes enacted by the 2013 Assembly, which was to set to end June 30, 2015. The impact includes \$6.5 million in additional alcohol tax revenues associated with permanently increases to the excise taxes on beer, wine, and spirits, offset by a loss of \$14.3 million from exempting retail purchases of wine and spirits from sales tax.
- ***Transportation Fees Transfer Delay.*** The Budget does not include the Governor's proposal to delay the transfer of \$13.2 million from transportation related fees collected by the Division of Motor Vehicles to the Department of Transportation. Current law provides that 25 percent of these fees, estimated at \$52.8 million, are transferred in FY 2016, with 75 percent in FY 2017, and all fees transferred in FY 2018.

## **Business Taxes**

- ***Enterprise Zone Tax Credit.*** The Budget does not include the Governor's proposal to eliminate the Enterprise Zone Tax Credit. The Assembly instead adopted legislation to limit the credit to businesses that have been certified prior to July 1, 2015. Under current law, 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.
- ***Minimum Tax.*** The Budget assumes a revenue loss of \$1.6 million in corporate income tax revenues from the decrease of the minimum corporate tax from \$500 to \$450 per year, effective January 1, 2016. The loss annualizes to \$3.3 million for FY 2017.
- ***Insurance Revenue Impact from Medicaid Changes.*** The FY 2016 budget lowers expenses in the RIte Care, Rhody Health Partners and Rhody Health Options managed care programs that reduces expenses by \$42.5 million. This includes eliminating the rate increase for the capitated payments and freezing and further reducing by 2.5 percent the rates paid to hospitals through the plans. This action results in lower revenues for the managed care plans that lower taxes paid by \$0.9 million through the 2.0 percent assessment on the plan premiums.
- ***Health Care Provider Revenue Impact from Medicaid Changes.*** The Budget includes skipping the October 1, 2015 nursing home rate increase and imposing a 2.0 percent rate reduction lowering expenditures by \$16.5 million. The result is lower revenues for nursing homes, which lowers taxes paid

by \$0.9 million through the 5.5 percent assessment on a facility's gross revenues.

## Other Taxes

- **State Property Tax.** The Budget does not include the Governor's proposal to generate \$11.8 million in revenues from the establishment of a state tax on real properties valued at \$1.0 million or more.
- **Real Estate Conveyance Tax.** The Budget assumes \$0.7 million from the establishment of a tax on the sale of a controlling interest in a business entity that holds interest in real property, effective July 1, 2015. At the time of conveyance, the sale is subject to a tax of \$2.30 per \$500 of the value of the property, consistent with the existing real estate conveyance tax.

**Departmental Revenues.** The Budget includes additional revenues of \$162.1 million from departmental receipts for FY 2016. Of this amount, \$169.1 million relates to the extension of the hospital licensing fee.

- **Hotel Tax Reallocation and Redistribution.** The Budget allocates \$3.8 million in hotel tax revenues from general revenues to the Rhode Island Commerce Corporation and assumes the modification of the existing state hotel tax revenue distribution to fund state level tourism and marketing programs through the Corporation. Shares of the 5.0 percent state hotel tax are decreased for all eight of the regional tourism districts and the Providence Warwick Convention and Visitors Bureau; the difference in shares and funds that would have otherwise been deposited as general revenues are transferred to the Corporation.
- **OHHS: Hospital Licensing Fee.** The Assembly included Section 2 of Article 5 to extend the licensing fee for FY 2016 at the current rate of 5.862 percent for all hospitals except South County and Westerly, which will be assessed a fee of 3.67 percent. It assumes \$162.3 million from community hospital payments and \$6.7 million from state payments for Eleanor Slater Hospital. The licensing fee appears annually in the Appropriations Act and is not included in consensus revenue estimates, because the Revenue Estimating Conference can only estimate revenues under current law. The Assembly also increased the FY 2015 fee to 5.745 percent for revenues totaling \$157.2 million.
- **DOR: Outpatient and Imaging Services Surcharge.** The Budget includes the elimination of the 2.0 percent surcharge on outpatient and imaging service facilities' net patient revenue and includes an associated loss of \$2.3 million. The Governor had proposed phasing out the surcharge in 0.5 percent increments over a period of four years.
- **DOR: Contingency Fee Contract Services.** The Budget assumes \$0.8 million in penalty and fee collections by the Division of Taxation from establishing contracts between the Division and third-party service providers for the review of tax data and collections. The Budget also assumes \$1.0 million in additional income tax payments. The combined impact is a revenue increase of \$1.8 million.
- **DHS: Work Support Strategies Grant.** The Budget includes the transfer of \$0.4 million related to the Work Support Strategies grant from general revenues to a restricted receipt account in both FY 2015 and FY 2016. The Department indicated the grant expenditures will be completed in FY 2016, but may be carried into the first quarter of FY 2017. This three-year grant for \$1.3 million from the Urban Institute, which is currently deposited as general revenues, has been used to streamline access to and delivery of the services of the four major programs that support low income families: supplemental nutrition assistance program, medical assistance, Rhode Island Works and subsidized child care.
- **Occupational Licensing.** The Budget assumes a revenue loss of \$0.3 million from repealing 27 professional license and permit requirements. Of this, 21 are administered by the Department of Health, four by the Department of Business Regulation, one each by the Departments of Environmental Management and Elementary and Secondary Education. It eliminates the licensure requirement for line cleaners, auctioneers,

athletic coaches, fur buyers, manicurist instructors, hairdresser/cosmetologists and manicurist instructors, and several others.

- **Indirect Cost Recovery.** The Budget assumes a loss of \$58,510 for FY 2016 from exempting specific accounts from the state's indirect cost recovery charge, including defined contribution administration and the national school breakfast and lunch program at the Davies Career and Technical Center.

#### **Other Revenue**

- **Newport Grand.** The Budget assumes a revenue loss of \$0.8 million associated with an increase in Newport Grand's share of net terminal income for FY 2016 and FY 2017 to fund marketing expenditures approved by the Lottery Division.
- **Clean Water Finance Agency Transfer.** The Budget does not include the transfer of \$11.0 million from the Clean Water Finance Agency to the state General Fund.
- **Narragansett Bay Commission Transfer.** The Budget does not include the transfer of \$2.8 million from the Narragansett Bay Commission to the state General Fund.
- **Resource Recovery Corporation Transfer.** The Budget does not include the transfer of \$1.5 million from the Resource Recovery Corporation to the state General Fund.
- **RI Health and Educational Building Corporation Transfer.** The Budget does not include the transfer of \$5.0 million from the Rhode Island Health and Educational Building Corporation to the General Fund.
- **Rhode Island Airport Corporation Transfer.** The Assembly rejected the Governor's proposal that the Rhode Island Airport Corporation transfer \$0.4 million to the state General Fund.
- **Tobacco Settlement Financing.** The Assembly rejected the Governor's proposal to allow \$19.0 million from proceeds from tobacco bond refunding to be deposited into the state General Fund instead of the Information Technology Fund. The 2014 Assembly authorized the Tobacco Settlement Financing Corporation to raise additional funds in an amount of not less than \$20.0 million through the refunding of its bonds. Of that amount, \$5.0 million each would be deposited into the state General Fund and the Municipal Road and Bridge Revolving Fund, and the remaining proceeds would be deposited into the Information Technology Fund. The refinancing yielded a total of \$36.3 million in revenues.
- **License Plate Reissuance.** The Budget delays the start of the mandatory reissuance of license plates from September 1, 2015 to July 1, 2016, and assumes an associated revenue loss of \$2.6 million. The Governor proposed delaying it to September 1, 2016 and included the loss along with a \$2.7 million expenditure decrease, associated with an assumed reissuance cost of \$6.00 per plate set. It appears that the actual reissuance cost will be closer to \$12.50 per set. The Budget includes \$3.0 million for the Division to begin producing the plates prior to July 2016; any unspent funds will be reappropriated for the same purpose to FY 2017.
- **Energy Efficiency Rebates.** The FY 2015 budget includes \$1.3 million in revenues from National Grid for energy efficiency rebates as a result of capital improvements such as energy efficient boilers, lighting, motors, refrigeration, HVAC systems, and related controls on the Pastore Center.
- **Verizon/Sprint Settlement.** The FY 2015 budget includes \$275,400 in revenue from the recent settlement to resolve allegations that Sprint and Verizon placed charges for third-party services on cell phone bills that were not authorized by consumers.



## Tourism Taxes and Distribution

Hotel rooms and other temporary lodging rentals are subject to the state sales tax of 7.0 percent. The tax applies only to sales at retail; sales for resale are not subject to sales tax. Hotel room rentals are also subject to two hotel taxes: the 5.0 percent state hotel tax, which has multiple recipients, and a 1.0 percent local hotel tax to the city or town where the room is located. Both hotel taxes are collected by the hotel or lodging facility and remitted to the Division of Taxation. State hotel tax collections are distributed on a monthly basis; local hotel tax collections are distributed quarterly.

The following table shows distribution of the 5.0 percent state hotel tax under current law.

<b>5.0 Percent State Hotel Tax - Current Law</b>						
<b>Region</b>	<b>Regional Tourism Districts</b>	<b>Providence Warwick CVB</b>	<b>Convention Ctr.</b>	<b>Cities &amp; Towns</b>	<b>General Revenues</b>	<b>Total</b>
<b>Warwick</b>	31.0%	23.0%	0.0%	25.0%	21.0%	100.0%
<b>Providence</b>	31.0%	23.0%	0.0%	25.0%	21.0%	100.0%
<b>Omni</b>	31.0%	12.0%	30.0%	0.0%	27.0%	100.0%
<b>Statewide</b>	0.0%	7.0%	0.0%	25.0%	68.0%	100.0%
<b>Aquidneck Island</b>	47.0%	7.0%	0.0%	25.0%	21.0%	100.0%
<b>All Other</b>	47.0%	7.0%	0.0%	25.0%	21.0%	100.0%

The Governor recommended legislation in her FY 2016 budget to modify the existing state hotel tax revenue distribution to fund state level tourism and marketing programs through the Rhode Island Commerce Corporation, effective July 1, 2015. Shares of the 5.0 percent state hotel tax would be decreased for seven of the eight tourism districts; the difference in shares as well as all funds that were deposited as general revenues would be transferred to the Commerce Corporation for a state tourism effort. The following table shows the recommended allocation.

<b>5.0 Percent State Hotel Tax - Gov. FY 2016 Proposed Allocation</b>						
<b>Region</b>	<b>Regional Tourism Districts</b>	<b>Providence Warwick CVB</b>	<b>Convention Ctr.</b>	<b>Cities &amp; Towns</b>	<b>Commerce Corporation</b>	<b>Total</b>
<b>Warwick</b>	15.0%	23.0%	0.0%	25.0%	37.0%	100.0%
<b>Providence</b>	15.0%	23.0%	0.0%	25.0%	37.0%	100.0%
<b>Omni</b>	15.0%	12.0%	0.0%	0.0%	73.0%	100.0%
<b>Statewide</b>	0.0%	7.0%	0.0%	25.0%	68.0%	100.0%
<b>Aquidneck Island</b>	47.0%	7.0%	0.0%	25.0%	21.0%	100.0%
<b>All Other</b>	25.0%	7.0%	0.0%	25.0%	43.0%	100.0%

The Governor also recommended expanding the sales and hotel taxes base to include bed and breakfast inns with one or two rooms for rent; to permit the rental of rooms from unlicensed facilities, including homes, through online platforms; and to make the resale cost of rooms rented through online travel companies or resellers subject to all tourism taxes. However, the temporary rental of residences in their entirety, such as homes, apartments, or condominiums, would be subject to sales tax and the local 1.0 percent hotel tax, but not the 5.0 percent state hotel tax.

The combined impact of the Governor's proposed changes to tourism taxes and distribution is shown in the following table.

**Governor Proposed Allocation FY 2016 Impact**

<b>Tourism Tax Recommendation</b>	<b>State Sales Tax</b>	<b>State Hotel Tax</b>	<b>State Combined</b>	<b>Commerce Corp.</b>	<b>Tourism Districts</b>	<b>Cities &amp; Towns</b>
Hotel Tax Reallocation and 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	0.9	-	0.9	0.2	0.3	0.2
Vacation Homes	5.4	-	5.4	-	-	0.8
<b>Total Impact</b>	<b>\$ 7.1</b>	<b>\$ (3.8)</b>	<b>\$ 3.3</b>	<b>\$ 6.4</b>	<b>\$ (1.7)</b>	<b>\$ 1.0</b>

*in millions*

The Assembly concurred with funding for a state tourism and marketing campaign, but delayed modifying the existing state hotel tax revenue distribution until January 1, 2016. Additionally, the Assembly included a lesser reduction in regional districts' shares and included a reduction to the Providence Warwick Convention and Visitors Bureau's share.

The state hotel tax distribution allocation included in the enacted budget is shown in the following table.

<b>5.0 Percent State Hotel Tax - FY 2016 Enacted</b>						
<b>Region</b>	<b>Regional Tourism Districts</b>	<b>Providence Warwick CVB</b>	<b>Convention Ctr.</b>	<b>Cities &amp; Towns</b>	<b>Commerce Corporation</b>	<b>Total</b>
<b>Warwick</b>	28.0%	23.0%	0.0%	25.0%	24.0%	100.0%
<b>Providence</b>	28.0%	23.0%	0.0%	25.0%	24.0%	100.0%
<b>Omni</b>	28.0%	12.0%	0.0%	0.0%	60.0%	100.0%
<b>Statewide</b>	0.0%	5.0%	0.0%	25.0%	70.0%	100.0%
<b>Aquidneck Island</b>	42.0%	5.0%	0.0%	25.0%	28.0%	100.0%
<b>All Other</b>	42.0%	5.0%	0.0%	25.0%	28.0%	100.0%

The Assembly also concurred with the proposed base expansion. Effective January 1, 2016, all state hotel tax revenues, except those associated with rentals from unlicensed facilities, will be distributed according to the allocation in the above table. Effective July 1, 2015, 25.0 percent of hotel tax collections from unlicensed rentals will be distributed to the municipality where the facility is located and 75.0 percent will go to the Commerce Corporation.

All hotel tax revenues received by the Corporation in a fiscal year must be expended on marketing the state as a destination for tourists and businesses.

The combined impact of the changes included in the enacted budget is shown in the following table.

**FY 2016 Enacted Allocation Impact**

<b>Tourism Tax Recommendation</b>	<b>State Sales Tax</b>	<b>State Hotel Tax</b>	<b>State Combined</b>	<b>Commerce Corp.</b>	<b>Tourism Districts</b>	<b>Cities &amp; Towns</b>
Hotel Tax Reallocation and Redistribution	\$ -	\$ (3.8)	\$ (3.8)	\$ 4.4	\$ (0.6)	\$ -
Hotel Room Resale	0.8	-	0.8	0.1	0.3	0.1
Small B&Bs and Unlicensed Rentals	0.9	-	0.9	0.5	-	0.2
Vacation Homes	5.4	-	5.4	-	-	0.8
<b>Total Impact</b>	<b>\$ 7.1</b>	<b>\$ (3.8)</b>	<b>\$ 3.3</b>	<b>\$ 5.0</b>	<b>\$ (0.3)</b>	<b>\$ 1.0</b>

*in millions*

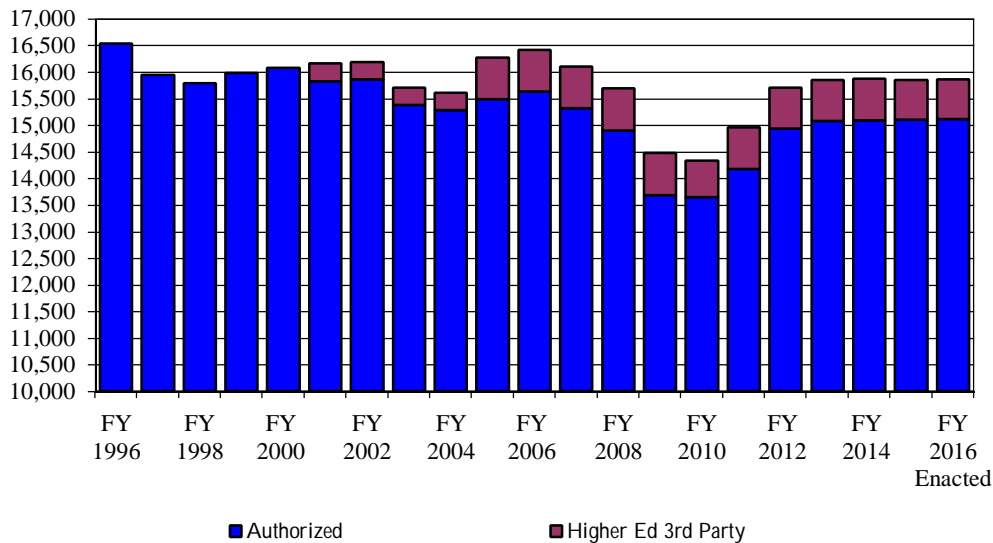
# State Government Personnel and Staffing

## Summary

The Governor recommended \$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 and 33.4 more positions than the FY 2015 enacted budget. The expenditures include both salaries and benefits, as well as contracted services.

The Assembly adopted \$1,921.0 million for personnel expenditures and 15,118.4 full-time equivalent positions, including 745.8 higher education positions dedicated for research or supported by other third-party funds. This is \$11.5 million more and 1.0 full-time equivalent position less than the Governor's recommendation.

**Full-Time Equivalent Positions**



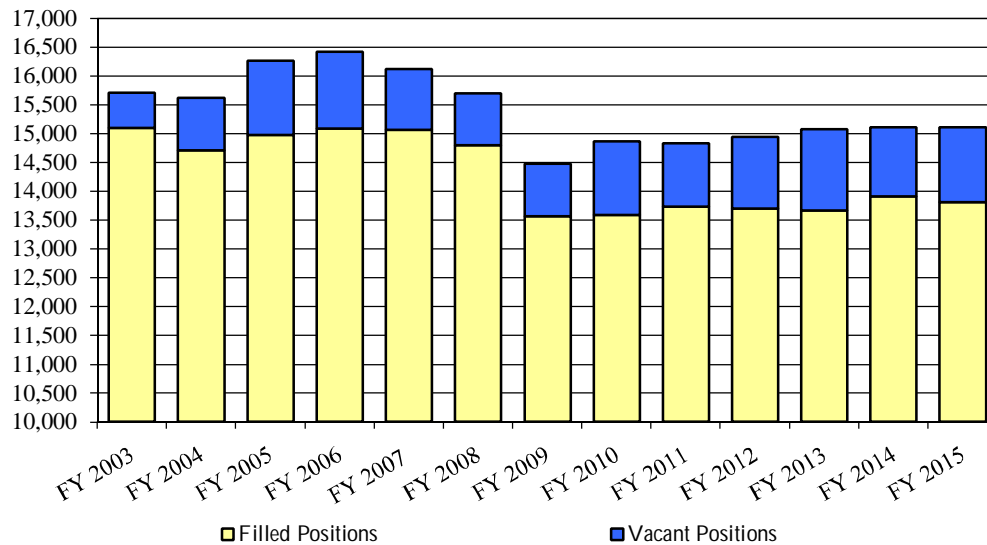
The General Assembly sets personnel limits for each agency and department defined as the maximum allowable number of full-time equivalent positions filled during any pay period. These limits are referred to as authorized levels. The authorized levels do not include temporary or seasonal employees or individuals in training requisite to employment, such as state trooper classes. Generally, agencies do not fill all authorized positions because of various reasons, such as hiring freezes or budgeted turnover savings. Turnover is budgeting less money than needed for full staffing. Turnover savings result from the gap in time from when an employee leaves state service and a new employee is hired at a lower cost or from when a department leaves a position vacant to achieve a certain level of savings.

The chart on the next page shows the staffing levels from FY 2003 through FY 2015. Authorized levels peaked in FY 2006; however, filled positions peaked in FY 2003. A significant reduction to both authorized and filled positions is apparent in FY 2009, FY 2010 and FY 2011 due to a major surge of retirements. Other significant issues during that period are noted below.

- Total filled positions peaked at 15,099.0 in FY 2003. Filled positions dropped by 393.0 to 14,706.0 in FY 2004 due to a hiring freeze.
- The increase in authorized positions during FY 2005 is the result of an additional 461.2 higher education positions that are dedicated for research or supported by other third-party funds. There are consistent vacancies within this group of positions.

- Total authorized positions peaked in FY 2006 from an additional 151.9 authorized positions, primarily from a new class of correctional officers at the Department of Corrections and new nursing programs at each of the colleges. However, filled positions remained consistent with prior years.
- During FY 2007, the Governor proposed initiatives including measures to encourage eligible individuals to retire, such as ending statutory status and payment for unused sick leave and revisions to accrued vacation leave, freezing longevity payments, shutting down government operations for two days, and establishing limited service positions. The Assembly did not concur with the proposal; however, it did adopt a reduction of vacant general revenue funded positions, eliminating 419.4 vacant positions.

### Full-Time Equivalent Positions



- The decline in both authorized and filled positions in FY 2009 resulted from changes to retiree health benefits included in Article 4 of 2009-H 5019, Substitute A, as amended. This change caused a significant number of state employees to retire. There were 14,917.8 filled positions on December 6, 2007, compared to December 8, 2008, when there were 13,302.1 filled positions.

The FY 2016 enacted budget includes authorization for 15,118.4 positions. The FY 2015 final budget includes 15,100.7 positions, 14.7 more positions than the FY 2015 enacted budget. In FY 2015, the state averaged 13,801.1 filled positions reflecting an average of 1,262.0 non-research vacancies. In FY 2014, the state averaged 13,908.9 filled positions reflecting an average of 1,001.8 non-research vacancies.

### Personnel Costs

Personnel costs include both salaries and benefits and contracted services. Benefits include direct benefits to employees as well as assessed statewide employee benefits. Contracted services are services state government purchases by contract.

The Governor's personnel recommendation includes \$1,626.1 million for salaries and benefits and \$283.4 million for contracted services. These expenditures represent an increase of \$47.4 million, or 2.5 percent, from the FY 2015 enacted budget. Salaries and benefits increase by \$44.9 million, or 2.8 percent and contracted services increase by \$2.6 million, or 0.9 percent. General revenue expenses for salaries and benefits increase by 3.5 percent and contracted services decrease by 2.0 percent. The FY 2016 recommended budget includes \$22.0 million in general revenue savings from unidentified statewide personnel savings.

The Assembly provided \$1,638.9 million for salaries and benefits and \$282.1 million for contracted services. Salaries and benefits are \$57.7 million more than enacted and \$12.8 million more than the Governor’s recommendation, which primarily reflects the restoration of \$17.0 million for unidentified statewide savings. Contracted services are \$1.3 million less than recommended. It should be noted that these expenditures exclude internal service funds; however, the staffing levels do include them.

<b>FY 2016 Enacted</b>	<b>General Revenues</b>	<b>Federal Funds</b>	<b>Restricted Receipts</b>	<b>Other Funds</b>	<b>Total</b>
Salaries and Wages	\$ 568,211,949	\$ 179,550,248	\$ 41,641,889	\$ 294,196,559	\$ 1,083,600,645
Benefits	304,532,745	105,048,894	24,997,162	120,680,325	555,259,126
<b>Total Salaries and Benefits</b>	<b>\$ 872,744,694</b>	<b>\$ 284,599,142</b>	<b>\$ 66,639,051</b>	<b>\$ 414,876,884</b>	<b>\$ 1,638,859,771</b>
Contracted Services	52,542,557	172,527,622	35,581,472	21,462,679	282,114,330
<b>Total Personnel</b>	<b>\$ 925,287,251</b>	<b>\$ 457,126,764</b>	<b>\$ 102,220,523</b>	<b>\$ 436,339,563</b>	<b>\$ 1,920,974,101</b>

Internal service funds, often called rotary accounts, are established to finance and account for the operations of certain overhead type programs that provide services to other state agencies on a charge for services basis. The expenditures appear as state operations costs in the agencies being charged, and are not included in the statewide personnel totals to prevent double counting. The largest ones were converted to direct appropriations by the 2006 Assembly in the FY 2007 enacted budget. The 2009 Assembly included the Governor’s proposal to convert the central laundry and pharmacy internal service funds into direct appropriations in FY 2010.

There are three divisions of state service: classified, unclassified, and non-classified. Classified service includes competitive and non-competitive positions. Competitive positions require employees to take civil service examinations, as opposed to non-competitive positions which include positions that require licenses, certificates, or registrations. Positions may also be unclassified or non-classified. Positions in the unclassified service are established by law and are subject to compliance with standards of the federal government and regulations set forth by the state’s Personnel Administrator. Positions in this category generally include the employees of elected officials, courts, boards and commissions, both houses of the general assembly, department directors, and various positions of a policy making character. All appointments are made by the appointing authorities or the Governor in accordance with the provisions of the laws governing such appointments and the personnel rules adopted for the unclassified service. Positions within the non-classified service are covered under contract terms for the Board of Education and include senior administrative staff, as well as faculty.

Employee status refers to an employee’s protection during reorganizations or layoffs. When an employee is first hired, he or she may have temporary or probationary status, which provides the least protection. All employees that were hired prior to August 7, 1996, will have statutory status when reaching 20 years of state service. This means that the state is required to find a suitable position for that employee in the case of reorganizations or layoffs. For veterans, statutory status is acquired after 15 years of service. As of February 2015, there were 3,314 employees with statutory status, including 170 employees who were eligible through the veteran provision.

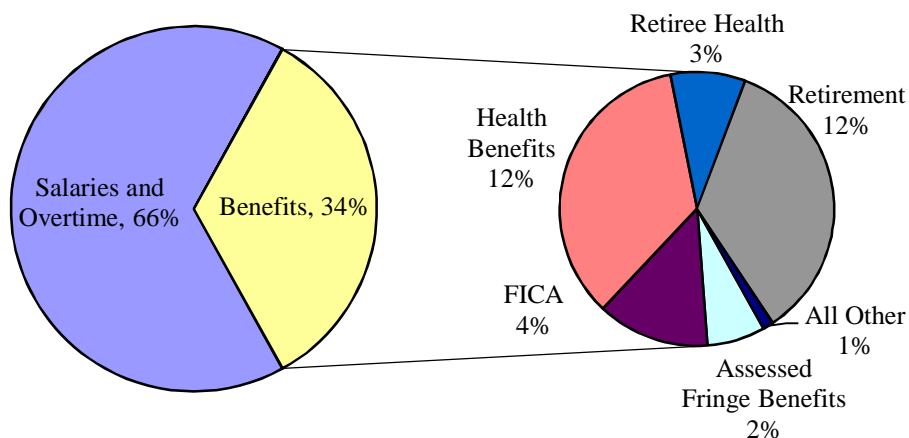
Governor Chafee recommended \$300,000 to conduct an analysis of the state’s personnel system and to recommend alternatives to the current system. The study was completed in January 2013 and found that the current personnel structure, organization and staffing of the Division of Human Resources is not sufficient to support the state’s need. Additionally, the recruiting process is highly paper-based, job classification structures do not reflect qualifications to deliver the services and the compensation structures are non-competitive.

A total of 16 actions were recommended, including: implementing an online application system, eliminating the public hearing process when making changes to classification structure, and hiring a new

chief of human resources to be dedicated to establishing strategic direction and developing policies. The 2013 Assembly provided funding for this position, which was filled in December 2013. The FY 2015 final and the FY 2016 budgets include \$0.5 million each for a classification and compensation study.

Salaries and benefits make up 85.3 percent of total personnel costs. The following charts represent the total cost of salaries and benefits. The larger pie chart divides salaries, including overtime, and benefits.

### FY 2016 Enacted Salaries and Benefits



The smaller pie chart breaks out the percentage of each benefit type. Each of the items included in the graphic is described in further detail in the paragraphs that follow.

**Salaries.** Direct salaries refer to the wages paid to state employees. This amount may increase due to many factors. For many state employees, pay scales are determined by position grade and classification. An employee will have a base salary, and there will be increases along a five-step scale annually after the employee's first six months. Prior to July 1, 2011, after an employee had been in state service for a specified number of years, he or she became eligible for longevity increases. These increases were applied to the base salary. This is authorized by collective bargaining agreements for union employees, with different increases for education agencies contained in statute; it was personnel policy for non-union employees.

The 2011 Assembly froze longevity increases for all employees effective July 1, 2011, or upon expiration of all current contracts when applicable. The Governor's FY 2016 recommended budget proposed changes to longevity that are described later in the report; though this proposal was later rescinded. The following table shows the years that an employee was eligible for these increases.

Longevity Increases*		
Years of Service	Education Boards	All Others
5	-	5.0%
11	5.0%	10.0%
15	-	15.0%
20	10.0%	17.5%
25	-	20.0%

\*As of July 1, 2011 or contract expiration

Collective bargaining agreements also determine if an employee will receive a cost-of-living adjustment. This adjustment differs from a longevity increase because it applies to all employees in that pay grade. For example if all state employees receive a 3.0 percent cost-of-living increase on July 1, then an employee with a pay grade ranging from \$50,000 to \$59,000 will now be in a pay grade of \$51,500 to \$60,770.

Most state employee contracts expired on June 30, 2013. In April 2014, the Chafee Administration reached agreements with its largest unions for a new four-year contract effective July 1, 2013 through June 30, 2017. This includes 2.0 percent salary increases effective April 6, 2014, October 5, 2014 and October 4, 2015.

Several contracts remained unsettled, including those covering members of the Rhode Island Brotherhood of Correctional Officers and State Police, as well as some related to higher education employees as of the Governor Raimondo's FY 2016 budget submission. The contract for the State Troopers Association covered the period of May 1, 2010 through April 30, 2013, and is subject to a wage re-opener for the last contract year. The State Troopers Association re-opened the contract for wage negotiations and is currently in arbitration.

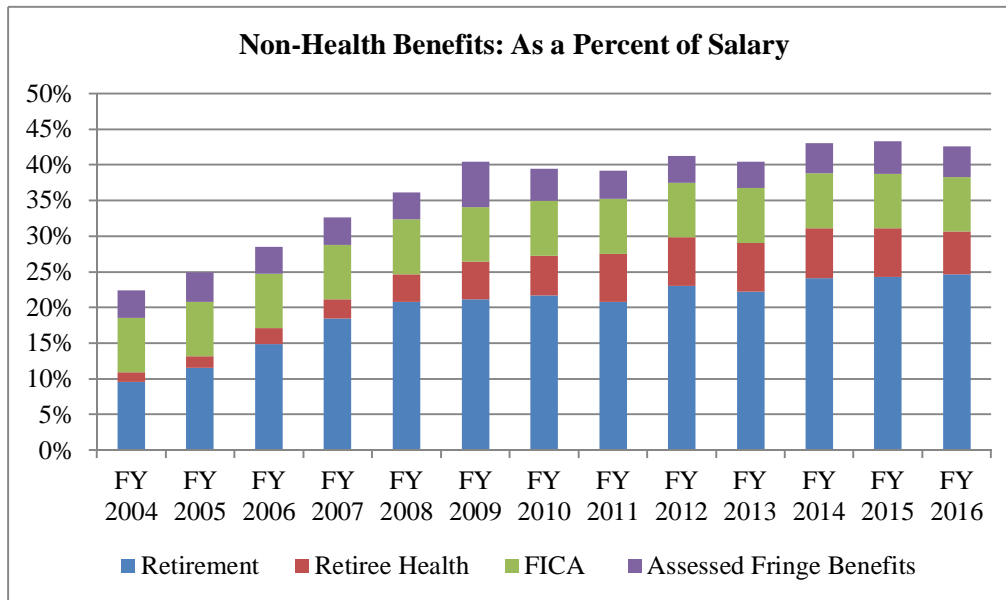
The following table identifies the recent cost-of-living adjustments and any other notable adjustments to employee salaries.

<b>Cost-of-Living Adjustments</b>		
<b>Fiscal Year</b>	<b>Increase</b>	<b>Notable Adjustments</b>
2005	1.5%	
2006	2.5%	
2007	4.0%	
2008	3.0%	6 furlough days
2009	-	
2010	2.5%	8 furlough days
2011	3.0%	6 month delay, 4 furlough days
2012	3.0%	
2013	-	
2014	2.0%	April 6, 2014
2015	2.0%	October 5, 2014
2016	2.0%	October 4, 2015

**Overtime.** Overtime expenses make up 3.6 percent of total salary and benefit expenses. The majority of overtime expenses occur in the Department of Corrections for correctional officers, followed by the Departments of Behavioral Healthcare, Developmental Disabilities and Hospitals, and Human Services.

<b>Overtime - FY 2016 Enacted</b>	
Corrections	35.9%
BHDDH	19.1%
Human Services	9.1%
Higher Education	8.6%
Public Safety	7.8%
Children, Youth and Families	6.8%
Transportation	6.6%
All Others	6.1%
<b>Total</b>	<b>100%</b>

**Benefits.** Benefits include direct benefits to employees such as health, workers' compensation and unemployment as well as unfunded liabilities for retirement and retiree health. With the exception of health benefits, these are calculated as a percentage of salary and are approximately one-third of the total cost of a position. The table below shows non-health benefits as a percent of salary from FY 2004 through FY 2016. It is important to note that while FICA is part of the cost of a position, it is a federal requirement which the state has no control over. Each benefit is described in the paragraphs that follow.



**Retirement.** Participation in Rhode Island's hybrid defined benefit/defined contribution plan is mandatory for most state employees, except for certain higher education employees who participate in a defined contribution plan. The 2011 Assembly adopted changes including participation in a new defined contribution plan for all employees, except judges, state police and correctional officers. The 2015 Assembly enacted changes consistent with the pension settlement agreement agreed to in the spring of 2015; these changes are described later in the report.

Employees must work until a combination of their years of service and age equal 95. Employees who were not eligible to retire when the 2011 changes became effective have an individualized retirement age based on their years of service but they must be at least 59 years old to retire.

The salary basis is the five highest consecutive years. Cost-of-living adjustments are only granted when the pension systems' aggregate funded ratio exceeds 80.0 percent; the formula uses both investment returns and inflation, but no more than 3.5 percent or less than zero. It is only applied to the member's first \$25,000 of pension income, indexed to grow at the same rate as the cost-of-living adjustment. Prior to full funding, intermittent cost-of-living adjustments are granted every four years and there are different provisions for pre-settlement retirees. There have been many changes to the retirement system over the past few years. These changes are discussed later in the report.

**Retiree Health.** The state provides health coverage to individuals who are retired from state employment, who have at least 20 years of state service and are at least age 59. Eligible retirees will pay a 20.0 percent cost share on the actual cost of the plan. The Board has a separate plan for certain higher education employees. These benefits are less generous than previously provided and are discussed later in the report.

**FICA.** The Federal Insurance Contributions Act tax is a United States payroll tax imposed by the federal government on both employees and employers to fund Social Security and Medicare. This applies to all employee groups except State Police. This rate is calculated on salaries and overtime; however, the



Social Security portion has a salary limit. In calendar year 2015, the salary limit is \$118,500. There is no salary limit for the Medicare portion.

The total rate is 7.65 percent, including 6.20 percent for the Social Security portion and 1.45 percent for the Medicare portion.

**Assessed Fringe.** The assessed fringe benefit internal service fund was established in August 1999 to comply with federal regulations and to eliminate the fluctuations in agency budgets that result from workers' compensation claims, unemployment claims, and unused leave. A biweekly assessment is applied to the amount of salaries and wages paid from all accounts and funds. This fund allows the costs to be spread out over all fund sources, as opposed to only general revenues. The rate for most employees is 3.75 percent for FY 2014; however, the rate for certain public safety personnel is 1.75 percent because these employees receive injured on duty benefits. The rate for higher education faculty is 3.31 percent because they do not receive severance payments.

Effective on October 27, 2014, the Budget Office revised the enacted assessed fringe benefit rates from 4.25 percent to 4.30 percent for most employees and maintained the 3.77 percent for higher education faculty rate. The Budget Office again revised the rate to 5.5 percent for the last quarter of FY 2015.

**Health Benefits.** All full-time state employees and certain part-time employees are eligible for health benefits, including medical, dental and vision through United HealthCare and Delta Dental. Employees began contributing to the cost of this health care ten years ago. Some employees paid a percentage of salary, depending on salary range, and some employees paid 5.0 percent of the cost of the health plans. Currently, an employee's contribution depends on his or her salary and the type of plan chosen.

The following table shows the cost of health benefits and the state employee co-shares for FY 2015 for both individual and family plans.

FY 2015 Revised	Below \$49,670		\$49,670 - \$99,339		Over \$99,339	
	Individual	Family	Individual	Family	Individual	Family
Total Cost of Benefits	\$ 7,579	\$ 21,240	\$ 7,579	\$ 21,240	\$ 7,579	\$ 21,240
% of Premium: State	80.0%	85.0%	80.0%	80.0%	75.0%	75.0%
Annual Cost to State per Employee	\$ 6,063	\$ 18,054	\$ 6,063	\$ 16,992	\$ 5,684	\$ 15,930
% of Premium: Employee	20.0%	15.0%	20.0%	20.0%	25.0%	25.0%
Annual Cost to Employee	\$ 1,516	\$ 3,186	\$ 1,516	\$ 4,248	\$ 1,895	\$ 5,310

*Co-share contribution salary ranges went up 2.0%, effective October 5, 2014.*

For budget planning purposes, a weighted average is used to calculate the cost of medical benefits for vacant positions. The following table shows the weighted average per benefit type.

Weighted Average	FY 2015 Enacted	FY 2015 Final	FY 2016 Enacted
Medical	\$ 15,985	\$ 15,985	\$ 17,105
Dental	907	894	920
Vision	126	126	130
<b>Total</b>	<b>\$ 17,018</b>	<b>\$ 17,005</b>	<b>\$ 18,155</b>

In April 2014, Council 94 agreed to a new four-year contract effective July 1, 2013 through June 30, 2017. Among the main provisions of the new contract are increased co-pays for office visits and prescription drugs, and deductibles of \$250/\$500 for individuals/families effective January 1, 2015.

As shown in the table above, the FY 2016 budget assumes a planning value of \$18,155, \$1,150 or 6.8 percent from the FY 2015 final value. There were no changes to these values in the Governor's recommended or final budget.

Beginning in June 1997, before employees were contributing to the cost of health benefits, the state began offering employees the option of choosing a medical benefit waiver as opposed to enrolling in a state health plan. The waiver had been \$2,002 through FY 2011; it was then reduced by half to \$1,001. It should be noted that new contracts eliminate the waiver for two state employed spouses who are hired on or after June 29, 2014.

**Total Costs.** The true cost examples for two employees who have salaries of \$50,000 and \$100,000, respectively, and a family health plan in FY 2016 is displayed in the following table.

<b>Cost of a Position - FY 2016 Enacted</b>				
	Expense	% of Salary	Expense	% of Salary
Salary	\$ 50,000		\$ 100,000	
FICA	3,825	7.65%	7,650	7.65%
Assessed Fringe	2,150	4.30%	4,300	4.30%
Retiree Health	3,000	6.00%	6,000	6.00%
Retirement	12,320	24.64%	24,640	24.64%
Subtotal	\$ 21,295	42.59%	\$ 42,590	42.59%
Health Benefits	18,155	Family Plan	18,155	Family Plan
Total Co-share	(3,631)		(4,539)	
Subtotal Benefits	\$ 35,819	71.6%	\$ 56,206	56.2%
<b>Total Cost</b>	<b>\$ 85,819</b>		<b>\$ 156,206</b>	

**Contracted Services.** Contracted services make up the remaining 14.7 percent of personnel costs. The FY 2016 enacted budget includes \$282.1 million for expenditures the state classifies as contracted services, often referred to as consultants. These expenditures reflect the compensation paid for the services of non-employee individuals or firms and include payments to professional practitioners and other independent contractors who sell their services.

**Retirement.** Participation in Rhode Island's hybrid defined benefit/defined contribution plan is mandatory for most state employees, except for certain higher education employees who participate in a defined contribution plan. The 2011 Assembly adopted changes including participation in a new defined contribution plan for all employees, except judges, state police and correctional officers. The 2015 Assembly enacted changes consistent with the pension settlement agreement agreed to in the spring of 2015; these changes are described later in the report.

Employees must work until a combination of their years of service and age equal 95. Employees who were not eligible to retire when the 2011 changes became effective have an individualized retirement age based on their years of service but they must be at least 59 years old to retire.

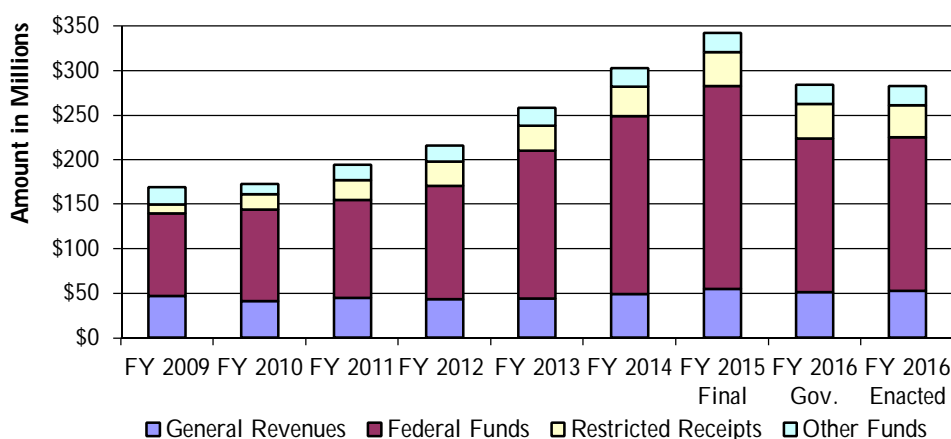
The salary basis is the five highest consecutive years. Cost-of-living adjustments are only granted when the pension systems' aggregate funded ratio exceeds 80.0 percent; the formula uses both investment returns and inflation, but no more than 3.5 percent or less than zero. It is only applied to the member's first \$25,000 of pension income, indexed to grow at the same rate as the cost-of-living adjustment. Prior to full funding, intermittent cost-of-living adjustments are granted every four years and there are different provisions for pre-settlement retirees. There have been many changes to the retirement system over the past few years. These changes are discussed later in the report.

By fund source, 61.2 percent of the expenses are supported by federal grants and 18.6 percent are funded from general revenues. The Office of Health and Human Services and the Department of Elementary and Secondary Education account for more than a third of these expenses from all sources.

The following chart shows the costs of contracted services from FY 2009 through FY 2016. The total cost remained relatively consistent from FY 2009 through FY 2011; however, there is a decline in the amount of general revenues spent over that time. The significant increase in FY 2012 and FY 2013 are mostly as a result of Race to the Top stimulus funds in the Department of Elementary and Secondary Education. The Department was awarded \$75.0 million to spend over four years. The FY 2013 and FY 2014 budgets also include over \$50 million from federal funds for the implementation of the Affordable Care Act.

The FY 2015 final budget includes \$61.0 million more for contracted services than enacted, of which \$31.4 million is for HealthSource RI; a majority of which is for the development of the web-based exchange.

**Contracted Services, FY 2009 to FY 2016**



Over the past few fiscal years, the Assembly required state agencies to be held more accountable for contracted services they purchase. Governor Chafee’s FY 2015 budget proposed legislation to repeal and consolidate most of these requirements. The paragraphs that follow identify these reporting requirements, and any significant revision.

***RIGL 42-90-1.*** This statute, first adopted in Chapter 161 of the Public Laws of 1985, requires all departments, commissions, boards, councils and other agencies to submit to the Secretary of State the name of any person who performed legal, medical, accounting, engineering or any other professional services, and the amount of the compensation received by the consultant during the previous quarter. It further requires the Secretary of State to compile, publish and make a report available to the public.

The 2006 Assembly amended this legislation in 2006-H 6779, Substitute A, to establish a \$0.1 million threshold for which services obtained are substantially similar to work performed by regular employees of the department, commission, board, council or agency. The legislation further required state agencies to list all privatization contracts as part of the budget requests, which must contain the name of the contractor, duration of the contract and costs of previous, current and upcoming years. Agencies must also include a summary of contracted private employees for each contract, reflected as full-time equivalent positions and their hourly wage rate. It appeared that only a few agencies were complying with this requirement.

The 2007 Assembly adopted legislation in Public Law 2007, Chapter 73 requiring an extensive cost comparison analysis as well as an appeals process prior to privatization of any state facility, function or property. It required that bids for such services substantially beat the current in-house costs and meet or exceed current service quality and performance. The comparisons must consider monitoring and conversion costs. The 2008 Assembly further amended the legislation by modifying the requirements.

Governor Chafee included legislation in Article 17 of his FY 2015 budget that increased the threshold from \$100,000 to \$150,000 and required that the reporting be annually submitted to the Budget Office electronically. The legislation requires that the Budget Office electronically post all contracts and reports online using the state's transparency portal or an equivalent website no later than December 1 of each year. The Assembly concurred and included the legislation in Section 4 of Article 9 of 2014-H 7133, Substitute A, as amended.

RIGL 37-2.3-1. The 2006 Assembly adopted legislation requiring agencies to list all privatization contracts as part of the budget request when obtaining services that are substantially similar to work performed by regular employees of the department, commission, board, council or agency starting in FY 2009. The list must contain the name of the contractor, duration of the contract and costs of previous, current and upcoming years. Agencies must also include a summary of contracted private employees for each contract, reflected as full-time equivalent positions and their hourly wage rate.

Governor Chafee submitted legislation to alter the requirements so that agencies provide actual information for the prior fiscal year and projected costs for the current and subsequent fiscal years. The listings will be published annually online using the state's transparency portal or an equivalent website no later than December 1 of each year. Subsequently, he requested an amendment to restore language that had previously removed subcontractor from the definition of privatization contractor and clarifies what agencies must include in reports for prior, current and upcoming fiscal years and positions must be reflected as full-time equivalent positions. The Assembly concurred.

RIGL 42-149-1. This statute adopted in Public Law 2007, Chapter 525 requires all state departments to submit quarterly reports of all non-state employee expenditures for legal services, financial services, temporary works and other non-state employee personnel costs. The report must contain: efforts made to identify qualified individuals or services within state government; factors used in choosing a non-state employee or firm; results of requests for proposals for services or bids for services; and the actual cost and the budgeted cost for the expenditure.

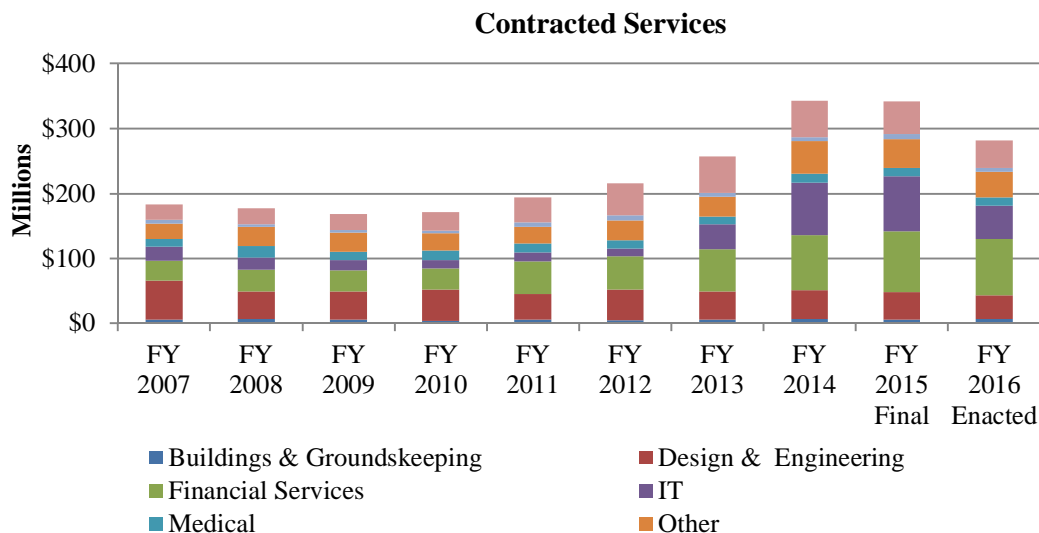
Governor Chafee included legislation in Article 17 of 2014-H 7133 to repeal this, in conjunction with modifying a similar requirement. The Assembly concurred.

RIGL 42-149-3.1. This legislation, adopted in Public Law 2011, Chapter 409 requires an assessment of 5.5 percent on contractual costs to be paid to the retirement system on a quarterly basis 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 of the department, commission, board, council, agency or public corporation. During the FY 2013 budget process, the administration indicated that it developed a mechanism within the state's accounting system to calculate this charge and \$0.4 million was collected in FY 2013 and FY 2014.

Governor Chafee included legislation in Article 17 of 2014-H 7133 to repeal the 5.5 percent assessment. The Assembly did not concur.

P.L. 2007, Chapter 073. The 2007 Assembly adopted legislation to correct a situation concerning contract employees that were doing the same work as state employees, under state employee supervisors. Departments and agencies would be allowed to convert those positions to state employee positions within

available funding. The law also required that an agency or department may not employ contracted employees or employee services where the contracted employees would work under state employee supervisors after October 1, 2007, without determination of need by the Director of Administration acting upon the positive recommendations of the Budget Officer and the Personnel Administrator and 15 days after a public hearing. The FY 2014 enacted budget and six previous budgets included this language. Consistent with the FY 2015 enacted budget, the FY 2016 enacted budget did not include this language.



The table above shows the types of services provided by outside contractors from FY 2007 to FY 2016. The majority of the expenditures are spent on design and engineering services, training and educational, and management and consultant services. The smallest area of spending is legal services and buildings and grounds keeping services.

### FY 2016 Proposed Personnel Initiatives

The Governor’s recommended budget includes \$22.0 million in general revenue savings from unidentified statewide personnel savings. The Governor had planned 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. She subsequently requested an amendment to rescind some of the proposals or limit them to those employees not covered by collective bargaining agreements.

The Assembly restored \$17.0 million of the assumed savings. The enacted budget includes \$5.0 million in undistributed statewide savings.

- Classification Issues.** The Governor proposed 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. She also proposed converting the classified positions assigned to higher education to non-classified positions and removed them from the merit system on a prospective basis. The Assembly did not concur with these proposals; however, it amended the unclassified service to add certain positions, including those for HealthSource RI, the Office of Commerce and others.
- Classification Study.** The Governor recommended a total of \$1.0 million from general revenues, \$0.5 million in each year for a classification and compensation study. This is to continue the work begun with a study and review of the personnel system completed in January 2013 that found the current

structure, organization and staff of the human resources division is not sufficient, the recruiting process is cumbersome and slow, the job classification structures do not reflect qualifications to deliver services and career earnings potential for state employees is lower than neighboring states. The Assembly concurred.

- **Active and Retiree Health Insurance.** The Governor proposed altering the requirements for what benefits shall be included in early retiree health plans. The Governor also proposed removing the requirement that non-union employees receive health benefits that are substantially similar to those received by union employees under collective bargaining agreements. These changes would allow the state to offer a different benefit program to non-union employees, pre-65 retirees and retirees who receive disability pensions and have more flexibility on plan selection. The Assembly did not concur.
- **Longevity.** The Governor proposed 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 the longevity amount not be included as part of an employee's base rate salary, which means longevity will not grow with other raises. Since FY 2012 the rate has been frozen. She subsequently requested an amendment to rescind this proposal. The Assembly concurred and maintained the current law.
- **Administrative Changes.** The Governor proposed a number of administrative changes related to personnel in Article 22. This includes a proposal to repeal the requirement that the Department of Administration seek the General Assembly's approval in determining salaries for cabinet directors. Director's salaries would solely be determined by the director of the Department of Administration. Current law requires that the Department of Administration refer proposed salaries of directors to the General Assembly by the last day in April, which will take effect in 30 days unless it is rejected by a formal action of the House and Senate within the time frame.

The Governor proposed 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. She also proposed to extend the probationary period for all positions from 6 months to 12 months but then requested an amendment to rescind that proposal.

The Assembly did not concur with any of these proposals. It provided a one-time four-month extension to the current law on director salaries. The public hearing process would be extended to July and the referral of proposed salaries to the Assembly would be extended to August 30.

### **Recent Compensation and Benefit Revisions**

Recent budgets have included initiatives affecting personnel costs including savings from reducing retirement benefits, compensation and implementing pay reductions for state employees. These are described in the paragraphs that follow, along with the Assembly's action on those items.

- **Retirement Benefits.** The 2009 Assembly adopted pension changes that apply to all state employees, including judges and teachers eligible to retire on or after October 1, 2009 and were not eligible before passage of the legislation. The 2009 changes include establishing a minimum retirement age of 62 with a proportional application of that minimum age to current members based on their current service as of October 1, 2009. Changes also include freezing service credits for those in Plan A, and shifting all future accrual to the lower accruals of Plan B. The cost-of-living adjustments were based on the Plan B model of the lesser of inflation or 3.0 percent on the third anniversary, and the salary basis for benefits is the five consecutive highest years, increased from three.

The 2010 Assembly enacted legislation to further limit the cost-of-living adjustments to the first \$35,000 of retirement allowance beginning on the third anniversary of the date of retirement or when the member

reaches age 65, whichever is later, for state employees, teachers, and judges. The Governor had proposed to amend the retirement statutes to eliminate the cost-of-living adjustments for state employees, teachers, judges and state police who were not eligible to retire before passage of the proposal. He also proposed adding language to subject any further cost-of-living adjustments to annual legislative action.

As part of a special session, the 2011 Assembly enacted legislation that suspended new cost-of-living adjustments to retirees' benefits until the system is better funded but provided for an intermittent cost-of-living adjustment every five years, if the retirement fund's investment returns reach certain levels, until the system in the aggregate is 80.0 percent funded. It moved all but public safety employees into a hybrid pension plan that includes a defined contribution plan. It increased the minimum retirement age for most employees not already eligible to retire and changed the benefit accruals to 1.0 percent per year of service beginning July 1, 2012. It reduced the vesting requirement from ten years to five years and preserved accrued benefits earned through June 30, 2012. It increased the minimum retirement age for teachers and state employees to Social Security Normal Retirement Age, not to exceed 67, applied proportionally to employees based on current years of service, but no less than 59.

Public labor unions challenged the constitutionality of the law subsequent to its enactment. To avoid what could have been a lengthy and costly trial, state and labor unions were ordered into federal mediation. In February 2014, a proposed settlement was announced, which maintained most of the pension changes; however, the retirement age was reduced from 67 to 65 and allowed employees who have worked at least 20 years to keep their defined-benefit pensions. Retirees would receive a one-time 2.0 percent cost-of living increase upon the enactment of the agreement and intermittent cost-of-living increases would be given every four years instead of every five years. Additionally, the settlement needed the approval of retirees, state employees, as well as the General Assembly. If more than half of any one group were to vote against the settlement, the litigation would continue. Though most employees and retirees voted in support of the settlement, a majority of police officers voted against it; thereby rejecting the settlement in whole. The trial was originally scheduled for September 2014, and later rescheduled for April 2015.

In March 2015, a proposed settlement was announced. The Assembly enacted Article 21 of 2015-H 5900, Substitute A, as amended to codify the pension settlement agreement signed by all the parties (except all municipal police and Cranston fire) in April 2015 and determined by the Court to be fair, adequate and reasonable in May 2015. The legislation does not exclude any parties. It preserves over 90 percent of the 2011 pension reform savings. The changes include providing a cost-of-living increase every four years instead of every five as well as two, one-time \$500 payments to all current retirees. It changes the formula for calculating the cost-of-living increase to use both investment returns and the consumer price index with a maximum of 3.5 percent; currently it is only based on investment returns with a 4.0 percent maximum. It also increases the base used for cost-of-living calculations from \$25,000 to \$30,000 for current retirees.

It returns state employees, teachers and Municipal Employees Retirement System (MERS) general employees with at least 20 years of service as of June 30, 2012 to a defined benefit plan with a 2.0 percent annual accrual and higher employee contribution rate. It also increases the state's contribution to the defined contribution plan for those with between 10 and 20 years of service as of June 30, 2012. It also contains increases in accrual rates for correctional officers and municipal public safety employees.

It includes adjustments to the retirement age for all groups and allows local municipalities to re-amortize the unfunded liability four additional years to 25 years for MERS plans and the local employer portion of teacher contributions.

There is no assumed impact to the FY 2016 budget; the FY 2017 budget would require an additional \$12.6 million from general revenues.

- **Retiree Health Benefits.** The 2008 Assembly enacted legislation to change its provision of retiree health benefits from a pay-as-you-go system along with significant benefit reductions to future retirees effective October 1, 2008. Based on a recommendation in the Governor's FY 2009 revised budget, the 2009 Assembly enacted legislation to delay the move to a trust fund for two years. The trust fund was set up in FY 2011 and the state is now funding on an actuarial basis.

The 2012 Assembly adopted legislation establishing a Medicare exchange for eligible retirees that offers a wider array of health benefit choices at a lower cost through competition. The state sets up a Health Reimbursement Arrangement (HRA) for each retiree and deposits the state subsidy into the account each month. It is the same percent subsidy that the retiree previously received. The maximum state contribution is set at equal to the lowest cost plan, adjusted for age that is comparable to the highest former plan. A retiree can choose a lower cost plan and use the balance of funds for any approved expense including: purchasing a plan for a spouse, dental or vision coverage, and payment of Medicare Part B premiums and Part D coverage. Governor Raimondo had proposed changes to retiree health described earlier in this report. The Assembly did not adopt them.

It should be noted, the federal "Cadillac" tax goes into effect in 2018 for plans deemed high cost. The tax is 40.0 percent of the cost above federally established thresholds. While final regulations have not been issued, it is widely assumed that the threshold will be \$10,200 for an individual plan and \$27,500 for a family plan. The current pre-65 rate plan costs \$11,300 for an individual plan and \$31,500 for a family plan.

- **Pay Reductions.** The Budget enacted by the 2010 Assembly included two initiatives negotiated with employee unions to generate personnel savings. The first was to implement eight pay reduction days in FY 2010 and four pay reduction days in FY 2011. The Department of Administration entered into negotiations with collective bargaining units in the summer of 2009 to reach an agreement to achieve savings while avoiding layoffs. For each pay reduction day, an employee will accrue one and one quarter additional days of paid leave, for a maximum of ten days in FY 2010 and five days in FY 2011. The employee may request to discharge this leave day during any pay period following the period in which it was earned, or the employee may elect to receive a cash payment upon termination of state employment.

The second savings initiative was to delay the 3.0 percent cost-of-living adjustment from July 1, 2010 to January 2, 2011. Together these initiatives were intended to save approximately \$29.5 million from all sources, including \$17.5 million from general revenues in FY 2011. In FY 2010, the initiatives accounted for savings of \$26.8 million from all sources, including \$15.0 million from general revenues. These savings ended for FY 2012, and the contract called for a 3.0 percent increase effective July 1, 2011.

The agreement with the collective bargaining units also gave agency directors the right to transfer employees between programs in order to transfer, reorganize, eliminate, or consolidate functions, programs, units, divisions, and departments within the Executive Branch, as long as the collective bargaining units are notified within 15 days and the transfers are based on seniority. This authority ended on June 30, 2011.

- **Longevity.** The 2011 Assembly included legislation that ended new longevity payments for all state employees effective July 1, 2011, or upon the expiration of any current collectively bargained contract. Employees continue to receive the same longevity percentage they have already earned; however, no new longevity will be granted. Provisions for these payments are generally a matter of collective bargaining agreements for union employees or personnel policy for non-union staff. Non-classified employees of the former Board of Governors, Board of Regents and Public Telecommunications Authority received longevity payments of 5 percent after 10 years and 10 percent after 20 years pursuant to three different sections of the General Laws. Out-year estimates had projected \$4.0 million in annual costs from this provision.



Governor Raimondo proposed legislation to freeze longevity payments currently expressed as a percent of salaries, at the amount earned by an employee as of June 2015, or the last pay period prior to the expiration of applicable collective bargaining agreements, whichever occurs later. It also excluded longevity from an employee's base rate salary, which means longevity will not grow with other raises. She subsequently requested an amendment to rescind this. The Assembly concurred.

Changes for each agency are summarized in the paragraphs at the end of this report and explained in further detail in the individual agency analyses contained in the FY 2015 final and FY 2016 sections of this publication.

### Distribution of Positions

The number of full-time equivalent positions authorized for each agency and department is contained in Article 1 of the annual appropriations act. The departments and agencies may not exceed the number of full-time equivalent positions authorized in any pay period. Full-time equivalent positions do not include seasonal or intermittent positions whose scheduled periods of employment do not exceed 26 consecutive weeks or whose scheduled hours do not exceed 925, excluding overtime, in a one-year period. Nor do they include individuals engaged in training, the completion of which is a prerequisite of employment.

<b>FY 2016 Changes to Enacted FTE</b>	<b>Gen. Govt.</b>	<b>Human Services</b>	<b>Education</b>	<b>Public Safety</b>	<b>Natural Res.</b>	<b>Transp.</b>	<b>Total</b>
<i>FY 2015 Enacted</i>	2,298.7	3,744.0	4,641.1	3,221.6	428.0	752.6	<b>15,086.0</b>
Program Changes	8.6	(0.4)	(13.5)	-	-	-	(5.3)
Federally Funded/Time Limited	3.0	4.0	(2.0)	7.0	-	-	12.0
Transfers	(2.6)	-	2.6	-	-	-	-
New Positions	22.5	-	2.2	1.0	-	-	25.7
<i>Total Change to Enacted</i>	<i>31.5</i>	<i>3.6</i>	<i>(10.7)</i>	<i>8.0</i>	<i>-</i>	<i>-</i>	<i>32.4</i>
<b>FY 2016 Enacted</b>	<b>2,330.2</b>	<b>3,747.6</b>	<b>4,630.4</b>	<b>3,229.6</b>	<b>428.0</b>	<b>752.6</b>	<b>15,118.4</b>

The following is a brief summary of the distribution of positions by function. A description of the position changes from the FY 2015 enacted budget follows. Most of the positions in state government are in the education and human services functions, which together account for 55.4 percent of all positions.

The Budget includes 2,330.2 full-time equivalent positions for general government agencies, 15.4 percent of the distributed positions. This is 31.5 positions more than the authorized level, primarily to reflect added positions for the Executive Office of Commerce, HealthSource RI, and the Departments of Business Regulation and Revenue.

The Budget provides 3,747.6 full-time equivalent positions for human services, or 24.8 percent of all distributed positions. This is 3.6 positions more than enacted.

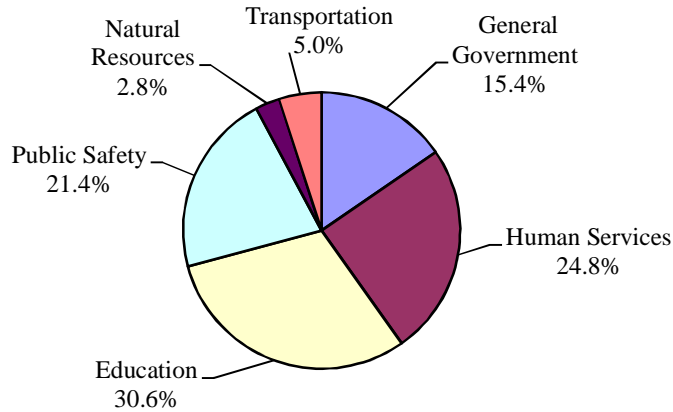
The Budget includes 4,630.4 full-time equivalent positions for education, 30.6 percent of all distributed positions. This is 10.7 fewer positions than the FY 2015 enacted budget.

There are 3,229.6 full-time equivalent positions for public safety agencies, 21.4 percent of all distributed positions. This is 8.0 positions more than the FY 2015 authorized level.

The Budget provides 428.0 full-time equivalent positions for natural resources agencies, which is consistent with the FY 2015 authorized level.

The Budget provides the authorized level of 752.6 full-time equivalent positions for transportation.

### Staffing by Function



### Program Changes to FY 2015 Enacted Staffing Levels

**Administration.** The Governor recommended the authorized level of 710.7 positions. However, it adds one new position in Central Management, to coordinate all public information requests in the Director's Office; 7.0 positions for HealthSource RI, 6.0 of whom were previously in the Office of the Governor; and 1.0 new architect position for the review of I-195 Redevelopment projects. This also includes five new positions: one in the Office of Energy Resources and two each in the Office of Diversity, Equity and Opportunity and the Division of Human Resources. It also reflects the transfer of 13.6 positions to the Executive Office of Commerce and one to the Department of Business Regulation.

The Assembly concurred, with the exception of transferring the ombudsman position to the Department of Business Regulation.

**Business Regulation.** The Governor recommended staffing of 98.0 positions for the Department of Business Regulation in FY 2015. This is 4.0 more than enacted, to reflect positions added to administer two federal grant programs: Rate Review Cycle III and the State Innovations Model Initiative. The Governor includes 99.0 positions for FY 2016, 1.0 more than the revised budget to reflect the transfer of the ombudsman position from the Office of Management and Budget in the Department of Administration. The Assembly concurred, with the exception of transferring the ombudsman position.

**Executive Office of Commerce.** The Budget includes 18.6 positions for the Executive Office of Commerce. This reflects the transfer of 13.6 positions from the Department of Administration for the Rhode Island Film and Television Office and the Office of Housing and Community Development. The Assembly concurred, with the exception of transferring the Rhode Island Film and Television Office; it transferred it to the Rhode Island State Council on the Arts.

**Labor and Training.** The Governor recommended the enacted level of 410.0 full-time positions for both FY 2015 and FY 2016. This includes shifting positions among programs, including 3.0 positions from Workers' Compensation to administer the new temporary caregiver insurance program, 3.0 positions from the Back to Work program, which ended in FY 2015, and 2.6 other workforce development positions to income support and shifting 0.5 positions to central management. The Assembly concurred.

**Revenue.** The Governor recommended 514.5 positions for FY 2016, 9.5 more than enacted. The recommendation includes 6.5 full-time equivalent positions to allow the Division of Motor Vehicles to fill customer service staffing needs with part-time customer service representatives. She also recommended 3.0 new positions associated with two Division of Taxation revenue initiatives, including 2.0 positions to

support contingency fee contracts and 1.0 position to administer a new managed audit program. The Assembly concurred.

**Office of the Governor.** The Governor included the authorized staffing of 45.0 positions for the Office in both years, though the FY 2016 budget reflects the transfer of 6.0 filled positions for HealthSource RI to the Department of Administration. The Assembly concurred.

**Office of the General Treasurer.** The Governor recommended the enacted level of 83.0 positions for the Office. The Assembly added 1.0 new position associated with the transfer of the administration of the CollegeBound*fund* from the Higher Education Assistance Authority to the Office.

**Office of Health and Human Services.** The Governor added 16.7 positions for the transfer of the four advocate agencies into the new Division of Advocacy and a position for a newly awarded federal grant. The agencies included in the new division are: the Office of the Child Advocate, Office of the Mental Health Advocate, Governor's Commission on Disabilities, and the Commission on the Deaf and Hard of Hearing. The Assembly did not concur with the new Division of Advocacy but did add 2.0 paralegal positions to assist with estate recovery activities.

**Health.** The revised budget includes the authorized staffing of 491.3 positions. The Governor recommended 488.6 positions for FY 2016, 2.7 fewer than enacted. This reflects the elimination of 3.0 positions, two of which support the non-prescribing boards. The recommendation updated a 0.7 position to a 1.0 position.

The Assembly did not concur with the proposal to consolidate the non-prescribing boards and restored the 2.0 positions, for FY 2016 staffing authorization of 490.6 positions.

**Children, Youth and Families.** The Governor recommended 672.5 positions for FY 2015 and FY 2016, 2.0 more than enacted. This reflects 2.0 new positions funded through a federal foster care grant. The Governor also eliminated 7.0 juvenile program worker positions at the Rhode Island Training School and created 7.0 new positions within the central management program. She funded the new central management positions in FY 2015, but not in FY 2016. The Assembly concurred.

**Human Services.** The Governor recommended the authorized level of 959.1 positions for FY 2015 and FY 2016. She added 8.0 positions for the Office of Rehabilitation Services, 2.0 positions each for child care, child support enforcement, and central management and shifted eligibility technicians from cash assistance to Medicaid determinations based on increased activity. She also eliminated 10.0 positions for the Unified Health Infrastructure Project, 1.0 Race to the Top position, 2.0 positions for the low income home energy assistance program, and 36.5 unidentified positions, in order to maintain the enacted position authorization. The Assembly concurred.

**Behavioral Healthcare, Developmental Disabilities and Hospitals.** The Governor recommended one position for a newly awarded federal grant in FY 2016 and the elimination of one vacant administrator position in the Division of Behavioral Healthcare for staffing authorizations of 1,420.4 in FY 2015 and 1,421.4 in FY 2016. The Assembly concurred.

**Office of the Child Advocate.** The Governor transferred the Office's 6.0 positions into the new Division of Advocacy within the Office of Health and Human Services. She subsequently requested an amendment rescinding this proposal. The Assembly maintained the Office as a standalone agency and restored the positions to the Office.

**Commission on the Deaf and Hard of Hearing.** The Governor transferred the Commission's 3.0 positions into the new Division of Advocacy within the Office of Health and Human Services. She

subsequently requested an amendment rescinding this proposal. The Assembly maintained the Commission as a standalone agency and restored the positions to the Commission.

**Commission on Disabilities.** The Governor transferred the Commission's 4.0 positions into the new Division of Advocacy within the Office of Health and Human Services. She subsequently requested an amendment rescinding this proposal. The Assembly maintained the Commission as a standalone agency and restored the positions to the Commission.

**Office of the Mental Health Advocate.** The Governor transferred the Office's 3.7 positions into the new Division of Advocacy within the Office of Health and Human Services. She subsequently requested an amendment rescinding this proposal. The Assembly maintained the Office as a standalone agency and included 4.0 positions, 0.3 more than enacted.

**Elementary and Secondary Education.** The Governor recommended 339.4 positions in FY 2016, 1.5 fewer positions than enacted to reflect the expiration of the Race to the Top grant and other adjustments. The enacted budget includes 5.5 full-time equivalent positions funded through the federal Race to the Top grant; she eliminated 2.5 positions and funded 3.0 positions from general revenues. She recommended 1.0 new position to administer the new School Building Authority Capital Fund and shifted 0.4 positions from administration to the E-rate program. The Assembly eliminated 2.0 former Race to the Top positions funded from general revenues and concurred with the remainder of the recommendation.

**Public Higher Education.** The Governor's revised recommendation includes 4,249.2 positions, 2.2 more than enacted for the Office of Postsecondary Commissioner based on a request from the new Commissioner of Postsecondary Education. Her FY 2016 recommendation includes 4,264.2 full-time positions, which is 17.2 more than enacted. This includes the 2.2 positions added in FY 2015 and transfer of 15.0 positions from the Rhode Island Higher Education Assistance Authority into the Office of Postsecondary Commissioner. It also converts 5.0 third party funded research positions to non-research positions at the Community College. The Assembly recommended transferring 10.0 positions from the Authority to the Office and concurred with the remainder of the recommendation.

**Rhode Island Higher Education Assistance Authority.** The Governor's budget includes the transfer of 15.0 of the authorized 22.0 full-time positions from the Rhode Island Higher Education Assistance Authority to the Office of Postsecondary Commissioner and abolishment of the Authority. This represents direct program positions as well as overhead support. Remaining direct functions will require fewer staff with the efficiencies provided for in a merger; therefore, the Assembly transferred 10.0 positions to the Office of Postsecondary Commissioner and 1.0 position to the Office of the General Treasurer to administer the *CollegeBoundfund*.

**Rhode Island State Council on the Arts.** The Governor's budget includes 2.6 positions transferred from the Department of Administration for the Rhode Island Film and Television Office to the Executive Office of Commerce. The Assembly transferred the Film and Television Office to the Rhode Island State Council on the Arts.

**Judiciary.** The Governor recommended the enacted level of 723.3 positions. The Assembly added a new District Court judge to reflect establishment of a veterans' treatment calendar.

**Military Staff.** The Governor recommended staffing of 92.0 positions for the Military Staff in FY 2016. This is 7.0 more than enacted for federally funded maintenance positions at National Guard facilities. The Assembly concurred.

## Summary of Retirement Legislation

Article 21 of 2015-H 5900, Substitute A, as amended, includes legislation to codify the pension settlement agreement signed by all the parties (except all municipal police and Cranston fire) in April, 2015 and determined by the Court to be fair, adequate and reasonable in May, 2015. The legislation does not exclude any parties. It preserves over 90 percent of the 2011 pension reform savings. The major terms of the settlement are outlined below.

### *COLA*

- Still suspended until system is 80% funded; intermittent COLAs every 4 years instead of every 5
- Two one-time payments of \$500 will be made to all current retirees
  - One paid the month following enactment and one paid one year later
- COLA Formula – remains compounded; base increased from \$25,000 to \$30,000, indexed, for current retirees until the system is 80% funded, formula uses both investment returns and inflation with a maximum of 3.5%
  - Changes from being based only on investment returns with 4% maximum

### *Benefits*

- State employees, teachers and MERS general employees with 20+ Years of Service as of 6/30/2012 – revert to a defined benefit plan (no hybrid) with a 2% annual accrual and higher employee contribution rate:
  - 11% for state employees and teachers
  - 8.25% for MERS general employees (9.25% for COLA plans)
- Employer contribution to defined contribution (DC) plan
  - Employees with 15 – 20 years of service: increases from 1% to 1.5%
  - Employees with 10 – 15 years of service: increases from 1% to 1.25%
- DC Admin Fee – employees making less than \$35,000 will no longer be charged the \$40 annual fee
- Correctional Officers accrual rates for years 31-35: from 2% to 3%
- MERS Police and Fire accrual for those at least age 57 with at least 30 years: from 2% to 2.25%
- Anti-spiking, part-time component revised for lower income levels to allow for 5 year average instead of 10 year average

### *Retirement Age*

- Unreduced retirement for state employees, teachers and MERS general: age 65 with 30 years of service; 64 with 31 years; 63 with 32 years; 62 with 33 years
- MERS Police/Fire: age 50 with 25 years of service or any age and 27 years of service
  - Members will pay additional 2% beginning July 1, 2015

### *Funding Plan*

- For MERS plans and the local employer portion of teacher contributions, the unfunded liability may be re-amortized 4 additional years to 25 years

### **Cost**

- FY 2017 state contribution increases \$16.3 million, \$12.6 million from general revenues
- Total unfunded liability goes from \$4.6 billion to about \$4.9 billion – 6.1% increase
- Funded ratio for state employees goes from 57.4% to 56.1%; teachers goes from 59.6% to 58.2%
- Aggregate average funded ratio for MERS general employees goes from 85.0% to 83.6%
- Aggregate average funded ratio for MERS police and fire goes from 82.3% to 79.2%

<b>Combined Estimated Budgetary Impact on Local Employers</b>						
<b>Estimated Increases in Employer Retirement Contributions FY 2017</b>						
<b>MERS EMPLOYER and TEACHER CONTRIBUTION TOTALS</b>						
<b>Municipal</b>	<b>Current</b>	<b>Article 21</b>	<b>Increase</b>	<b>Pre-2011 RIRSA</b>	<b>Pre-RIRSA vs Current</b>	<b>Pre-RIRSA vs Art. 21</b>
Barrington	\$ 5,334,803	\$ 5,305,160	\$ (29,643)	\$ 10,185,686	\$ 4,850,883	\$ (4,880,526)
Bristol/Warren	6,379,808	6,322,040	(57,768)	11,420,231	5,040,423	(5,098,191)
Burrillville	3,169,001	3,178,198	9,197	6,070,817	2,901,816	(2,892,619)
Central Falls	3,538,248	3,492,057	(46,191)	7,434,267	3,896,019	(3,942,210)
Chariho	5,697,984	5,630,715	(67,269)	11,480,007	5,782,023	(5,849,292)
Coventry	7,228,941	7,070,474	(158,467)	12,725,084	5,496,143	(5,654,610)
Cranston	17,584,868	17,805,290	220,422	34,903,001	17,318,133	(17,097,711)
Cumberland	6,755,798	6,614,281	(141,517)	11,671,666	4,915,868	(5,057,385)
East Greenwich	4,537,606	4,468,200	(69,406)	8,690,982	4,153,376	(4,222,782)
East Providence	10,097,449	9,857,723	(239,726)	16,285,701	6,188,252	(6,427,978)
Exeter/West Greenwich	2,818,437	2,767,873	(50,564)	5,886,504	3,068,067	(3,118,631)
Foster/Glocester	3,429,955	3,404,716	(25,239)	6,072,739	2,642,784	(2,668,023)
Jamestown	1,031,508	1,035,541	4,033	1,984,724	953,216	(949,183)
Johnston	5,496,837	5,399,116	(97,721)	9,515,863	4,019,026	(4,116,747)
Lincoln	4,794,288	4,699,931	(94,357)	8,209,213	3,414,925	(3,509,282)
Little Compton	401,758	392,622	(9,136)	698,126	296,368	(305,504)
Middletown	4,036,874	3,998,100	(38,774)	7,550,037	3,513,163	(3,551,937)
Narragansett	2,150,307	2,105,990	(44,317)	3,672,579	1,522,272	(1,566,589)
Newport	5,932,986	5,824,972	(108,014)	10,045,646	4,112,660	(4,220,674)
New Shoreham	564,445	565,794	1,349	976,631	412,186	(410,837)
North Kingstown	8,269,840	8,119,455	(150,385)	16,145,024	7,875,184	(8,025,569)
North Providence	5,419,870	5,212,809	(207,061)	9,661,655	4,241,785	(4,448,846)
North Smithfield	2,352,231	2,351,572	(659)	4,963,900	2,611,669	(2,612,328)
Pawtucket	11,744,759	11,581,695	(163,064)	22,770,758	11,025,999	(11,189,063)
Portsmouth	3,004,880	2,941,383	(63,497)	4,941,775	1,936,895	(2,000,392)
Providence	23,484,443	22,917,751	(566,692)	44,925,532	21,441,089	(22,007,781)
Scituate	2,321,916	2,292,492	(29,424)	3,732,967	1,411,051	(1,440,475)
Smithfield	3,892,076	3,943,849	51,773	7,560,490	3,668,414	(3,616,641)
South Kingstown	6,405,207	6,390,224	(14,983)	13,236,649	6,831,442	(6,846,425)
Tiverton	2,695,958	2,704,283	8,325	4,923,538	2,227,580	(2,219,255)
Warwick	12,179,574	11,885,674	(293,900)	24,116,933	11,937,359	(12,231,259)
Westerly	4,368,381	4,276,072	(92,309)	7,571,977	3,203,596	(3,295,905)
West Warwick	3,677,076	3,592,812	(84,264)	7,136,884	3,459,808	(3,544,072)
Woonsocket	9,139,400	9,216,952	77,552	18,501,305	9,361,905	(9,284,353)
<i>Subtotal Locals</i>	<i>\$ 199,937,512</i>	<i>\$ 197,365,816</i>	<i>\$ (2,571,696)</i>	<i>\$ 375,668,891</i>	<i>\$ 175,731,379</i>	<i>\$ (178,303,075)</i>
<i>Subtotal Charters Other LEA Groups</i>	<i>3,667,194</i>	<i>3,586,079</i>	<i>(81,115)</i>	<i>6,510,679</i>	<i>2,843,485</i>	<i>(2,924,600)</i>
<b>Total - All</b>	<b>\$ 203,604,706</b>	<b>\$ 200,951,895</b>	<b>\$ (2,652,811)</b>	<b>\$ 382,179,570</b>	<b>\$ 178,574,864</b>	<b>\$ (181,227,675)</b>

## Medicaid

Medicaid is a health insurance program jointly funded by the federal government and the states to provide services to low-income children, pregnant women, parents of dependent children, the elderly, and people with disabilities. The federal government's share of expenditures for most Medicaid services is called the federal medical assistance percentage (FMAP). The remainder is referred to as the nonfederal or state share. With passage of the Patient Protection and Affordable Care Act of 2010, states now have the option of expanding coverage to include certain low-income adults with the federal government paying all program costs for the first three years and eventually paying 90 percent of the total cost.

Rhode Island provides medical assistance, residential care, community based services and case management activities to individuals who meet the eligibility criteria established for the various assistance programs operated by the Executive Office of Health and Human Services and the four departments under its umbrella: the Departments of Human Services; Behavioral Healthcare, Developmental Disabilities and Hospitals; Children, Youth and Families; and Health. The following table shows Medicaid spending by department, including administrative and direct benefits costs, and by percent of the total Medicaid budget.

FY 2016 as Enacted	General Revenues	All Funds	% of Medicaid
OHHS	\$ 847,971,052	\$ 2,270,285,539	84.2%
BHDDH	167,636,632	347,179,637	12.9%
Children, Youth and Families	23,369,069	46,821,708	1.7%
Human Services	13,154,903	28,973,682	1.1%
Health	850,957	2,140,716	0.1%
<b>Total</b>	<b>\$ 1,052,982,613</b>	<b>\$ 2,695,401,282</b>	<b>100%</b>

**Working Group to Reinvent Medicaid.** On February 26, 2015, the Governor signed Executive Order 15-08, Establishing the Working Group to Reinvent Medicaid, comprised of Medicaid stakeholders who will conduct a comprehensive review of the Medicaid program and make recommendations for short and long-term plans to transform the program.

The Working Group included 29 members from across health care, business, state government and community and nonprofit organizations. The Rhode Island Executive Office of Health and Human Services provided staff support to the Working Group. There were four working group meetings: March 2<sup>nd</sup>, April 6<sup>th</sup>, April 22<sup>nd</sup> and April 30<sup>th</sup>. There were also four town hall meetings: March 16<sup>th</sup>, March 18<sup>th</sup>, March 23<sup>rd</sup> and April 1<sup>st</sup>. Information on all work group activities and the subsequent proposal is available at: <http://reinventingmedicaid.ri.gov/>.

The Governor's recommended budget reduced Medicaid spending by \$92.6 million, of which \$46.0 million was from general revenues, across the health and human services agencies based on the work of the group/. The Working Group issued a report on May 1, 2015 that identified specific quality improvement and cost savings measures for redesigning Medicaid to meet the specific system transformation goals and reduce Medicaid spending that were later included in successive amendments to the budget requested by the Governor.

Original savings were 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 and grouped into general themes. This includes \$85.4 million for value based payments to hospitals, \$37.2 million to address services provided to high cost populations, \$35.8 million for improved oversight and efficiency, \$17.9 million for value based payments in long term care, \$6.0 million

for better care for individuals with behavioral health issues, and \$3.0 million for program administration.

<b>Governor's Recommended Budget</b>	<b>Completed</b>		<b>Working Group</b>	
Efficiencies/Program Oversight	\$ (9.5)	\$ (19.2)	\$ (8.0)	\$ (16.1)
Program Administration	-	-	(1.5)	(3.0)
Transition Long Term Care Supports to Value Based Purchasing	(8.9)	(17.9)	-	-
Transition Hospital Support to Value Based Purchasing	(27.9)	(55.2)	(15.0)	(30.2)
Addressing High Utilizers	-	-	(18.5)	(37.2)
Coordinated Care for Individuals with Behavioral Healthcare Needs	-	-	(3.0)	(6.0)
<b>Total</b>	<b>\$ (46.4)</b>	<b>\$ (92.3)</b>	<b>\$ (46.0)</b>	<b>\$ (92.6)</b>

*Values in millions*

The original savings by issue theme is listed in the above table. The Governor included \$92.3 million in savings in her recommended budget, including \$46.4 million from general revenues in the health and human service agencies and the Working Group included \$92.6 million, including \$46.0 million from general revenues.

The table below shows each proposal included in the Governor's budget not tied to the Working Group by theme.

<b>Themes</b>	<b>Governor's Recommended Budget</b>	<b>Completed</b>	
	<i>Proposals</i>	<i>Gen. Rev.</i>	<i>All Funds</i>
Efficiencies/Program Oversight	Electronic Visit Verification	\$ (2.9)	\$ (5.9)
	Residency Oversight	(0.3)	(0.6)
	Predictive Modeling	(1.0)	(2.0)
	Children with Special Health Care Needs	(1.0)	(2.0)
	Managed Care Rates	(2.7)	(5.4)
	Personal Choice Program	(0.2)	(0.4)
	Federally Qualified Health Centers -Medicaid rate	(0.4)	(0.8)
	Enhanced Medicare	(1.0)	(2.0)
Transition LTC supports to value based purchasing	Eliminate Rate Increase	(8.9)	(17.9)
	3% Rate Reduction		
Transition hospital support to value based purchasing	Eliminate Upper Payment Limit Reimbursements	(11.2)	(22.6)
	Rate Freeze & 5% reduction	(15.7)	(31.6)
	Eliminate Graduate Medical Education Payment	(1.0)	(1.0)
<b>Total</b>		<b>\$ (46.4)</b>	<b>\$ (92.3)</b>

*Values in millions*

The next table shows savings that were attributable to the Medicaid Working Group by theme. This was subject to change when the report was submitted and the Governor made further refinements. She submitted an amendment to further identify savings and also included new revenue enhancements, including increasing the nursing home assessment, and savings taken at the May caseload conference estimate from updated program costs in FY 2016.



Themes	Governor's Recommended Budget	Working Group	
	Item	Gen. Rev.	All Funds
Efficiencies/Program Oversight	Administrative Rate to Managed Care Plans - Value Based Purchasing	\$ (8.0)	\$ (16.1)
	Selective Contracting		
	Risk Share		
Program Administration	Eligibility Verification and controls	(1.5)	(3.0)
	Enhanced Death Verification		
	Consistent Payment Rates		
	Connect Care Choice redesign		
Transition hospital support to value based purchasing	Neo-Natal Services & Child Birth Bundle rate	(15.0)	(30.2)
	Institute Readmission Policy to Align with Medicare		
	Delivery System Reform Incentive Program (DSRIP)		
High Utilizers	Pilot Accountable Care Organizations (ACO)	(15.0)	(30.2)
	Community Health Teams		
	Housing Support		
	Appropriate setting for Institutionalized Individuals		
Coordinated Care for Individuals with BH Needs	Community Mental Health Centers and Inpatient Hospital Services	(3.0)	(6.0)
<b>Total</b>		<b>\$ (46.0)</b>	<b>\$ (92.6)</b>

*Values in millions*

The Assembly concurred with a majority of the Governor's changes in her proposals to reinvent Medicaid. The changes were included in her original budget recommendation, and subsequent proposal made after two months of meetings, discussions and recommendations that were part of the Reinventing Medicaid Working Group process. The Assembly included the hospital rate changes and modified the reduction to nursing home rates, increased opportunities to expand community placements and address rates paid to assisted living facilities and adult day providers. The Assembly did not include the increase in the nursing home assessment, proposed changes to estate recovery law or the increase to the children's health account assessment. The Assembly included Section 5 of Article 5 of 2015-H 5900, Substitute A, as amended, for the necessary statutory changes and legislative authority to make any necessary waiver changes which are included in the resolution.

**Medicaid Rate.** The federal medical assistance percentage (FMAP), also known as the federal Medicaid matching rate, is a calculation with significant impact on state health and human services spending. Each state has a Medicaid rate. The formula that determines an individual state's Medicaid rate is based on that state's three-year average per capita income relative to national per capita income and represents the portion of medical services delivered under the Medicaid program the federal government will contribute. States with a higher per capita income level are reimbursed a smaller share of their costs. By law, the Medicaid rate cannot be lower than 50 percent or higher than 83 percent. It is important to note that the federal contribution to any state's administrative costs for Medicaid services is set at 50.0 percent.

The American Recovery and Reinvestment Act of 2009, also known as the federal stimulus package, provided for temporary increases in the Medicaid rates to provide fiscal relief to states. The rate was originally set to expire January 1, 2011; however, the federal government extended it until June 30, 2011. The enhanced rate took effect October 1, 2008 and the state saved approximately \$517.9 million over ten fiscal quarters: \$149.6 million in FY 2009, \$203.1 million in FY 2010, and \$165.2 million in FY 2011.

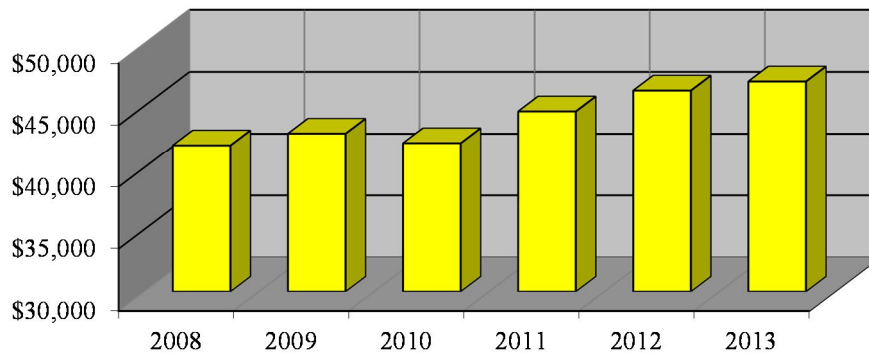
The following table includes the Rhode Island Medicaid rates used from FY 2008 through the projected FY 2016 rate. Since the Medicaid rate is published for the federal fiscal year which starts on October 1, the state uses a blended rate for its fiscal year. For example, Rhode Island's FY 2016 projected rate is

based on one quarter of the federal fiscal year 2015 rate and three quarters of the federal fiscal year 2016 rate resulting in a slightly different rate. The Medicaid rates are shown in the following table.

<b>Medicaid Rates</b>	<b>FFY</b>	<b>SFY</b>
FY 2016	50.42%	50.32%
FY 2015	50.00%	50.03%
FY 2014	50.11%	50.40%
FY 2013	51.26%	51.48%
FY 2012	52.12%	52.33%
FY 2011	61.39%	62.26%
FY 2010	63.93%	63.92%
FY 2009	63.89%	61.04%
FY 2008	52.51%	52.59%

The following chart shows the state’s per capita income during six calendar years. The FY 2016 rate is based on 2011 through 2013 data.

**State of Rhode Island Per Capita Personal Income**

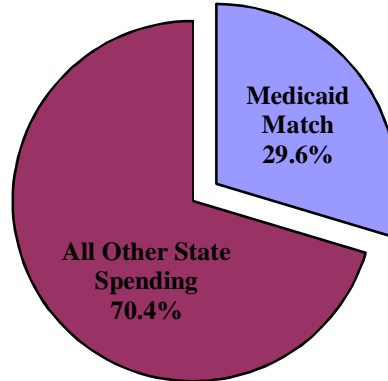


The per capita income data is released by the federal Bureau of Economic Analysis and is used by the federal government to calculate each state’s reimbursement rate for Medicaid. It should be noted that per capita income is affected by income and population. As reported by Federal Funds Information for States, some states, such as Pennsylvania, Rhode Island and West Virginia, had personal income growth below the national average in 2011. However, low or negative population growth, as in Rhode Island, resulted in higher per capita growth rates.

**Medicaid - CHIP Enhanced Rate.** The federal medical assistance percentage rate not only determines the state and federal share of Medicaid, the state’s largest health and human services program, but also applies to adoption assistance, foster care, and child care. The Medicaid rate is the basis for calculating the enhanced federal medical assistance percentage rate, the federal matching rate for the Children’s Health Insurance Program (CHIP). The enhanced Medicaid rate is 30.0 percent higher than the federal medical assistance percentage rate. As a state’s Medicaid rate may increase or decrease depending on the adjustment to a state’s per capita income, so does the enhanced Medicaid rate.

**Medicaid as a Percent of the State Budget.** Programs supported by Medicaid are 25.9 percent of total spending in the FY 2016 enacted budget and 29.6 percent of spending from general revenues.

**FY 2016 Enacted Medicaid as Percent of  
General Revenue Spending**



The programs and recipients receiving Medicaid funded services are discussed separately in the pages that follow, including the state's mandated coverage for these populations, the number of individuals receiving services and the cost, as well as other optional services that the state provides through the health and human services agencies.

The 2012 Assembly concurred with the Governor's FY 2013 budget recommendation to shift Medicaid benefits to the Office of Health and Human Services from the Department of Human Services. The 2014 Assembly transferred Medicaid funded behavioral health services from the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to the Office of Health and Human Services. The Office's budget also includes medical benefit expenses for children and youth in the care of the Department of Children, Youth and Families.

**The Patient Protection and Affordable Care Act of 2010.** On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act of 2010, commonly referred to as the Affordable Care Act, which provides for national health care reform. The following week, he signed a package of amendments to the Act, called the Health Care and Education Reconciliation Act of 2010, though when referring to health care reform legislation, the Affordable Care Act (ACA) is the referenced Act, and the amendments are considered included.

The Act requires most citizens and legal residents to have health insurance by January 1, 2014, or pay a tax penalty, and expands Medicaid coverage to individuals and families up to 138 percent of the federal poverty level; the threshold is 133 percent, but the Act includes a 5 percent disregard, essentially making the Medicaid eligibility threshold 138 percent. It also provides for premium credits and cost-sharing subsidies for individuals and families between 139 percent and 400 percent of poverty. The Act requires most employers to offer medical coverage, includes small business tax credits for employers with no more than 25 employees and provides for a temporary reinsurance program for employers providing health insurance coverage to individuals over 55 years of age, but not eligible for Medicare.

The Affordable Care Act allows young adults to remain on their parents' or guardian's health plan until age 26; this provision became effective September 23, 2010. Issued regulations state that young adults are eligible for this coverage regardless of any of the following factors: financial dependency, residency with parent, student status, employment or marital status. The law does not require that a plan or issuer offer dependent coverage, but that if coverage is offered, it must be extended to young adults up to age 26. Rhode Island currently requires insurance plans that cover dependent children to cover unmarried

dependent children until age 19, or until age 25 if a student, and if the dependent child is mentally or physically impaired, the plan must continue their coverage after the specified age.

Expanding Medicaid Program. Title II of the Act expands eligibility for Medicaid to lower income persons and assumes federal responsibility for much of the cost of this expansion. Beginning on January 1, 2014, all children, parents and adults without dependent children who are not entitled to Medicare and who have family incomes up to 138 percent of poverty will become eligible for Medicaid. The 2013 Assembly expanded coverage to this population.

Between 2014 and 2016, the federal government will pay 100 percent of the cost of covering newly-eligible individuals. The benefits are 100 percent federally funded until January 2017, at which time the Medicaid rate will decrease to 95 percent in 2017, 94 percent in 2018, 93 percent in 2019 and 90 percent on January 1, 2020 for all subsequent years, requiring a 10 percent state match. Rhode Island will receive federal funds according to this schedule.

States are required to maintain the same income eligibility levels through December 31, 2013 for all adults, and this requirement is extended through September 30, 2019 for children currently in Medicaid. For Rhode Island, this requirement applies to RIte Care eligibility for parents who are at or below 175 percent of poverty and children who are at or below 250 percent. The 2013 Assembly lowered the parent's threshold to 133 percent of poverty and included funding to assist in the transition to coverage through the health benefits exchange.

Similar to provisions in the American Recovery and Reinvestment Act, states cannot take actions to lower enrollment or make eligibility stricter. States can reduce provider fees, but must prove that the cuts will not make it harder for Medicaid patients to get needed care, and states may eliminate optional benefits.

**Medicaid – Expansion Population Rate.** As noted, the federal government will pay 100 percent of the cost for states to provide benefits to adults age 19 to 64, without dependent children, with incomes at or below 138 percent of poverty January 1, 2014 until January 1, 2017 with the rate incrementally decreasing to 90 percent in January 2020 requiring a 10 percent state match. The FY 2016 enacted budget includes \$468.9 million from federal funds for this expanded benefit. The out-year estimates include: \$12.1 million in FY 2017; \$27.3 million in FY 2018; \$33.5 million in FY 2019 and \$47.3 million in FY 2020.

HealthSource RI. In September 2011, Governor Chafee issued an executive order to establish the Rhode Island Health Benefits Exchange, renamed HealthSource RI, the marketplace for purchasing health insurance, known as the exchange. The 2015 Assembly enacted Article 18 of 2015-H 5900 Substitute A, as amended to establish the health benefits exchange into general law as a division within the Department of Administration. It authorizes HealthSource RI to operate a state-based exchange to meet the minimum requirements of the federal act. It authorizes an assessment be charged by the Department, which cannot be more than the revenues that would be raised through the federally facilitated marketplace upon those insurers offering products on the exchange. The assessment is estimated to generate \$7.1 million in calendar year 2016, of which \$3.6 million is budgeted for FY 2016. The Budget also includes \$2.6 million from general revenues to be used in conjunction with the revenues from the assessment for the operations of HealthSource RI.

HealthSource RI, in addition to offering in-person assistance from professional health benefits navigators, also offers online tools to assist Rhode Island residents and small businesses with shopping for and purchasing health insurance. All plans offered through HealthSource RI meet minimum coverage requirements set by the federal government, including essential health benefits such as preventive care and annual physicals, doctor sick visits, hospitalizations, maternity care, emergency room visits, and prescription coverage.

Tools offered through HealthSource RI can be used by those who do not have coverage either through an individual plan or through an employer plan, are under-insured by their individual or employer plan, and those who are comparison shopping between their current plan and plans offered through the exchange. Small employers with fewer than 50 full-time employees may also use HealthSource RI to offer coverage options to their employees.

Article 18 requires religious employers that purchase plans on the exchange to offer their employees a full-choice option. The employers will not be responsible for any additional costs of a plan selected by an employee. It also requires that if an employer elects the religious exemption variation, it must provide written notice to enrollees that that plan excludes coverage for abortion services.

HealthSource RI began accepting applications on October 1, 2013; coverage from applications approved from that date through December 31, 2013 went into effect January 1, 2014.

Health plans offered through the marketplace are categorized into tiers based on the level of benefits and cost sharing requirements. Individuals in households with income below 400 percent of poverty who are not Medicaid eligible will receive federal subsidies to reduce the cost of commercial health plans purchased through the Exchange.

The 2013 Assembly lowered the state's threshold criteria for RItE Care parents to 133 percent of poverty and created a premium assistance program to aid in the transition to coverage through the exchange with the state paying 50 percent of the cost of commercial coverage, after subtracting what the parents are currently paying for RItE Care coverage and any federal tax credits or subsidies that are available.

Unified Health Infrastructure Project. The state has received approval from the Centers for Medicare and Medicaid Services to implement a nine-year, \$229.6 million project that includes \$162.6 million from federal funds including Medicaid, matched by \$51.7 million from general revenues. The project is a joint venture among the Office of Health and Human Services, Department of Human Services, and HealthSource RI. The project will replace the state's existing eligibility system with a new integrated one that will eventually determine eligibility for all health and human services programs, including new health care reform subsidies, through a single application.

**Rhode Island Consumer Choice Global Compact Waiver.** The Rhode Island Consumer Choice Global Compact Waiver, or Medicaid Global Waiver, was approved by the Centers for Medicare & Medicaid Services on January 16, 2009. The Global Waiver establishes a new federal-state agreement that provides Rhode Island with the flexibility to provide services in the least restrictive, most cost effective way to meet the needs of its citizens. The waiver was effective from January 16, 2009 through December 31, 2013, at which time the state could reapply for the global waiver. The state applied for and received an extension that is in effect until December 31, 2018, called the 1115 Research and Demonstration Waiver.

Programs under the waiver include RItE Care, Rhody Health Partners, Rhody Health Options, Connect Care Choice, home and community based services to elderly residents, residential and community support programs to adults with behavioral health and developmental disabilities, and breast and cervical cancer treatments. It also allowed the state to leverage Medicaid for services that were previously state-only in the Departments of Human Services, Behavioral Healthcare, Developmental Disabilities and Hospitals, and Children, Youth and Families.

**Medicaid Expenses - State/National Comparison.** The following table compares national and state 2013 Medicaid spending using the Centers for Medicare and Medicaid Services 2012 Actuarial Report on the Financial Outlook for Medicaid and information from the state's Office of Health and Human Services. Rhode Island's enrollment of children and parents (the state's RItE Care population) is a lower

percent of total Medicaid enrollment than the national average. The percent of total spending for this population is lower than the national average, but higher when comparing cost per enrollee. The Medicaid expenses for the populations are in the Office of Health and Human Services' budget.

For disabled individuals, enrollment is higher than the national average as is the percent of expenses compared to total spending and cost per enrollee. Expenses for this population are in the Office of Health and Human Services, as well as the Departments of Human Services, Behavioral Healthcare, Developmental Disabilities and Hospitals, and Children, Youth and Families.

Enrollment and expenses for the aged population are slightly lower than the national average when comparing enrollment, but higher than the national average when comparing percent of enrollment to total enrollment and higher than the national average for cost per enrollee. Expenses supporting this population are in the Office of Health and Human Services and the Department of Human Services' Division of Elderly Affairs.

Medicaid Expenses	Enrollees		Percent of Enrollees		Expenses (in millions)		Percent of Expenses		Cost Per Enrollee	
	US*	RI	US	RI	US	RI	US	RI	US	RI
Population	28.3	86,923	49.0%	45.0%	\$ 76,300	\$ 262.8	20.0%	14.7%	\$ 2,700	\$ 3,023
Children	14.6	45,588	25.0%	23.6%	60,000	210.7	16.0%	11.8%	4,101	4,622
Adults	9.7	42,717	17.0%	22.1%	166,800	832.6	44.0%	46.7%	17,255	19,491
Blind/Disabled	5.1	17,802	9.0%	9.2%	79,000	476.4	21.0%	26.7%	15,688	26,761
Aged										
<b>Total</b>	<b>57.7</b>	<b>193,030</b>	<b>100%</b>	<b>100%</b>	<b>\$382,800</b>	<b>\$ 1,782.5</b>	<b>100%</b>	<b>100%</b>	<b>\$ 6,641</b>	<b>\$ 9,235</b>

*Source: Centers for Medicare and Medicaid Services 2013 Actuarial Report on the Financial Outlook for Medicaid and the Office of Health and Human Services; \*in millions*

There are other publications that compare this data with potential differences in how certain populations, for example children with special health needs, and data are shown. The Kaiser Family Foundation reports an annual cost per enrollee for FY 2011 of \$6,110 to Rhode Island's annual cost per enrollee of \$9,247; however, the national comparison contains FY 2010 data for ten states whose FY 2011 data was not available. The Kaiser Family Foundation counts children with special health care needs in its blind/disabled population while the Centers for Medicare and Medicaid Services reports them in the children population.

### Poverty Guidelines

The federal poverty guidelines are used for purposes of determining financial eligibility for certain state and federal programs, including several programs in state agencies under the Office of Health and Human Services. The 2015 guidelines are shown in the following table.

Percent of Federal Poverty Level based on Annual Income									
Family Size	100%	133%	138%	150%	175%	180%	185%	200%	250%
1	\$ 11,770	\$ 15,654	\$ 16,243	\$ 17,655	\$ 20,598	\$ 21,186	\$ 21,775	\$ 23,540	\$ 29,425
2	15,930	21,187	21,983	23,895	27,878	28,674	29,471	31,860	39,825
3	20,090	26,720	27,724	30,135	35,158	36,162	37,167	40,180	50,225
4	24,250	32,253	33,465	36,375	42,438	43,650	44,863	48,500	60,625
5	28,410	37,785	39,206	42,615	49,718	51,138	52,559	56,820	71,025
6	32,570	43,318	44,947	48,855	56,998	58,626	60,255	65,140	81,425
7	36,730	48,851	50,687	55,095	64,278	66,114	67,951	73,460	91,825
8	40,890	54,384	56,428	61,335	71,558	73,602	75,647	81,780	102,225

*For families with more than 8 members, add \$4,160 for each additional member for the 100 percent calculation.*

The poverty guidelines (also referred to as the federal poverty level) are based on the calculations made for the poverty threshold used by United States Census Bureau mainly for statistical purposes, for

instance, preparing the estimates of the number of Americans in poverty for each year's report.

They are issued each year, generally in the winter, in the Federal Register by the United States Department of Health and Human Services. The guidelines are thresholds used to determine financial eligibility for certain federal programs. They are adjusted for families of different sizes.

Both the thresholds and the guidelines are updated annually for price changes using the Consumer Price Index for All Urban Consumers (CPI-U). The poverty guidelines are sometimes loosely referred to as the "federal poverty level" or "poverty line."

### **Medicaid Recipients**

**Citizenship Requirements.** To be eligible to receive Medicaid funded services, an individual must generally either be a citizen or legal resident for at least five years. Individuals must also be a resident of the state in which they are applying for benefits.

**Pregnant Women.** Medical services are provided to pregnant women whose annual income is at or below 250 percent of the poverty level. States are mandated to provide services to women at or below 133 percent of poverty.

**Children and Parents.** Medical services are provided to children whose family income is at or below 250 percent of poverty and parents if the income is at or below 133 percent of poverty through the RIte Care and RIte Share programs. Medical services are also provided to children who are placed in foster care or an adoptive placement through the Department of Children, Youth and Families.

**Children with Special Health Care Needs.** Medical services are provided to children with special health care needs including children in Department of Children, Youth and Families' care who are in foster care and adoptive placement.

The following table shows the populations to which a state must provide medical benefits and the eligibility criteria established in Rhode Island. Each is discussed separately in the following pages.

<b>Populations</b>	
<b>Mandatory</b>	<b>Optional</b>
Low income Medicare beneficiaries up to 135% of poverty	Low income elderly or adults with disabilities and individuals eligible for home & community care waiver services
Children up to age 1 at or below 185% of poverty; Parents and children age 1 to 19 at or below 133% of poverty	Children to 250% of poverty
Supplemental Security Income or Social Security Disability Insurance recipients	Non-disabled adults, without dependent children, ages 19 through 64 with income at or below 138% of poverty
	Individuals who are medically needy
	Women eligible for breast and cervical cancer treatment services
Children in adoption assistance or who live in foster care under a Title IV-E program	Children under 18 who would otherwise need institutional care

**Low Income Elderly.** Individuals age 65 and older are eligible for medical benefits based on income and resources. They are eligible for community and/or long term care services if they meet income guidelines and the level of care requirements for the state's programs.

**Medicaid Eligible Disabled Non-Elderly Adults.** The state provides medical and cash assistance benefits to an adult, under the age of 65, if that individual meets the Social Security Administration definition of disabled. A person is considered disabled if they have a physical or mental disability, expected to last longer than six months and result in their death.

There are two programs that provide a monthly cash assistance benefit to a disabled individual: Social Security Disability Insurance (SSDI) and/or Supplemental Security Income (SSI).

If an individual is determined to be disabled and has a work history of 40 quarters, he or she may first be eligible for Social Security Disability Insurance, which is not considered to be a public assistance program. This is a federal program where the individual receives a monthly payment.

The second program available to a disabled individual is the Supplemental Security Income program. This is also a federal public assistance program for individuals with limited income and resources. Individuals may be eligible for both the Social Security Disability Insurance program and the Supplemental Security Income program if they meet the income eligibility requirements. States have the option of providing a state payment in addition to the federal payment. Rhode Island began to make this supplemental payment in 1987.

**Non-Disabled Adults without Dependent Children.** The 2013 Assembly expanded Medicaid coverage to non-disabled adults without dependent children, between the ages of 19 and 64 at or below 138 percent of federal poverty, consistent with the changes under the Affordable Care Act.

**Breast and Cervical Cancer Treatment.** The state provides breast and cervical cancer treatment services through the Medicaid global waiver. A woman must first be screened through the Department of Health's women's cancer screening program before she can receive Medicaid covered treatment services and be at or below 250 percent of poverty.

### Medicaid - Benefits

States must provide mandatory benefits to certain populations. States can also choose to cover additional populations and provide additional benefits beyond what is mandated by the federal government. If a state chooses to extend coverage to additional populations, it must provide the same mandatory services it gives to its mandatory populations.

The Office of Health and Human Services' Rhode Island Annual Medicaid Expenditure Report includes Medicaid spending by population and cost per person of FY 2014 and is detailed in the following table.

Populations	Persons	% of Population	Costs*	% of Cost	Annual Cost/Person
Children/Parents	138,963	62.9%	\$ 497.0	24.8%	\$ 3,576
Expansion	20,166	9.1%	137.0	6.8%	\$ 6,804
Elderly	18,457	8.4%	503.0	25.1%	\$ 27,240
Disabled - Children	11,929	5.4%	175.0	8.7%	\$ 13,500
Disabled - Adults	31,437	14.2%	693.0	34.6%	\$ 22,056
Total	220,952	100%	\$2,005.0	100.0%	

\* In millions

The report has also included a breakdown by cost by mandatory and optional populations and mandatory and optional services. However this was not included in the FY 2014 spending report but was included in the FY 2013 report which is shown in the next table. The state spent \$1,785.0 million from federal and state funds on Medicaid services in FY 2013. Of this total \$615.0 million, or 34.0 percent, was spent on mandatory services for mandatory populations.



<b>Mandatory Populations*</b>		
Mandatory	Gen. Rev.	All Funds
Mandatory Services	\$ 298.4	\$ 615.0
Optional Services	134.9	278.0
<i>Subtotal - Mandatory Populations</i>	\$ 433.3	\$ 893.0
<b>Optional Populations*</b>		
Mandatory Services	\$ 311.0	\$ 641.0
Optional Services	121.8	251.0
<i>Subtotal - Optional Populations</i>	\$ 432.8	\$ 892.0
<b>Total Expenses</b>	<b>\$ 866.1</b>	<b>\$ 1,785.0</b>
<i>* In millions</i>		

The following table shows both the mandatory and optional benefits provided through the state's Medicaid program for acute care services. Acute care services are direct medical benefits provided to eligible individuals including doctor visits, hospital services, rehabilitation, and prescription coverage.

<b>Acute Care Benefits</b>	
<b>Mandatory</b>	<b>Optional</b>
Physician services	Prescriptions
Lab & X-ray	Rehabilitation & other therapies
In/outpatient hospital services	Clinic Services
Early, Periodic, Screening Diagnostic and Treatment (EPSDT) Services	Dental, dentures, prosthetic devices & eyeglasses
Family planning services and supplies	Case management
Federally qualified health centers and rural health clinic services	Durable medical equipment
Nurse midwife as state law permits	Tuberculosis related services
Certified pediatric & family nurse practitioner services	Medical remedial care provided by other licensed professionals

In addition, the next table includes both the mandatory and optional benefits provided through the state's Medicaid program for long term care and home and community care services.

<b>Long Term Care Benefits</b>	
<b>Mandatory</b>	<b>Optional</b>
<b>Institutional</b>	
Nursing facility services for those 21 or older needing that level of care	Intermediate Care Facility for the Developmentally Disabled
	Individuals 65 or older in an institute of mental disease
	Inpatient psychiatric hospital service for those under 21
<b>Home and Community Care Services</b>	
Home health care services for those entitled to nursing home care	Home & community based care/other home health care
	Targeted case management
	Hospice/Personal care
	Respiratory care services for ventilator dependent individuals
	PACE Program

## Medicaid Programs

The state provides medical benefits, residential, and home and community based services to qualified individuals. The following sections describe the programs provided.

### Medical Benefits

**RIte Care/RIte Share.** The state provides medical benefits to children and their parents who meet the eligibility criteria for the RIte Care program. The federal government mandates that states provide Medicaid benefits to children up to age 19 whose family income is at or below 133 percent of poverty, children in foster care and adoptive assistance, and parents whose income is at or below 50 percent of the poverty level.

The federal government allows states to provide medical benefits to individuals beyond the populations it mandates and that coverage is provided through Medicaid waivers. Rhode Island chooses to provide benefits to children whose family income is at or below 250 percent of poverty (for example, a family of four with an income that does not exceed \$60,625) and to parents if the family income is at or below 133 percent of poverty (for that same family of four, an income that is not above \$31,322). If a family's income is at or below 200 percent of poverty, the child (or children) would receive RIte Care benefits, but the parent (or parents) would not because the annual income is too high. The Centers for Medicare and Medicaid Services issued a ruling that requires states to use the new methodology mandated under the Affordable Care Act for verifying income that uses a family's modified adjusted gross income (MAGI) instead of family income with certain disregards.

Under the MAGI conversion, states have a higher income threshold for certain populations because the disregards are adjusted using the new calculation with the intent to not make any person ineligible for benefits because of the conversion. For Rhode Island this conversion changes the income threshold for children, increasing it from 250 percent with the disregards to 261 percent. Rhode Island lowered the income threshold for parents to the mandatory level of 133 percent which is not impacted by the MAGI conversion.

RIte Share recipients are eligible for RIte Care but have access to employer sponsored insurance for which the state pays monthly cost sharing requirements and deductibles.

**RIte Share Cost Sharing Requirement.** RIte Share recipients with annual incomes above 150 percent of the federal poverty level pay a monthly cost sharing requirement that is no more than five percent of their annual income. The following chart shows the three separate payments based on a family's annual income, approximately three percent.

RIte Share Co-Pays	
Poverty Level	Current Payments
150% up to 185%	\$61
185% up to 200%	\$77
200% up to 250%	\$92

The 2013 Assembly eliminated the monthly cost sharing requirement for families receiving coverage through RIte Care so that a family receiving coverage through the exchange will not have two monthly premiums: one for the child(ren) in RIte Care and the monthly cost for commercial health coverage.

**Extended Family Planning.** The state provides extended family planning services to post-partum women with an income at or below 250 percent of poverty, for up to 24 months, if the mother loses RIte Care coverage 60 days after having a child.

**Foster Care.** The state provides RIte Care benefits to a child in a foster care placement. The state does not provide benefits to the biological parent or the foster parent.

**Adoptive Assistance.** The state provides RIte Care benefits to a child in adoptive assistance.

**Children with Special Health Care Needs - Katie Beckett Option.** The state chooses to provide home care and other services to children under the age of 18 who would require an institutional level of care. The income eligibility is based on the child's income and not the family's income. States can also choose to provide this service as a waiver, which would include a limited number of placements, or as an option under the Medicaid state plan, which is not limited. Rhode Island provides the services under the state plan option allowing for an unlimited number of program participants.

**Early Intervention.** The state provides services to children from birth to age three who have presented with a disability through the early intervention program. The services include physical, speech and occupational therapies.

**Rhody Health Partners Managed Care.** For adults who are disabled but not receiving Medicare, the state provides medical benefits through the Rhody Health managed care system through either Neighborhood Health Plan of Rhode Island or UnitedHealthcare.

**Rhody Health Options.** For adults who are eligible for both Medicare and Medicaid the state entered into a contract with Neighborhood Health Plan of Rhode Island to manage the acute care and long term care services for these individuals.

**Fee-for-Service System.** Individuals who are eligible for both Medicare and Medicaid, known as dual eligibles, receive medical benefits through the traditional fee-for-service system.

### **Long Term Care Residential and Community Care Services**

**Nursing Homes.** The state reimburses 84 nursing homes that provide long term residential care to elderly and disabled individuals who require a nursing home level of care.

**Hospice Services.** Hospice services are provided to the terminally ill if there is a medical prognosis that life expectancy is six months or less. Services are provided in either the home setting or a nursing home or other institutional setting.

**Assisted Living Facilities.** The state provides eligible residents access to assisted living facilities, a less expensive alternative to residing in a nursing home. Individuals can access this option, available through the Medicaid global waiver.

**Home and Community Care Services.** Through the Medicaid global waiver, the state provides home care and community care services to allow individuals to remain in their home instead of moving into a nursing home.

**Eleanor Slater Hospital.** The Eleanor Slater Hospital is the state's only public hospital and provides long-term care services with the support of acute medical services. It is a 495-bed facility licensed by the Department of Health, accredited by the Joint Commission on the Accreditation of Healthcare Organizations, and certified by the Centers for Medicare and Medicaid Services. It is a two-campus hospital consisting of the main Pastore campus in Cranston and the Zambarano unit in Burrillville. The state provides long term services to individuals with disabilities, court ordered psychiatric patients, and those with behavioral health issues.

## Residential Services and Other Programs

**Adults with Developmental Disabilities.** States are mandated to provide Medicaid funded medical benefits to developmentally disabled adults who require a nursing home level of care and to those who are supplemental security income recipients. The state continues to maintain four Intermediate Care Facilities for the Developmentally Disabled (ICF/DD) through the Eleanor Slater Hospital System, with the Tavares Pediatric facility as the state's fifth intermediate care facility.

Services provided under the global waiver are optional services with mandated medical benefits being paid for through the Office of Health and Human Services' budget. The federal regulations governing the waiver mandate that in order to receive services a person must meet three eligibility criteria: diagnostic, functional and financial.

For an individual to meet the *diagnostic* criteria, he or she must have mental retardation, defined as an intelligence quotient that is 70 or less, or another type of developmental disability. States have the ability to define developmental disabilities differently using a more expansive definition and consequently serve different populations. Rhode Island uses the expanded developmental disability definition.

Section 40.1-21-4.3 of the Rhode Island General Laws defines a developmentally disabled adult as someone who is 18 years of age or older, not under the jurisdiction of the Department of Children, Youth and Families, and who is either a mentally retarded developmentally disabled adult or is a person with a severe, chronic disability.

*Functional* eligibility requires an individual to have a substantial functional limitation in three or more of the following life activities: self-care, receptive and expressive language learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency.

*Financial* eligibility requires a person to be income eligible for services. In most cases the only source of income for individuals with developmental disabilities is a \$694.35 monthly Supplemental Security Income check, which places them below the 135 percent of the federal poverty level required for the program.

Medicaid funded services, provided through the waiver, for this eligible population include residential care, day programming and supportive services.

**Mental Health Treatment Services.** The state provides mental health treatment services through the Medicaid Global Waiver. Mental health services are not a mandated Medicaid benefit and states can choose to provide mental health services to Medicaid eligible individuals. Rhode Island chooses to provide these services.

**Substance Abuse Treatment Services.** As an option under Medicaid, states can also choose to provide substance abuse treatment services to Medicaid eligible individuals. These treatment services are not a mandated benefit in the Medicaid program. Rhode Island chooses to provide these services.

**Foster Care.** The state provides foster care services to children in its custody.

**Group Homes.** The state provides placement in group home settings to children in its custody.

**Bradley Hospital Group Homes Psychiatric Hospitalization.** The state provides short-term treatment and crisis stabilization for children in acute distress, comprehensive evaluations, and long-term treatment. The state pays for psychiatric hospitalization services for Medicaid eligible children and children who are uninsured at Emma Pendleton Bradley Hospital in East Providence.

**Bradley Hospital Group Homes.** There are five group homes that are run by Bradley Hospital for children ages 4 to 21, located in East Providence (Rumford House and Swan House), East Greenwich (Greenwich House), North Providence (Hill House), and Warwick (Heritage House).

**HIV Treatment Services.** The state provides treatment and supportive services to HIV positive individuals who are uninsured and with income up to 400 percent of poverty. As of January 1, 2014 individuals will either be eligible for the Medicaid expansion program or benefits through the exchange. Benefits will still be provided using the Ryan White federal grant and any rebate funding the state receives from drug purchases through that grant.

### **Office of Health and Human Services**

The Office of Health and Human Services is the umbrella agency for the four health and human services departments and each agency is analyzed separately in the *House Fiscal Advisory Staff Budget as Enacted FY 2016*. The following table shows the services provided by population and the department that is responsible for the expenses.

<b>Programs</b>	<b>OHHS</b>	<b>DHS</b>	<b>BHDDH</b>	<b>DCYF</b>	<b>DOH</b>
<b>Medical Benefits</b>					
Children and parents	X				
Elderly	X	X			
Disabled and adults, without dependent children	X				
<b>Residential and Other Services</b>					
Nursing and hospice services	X				
Assisted living/home & community based services - elderly	X	X			
Foster care and group home placements				X	
Community based services - developmentally disabled			X		
Mental health and substance abuse treatment services			X		
HIV surveillance and treatment services	X				X

### **Department of Justice Consent Decree**

On January 14, 2014, Rhode Island entered into an interim settlement with the federal government and on April 8, 2014 signed a consent decree to settle *United States v. State of Rhode Island and City of Providence*, which addressed the statewide day activity service system for individuals with intellectual and developmental disabilities. State agency parties to the agreement are: Department of Behavioral Healthcare, Developmental Disabilities and Hospitals; Department of Human Services; Rhode Island Department of Elementary and Secondary Education; and the Office of the Attorney General. The Department of Justice finding is for those who meet the state's definition of an individual with a disability included in Rhode Island General Laws.

The populations addressed in the consent decree are individuals with intellectual and developmental disabilities that include: the Rhode Island Youth Transition Target Population that are transition-age youth attending Rhode Island secondary school; the Rhode Island Exit Target Population that are transition age youth during the 2013-2014, 2014-2015, or 2015-2016 school years; the Rhode Island Sheltered Workshop Target Population that perform sheltered workshop tasks or have received day activity services in the previous year; and the Rhode Island Day Target Population that receive day activity services in facility-based day program settings or have received such services in the previous year.

The consent decree has two fiscal components: a monitor and a Trust Fund. Charles Moseley from the National Association of State Directors of Developmental Disabilities Services has been assigned as the

monitor. The consent decree stipulates the state payment to the monitor is not to exceed \$300,000 annually. The monitor is responsible for approving the training component of the consent decree related to career development and transition plans and will also approve outreach and education programs. The monitor will also conduct factual investigation and verification of data and documentation that is necessary to determine if the state is in compliance with the consent decree. The monitor has reporting requirements starting on April 1, 2014 through April 1, 2015 and every 6 months (180 days) after that.

The consent decree also stipulates that by October 1, 2014 the state will establish and begin distributing funds from an \$800,000 Workshop Conversion Trust Fund which will be administered by the Paul V. Sherlock Center on Disabilities at Rhode Island College. The fund will support start-up costs for providers who convert services to supported employment and will be administered by the director of the Department of Human Services and the associate director of the Office of Rehabilitation Services.

The state also had to create an employment first task force no later than May 1, 2014 that includes but is not limited to: the Community Provider Network of Rhode Island, the Paul V. Sherlock Center on Disabilities at Rhode Island College, the Rhode Island Disability Law Center, The Rhode Island Developmental Disabilities Council, the Rhode Island Parent Information Network, individuals with intellectual and developmental disabilities and parent and family representatives.

The state will ensure available funding for services and will reallocate resources expended on the sheltered workshop plans and segregated day programs to fund supported employment and/or integrated day services as individuals transition to supported employment and/or integrated day only placements, in order to have funding “follow the person”.

The FY 2016 enacted budget includes \$196.4 million from all sources, of which \$98.8 million is from general revenues, to support services to approximately 3,600 adults receiving services through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals’ Division of Developmental Disabilities. However, it should be noted that the Assembly added \$4.0 million, including \$2.0 million from general revenues in the privately operated system based on a January 1, 2014 rate increase that was not properly reported or budgeted for. The funding is not related to services being provided in compliance with the consent decree.

# Mergers and Consolidations

## Introduction

Merger and consolidation proposals have appeared regularly in budgets. The FY 1991 budget presented to the 1990 General Assembly listed 72 state agencies and departments. By contrast, the FY 2015 budget adopted by the 2014 General Assembly contains 38 state agencies and departments. The Governor's FY 2016 recommendation of 34 state agencies and departments includes several administrative transfers, conversions, and revisions to some of the changes enacted by the 2014 Assembly. The FY 2016 budget adopted by the 2015 General Assembly contains 38 state agencies and departments and the Assembly's actions on the Governor's proposals are noted below along with additional changes.

## FY 2016

**Higher Education Assistance Authority Merger.** The Governor's budget transferred all of the powers, duties, authority and resources of the Rhode Island Higher Education Assistance Authority to the Council for Postsecondary Education and the Office of the General Treasurer and established a new Division of Higher Education Assistance in the Office of Postsecondary Commissioner. The budget reflects the transfer of \$19.1 million and 15.0 full-time equivalent positions to the Office of Postsecondary Commissioner. Administrative responsibility for the state's tuition savings program would be transferred to the Office of the General Treasurer. The recommendation represents direct program positions as well as overhead support. Remaining direct functions will require fewer staff with the efficiencies provided for in a merger; therefore, the Assembly eliminated 5.0 positions and \$0.8 million. One position and \$0.3 million is shifted to the Office of the General Treasurer to administer the *CollegeBoundfund*.

**Executive Office of Commerce.** The 2013 Assembly created the Executive Office of Commerce to be administered by a secretary of commerce, effective February 1, 2015. The Office will oversee and serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy. Pursuant to 2013-H 6063, Substitute B, on or about February 1, 2015, the Executive Office of Commerce will have powers to operate functions from the Department of Business Regulation and, subsequently, various functions from the Department of Administration. Consistent with the legislation, the Governor's Budget includes the transfer of Housing and Community Development functions to the Executive Office of Commerce. It also transfers the Film and Television Office from the Department of Administration to Commerce. It does not, however, transition Department of Business Regulation functions, leaving it as a stand-alone department. The Assembly concurred, with the exception of transferring the Film and Television Office to the Arts Council.

**Capital Projects Consolidation.** The Governor's Budget proposed consolidating 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, Corrections, and Transportation. The Assembly concurred; however transferred funding back for the Department of Environmental Management, consistent with the Governor's requested budget amendment.

**Division of Advocacy.** The Governor's Budget proposed consolidating 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 is for administrative and budget purposes only and all agencies would maintain their responsibilities as mandated by current law. The Governor subsequently submitted an amendment that rescinded Article 18 and maintained the Office as a separate agency and restored operating savings assumed to be achieved through the merger. The Assembly concurred.

**Non-Prescribing Boards Consolidation.** The Governor proposed consolidating all of the non-prescribing health professional boards into one board. 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. The Department of Health currently approves all written and practical examinations, and issues licenses and permits for these professions. The proposed legislation creates a single board of review for appeals, discipline and advisory functions. This would allow for the elimination of 2.0 positions that support the boards and \$0.2 million from general revenues. The Assembly did not concur.

**RI Film and Television Office.** The Budget transfers the Rhode Island Film and Television Office, including \$0.3 million from general revenues and 2.6 full-time positions from the Department of Administration to the Rhode Island State Council on the Arts. The Film and Television Office works with filmmakers to identify filming sites, vendors, and the benefits of working in Rhode Island. The Governor's FY 2016 recommendation transferred the Office to the Executive Office of Commerce. The Office was transferred to the Department of Administration from the Council as part of the FY 2013 budget.

**Bays, Rivers and Watersheds Coordination Team.** The Assembly concurred with the Governor's proposal to abolish 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 work is funded by 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. The restricted receipts will now be utilized by the Department of Environmental Management for efforts relating to watershed and marine monitoring, water pollution abatement, and climate change.

## **History**

### ***FY 1991***

**Motor Vehicle Dealer License Commission.** Governor DiPrete proposed abolition of this agency. It was merged into the Department of Transportation in the FY 1992 budget.

**Rhode Island Film Commission.** Governor DiPrete proposed abolition of this agency. It was merged into the Department of Economic Development in FY 1992.

**Consumers Council.** Governor DiPrete recommended abolition of this agency. The Assembly did not concur. The agency was later abolished in FY 1994.

**Permanent Commission on Naval Affairs.** This agency was unfunded beginning in FY 1991 and is no longer budgeted.

**Rhode Island Health Industry Development Council.** This agency was abolished.

### ***FY 1992***

**Motor Vehicle Dealer License Commission.** This agency was merged into the Department of Transportation.

**Rhode Island Film Commission.** This agency was merged into the Department of Economic Development.



**Office of Management and Administrative Services.** This office was created by Governor Sundlun through an Executive Order.

**Office of Substance Abuse.** This office was created by Executive Order 91-23 through consolidation of various programs in a number of agencies and the Division of Substance Abuse in the Department of Mental Health, Retardation and Hospitals.

#### *FY 1993*

**Commission on Interstate Cooperation.** This agency was merged into the Legislature.

**Commission on Uniform State Laws.** This agency was merged into the Legislature.

**Department of Substance Abuse.** The Office of Substance Abuse became a Department.

#### *FY 1994*

**Consumers Council.** The Council was abolished as recommended.

**General.** This collection of miscellaneous appropriations was combined into Department of Administration programs. It included the contingency account, the circuit breaker program, Tax Anticipation Notes interest, and certain other grants such as the Rhode Island Sports Foundation.

**Special.** This collection of expenditures was combined into the Department of Administration as well. It included tort claims and special claims.

**Children's Code Commission.** This agency was abolished.

**Department of Public Safety.** Governor Sundlun proposed merging seven agencies and departments providing training and education of public safety officials into the Department of Public Safety headed by the Superintendent of the State Police. The agencies varied in size from 3.0 full-time equivalent positions to 252.0 full-time equivalent positions. They were State Police, E-911, Emergency Management, Fire Safety Code Commission, Fire Safety and Training Academy, Governor's Justice Commission, and the Municipal Police Training Academy. The Assembly did not enact the legislation.

**Water Resources Board.** Governor Sundlun recommended merging the Board with the Department of Environmental Management. The merger was blocked in the Energy and Environment Committee and was not voted upon.

**Vehicle Value Commission.** The Commission was merged into the Division of Taxation in the Department of Administration. Administrative support is provided by the Office of Municipal Affairs.

**Registry.** The Registry of Motor Vehicles was transferred from the Department of Transportation to the Division of Taxation. Legislation was adopted by the 1994 Assembly.

**Airport Corporation.** The functions of the Division of Airports in the Department of Transportation were transferred to a newly formed Airport Corporation under the Rhode Island Port Authority.

#### *FY 1995*

**Heritage Commission.** The Heritage Commission was merged into a new Historical Preservation and Heritage Commission under the administrative management structure of the Historical Preservation

Commission.

### *FY 1996*

**Economic Development.** The Department of Economic Development was replaced by the quasi-public Economic Development Corporation, which in turn consolidated a number of entities and functions. State funding is by grant through the Department of Administration.

**Office of Housing, Energy, and Intergovernmental Relations.** Governor Almond originally recommended breakup of this agency; CDBG (Community Development Block Grant) function was merged into the Economic Development Corporation, means-tested energy programs merged into the Department of Human Services, energy conservation programs integrated into the Department of Administration, housing functions were taken over by the Department of Human Services, and Intergovernmental Relations merged functions into the Governor's Office.

The Governor modified his proposal to retain all energy programs and housing functions in a new Office of Energy and Conservation. The emergency shelter grants portion of housing transferred to the Department of Human Services.

The CDBG functions merged into the Office of Municipal Affairs in the Department of Administration. The intergovernmental relations functions merged into the Governor's Office.

**Personnel Appeal Board.** The Board was merged into the Department of Administration as a separate unit.

**Rite Care.** The program was consolidated in the Department of Human Services. It had been divided between the Department of Health and the Department of Human Services. The purpose was to eliminate duplicated functions and overhead and focus on greater program accountability.

**Substance Abuse.** The Department of Substance Abuse was abolished, with its functions transferred to the Department of Health. The Benjamin Rush in-patient detoxification component of the Department was privatized.

**State Library Services.** Governor Almond recommended merger of the Department of State Library Services into the Department of Elementary and Secondary Education. The House discussed moving the agency under the Joint Committee on Legislative Services. Legislation was not enacted to change the Department's status.

### *FY 1997*

**Arts and Tourism Council.** Governor Almond recommended merger of the Council into the Rhode Island Council on the Arts as a subcommittee of the Arts Council. The Assembly concurred, amending the legislation to make the chairperson of the Arts and Tourism subcommittee a voting member of the Arts Council.

**Board of Examination and Registration of Architects.** Governor Almond recommended the Board be merged into the Department of Business Regulation. The Assembly did not concur.

**Board of Registration of Engineers.** Governor Almond recommended that the Board be merged into the Department of Business Regulation. The Assembly did not concur. The Board had been in the Department of Business Regulation prior to becoming an autonomous agency through action of the 1990 Assembly.

**Board of Registration of Land Surveyors.** Governor Almond recommended that the Board be merged into the Department of Business Regulation. The Assembly did not concur. The Board had been in the Department of Business Regulation prior to becoming an autonomous agency through action of the 1990 Assembly.

**Capitol Police.** Governor Almond recommended that the Capitol Police be transferred from the Department of Administration to the Judicial Department. The Governor argued that the majority of Capitol Police positions were assigned to the Courts. The Assembly did not concur. The Capitol Police also provide security for the State House and a number of other state-owned buildings not under jurisdiction of the Judiciary, including the Powers Building, the Aime Forand Building, the State Office Building, the Health Department, and the Pawtucket Registry.

**Commission on Care and Safety of the Elderly.** Governor Almond recommended merging the Commission and the Department of Elderly Affairs into the Department of Human Services. The Assembly did not concur with the merger of Elderly Affairs, but did agree to legislation merging the Commission, with funding, into the Department of Elderly Affairs. The Commission retained its line item appropriation.

**Liquor Program.** Governor Almond proposed that the Liquor Control functions in the Department of Business Regulation be divided with the tax collection functions transferred to the Division of Taxation in the Department of Administration. Industry regulation functions would remain in the Department of Business Regulation. The Assembly concurred.

**Department of Library Services.** Governor Almond recommended the merger of the Department of State Library Services into the Department of Elementary and Secondary Education to the 1995 Assembly. The House discussed moving the agency under the Joint Committee on Legislative Services; legislation was not enacted to change the Department's status.

The Governor recommended to the 1996 Assembly that the Department be established as a Library Information Services division within the Department of Administration. The division would continue to support the development of the state libraries' access to information resources as well as adding the task of the Department of Administration information processing to its responsibilities. The Assembly concurred.

**Departments of Labor and Employment and Training.** Governor Almond recommended the elimination of the Department of Labor and the consolidation of its functions, along with the Department of Employment and Training, into a new Department of Labor and Training. The Assembly did not concur when the Appropriations Act, 1996-H 8783, Substitute A, was approved. However, the Assembly did agree with the consolidation later in the session, under a separate bill, 1996-H 8219.

**Department of Employment and Training Collections Functions.** Governor Almond recommended that the taxation functions administered by the Department of Employment and Training be consolidated into the Division of Taxation in the Department of Administration. This would enhance collection activities in both units. The Assembly concurred.

**Department of Human Services Child Support Enforcement.** Governor Almond also recommended that the Child Support Enforcement Unit in the Department of Human Services be consolidated into the Division of Taxation. The Assembly concurred.

**Emergency Shelter Grants.** Governor Almond recommended the transfer of the Emergency Shelter Grant program from the Department of Human Services to the Office of Municipal Affairs in the Department of Administration as consistent with the consolidation of energy related assistance programs

in the Department of Administration. This involved the transfer of grant funds only; there is no assigned staff. The Assembly concurred.

**E-911 Emergency Telephone System.** Governor Almond recommended that a number of public safety functions be merged into the State Police. This was similar to Governor Sundlun's proposal to the 1993 Assembly to merge seven agencies and departments providing for training and education of public safety officials into a Department of Public Safety headed by the Superintendent of the State Police. E-911 was one of the agencies recommended. The Assembly did not concur.

**Department of Elderly Affairs.** Governor Almond proposed that the Department be merged into the Department of Human Services. The Assembly did not concur.

**Fire Safety and Training Academy.** Governor Almond recommended that a number of public safety functions be merged into the State Police. This was similar to Governor Sundlun's proposal to the 1993 Assembly to merge seven agencies and departments providing for training and education of public safety officials into a Department of Public Safety headed by the Superintendent of the State Police. The Academy was one of the agencies recommended. The Assembly did not concur.

**Fire Safety Code Board of Appeal and Review.** Governor Almond proposed the merger of the Fire Safety Code Board into the Department of Administration. It would operate in conjunction with the Building Code Commission. The Assembly did not concur.

**Governor's Justice Commission.** Governor Almond proposed to merge the Commission into the Department of Administration. The Assembly did not concur. Governor Sundlun had proposed merging it into a new Department of Public Safety in 1993. The Assembly did not concur.

**Board of Hearing Aid Dealers and Fitters.** Governor Almond recommended transfer of the Board from the Department of Business Regulation to the Department of Health due to the public health functions of the Board. The Assembly concurred.

**Higher Education Assistance Authority.** Governor Almond recommended that the powers of the Authority be vested in the Board of Governors for Higher Education. The Assembly did not concur.

**Historical Preservation and Heritage Commission.** Governor Almond recommended that the Commission be merged under the Division of Planning in the Department of Administration. The Commission was formed in the 1994 session through consolidation of the Heritage Commission under the administrative management structure of the Historical Preservation Commission. The Assembly did not concur with the proposed merger into the Department of Administration, preferring to leave the Commission as a freestanding agency.

**Board of Examiners of Landscape Architects.** Governor Almond recommended that the Board be merged into the Department of Business Regulation. The Assembly did not concur. The Board had been in the Department of Business Regulation prior to becoming an autonomous agency through action of the 1990 Assembly.

**Mental Health Advocate.** Governor Almond proposed that the Office of the Mental Health Advocate be abolished. The Assembly did not concur.

**Municipal Police Training Academy.** Governor Almond proposed to merge the Academy into the State Police. The Assembly did not concur. This proposal was similar to Governor Sundlun's to the 1993 Assembly to merge seven agencies and departments providing for training and education of public safety

officials into a Department of Public Safety headed by the Superintendent of the State Police. The Academy was one of these agencies. The 1993 Assembly did not concur.

**Office of Management and Administrative Services.** Governor Almond proposed that the Office be abolished with its functions and personnel merged into four departments: Administration, Governor's Office, Military, and State Police. The Assembly concurred. This office had been created by Governor Sundlun through an Executive Order in FY 1992.

**Plumbers Licensing Function.** Governor Almond proposed the transfer of licensing of plumbers from the Division of Professional Regulation in the Department of Health to the new Department of Labor and Training. The Assembly did not concur.

**Rhode Island Emergency Management Agency.** Governor Almond proposed merger of the Agency into the Military Staff agency. The Assembly concurred. Governor Sundlun had proposed merging the agency into a Department of Public Safety in the 1993 Session, which was not adopted.

**Rhode Island Student Loan Authority.** Governor Almond recommended that the powers of the Authority be vested in the Board of Governors for Higher Education. The Assembly did not concur.

**Sheriffs.** Governor Almond proposed placing the Sheriffs of the various counties under the Judiciary and eliminating the writ processing function. The Assembly did not concur with either proposal.

**State Energy Office.** Governor Almond proposed transferring the agency to the Department of Administration, Division of Central Services. The Governor had recommended in his presentation of the FY 1996 budget to the 1995 Assembly that the Office of Housing, Energy and Intergovernmental Relations be broken up with the energy conservation program integrated into the Department of Administration Central Services and means tested energy programs placed in the Department of Human Services. He modified his proposal to retain all energy programs and housing functions in a new Office of Energy and Conservation with the emergency shelter grants portion of housing being transferred to the Department of Human Services.

In October 1995, Governor Almond issued Executive Order 95-24 dissolving the Office of Energy and Intergovernmental Relations and establishing a new State Energy Office. It is this Office he recommended to the 1996 Assembly be merged into the Department of Administration. The Assembly concurred.

**Public Building Authority.** The Assembly merged the Authority into the Department of Administration with its powers and duties intact for the purpose of lowering overhead costs charged to state agencies with Authority projects in the form of lease payments.

#### *FY 1998*

**Boards for Design Professionals.** Governor Almond recommended that the Board of Examination of Landscape Architects, the Board of Examination and Registration of Architects, the Board for Registration of Engineers, and the Board of Registration of Land Surveyors be consolidated into a single entity, the Boards for Design Professionals. The consolidation would allow for the sharing of administrative resources while maintaining the independence of the individual boards for licensing and registration issues. The Assembly concurred.

**Public Buildings Authority.** The Assembly eliminated the Public Buildings Authority. The Refunding Bond Authority was made its successor agency for the purpose of making payments on outstanding debt of the Authority.

### *FY 2000*

**Workers' Compensation Fraud Unit.** In Article 8 of his FY 2000 Appropriations Bill, Governor Almond proposed to transfer the Workers' Compensation Fraud unit from the Department of Administration to the Department of Labor and Training. Both the Workers' Compensation Fraud unit and the Workers' Compensation Compliance unit (currently housed in Labor and Training) perform investigative activities. The merger would create a single investigative unit and provide the Fraud unit investigators with access to workers' compensation computer files. The Assembly concurred.

**Board of Accountancy.** Governor Almond proposed creating a separate Board of Accountancy with 2.0 positions. The Board was operating autonomously within the Department of Business Regulation with 1.0 position and administrative assistance from the Department. The Assembly did not concur.

**Educational Surrogate Parent Program.** Governor Almond proposed transferring the Educational Surrogate Parent Program from the Office of the Child Advocate to a private vendor. Federal funding for this program will continue to be provided to the Department of Elementary and Secondary Education who will select and contract with a private vendor instead of the Office of the Child Advocate for these services. The proposal also included the elimination of 7.4 full-time equivalent positions associated with the program. The Assembly did not concur.

### *FY 2002*

**Division of Sheriffs.** The 2001 Assembly consolidated the Sheriffs and the Marshals (which were part of the Department of Corrections) into a new Division of Sheriffs in the Department of Administration and transferred 213.0 full-time equivalent positions to Administration. This was done in Article 29 of 2001-H 6100, Substitute A as amended, which also established the new position of Administrator of the new Division. This position would be responsible for oversight of both the Sheriffs and Marshals, and would be in the classified service. The legislation also calls for an Executive High Sheriff.

By statute, the primary responsibility of the Sheriffs had been to provide security in the state courthouses, which includes providing security in the cellblocks at most of the courthouses. The primary responsibility of the Marshals was to provide secure transportation of inmates from the Adult Correctional Institution to the various courthouses. However, the Marshals did provide cellblock security at Kent County Courthouse and Providence Superior Court.

### *FY 2003*

**Department of Elderly Affairs.** The 2002 Assembly relocated the Department of Elderly Affairs to the John O. Pastore Campus from the previous Pine Street location in Providence. The Department is housed in the Rush Building with the Department of Human Services. The rent was to be renewed in July 2002 prompting the relocation to state-owned property, producing an annualized savings of \$180,000 a year in general revenues.

**Eleanor Slater Hospital.** In FY 2003, the Department of Mental Health, Retardation and Hospitals closed two wards at the Eleanor Slater Hospital, by accelerating patient discharge, selective admissions, and eliminating 20 hospital vacancies. The hospital census was reduced to 400 as of October 6, 2002.

**Governor's Commission on Disabilities.** Rhode Island Public Law 2002-132 transferred from the State Building Commission to the Commission on Disabilities' two employees responsible for the investigation and hearing of complaints alleging disability discrimination and fiscal management of all the handicapped accessibility renovation projects in the state. The transfer took effect on August 1, 2002.

## *FY 2004*

**Public Utilities Commissioners.** The 2002 General Assembly raised the number of commissioners from three to five by amending Section 39-1-4 of the Rhode Island General Laws, effective January 31, 2004. Governor Carcieri did not include the positions in his FY 2004 budget, and recommended passage of Article 12 to eliminate the two new commissioners. The Assembly did not adopt legislation to reverse the expansion of the number of commissioners.

**Rhode Island Commission on Women.** Governor Carcieri proposed the relocation of the Rhode Island Commission on Women from 260 West Exchange Street to the Department of Administration for July 1, 2003. The Assembly concurred.

**Eleanor Slater Hospital.** Governor Carcieri recommended closure of a psychiatric ward and a medical ward at the Eleanor Slater Hospital on the Pastore Complex in Cranston. One unit is in the Adolph Meyer Building and the other in the Long Term Care Unit on the Cranston Campus. The projected hospital census following the FY 2004 plan implementation was projected to be between 360 and 370. His budget assumed \$10.3 million in savings, of which \$4.6 million is general revenues. The Assembly concurred.

**Children's Services.** The FY 2004 budget reflected the transfer of \$1.8 million from all sources including \$1.0 million from general revenues for services to 335 children with developmental disabilities that were receiving therapeutic home based services from the Department of Mental Health, Retardation and Hospitals to the Department of Human Services. The Assembly concurred.

**Health Services Council.** Governor Carcieri recommended eliminating the Certificate of Need process and the Health Services Council, which provides an advisory role for the process. The Governor proposed giving full responsibility for effective control review processes and initial licensure for health care facilities to the Department of Health. The Assembly did not concur.

**Educational Surrogate Parent Program.** Governor Carcieri proposed transferring the Educational Surrogate Parent Program with its 6.7 full-time equivalent positions from the Office of the Child Advocate to the Sherlock Center at Rhode Island College. Federal funding for this program is awarded to the Department of Elementary and Secondary Education which had utilized the Child Advocate to provide these services. The Assembly concurred.

**Heritage Subcommittee.** Governor Carcieri's recommendation eliminated the 2.0 positions and funding that support the Heritage Subcommittee. Under current law, the Subcommittee is responsible for sponsoring, coordinating and funding heritage festivals, events, and programs. The Governor included statutory changes in Article 33 of 2003-H 6174 to eliminate the coordination and funding functions, but maintained its sponsorship role. The 1994 Assembly created the Heritage Subcommittee to incorporate the Heritage Commission's duties as part of a merger with the Historical Preservation Commission. The Assembly did not concur.

**Drivers Education.** The 2003 Assembly enacted legislation that transferred responsibility for driver education from the Department of Elementary and Secondary Education to the Community College of Rhode Island to be operated as a self-supporting activity. The FY 2004 enacted budget did not reflect this change. Governor Carcieri included the transfer of the program in his FY 2004 revised and FY 2005 budgets.

**Rhode Island Film and TV Office.** The Assembly transferred the Rhode Island Film and TV Office from the Economic Development Corporation to the Rhode Island State Council on the Arts. This transfer also included the 1.0 full-time equivalent position for the office coordinator.

**Coastal Resources Management Council.** Governor Carcieri proposed relocating the Coastal Resources Management Council's Providence office from 40 Fountain Street to the Department of Administration. The space houses the Council's business office and is also used to hold meetings. The Assembly did not concur.

#### *FY 2005*

**Information Technology.** Governor Carcieri recommended shifting 10.0 full-time equivalent positions from the divisions of Taxation and Library Services within the Department of Administration to a newly created Division of Information and Technology in his FY 2005 revised budget. The Governor issued Executive Order 04-06 to create the new division to improve efficiency, effectiveness and security of computer operations and management under the control of a Chief Information Officer responsible for oversight, coordination and development of all computer resources within the Executive Branch. The Assembly concurred.

**Legal Services.** Governor Carcieri recommended shifting 14.7 full-time equivalent positions from other parts of the Department of Administration into a newly created Division of Legal Services in his FY 2005 revised budget. The Governor issued Executive Order 04-09 to create the new division that would centralize and coordinate the Executive Department's legal services for policy and provide more efficient use of legal resources within state government. The Assembly concurred.

**Public Utilities Commissioners.** Governor Carcieri again recommended passage of legislation to eliminate the 2.0 new commissioners mandated by the 2002 Assembly. The Assembly did not adopt legislation to reverse expansion of the number of commissioners.

**Child Support Enforcement Program.** Governor Carcieri's FY 2005 budget recommended transfer of the child support enforcement program to the Department of Human Services from the Department of Administration. The transfer includes \$10.5 million in expenditures and the 100.8 full-time equivalent positions to the Department of Human Services. The Assembly concurred. The program was originally transferred from the Department of Human Services to the Division of Taxation in the Department of Administration in 1997.

**Early Intervention Program.** The 2004 Assembly transferred the early intervention program from the Department of Health to the Department of Human Services and included \$11.2 million in expenditures, \$5.7 million from general revenues and 6.7 full-time equivalent positions.

**RICLAS Transfer to Private Providers.** Governor Carcieri recommended transferring operations of two state-run group homes for the developmentally disabled to the privately operated system in order to reduce overtime in the state-run system and shift operations to private providers. The Assembly did not concur.

**Vision Services.** Governor Carcieri proposed transferring the vision services program to the Sherlock Center at Rhode Island College from the Department of Elementary and Secondary Education; however he retained funding in the Department's budget to contract the services. He did transfer 6.6 positions to Rhode Island College and added \$0.1 million and 1.0 position to enhance the program by adding a coordinator. The Assembly concurred.

#### *FY 2006*

**Information Technology.** Governor Carcieri recommended continuation of the centralization of computer operations by shifting 31.0 full-time equivalent positions from other departments to the Department of Administration's Information Processing internal service fund. The funds and the



employees are shown in the Department of Administration's budget for display purposes only; the expenditures are charged to user state agencies. The Assembly concurred.

**Capital Projects and Property Management.** Governor Carcieri recommended creation of the Capital Projects and Property Management program within the Department of Administration to assume direct responsibility for real property inventories, strategic planning, budgeting construction management and code enforcement for all capital projects. This includes the transfer of 30.5 full-time equivalent positions into the new division, 27.5 of which are from the Central Services Division within Administration and 3.0 from the departments located at the Pastore Government Center. The Assembly concurred.

**Facilities Management Program.** Governor Carcieri recommended creation of the Facilities Management Program within the Department of Administration to provide consistent delivery of facilities management services for state departments and agencies. This included the transfer of 58.0 existing full-time equivalent positions from the former Central Services Division to the new division. The Assembly concurred.

**Capitol Police and Sheriffs.** Governor Carcieri's budget reorganized the Department of Administration's program structure and established a new Security Services Program including the Capitol Police and the Sheriffs, which had been part of the Central Services Division. The new division will maintain two separate subprograms, the Capitol Police and the Sheriffs. It includes 46.0 Capitol Police and 196.0 Sheriffs positions. The Assembly concurred.

**Statewide Planning.** Governor Carcieri's budget reorganized the Department of Administration's program structure and created a new Statewide Planning program. This includes Strategic Planning responsibilities from the Budget Office and Statewide Planning functions from the Office of Municipal Affairs. The Assembly concurred.

**Municipal Aid and Property Tax Administration.** Governor Carcieri recommended the transfer of the Municipal Aid and Property Tax Administration function and its 8.0 full-time equivalent positions from the Office of Municipal Affairs to the State Budget Office. The Assembly concurred.

**Legal Services.** Governor Carcieri recommended continuation of the centralization of legal services by transferring 24.1 full-time equivalent positions from other parts of the Department of Administration into a newly created Division of Legal Services. The Governor issued Executive Order 04-09 to create the new division to centralize and coordinate the Executive Department's legal services for policy and provide more efficient use of legal resources. The Assembly concurred.

**Public Utilities Commissioners.** Governor Carcieri again recommended passage of legislation to eliminate the 2.0 new commissioners mandated by the 2002 Assembly. The Assembly did not adopt legislation to reverse expansion of the number of commissioners.

**Group Residence Closure.** Governor Carcieri's budget included savings from closing one underutilized state run residence for clients with developmental disabilities. Staff and clients would be reassigned to remaining facilities thereby reducing expenditures. The Assembly concurred.

**Adult Literacy.** On November 23, 2004, the Department of Elementary and Secondary Education signed a Memorandum of Agreement with the Department of Labor and Training to consolidate the management of all state adult basic education activities at the Department of Education. Governor Carcieri recommended consolidating the state's adult literacy initiatives in the Department of Elementary and Secondary Education under a new adult education executive director in his FY 2006 budget. He added 3.0 positions, including the new executive director. The Assembly concurred and provided \$0.3 million from general revenues and \$4.1 million from Human Resource Investment Council grants.

**Shepard Building.** Governor Carcieri recommended transferring operating support for the Shepard building, previously shown in Administration's budget, to the Office of Higher Education and the Department of Elementary and Secondary Education. He included \$2.0 million for Higher Education for parking and operating costs and \$0.2 million for parking costs for Elementary and Secondary Education. The Assembly concurred.

**Fugitive Task Force.** The Assembly shifted the Fugitive Task Force unit, 8.0 full-time equivalent positions, and \$583,056 from general revenues from the Judiciary to the State Police. The Fugitive Task Force is a statewide warrant squad, established under Rhode Island General Laws Section 12-6-7.2, charged with the responsibility of arresting individuals for whom arrest warrants have been issued and remain outstanding.

**Rivers Council.** The 2004 Assembly passed legislation transferring the State's Rivers Council community service grant from the Department of Administration's budget to the Water Resources Board. The actual grant change was reflected in the FY 2006 enacted budget.

#### *FY 2007*

**Information Technology.** Governor Carcieri recommended increased use of the information processing internal service fund account for FY 2007. His budget transferred \$15.1 million and 100.3 positions from several departments and agencies to further centralize information technology services. The funds and the employees are shown in the Department of Administration's budget for display purposes only; the expenditures are charged to user state agencies. The Assembly concurred with the transfer of positions but included direct appropriations to the Department of Administration.

**Human Resource Service Centers Internal Service Fund.** Governor Carcieri recommended creating a new Human Resource Service Centers internal service fund within the Department of Administration's budget in FY 2007. This would be supported by \$9.3 million and 111.0 full-time equivalent positions transferred from various state departments and agencies. Four service centers would be created to serve the human resources needs of agencies in each grouping including human services, public safety, general government and transportation, natural resources and education. The funds and the employees are shown in the Department of Administration's budget for display purposes only; the expenditures are charged to user state agencies. The Assembly concurred with the transfer of positions, but included direct appropriations to the Department of Administration.

**Facilities Management Internal Service Fund.** Governor Carcieri recommended creating a new Facilities Management internal service fund within the Department of Administration's budget in FY 2007. This would fund coordinated facilities management for user state departments and agencies, including but not limited to operation, maintenance and repair of buildings, grounds, central HVAC, power plants and other facilities and be supported by \$35.4 million and 124.0 full-time equivalent positions transferred from those agencies. The funds and the employees are shown in the Department of Administration's budget for display purposes only; the expenditures are charged to user state agencies. The Assembly concurred with the transfer of positions but included direct appropriations to the Department of Administration.

**Closure of Registry Branch Offices.** Governor Carcieri recommended closure of all satellite offices of the Registry of Motor Vehicles. They are in West Warwick, Wakefield, Woonsocket, Warwick, Westerly, Middletown, and Warren. Of the 31.0 positions assigned to the branch offices, 13.5 would be transferred to the main registry office in Pawtucket, and 17.5 would be eliminated. The Assembly did not concur and restored funding and the 17.5 positions to maintain all registry branch offices open for FY 2007. The Assembly also transferred the Registry of Motor Vehicles to the newly created Department of Revenue.

**Registry and School Bus Inspection Unit Closure.** Governor Carcieri recommended closure of the school bus inspection unit and elimination of 8.0 full-time equivalent positions. This change would require outside inspection companies to do the bus inspections for a fee paid by the local city or town school systems. The Assembly did not concur and restored the funding and the 8.0 positions to keep the School Bus Inspection Unit open for FY 2007. The Assembly then transferred the Registry of Motor Vehicles to the newly created Department of Revenue.

**Lottery Division.** Governor Carcieri's FY 2006 revised and FY 2007 budgets include the Lottery Division as a program within the Department of Administration's budget based upon legislation enacted by the 2005 Assembly. He transferred \$215.1 million and 64.5 full-time equivalent positions for the Lottery, which was previously a quasi-public agency, into the Department of Administration. The Lottery would still operate on its own revenues collected from gaming sales. The Assembly reduced Lottery positions by 9.5 to an authorized level of 55.0 full-time equivalent positions and transferred the Lottery to the newly created Department of Revenue.

**Department of Revenue.** The Assembly transferred \$253.6 million from all sources of funds, including \$35.5 million from general revenues, \$1.6 million from federal funds, \$0.8 million from restricted receipts, and \$215.7 million from other funds from the Department of Administration for the establishment of a new Department of Revenue. The new department would include the current divisions of taxation, motor vehicles, state lottery, a new division of property valuation, a new office of revenue analysis, and a new Director of Revenue office. The funding assumes the creation of 6.5 new positions in addition to the 465.6 positions transferred from Administration, for a total of 472.1 positions, which results in a need for an additional \$745,109 from general revenues for FY 2007.

**Business Regulation Program Structure.** The Governor's FY 2007 budget included a program change which merges the Division of Banking and Securities and the Divisions of Commercial Licensing and Racing and Athletics. This reorganization will reduce the number of structural programs from seven to five, but not eliminate any activity. The five divisions would be: Central Management, Insurance Regulation, Board of Accountancy, Banking and Securities and Commercial Licensing and Racing & Athletics. The Assembly concurred with the program changes.

**Public Utilities Commissioners.** Governor Carcieri again recommended passage of legislation to eliminate the 2.0 new commissioners mandated by the 2002 Assembly. The Assembly did not adopt legislation to reverse expansion of the number of commissioners.

**Health and Human Services Secretariat.** Governor Carcieri proposed legislation consistent with his Executive Order 05-21 establishing the Office of Health and Human Services to serve as the principal agency for managing the Departments of Human Services, Elderly Affairs, Mental Health, Retardation and Hospitals, Health, and Children, Youth and Families. It also created the unclassified position of secretary of health and human services. He included the position in the FY 2006 revised and FY 2007 budgets of the Governor's Office. The legislation gives the secretary authority to appoint the employees for the Secretariat. The budget does not include associated positions. The Assembly concurred and provided for the current five employees to be transferred to the office from their respective agencies. This includes 2.0 from Department of Human Services, 1.0 from Department of Children, Youth and Families, 1.0 from Department of Health and 1.0 from the Governor's Office.

**Institutional Care Group Homes to Private Providers.** Governor Carcieri recommended shifting responsibility for four group homes from the Zambarano unit of Eleanor Slater Hospital to a private provider. This reduced staffing by 41.0 positions. The Assembly restored 41.0 positions and shifted responsibility for one home and retained Zambarano's responsibility for the remaining three homes.

**Corrections Educational Programs.** Governor Carcieri recommended outsourcing educational instruction programs at the Department of Corrections. This initiative included the elimination of 17.0 instructors and individual instruction contracts and the establishment of a single \$550,000 contract for all instructional services. The Assembly did not concur with the Governor's recommendation and restored the 17.0 instructor positions.

**Underground Storage Tank Fund.** Governor Carcieri proposed legislation to merge the Underground Storage Tank Financial Responsibility Fund Review Board into the Department of Environmental Management, with its one cent per gallon of motor fuel tax being deposited into a restricted receipt account within the Department. The Governor's FY 2007 Budget includes \$4.0 million for all expenditures for the Underground Storage Tank program within the Environmental Protection program in the Department. This includes \$3.55 million for remediation payments and \$550,000 to be used for administrative purposes, of which \$340,500 is to fund the Board's 4.0 full-time equivalent positions. The Assembly concurred and provided that the employees be transferred with no loss of service time.

### *FY 2008*

**Energy Resources.** The 2006 Assembly adopted comprehensive energy legislation that created the Office of Energy Resources as a successor to the former State Energy Office and authorized the new office to be assigned to an existing department for administrative purposes. Governor Carcieri's budget included the Office as a distinct program in the Department of Administration's budget; it had formerly been included within the Department's facilities management program. The Assembly concurred.

**Public Utilities Commissioners.** Governor Carcieri again recommended passage of legislation to eliminate the 2.0 new commissioners mandated by the 2002 Assembly. The Assembly did not adopt legislation to reverse expansion of the number of commissioners.

**Boards for Design Professionals.** The Assembly merged the four boards for design professionals into a division under the Department of Business Regulation. The Division will contain equal representation from each of the current boards and will regulate engineers, architects, land surveyors, and landscape architects.

**Governor's Contingency Fund.** The Assembly moved the Governor's Contingency Fund from the Department of Administration's budget to the Office of the Governor's budget.

**Commission for Human Rights.** The Assembly provided that the Rhode Island Commission for Human Rights appear in the general government function of the appropriations act and not in the human services function to more accurately reflect the Commission's activities.

**Office of Health and Human Services.** The Assembly consolidated many of the back room operations from the departments under the Secretary of Health and Human Services into the Office of Health and Human Services to enhance budgeting, management, and program consistency.

**Department of Advocacy.** The Assembly enacted legislation to consolidate the advocacy agencies into a Department of Advocacy that would include the Child Advocate, Mental Health Advocate, Commission on Deaf and Hard of Hearing, Developmental Disabilities Council, and the Commission on Disabilities. The Governor would submit legislation to the 2008 Assembly as part of FY 2009 budget, with an effective date no sooner than July 1, 2008 and no later than January 1, 2009.

**Department of Children, Youth and Families Managed Care Transfer.** Governor Carcieri recommended completing the transfer of all managed care expenses for children in the custody of the

Department of Children, Youth and Families to the Department of Human Services and provided \$79.9 million from all sources of funds for the expenses. The Assembly concurred.

**Commission on Judicial Tenure and Discipline.** The Assembly merged the Commission on Judicial Tenure and Discipline into the Judiciary, shifting 1.0 position and \$119,705 from general revenues.

**Department of Public Safety.** The Assembly enacted legislation to consolidate a number of public safety agencies into a single department to achieve efficiencies in training and facilities. The director would be the superintendent of the State Police. The agencies include the State Police, Fire Marshal, E-911, Fire Code Commission, Justice Commission, Municipal Police Training Academy, Sheriffs, and Capitol Police. The Governor would submit legislation to the 2008 Assembly as part of FY 2009 budget, with an effective date no sooner than July 1, 2008 and no later than January 1, 2009.

**Environmental Administrative Adjudication Program.** Governor Carcieri proposed legislation to transfer the administrative adjudication program from the Department of Environmental Management into the Department of Administration. His budget included \$551,331 from general revenues to support three of the five positions that staff the office and proposed laying off the remaining two positions. The Office adjudicates all appeals pertaining to applications or permits for environmental matters. The Assembly did not concur and provided \$666,308 to fund the program in the Department of Environmental Management.

**Department of Veterans' Affairs.** The Assembly enacted legislation establishing the Department of Veterans' Affairs within the Office of Health and Human Services effective July 1, 2009. Governor Carcieri vetoed the legislation.

#### *FY 2009*

**Department of Elderly Affairs and Advocacy.** The 2007 Assembly enacted legislation requiring the Governor to consolidate the advocacy agencies into a Department of Advocacy that would include the Child Advocate, Mental Health Advocate, Commission on Deaf and Hard of Hearing, Developmental Disabilities Council, and the Commission on Disabilities, no sooner than July 1, 2008 and no later than January 1, 2009.

Governor Carcieri recommended the consolidation of the Commission on the Deaf and Hard of Hearing, the Developmental Disabilities Council, and the Governor's Commission on Disabilities with the Department of Elderly Affairs to form the new Department of Elderly Affairs and Advocacy in compliance with legislation passed by the 2007 Assembly. He did not include the Child Advocate or the Mental Health Advocate in the consolidation, indicating that these two agencies should remain separate to perform their independent oversight functions. The Assembly did not concur with the merger proposal. It maintained the Governor's Commission on Disabilities and the Commission on the Deaf and Hard of Hearing as agencies along with the Child Advocate and the Mental Health Advocate. The Assembly also transferred the Developmental Disabilities Council to the University of Rhode Island's budget, while the Council seeks federal approval to become a non-profit corporation.

**Coastal Resources Management Council.** Governor Carcieri proposed merging the Coastal Resources Management Council's staff into the Department of Environmental Management to reduce overhead costs and duplication of effort; however, the Council itself would remain intact. The Governor assumed general revenue savings of \$701,856 by reducing staff assigned to perform the functions of the Council from 30.0 positions to 22.0 positions. The Assembly did not concur and maintained the Council as a separate agency.

**State Water Resources Board.** Governor Carcieri proposed to merge the Water Resources Board's staff into the Department of Environmental Management to reduce overhead costs and duplication of effort;

however, the Board Corporate would remain intact as a quasi-public agency. The Governor assumed \$492,636 of general revenue savings by reducing the staff assigned to perform the functions of the Board from 9.0 positions to 6.0 positions. The Assembly did not concur and maintained the Board as a separate agency.

**Office of Health and Human Services.** Governor Carcieri transferred 96.4 positions from the five health and human service agencies under the control of the executive office in compliance with legislation adopted by the 2007 Assembly. The transfer includes the fiscal and legal functions performed by the five agencies. The Assembly concurred; however transferred ten positions back to the agencies, consistent with a Governor's budget amendment.

**Department of Public Safety.** The 2007 Assembly enacted legislation to consolidate a number of public safety agencies into a single department to achieve efficiencies in training and facilities. The director would be the superintendent of the State Police. The agencies include the State Police, Fire Marshal, E-911, Fire Code Commission, Justice Commission, Municipal Police Training Academy, Sheriffs, and Capitol Police. The Governor would submit legislation to the 2008 Assembly as part of the FY 2009 budget, with an effective date no sooner than July 1, 2008 and no later than January 1, 2009.

Governor Carcieri included that consolidation, with the exception of the Fire Code Commission, in his FY 2009 Budget noting that its functions were better aligned with the Building Code Commission in the Department of Administration. The Assembly included the Sheriffs and Fire Code Commission within the Department of Administration, and concurred with the remainder of the consolidation.

**Contingency Funds.** The 2007 Assembly transferred the contingency account from the Department of Administration to the Office of the Governor and provided \$100,000 in funding. Governor Carcieri retained the FY 2008 appropriation fund in his Office in FY 2008 and included a supplemental appropriation in the Department of Administration. He recommended \$1.0 million for FY 2009 in the Department of Administration. The Assembly provided \$500,000 for the contingency fund within the Office of the Governor.

**Accounts Payable Centralization.** The Governor's budget added \$0.6 million from general revenues to fund 8.0 full-time equivalent positions to consolidate executive branch invoice payments into the Office of Accounts and Control. The Budget assumes a statewide elimination of 13.0 positions that previously performed these functions in various departments. The Assembly concurred.

**Information Technology Contractor Consolidation Savings.** Governor Carcieri proposed to eliminate 62 contractors statewide for a savings of \$4.8 million and hire 39.4 full-time equivalent positions. The Budget includes \$3.5 million from all funds, including \$2.0 million from general revenues to fund the positions. The net savings to the state is \$1.3 million. The Assembly concurred.

**West Warwick Branch Closure.** Governor Carcieri proposed to close the West Warwick branch of the Division of Motor Vehicles to save \$0.4 million, which includes personnel reductions of 4.0 positions and lease expenses. This branch was staffed with 7.0 employees. The Governor recommended that the remaining staff be transferred to the main office. The Budget assumes relocating the main registry to the Pastore Complex in Cranston, which is very close to the West Warwick branch. The Assembly did not concur with closing the registry at this time. The new registry building, funded in the capital budget, will not be complete until FY 2010.

**Proprietary School Review.** Governor Carcieri transferred proprietary school review from the Office of Higher Education to the Department of Business Regulation. The Board of Governors for Higher Education has the authority to approve or deny the request for authorization to operate proprietary

schools. Proprietary schools provide education and training in business, correspondence, and trade that grant awards only at the pre-associate certificate level. The Assembly did not concur.

**Burglar Alarm Regulation.** Governor Carcieri transferred the burglar alarm regulation licensing process from the Department of Business Regulation to the Department of Labor and Training. The Assembly concurred.

**Senior Community Service Employment Program.** Governor Carcieri transferred the senior community service employment program from the Department of Elderly Affairs to the Department of Labor and Training. The United States Department of Labor provides funding to develop and expand employment and training opportunities for persons age 55 and over who are at or below 125 percent of the federal poverty guidelines. The Assembly concurred.

**Public Utilities Commissioners.** Governor Carcieri again recommended statutory language to eliminate the scheduled addition of two members of the Public Utilities Commission. The Assembly did not adopt legislation to reverse expansion of the number of commissioners.

**Economic Policy Council.** Governor Carcieri recommended that the Economic Development Corporation assume responsibility for staffing the Council and eliminated its \$0.3 million appropriation, which had been matched by the same amount from the business community. The Assembly concurred.

#### *FY 2010*

**Local Government Assistance Program.** Governor Carcieri's Budget reflects the transfer of the Local Government Assistance program from the Department of Administration to the Department of Revenue. The program provides assistance to municipal offices, mainly for city and town clerks. It also produces a series of publications including local government directories and handbooks as well as salary surveys and a compilation of local charters, most of which are updated annually. The Assembly concurred.

**Contractors' Registration and Licensing Board.** Governor Carcieri recommended the transfer of the Contractors' Registration and Licensing Board and its 12.0 full-time equivalent positions from the Department of Administration to the Department of Business Regulation. The Assembly did not concur and maintained the Board in the Department of Administration.

**Registry Branch Closures.** Governor Carcieri recommended the closures of the Registry of Motor Vehicles satellite branches in Warren, West Warwick and Westerly. There is no staffing reduction associated with the closures. Current staff from the three branches would be moved to the Division's main office and other branches. The Warren branch is mandated by Rhode Island General Law to stay open at least three days per week. The Governor's FY 2009 revised budget includes legislation to repeal the statute. The Assembly did not pass legislation to close the branch office in Warren. It provided funds to maintain offices in the Towns of Warren and Westerly. The Assembly concurred with the closure of the West Warwick office.

**State Lab Consolidation.** Governor Carcieri recommended the transfer of the Forensic Science Unit with the exception of toxicology and its 12.6 full-time equivalent positions from the Department of Health to the Department of Public Safety and added 3.0 new staff. The proposal is based on the activities being more in line with the public safety function. The Governor submitted Article 12 of 2009-H 5983 to shift the Forensic Science Unit from the Department of Health to the Department of Public Safety. The Governor did not include a proposal for the University of Rhode Island Crime Lab, which is funded through an appropriation in the Office of the Attorney General's budget.

The Assembly provided for the consolidation of the University of Rhode Island Crime Lab and the Department of Health Forensic Science Unit into the Department of Health. The consolidation includes the current Department of Health's 12.6 positions and \$1.6 million in associated funding as well as \$675,000 from general revenues for the crime lab from the Office of the Attorney General.

**Public Utilities Commissioners.** Governor Carcieri again recommended statutory language as part of his FY 2009 revised budget to eliminate the scheduled addition of two members of the Public Utilities Commission. The Assembly did not adopt legislation to reverse expansion of the number of Commissioners.

**Managed Care Transfer.** Governor Carcieri recommended shifting the residential portion of managed care expenses for children in the custody of the Department of Children, Youth and Families back from the Department of Human Services and provided \$37.5 million from all sources of funds for the expenses. In FY 2008, a portion of both residential and hospital based programs and funding were shifted from the Department of Children, Youth and Families to the Department of Human Services as part of an initiative to provide more efficient services to children. After the transfer, it was determined that the residential services portion of the transfer did not fit the managed care model. The Assembly concurred.

**Paratransit Program.** The Assembly enacted legislation to transfer the responsibility for paratransit services from the Department of Elderly Affairs to the Department of Human Services. Governor Carcieri had requested an amendment to shift only the Medicaid eligible portion of the program from Elderly Affairs to Human Services.

**Food Nutrition Service Function.** The Assembly enacted legislation to transfer food programs from the Department of Human Services and the Women, Infants and Children supplemental nutrition program from the Department of Health and any other such programs into the Office of Health and Human Services by March 1, 2010.

**Client Protective Services.** The Assembly enacted legislation to transfer client protective services functions for children, elderly, and adults with developmental and other disabilities from the four separate human services agencies into the Office of Health and Human Services by January 1, 2011.

**Community Health Centers.** The 2008 Assembly added \$1.2 million from general revenues to support uncompensated care expenses at the 12 community health centers for FY 2009. Governor Carcieri's FY 2010 budget continued that funding but substituted \$0.6 million from available federal matching funds. The 2009 Assembly shifted the expense from the Department of Health to the Department of Human Services.

**OHHS/Department of Health.** Governor Carcieri recommended in his initial recommendation and subsequent amendments decoupling the Department of Health from the Office of Health and Human Services and transferring 7.6 positions previously part of the Department from the Office back to Health. The Assembly did not concur and maintained the Department of Health as an agency within the Office of Health and Human Services and retained the positions within the Office.

**Veterans' Affairs.** The 2009 Assembly passed 2009-H 5082, Substitute A, as amended and Governor Carcieri signed it into law on November 9, 2009 which created a separate Department of Veterans' Affairs, effective July 1, 2010. The Division of Veterans' Affairs is currently within the Department of Human Services.

**Water Resources Board Corporate Transfer to Clean Water Finance Agency.** The 2009 Assembly transferred the Water Resources Board Corporate into the Clean Water Finance Agency. The transfer will become effective once the debt of the Board Corporate is paid off, which is projected to be in 2014. The



Board Corporate is the funding component for the state's Water Resources Board. Due to the capacity and capabilities of the Agency, it will absorb the functions of the Board Corporate to allow for more efficient and cost effective lending for water infrastructure projects.

### *FY 2011*

**Sheriffs to Department of Public Safety.** Governor Carcieri recommended the transfer of \$16.5 million and 180.0 full-time positions for the Sheriffs program from the Department of Administration to the Department of Public Safety. This proposal was initially included in the legislation the 2007 Assembly enacted to consolidate a number of public safety agencies into a single department. However, the 2008 Assembly included the Sheriffs within the Department of Administration. The Assembly did not concur and maintained the Sheriffs in the Department of Administration.

**Registry Branch Consolidation.** Governor Carcieri recommended the closure of the Pawtucket branch and the Rhode Island Mall branch. The Division of Motor Vehicles was scheduled to move to its new headquarters on the Pastore Center in August 2010. The Rhode Island Mall branch was closed in March 2010. The Division indicated that the Rhode Island Mall branch would be too close to the Pastore Center and costly to retrofit. The Assembly concurred.

**Public Utilities Commissioners.** Governor Carcieri again recommended statutory language as part of his FY 2010 revised budget to eliminate the scheduled addition of two members of the Public Utilities Commission. The Assembly concurred and included legislation in Article 7 of 2010-H 7397 Substitute A, as amended.

**Commission on Women.** Governor Carcieri recommended the discontinuation of paid support staff for the volunteer commission and eliminated general revenue funds. The Assembly concurred.

**Women, Infants and Children Transfer.** Governor Carcieri recommended the transfer of 12.0 full-time equivalent positions and \$19.8 million from federal funds for the Women, Infants and Children program from the Department of Health to the Department of Human Services, effective October 1, 2010. However, the 2009 Assembly enacted legislation to shift the responsibility of administering the program from the Department of Health to the Office of Health and Human Services by March 1, 2010. The Assembly concurred with the transfer to the Department of Human Services effective October 1, 2010.

**Rhode Island State Crime Lab.** The 2009 Assembly transferred the budget for the State Crime Lab at the University of Rhode Island from the Office of the Attorney General to the Department of Health. The state crime laboratory is responsible for providing technical services, including examination and evaluation of physical evidence collected at the scene of a crime or related to a crime. The 2010 Assembly included legislation in Article 7 of 2010-H 7397 Substitute A, as amended that requires the Director of the Department of Administration to develop and submit a report by December 1, 2010 that studies and provides specific recommendations regarding the allocation of staffing, use of facilities, and identifies any additional needs for the continued operation of the Rhode Island State Crime Lab.

**Department of Veterans' Affairs.** Governor Carcieri's budget recommended a delay in the creation of a new Department of Veterans' Affairs within the Office of Health and Human Services by one year, from July 1, 2010 to July 1, 2011. The 2009 Assembly passed 2009-H 5082, Substitute A, as amended and the Governor signed it into law on November 9, 2009 which created a separate Department of Veterans' Affairs, effective July 1, 2010. The Division of Veterans' Affairs is currently within the Department of Human Services. The Assembly concurred.

**Higher Education Assistance Authority and Public Telecommunications.** Governor Carcieri proposed legislation that requires the Board of Governors for Higher Education to develop and submit a

report by October 1, 2010 that reviews and assesses the Higher Education Assistance Authority and the Rhode Island Public Telecommunications Authority to see if the stated missions and current programs reflect the needs of the populations intended to be served. The Assembly did not concur.

**Dispatch Unit and Port Security.** Governor Carcieri recommended the transfer of the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety no later than January 1, 2011. However, the Governor's budget did not include the transfer of positions or funding for these activities. The Assembly concurred.

**Transportation.** Governor Carcieri proposed legislation that requires the Director of the Department of Transportation to develop and submit a report by October 1, 2010 that studies the feasibility of transferring the Rhode Island Public Transit Authority to the Department of Transportation. The Assembly did not concur.

### *FY 2012*

**State Aid Transfer.** The Governor's Budget transferred some of the appropriation for the State Aid program from the Department of Administration to the Department of Revenue. These include the distressed communities' relief fund, motor vehicles excise tax, payment in lieu of taxes program, and the newly proposed Municipal, Accountability, Stability and Transparency Fund. State aid for library operations and library construction will remain in the Department of Administration. The Assembly concurred.

**Sheriffs to Department of Public Safety.** The Governor recommended the transfer of \$16.7 million and 180.0 full-time positions for the Sheriffs program from the Department of Administration to the Department of Public Safety. This proposal was initially included in the legislation the 2007 Assembly enacted to consolidate a number of public safety agencies into a single department. However, the 2008 Assembly included the Sheriffs within the Department of Administration. Governor Carcieri proposed this as part of his FY 2011 budget; however, the Assembly did not concur and maintained the Sheriffs in the Department of Administration. The Assembly concurred.

**Office of the Health Insurance Commissioner.** The Governor recommended the creation of a new program within the Department of Business Regulation for the Office of the Health Insurance Commissioner. Previously, the Office was part of the Insurance Regulation division. The Assembly concurred.

**Training School – Girls' Facility.** The Governor recommended the consolidation of the girls' training school into the existing boys' facility. The girls temporarily reside in the Mathias Building; however, the approved capital plan assumes renovating the Adolph Meyer building for this population. The Governor did not recommend the renovations and included a plan for the girls to move into one of the four residential pods in the Youth Development Center. The Department indicated that based on current population trends, three of the four residential pods are sufficient to house the male population. The Assembly concurred.

**Elderly Affairs to Human Services.** The Assembly merged the Department of Elderly Affairs with the Department of Human Services and created the Division of Elderly Affairs within the Department of Human Services.

**Department of Veterans' Affairs.** The Assembly maintained the Division of Veterans' Affairs within the Department of Human Services and created a new position, Director of Veterans' Affairs. The 2009 Assembly included legislation to create a Department of Veterans' Affairs and the 2010 Assembly

delayed this by one year, from July 1, 2010 to July 1, 2011. The Governor's FY 2012 budget recommendation included the creation of the Department of Veterans' Affairs.

**HIV/AIDS.** The Assembly shifted the HIV/AIDS direct services program and all resources including 4.0 full-time positions from the Department of Health to the Department of Human Services.

**Women, Infants and Children Transfer.** The Governor recommended repeal of the statute transferring the Women, Infants and Children supplemental nutrition program from the Department of Health to the Department of Human Services. The Assembly did not concur and retained the program and all resources within the Department of Human Services. The United States Department of Agriculture informed the state that the Department of Human Services did not meet the standard established for state agencies that could administer the program.

The Assembly adopted legislation to transfer the Women, Infants, and Children program from the Department of Health initially to the Office of Health and Human Services effective March 1, 2010, but then amended that to the Department of Human Services effective October 1, 2010 to coincide with the beginning of the new federal fiscal year.

**Higher Education Administration.** The Assembly included legislation that requires the Director of Administration to submit a revised plan for the organizational structure for higher education administration, staff support and resource allocation. The plan shall address the goal of improving affordability and accessibility to public higher education and maximizing efficiencies while providing sufficient support to the governance structure of public higher education. The Director of Administration is required to report findings, recommendations and alternative designs to the General Assembly no later than November 1, 2011.

**Rhode Island State Crime Lab.** The Governor recommended shifting the general revenue funding for the Rhode Island State Crime Lab from the Department of Health to the University of Rhode Island. The Assembly concurred.

**Dispatch Unit and Port Security.** The Governor's budget does not include the transfer of the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety. He proposed legislation to reverse the 2010 Assembly action that required the transfer to occur no later than January 1, 2011. The Assembly did not concur with the reversal, and instead delayed the transfer until January 1, 2012.

**Water Resources Board.** The Assembly enacted legislation to merge the State Water Resources Board into the Department of Administration's Division of Statewide Planning, effective July 1, 2011. The merger transfers three of the six positions from the Board to the Division, while maintaining the Water Resources Board Corporate.

**Weatherization and Low Income Home Energy Assistance Programs.** The Assembly adopted legislation to transfer the weatherization assistance and the low income home energy assistance programs from the Office of Energy Resources within the Department of Administration to the Department of Human Services, effective July 1, 2012.

**Westerly Branch.** The Assembly provided \$37,800 from general revenues for the operations of a registry of motor vehicles branch in the Town of Westerly.

### ***FY 2013***

**Energy Program Transfers.** The Governor included the transfer of the Low Income Home Energy

Assistance Program and the Weatherization Assistance Program from the Office of Energy Resources to the Department of Human Services consistent with current law. He also proposed the transfer of the Regional Greenhouse Gas Initiative from the Department of Environmental Management, and the Renewable Energy Program from the Economic Development Corporation to the Office of Energy Resources. The Assembly concurred, with the exception of the Renewable Energy Program transfer, which it retained at the Economic Development Corporation.

**Office of Management and Budget.** The Assembly adopted legislation to create a new Office of Management and Budget that will assume the functions of the State Budget Office and the responsibilities of the Office of Economic Recovery and Reinvestment. It will include a Federal Grants Management Office to coordinate federal grant applications. The legislation also requires the Office to perform a study on transportation programs to be submitted to the Governor and the General Assembly by November 1, 2012. The Budget includes 11.0 new positions, including a director to be appointed by the director of the Department of Administration. The Governor's original proposal called for eliminating the Bureau of Audits allowing the new Office to absorb some of those functions. The Assembly retained the Bureau of Audits, as is.

**Human Resources Restructure.** The Governor's FY 2013 budget recommendation includes savings of \$0.8 million from the elimination of 12.0 positions in the Division of Human Resources. This consists of 2.0 positions from the Employee Services Unit and 10.0 positions in the Classification and Examination Unit, which is about half of the current staff. The Governor's FY 2012 revised budget includes \$0.3 million for a personnel study of the merit system to be accomplished in the current year to make the proposed reductions possible. The Assembly restored \$0.4 million of the general revenue savings and shifted funding for the personnel study from FY 2012 to FY 2013 to reflect a delay in the work proposed.

**RI Film and Television Office.** The Assembly transferred the Film and Television Office from the Arts Council to the Department of Administration. It provided general revenue funding of \$0.3 million and 2.6 full-time positions, consistent with the Governor's recommendation.

**Office of Digital Excellence.** The Assembly adopted legislation to create the Office of Digital Excellence within the Department of Administration. It authorized a chief digital officer, who must be appointed by the director of the Department of Administration, with approval from the Governor. The Office shall coordinate its efforts with the Division of Information Technology. The legislation requires the chief digital officer to report to the Governor, the Speaker of the House of Representatives, and the Senate President, every January 31, the status of all technology infrastructure projects, website improvements, number of e-government transactions and revenues generated and projects supported by the Information Technology Investment Fund.

**Rhode Island Health Benefits Exchange.** The Budget reflects the Rhode Island Health Benefits Exchange in the Office of the Governor. In September 2011, the Governor issued an executive order to establish the Office as the centrally accountable office for operational and financial implementation, including policy development. The Exchange will report to the Board of the Rhode Island Health Benefits Exchange and will work with the Department of Health, the Office of the Health Insurance Commissioner and the Office of the Lieutenant Governor. The Budget includes 6.0 positions, including a director to oversee the Exchange.

**Medicaid Benefits Program.** The Governor's budget transferred the Medicaid medical benefits program from the Department of Human Services to the Executive Office of Health and Human Services. The administrative staff was transferred in FY 2012, and the eligibility application process will remain with the Department of Human Services since applicants are often eligible for other benefits in addition to Medicaid, such as the supplemental nutrition assistance program, the Rhode Island Works program and child care through that department. The Assembly concurred.

**HIV Care and Treatment Program.** The Governor requested an amendment to transfer the HIV care and treatment program from the Department of Human Services to the Executive Office of Health and Human Services, effective July 1, 2012 consistent with his proposal for the medical benefits program. The Assembly concurred and transferred 5.0 positions.

**Higher Education Assistance Authority Merger.** The Governor's budget includes the transfer of \$27.8 million and 39.6 out of the authorized 41.6 full-time positions from the Rhode Island Higher Education Assistance Authority to the Office of Higher Education. He proposed legislation that would terminate the Authority and its corporate existence on September 1, 2012 and all of its rights, obligations and properties would be transferred to the Board of Governors for Higher Education. The Assembly did not concur with the proposed merger and provided \$27.7 million and 38.6 positions, maintaining the Higher Education Assistance Authority as a stand-alone agency.

**Board of Education.** The Assembly enacted legislation to abolish the Board of Governors for Higher Education and the Board of Regents, effective January 1, 2013, and create a new Rhode Island Board of Education. It also abolished the Office of Higher Education, effective January 1, 2014, and created an executive committee of education comprised of the three institutions of public higher education, and the commissioners of higher education and elementary and secondary education.

**Rhode Island Public Telecommunications Authority.** The Budget included legislation to require the Administration to submit a plan to the Chairpersons of the House and Senate Finance Committees by November 1, 2012 to transition the Rhode Island Public Telecommunications Authority from a state to a privately supported entity by July 1, 2013. The Administration also must include any statutory changes required for the transition as part of the FY 2014 budget.

**Dispatch Unit and Port Security.** The Budget does not include the transfer of the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety. The 2012 Assembly enacted legislation to reverse its prior mandate for the transfer.

**Program Review.** The Governor's budget recommended a review of environmental and coastal programs in the Department of Environmental Management and the Coastal Resources Management Council to be conducted by a new Office of Management and Budget, which would be charged with developing a plan that includes strategies to reorganize or centralize environmental and coastal resource management programs in order to improve efficiencies. A report detailing this plan would be due to the General Assembly and the Governor by November 1, 2012. The Assembly did not concur and instead required that the new Office of Management and Budget perform a study on transportation programs.

#### ***FY 2014***

**EDC/Commerce Corporation.** The Budget delays the creation of the Executive Office of Commerce and the transfer of the functions of the Department of Business Regulation from February 1, 2015 to July 1, 2015. It maintains the Office of Regulatory Reform in the Office of Management and Budget instead of transferring it to the new Executive Office of Commerce. As contained in 2013-H 6063, Substitute B, on or about February 1, 2015, the Office will have powers to assume functions from the Department of Business Regulation and, subsequently, various functions from the Department of Administration. The legislation further requires that the Office submit a comprehensive review of the roles, functions and programs of the Department of Administration and the Department of Labor and Training to the House of Representatives and the Senate before September 1, 2015. Additionally, the Office shall make recommendations and a business plan for the integration of these entities with the Office and the Governor may include these recommendations as part of his FY 2017 budget.

**Renewable Energy Fund Program Transfer.** The Governor’s Budget transfers the Renewable Energy Fund from the Economic Development Corporation to the Office of Energy Resources. The Office previously managed the fund and the 2007 Assembly enacted legislation to transfer the fund to the Corporation, effective FY 2008. The Budget includes expenditures of \$2.5 million and staffing of 2.0 positions from the Corporation. The Assembly did not concur and maintained the program in the Corporation.

**Office of Regulatory Reform.** Subsequent to the enactment of the FY 2013 budget, the Assembly adopted legislation contained in Chapter 445 of the 2012 Public Law to transfer the Office of Regulatory Reform from the Economic Development Corporation to the Office of Management and Budget in the Department of Administration. The Governor’s revised budget reflects this transfer as well as the 2.0 positions that support the Office. The Office was created in 2010 to improve the state’s business climate by making it easier for businesses to navigate through state and local permitting and regulatory issues. The Assembly adopted legislation in 2013-H 6063, Substitute B, requiring that the Office of Regulatory Reform reports to the Secretary of Commerce within the Executive Office of Commerce, effective February 1, 2015.

**Rhode Island Health Benefits Exchange.** The Budgets reflect the transfer of the Rhode Island Health Benefits Exchange from the Office of the Governor to the Department of Administration. In September 2011, the Governor issued an executive order to establish the Office as the centrally accountable office for operational and financial implementation, including policy development.

**Construction Permitting, Approvals and Licensing.** The Budgets reflect the creation of a new program in the Department of Administration: Construction Permitting, Approvals and Licensing, consisting of the State Building Code Commission, Contractors’ Registration Board, and Fire Code Board of Appeal. Staffing and funding were transferred from Capital Projects and Property Management. The Department indicates that the program change was necessary to avert the appearance of a conflict of interest between the Office of Capital Projects and the aforementioned offices.

**Rhode Island Public Telecommunications Authority.** The Budget includes the statutory authority to end state support to the authority as of July 1, 2013 and abolish it as a public agency as the Authority has been transferred to the Rhode Island PBS Foundation.

**Assisted Living and Home Care Waiver Services.** The Budget shifts assisted living and home care waiver services in the Division of Elderly Affairs within the Department of Human Services to the Office of Health and Human Services for FY 2014, consistent with the Governor’s requested amendment, in order to locate all Medicaid assisted living and home care expenditures in the Office’s budget.

#### *FY 2015*

**Office of Diversity, Equity and Opportunity.** The Budget reflects the creation of the Office of Diversity, Equity and Opportunity within the Department of Administration. Existing staff of 7.0 full-time positions and funding will be transferred from the Division of Purchasing’s Minority Business Enterprise Office and the Division of Human Resources’ Outreach and Diversity Office.

In May 2013, Governor Chafee issued Executive Order 13-05 entitled “Promotion of Diversity, Equal Opportunity and Minority Business Enterprises in Rhode Island.” The Executive Order required that the Department of Administration review all divisions and offices within the Department that are charged with facilitating equal opportunity employment and to make recommendations to improve collaboration between these offices. The creation of the Office of Diversity, Equity and Opportunity reflects the Department of Administration’s recommendation.

**Rhode Island Emergency Management Agency.** The Budget reflects the Emergency Management Agency and the National Guard as two stand-alone agencies. They are currently two distinct programs in the Military Staff under the control of the Adjutant General. This action was recommended to reflect the individual agency missions as well as current operational structure. There are no major changes to funding levels or positions.

**Executive Office of Commerce.** The Governor's budget proposed to delay the creation of the Executive Office of Commerce and the transfer of the functions of the Department of Business Regulation from February 1, 2015 to July 1, 2015. The Assembly did not concur with the delay.

The Governor also proposed maintaining the Office of Regulatory Reform in the Office of Management and Budget instead of transferring it to the new Executive Office of Commerce. The Assembly concurred.

**Department of Environmental Management Customer Service Unit.** The Budget creates in statute a customer service unit within the Department of Environmental Management. The Department already includes an Office of Customer and Technical Assistance, but this section codifies a requirement that the agency have a customer service unit and program to provide technical assistance to customers and help them to comply with environmental regulations and requirements. This section also mandates that the Department and the Office of Regulatory Reform collaborate on a report detailing an alternative compliance approaches plan, which would be due to the General Assembly and the Governor by May 1, 2015.

**Higher Education Assistance Authority.** The Budget includes legislation that requires the administration to include a plan for allocating Higher Education Assistance Authority programs to other agencies as part of FY 2016 budget.

**Behavioral Healthcare Services to OHHS.** The Budget transfers Medicaid-funded behavioral health care services from the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to the Office of Health and Human Services so that mental health and substance abuse treatment services for disabled individuals will be appropriated to one agency and included \$60.8 million, of which \$30.1 million is general revenues.





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## Explanations of Budget Articles

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### 2015-H 5900, Substitute A, as Amended

#### Article 1

**Section 1. Appropriations.** This section of Article 1 contains the appropriations for FY 2016.

**Section 2. Line Item Appropriations.** This section establishes that each line in Section 1 of Article 1 constitutes an appropriation.

**Section 3. Transfer of Functions.** This section authorizes the Governor to transfer appropriations and full-time equivalent position authorizations associated with transfers of functions.

**Section 4. Contingency Fund.** This section allows for expenditures from the contingency account located within the Office of the Governor's budget for unexpected and unbudgeted statewide expenditures. The Governor must approve all expenditures and transfers from this account.

**Section 5. Internal Service Funds.** This section authorizes the establishment of limited and specific internal service accounts to implement the cases in which state agencies provide services to other state agencies, institutions and other governmental units on a cost reimbursement basis.

**Section 6. Legislative Intent.** This section authorizes the chairpersons of the finance committees of the two chambers to provide a "statement of legislative intent" for specifying the purpose of the appropriations contained in Section 1 of this article.

**Section 7. Temporary Disability Insurance Funds.** This section appropriates all funds required for benefit payments from the Temporary Disability Insurance Fund and the Temporary Disability Insurance Reserve Fund for FY 2016.

**Section 8. Employment Security Funds.** This section appropriates all funds required for benefit payments to the unemployed from the Employment Security Fund for FY 2016.

**Section 9. Lottery.** This section appropriates to the Lottery Division any funds required for the payment of prizes and commissions.

**Section 10. Full-Time Equivalent Positions.** This section of Article 1 limits the maximum number of full-time equivalent positions authorized for the departments and agencies during any payroll period in FY 2016. It also provides that state employees whose funding is from non-state funds that are time limited shall receive appointments limited to the availability of the non-state funding source. In addition, this section provides that the Governor or designee, Speaker of the House or designee, and President of the Senate or designee may jointly adjust the authorization. Total staffing is 15,118.4 full-time equivalent positions, which is 32.4 positions more than the FY 2015 enacted budget.

**Section 11. Multi-Year Appropriations.** This section makes multi-year appropriations for a number of capital projects included in the FY 2016 through FY 2020 Capital Budget that are funded from Rhode Island Capital Plan funds. The FY 2016 and multi-year appropriations supersede appropriations made for capital projects in Section 11 of Article 1 of the FY 2015 Appropriations Act.

**Section 12. Reappropriations.** This section provides that any unexpended and unencumbered funds for Rhode Island Capital Plan Fund projects may be reappropriated at the recommendation of the Governor in

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## Explanations of Budget Articles

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FY 2016. However, any such reappropriations are subject to final approval by the General Assembly as part of the supplemental appropriations act. Unexpended funds of less than \$500 can be reappropriated at the discretion of the state Budget Officer.

**Section 13. Rhode Island Housing and Mortgage Finance Corporation.** This section requires that the Rhode Island Housing and Mortgage Finance Corporation provide from its resources an appropriate amount to support the Neighborhood Opportunities Program. The Corporation is also required to provide to the director of the Department of Administration, the chair of the Housing Resources Commission and both chairs of the House and Senate Finance Committees a report detailing the amount of funding and information such as the number of housing units created.

**Section 14. Effective Date.** This section of Article 1 establishes July 1, 2015 as the effective date of the article.

### Article 2. Public Corporation Debt Management

The Public Corporation Debt Management Act requires that all new non-general obligation debt authorizations be approved by the General Assembly, except in certain circumstances. This article contains authorization 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 supported by general revenues, tuition and fees; total debt service payments would be \$8.1 million.

Article 2 also authorizes the Rhode Island Turnpike and Bridge Authority to issue \$65.0 million from revenue bonds in order to renovate, repair, upgrade and make improvements to the Pell Bridge, Jamestown Verrazzano Bridge, Sakonnet River Bridge, and Mount Hope Bridge. Annual debt service would be up to \$5.1 million, with total debt service payments up to \$152.3 million.

### Article 3. State Leases

Current law requires legislative approval before entering into a long-term lease agreement or extensions of existing leases of office and operating space which carries a term of five years or longer, or exceeds \$500,000 in value. This article includes joint resolutions to seek General Assembly approval for six long-term lease agreements for several agencies, including the Departments of Children, Youth and Families, Human Services, Environmental Management; Office of the Public Defender and the Secretary of State. The costs are estimated at \$6.0 million annually. The FY 2016 budget includes \$6.0 million for these current leases.

### Article 4. Division of Motor Vehicles

Article 4 amends current law to delay the mandatory reissuance of fully reflective license plates from September 1, 2015 to July 1, 2016. The reissuance has been delayed twice previously, from September 1, 2011 to September 1, 2013 and again to September 1, 2015. The article maintains the allowance in current law that allows the new plates to be issued at the time of initial registration and upon the renewal of the registration. The Budget includes \$3.0 million for FY 2016 to allow the Division of Motor Vehicles to begin printing and stocking sets of plates prior to FY 2017. Any unspent funds will be reappropriated to the following year.

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## Explanations of Budget Articles

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### **Article 5. Reinventing Medicaid**

This article includes the legislation needed to make the changes that are part of the Reinventing Medicaid initiative. These include expanding community based opportunities such as access to assisted living and adult supportive residences for those enrolled in Rhody Health Options and adding a new Supplemental Security Income payment. It also makes payments to assisted living facilities, and adult day care centers based on the needs of an individual and eliminates the statutory caps for early intervention and applied behavioral analysis covered through commercial insurance.

The article includes the FY 2016 and FY 2017 payment to be made to the community hospitals for uncompensated care. It sets the FY 2016 hospital license fee at 5.862 percent and the FY 2015 rate at 5.745 percent and makes graduate medical education payments in FY 2015 and FY 2016. It eliminates the scheduled increase in hospital rates and further reduces them by 2.5 percent and expands the definition of a hospital to allow hospitals purchased through receivership, special master or similar circumstances to negotiate new reimbursement rates with the managed care plans. The article also requires the Office of Health and Human Services to collect information from the community hospitals on any patients who do not have health insurance, including the reason for an uninsured status.

The article delays the scheduled nursing home and acuity adjustments and reduces rates by 2.0 percent. The article also ensures compliance with new payment opportunities under Medicare for certain rehabilitation and nursing services, establishes thresholds for rates paid by the managed care plan to nursing facilities through the Integrated Care Initiative, and expands the ability of nursing facilities to collect unpaid debt and discharge residents for non-payment.

The article also updates the responsibilities assigned to the Office of Health and Human Services and its Division of Program Integrity. It updates the composition of the Children's Cabinet and assures appropriate privacy and security measures are in place for the use of information collected for research activities. Finally, it requires additional information for the estate recovery reports and includes the necessary resolution language to make changes through the Medicaid waiver.

### **Article 6. Education**

Article 6 requires 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. For FY 2016, the budget provides funding to municipalities that would not otherwise offer full-day kindergarten to support transition expenses in the 2015-2016 school year. Funding will be based on twice the half-day kindergarten enrollment as of March 2015. The budget includes \$1.2 million for these transition expenses.

### **Article 7. Higher Education Assistance Authority**

Article 7 transfers all of the powers, duties, authority and resources of the Rhode Island Higher Education Assistance Authority to the Council for Postsecondary Education and the Office of the General Treasurer and establishes a new Division of Higher Education Assistance in the Office of Postsecondary Commissioner. The budget reflects the transfer of \$18.3 million and 10.0 full-time positions to the Office of Postsecondary Commissioner and 1.0 position and \$0.3 million to the Office of the General Treasurer. The Authority and its corporate existence will be terminated on July 1, 2015.

The article also replaces the state's need based scholarship grant program formula and eligibility requirements with a more flexible state grant program under the direction of the Commissioner of

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## Explanations of Budget Articles

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Postsecondary Education. It provides that the lesser of 20.0 percent or \$2.0 million annually be allocated to students attending independent, non-profit higher education institutions in Rhode Island with the remaining funding limited to public higher education institutions in Rhode Island. It also requires the Commissioner of Postsecondary Education to submit a plan with the budget detailing how the grant funds will be distributed to students for each institution participating in the program.

### Article 8. Municipalities

Section 1 establishes a deadline for reimbursement to the Town of Jamestown and the City of Newport for toll costs incurred by public safety personnel in the fulfillment of their duties. Under current law, both municipalities must reimburse their public safety personnel for tolls paid and may apply to the state for subsequent reimbursement; there is no time limit on reimbursement requests. This section permits reimbursements only for the fiscal year prior to the request. No reimbursements have been requested by either municipality since FY 2012.

Section 2 of this article permits municipal governments to authorize bonds for qualified construction projects financed via the Efficient Buildings Fund and the School Building Authority Capital Fund, without charter or referendum approval from July 1, 2015 to June 30, 2016.

### Article 9. School Building Authority Capital Fund

This article creates a School Building Authority within the Department of Elementary and Secondary Education and outlines its roles and responsibilities, which include overseeing the existing school construction program and also the new School Building Authority Capital Fund. It establishes a seven member advisory board to advise the Authority and requires the Council on Elementary and Secondary Education to approve the projects. The article ends the rolling application process and allows for the prioritization of funding and projects based on certain, listed criteria.

The article establishes the School Building Authority Capital Fund to be transferred to and administered by the Rhode Island Health and Educational Building Corporation. The Budget includes \$20.0 million from debt service restructuring savings to start the Fund, which will be a pay-as-you-go program. It retains cost sharing at current levels, allowing for incentive points, and allows for up to \$500,000 to be loaned from the Fund to a municipality without local voter approval, if allowed. The article exempts projects funded from the School Building Authority Capital Fund from General Assembly approval, currently required for other projects.

### Article 10. Revised Budget

**Section 1. Revisions to Appropriations.** This section of Article 10 contains the revised appropriations for FY 2015.

**Section 2. Line Item Appropriations.** This section establishes that each line of Section 1 in Article 10 constitutes an appropriation.

**Section 3. Internal Service Funds.** This section authorizes the establishment of limited and specific internal service accounts to implement the cases in which state agencies provide services to other state agencies, institutions and other governmental units on a cost reimbursement basis.

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## Explanations of Budget Articles

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**Section 4. Full-Time Equivalent Positions.** This section limits the maximum number of full-time equivalent positions authorized for the departments and agencies during any payroll period in FY 2015. In addition, state employees whose funding is from non-state funds that are time limited shall receive appointments limited to the availability of the non-state funding source. This section also contains the usual provision that the Governor or designee, Speaker of the House or designee, and President of the Senate or designee may jointly adjust the authorization. Total staffing is 15,100.7 full-time equivalent positions, 14.7 positions more than enacted.

**Section 5. Bond Premiums.** This section of Article 10 transfers \$6.4 million of bond premium proceeds that were deposited into the Rhode Island Capital Plan Fund to the Municipal Road and Bridge Revolving Fund on or before June 30, 2015.

**Section 6. Effective Date.** This section of Article 10 establishes an effective date upon passage of the article.

### Article 11. Taxes and Revenues

**Section 1. Enterprise Zone Wage Credit.** This section limits the Enterprise Zone Tax Credit to businesses that have received certification prior to July 1, 2015. Under current law, 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.

**Sections 2 through 4. Tourism Taxes.** These sections expand the definition of hotel to include small bed and breakfast facilities with less than three rooms for rent and unlicensed rental facilities offered for rent via an online or other platform. Rental of rooms from these types of lodging facilities is subject to all sales and hotel taxes. The total cost of rooms rented via online travel companies and room resellers is also subjected to all sales and hotel taxes. The rental of vacation homes is subject only to the state sales tax and local 1.0 percent hotel tax. The Budget assumes a combined total of \$7.1 million in new sales tax revenues from the expansion of the definition of hotel, including \$0.9 million from the rental of rooms from small bed and breakfasts and other unlicensed rentals and \$5.4 million from the rental of vacation homes.

These sections also 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 collected from traditional licensed facilities and through online travel companies are decreased for all eight regional tourism districts in the state and the Providence Warwick Convention and Visitors Bureau, effective January 1, 2016. The difference in shares, as well as all funds that would be otherwise deposited as general revenues, are transferred to the Commerce Corporation.

Effective July 1, 2015, 75.0 percent of state hotel tax revenues collected from unlicensed facility rentals are distributed to the Corporation; 25.0 percent of those revenues are distributed to the city or town where the facility is located.

**Section 5. Performance Based Tax Collection Contracts.** This section amends current law to permit the Division of Taxation to contract with third parties for the review of tax data and collection of taxes, interest, penalties, or a reduction in claimed refunds. Contractors are prohibited from conducting field audits under this section, and contracts are to be paid on a contingency fee basis, for services rendered, as a percentage of the actual amount of revenues collected. The section additionally establishes annual reporting requirements for the Division, including the number of contingency fee contracts, the total amount of revenues collected, and the percentage fee for each contract.

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## Explanations of Budget Articles

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**Section 6. Real Estate Conveyance Tax.** Section 6 of Article 11 establishes a tax of \$2.30 per \$500 of property value on the sale of a controlling interest in a business entity that holds interest in the property, consistent with the current law tax on purchase or transfer of real estate at the time of the property's conveyance. The change essentially extends the real estate conveyance tax and its current distribution of proceeds to these transactions. The Budget includes \$0.7 million of associated revenues.

**Section 7. Sales Tax Exemptions.** Section 7 of Article 11 amends current law to exempt electricity, gas, and heating fuels purchased by commercial or business users from sales tax, effective July 1, 2015. Under current law, sales of electricity, natural gas, and heating fuels are exempt for residential purchasers and by commercial purchasers for manufacturing uses. This section additionally makes permanent the exempting of retail sales of wine and spirits from sales tax, which had been scheduled to sunset on June 30, 2015.

**Section 8. Permanent Restructuring of Alcohol Taxes.** This section eliminates the June 30, 2015 sunset of the pilot alcohol taxes program. The 2013 Assembly enacted legislation increasing the excise tax on beer from \$3.00 per barrel to \$3.30, spirits from \$3.75 per gallon to \$5.40 and wine from \$0.60 to \$1.40 per gallon from July 1, 2013 through April 1, 2015; the 2014 Assembly extended the change through the end of FY 2015.

**Section 9. Managed Audit.** This section amends current law to permit the Division of Taxation to establish managed self-audit agreements with businesses for the review of records to determine any tax liability owed on purchased inventory or assets or any other category included in the managed audit by the Division. Participants would receive reduced interest and no penalties on any taxes owed, except in cases of fraud, willful negligence, or failure to pay any taxes deemed owed in the course of the managed audit. The Budget includes \$0.5 million in associated sales tax revenue.

**Sections 10 and 11. Cigarette Tax.** These sections increase the cigarette tax from \$3.50 to \$3.75 per pack and include an inventory tax on cigarettes on hand upon which the existing rate was paid for the tax stamps, effective August 1, 2015. Whenever rates change, a tax on the differential rate, often called an inventory or floor tax, on existing inventory that had been taxed at the old rate is levied. The FY 2016 budget assumes \$7.1 million in sales and tobacco tax revenues associated with this increase.

**Section 12. EITC/Social Security.** This section of Article 11 modifies the Earned Income Tax Credit for low and moderate wage earners to equal 12.5 percent of the federal credit, effective January 1, 2016. The 2014 Assembly enacted changes enhancing the value of the credit, including altering the rate to 10.0 percent of the federal credit and making it 100 percent refundable. The FY 2016 budget assumes an associated revenue loss of \$3.1 million. The impact annualizes to \$6.4 million in FY 2017.

Section 12 also exempts Social Security benefits from state personal income tax for single and head of household filers who have reached full social security retirement age and have federal adjusted gross incomes of \$80,000 or less and married joint and qualifying widow or widower filers with federal adjusted gross incomes of \$100,000 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 \$9.4 million for FY 2016; the loss annualizes to \$19.5 million for FY 2017.

**Sections 13 and 14. Outpatient and Imaging Services.** Sections 13 and 14 of Article 11 amend current law to eliminate the 2.0 percent surcharge applied to both outpatient and imaging service facilities' net patient revenues. The Budget assumes an associated revenue loss for FY 2016 of \$2.3 million.

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## Explanations of Budget Articles

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**Section 15. Minimum Corporate Tax.** This section reduces the minimum corporate tax from \$500 to \$450 per year, effective January 1, 2016. The fiscal impact for this reduction is a revenue loss of \$1.6 million for FY 2016; the loss annualizes to \$3.3 million for FY 2017.

**Sections 16 through 21. Newport Grand.** These sections permit the Lottery Division to enter into a fourth amendment of the master contract with Newport Grand, which will lower the number of full-time equivalent positions required at the facility from 180 to 100, allow the facility's operations license to be passed to a successor company, and provide an additional 1.9 percent of net terminal income to the facility for FY 2016 and FY 2017. The FY 2016 budget assumes a loss of \$0.8 million associated with the increase in the facility's share; the additional funds must be spent on marketing.

**Section 22. Effective Date.** This section establishes August 1, 2015 as the effective date for sections 10 and 11; section 15 is effective for tax years beginning on or after January 1, 2016. The remainder of the article is effective July 1, 2015.

### Article 12. State Police Pensions

Article 12 establishes a new trust fund to pay for State Police pensions for those hired on or before July 1, 1987 whose pensions are currently paid on a pay-as-you-go basis. The trust will be seeded with \$15.0 million of the \$45.0 million from Google settlement funds and \$16.6 million from general revenues. The budget assumes \$1.0 million in savings from the estimated \$17.6 million that would be needed for the pay-as-you-go appropriation. Savings over the life of the trust would be \$172.2 million.

### Article 13. Budget Accounts

Article 13 exempts the following accounts from the state's indirect cost recovery charge: jobs tax credit, miscellaneous donations and grants from nonprofit organizations to the Department of Health, state loan repayment match in the Department of Health, the Rhode Island Health Benefits Exchange, defined contribution administration, judiciary technology surcharge account, and the national school breakfast and lunch program at the Davies Career and Technical Center.

Article 13 also removes the requirement that final revenues exceeding budgeted estimates be transferred to the Retirement System to pay down the unfunded liability. This is retroactive to July 1, 2014. The FY 2015 final budget recognizes \$13.8 million in additional revenue from repealing that requirement because this is the amount that should be transferred based on the FY 2014 audited closing.

### Article 14. Infrastructure Bank

This article renames the Clean Water Finance Agency as the Rhode Island Infrastructure Bank, effective September 1, 2015, expands the Agency's purview to include renewable energy and efficiency projects, and authorizes the Bank to create an Efficient Buildings Fund, which will provide technical, funding and administrative support to public entities for efficient and renewable energy upgrades to public buildings and infrastructure. To the extent possible, it encourages use of project labor agreements for projects over \$10.0 million and local hiring. The Efficient Buildings Fund would be seeded with proceeds of \$3.0 million from the Regional Greenhouse Gas Initiative and \$2.0 million from the Energy Revolving Loan Fund.

The article establishes a Brownfields Revolving Loan Fund, which will provide financial assistance to municipalities, individuals, or corporations that would remediate or develop a brownfields site.

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## Explanations of Budget Articles

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The article expands the Property Assessed Clean Energy Program to commercial property owners and allows the program to be administered by the Infrastructure Bank. The legislation allows the Infrastructure Bank to create one or more loan loss reserve funds to serve as security for debt in the event of foreclosure or other circumstances.

The article extends the efficiency surcharges by five years and the least cost procurement provision by seven years. It also includes a one-time allocation of 2.0 percent of 2014 program collections to the Infrastructure Bank. It also allows the Infrastructure Bank to obtain a share of the 10.0 percent for administrative costs associated with the Renewable Energy Fund.

The article also adds a green strategic advisory council, consisting of eight members to advise the Board. The article takes effect upon passage.

### **Article 15. Government Organization**

Article 15 contains legislation to establish a veterans' treatment calendar in the District Court and to increase the number of judges in the District Court from 12 to 13. The veterans' calendar is currently operating; however, the legislation officially establishes this calendar in statute by adding language regarding the purpose and execution of the veterans' calendar.

It provides a four month extension to the requirement for the Department of Administration to refer by the last day in April, proposed salaries for cabinet directors to the General Assembly, which will take effect in 30 days unless they are rejected by formal action by the General Assembly. The public hearing process would be extended to July and the referral of proposed salaries to the Assembly would be extended to August 30.

It amends the unclassified service to add certain positions in several departments, reorganizes the Department of Transportation in accordance with a project management-based program and transfers the Rhode Island Film and Television Office from the Department of Administration to the Rhode Island State Council on the Arts.

### **Article 16. Bays, Rivers and Watersheds Coordination Team**

Article 16 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 work is funded by an \$80,000 transatlantic cable fee, a \$1 per 100 gallons charge on septage disposal in the state and a \$250,000 annual allocation from the Oil Spill, Prevention, Administration and Response Fund. The restricted receipts will now be utilized by the Department of Environmental Management for efforts relating to watershed and marine monitoring, water pollution abatement, and climate change.

### **Article 17. Child Care**

Article 17 increases the weekly payment rates for infant/toddler care provided through the subsidized child care program by \$10 for family-based providers, and then increases all weekly rates for all age groups and for all participating child care providers by 3.0 percent. The budget adds \$2.2 million, including \$1.7 million from general revenues to reflect this increase.



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## Explanations of Budget Articles

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The article also permanently extends the child care program allowing families with income at or below 180 percent of poverty who are participating in certain job readiness programs access to subsidized child care if child care is required for their participation. This was set to expire June 30, 2015. The budget includes \$0.2 million from federal sources in the Department of Human Services to fund the program.

### **Article 18. Health Reform Assessment**

This article amends current law to establish the health benefits exchange into general law as a division within the Department of Administration. It authorizes HealthSource RI to operate a state-based exchange to meet the minimum requirements of the federal act. It authorizes an assessment be charged by the Department, which cannot be more than the revenues that would be raised through the federally facilitated marketplace upon those insurers offering products on the exchange. The assessment is estimated to generate \$7.1 million in calendar year 2016, of which \$3.6 million is budgeted for FY 2016. The Budget also includes \$2.6 million from general revenues to be used in conjunction with the revenues from the assessment for the operations of HealthSource RI.

The article requires that individual market plans offer a variation that excludes coverage of elective abortions at each level of coverage that the insurer offers. The article requires that employers utilizing the religious exemption purchase plans on the exchange to offer their employees a full-choice option. The employers will not be responsible for any additional costs of a plan selected by an employee. It also requires that if an employer elects the religious exemption variation, it must provide written notice to enrollees that that plan excludes coverage for abortion services.

The article also requires HealthSource RI to provide a monthly report to the chairpersons of the House Finance and Senate Finance Committees including actual enrollment data by market and insurer. It further requires HealthSource RI to annually audit its functions and operations.

### **Article 19. Commerce Corporation and Economic Development**

**Section 1. Municipal Building and Fire Code Inspections.** This section of the article mandates 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.

**Section 2. Small Business Innovation Research.** The 2013 Assembly adopted legislation establishing the Innovate Rhode Island Small Business Program. It also established a bioscience and engineering internship program, allowing the Science and Technology Advisory Council to provide eligible businesses with grants to offset costs associated with applying to the U.S. Small Business Administration for Small Business Innovation Research grants or the Small Business Technology Transfer Research grants and also established a matching loan program for phase II proposals. This section of the article removes the matching loan provision for phase II proposals and increases the maximum grant amount from \$100,000 to \$150,000.

**Section 3. Rebuild Rhode Island Tax Credit.** Section 3 of Article 19 establishes the Rebuild Rhode Island tax credit program, effective July 1, 2015. Credits valued between 20.0 and 30.0 percent of qualified capital improvement project costs up to a maximum of \$15.0 million are available to projects that have demonstrated a gap between available funding and total estimated project cost. Projects' incorporation of historical structures, affordable housing, public transit, and other factors may receive increased credits, at the discretion of the Commerce Corporation. Beginning in FY 2017, the Corporation and the Division of Taxation will report annually on credits assigned, credits taken, and the measurable impacts of the program.

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## Explanations of Budget Articles

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The program will sunset on December 31, 2018; no credits will be assigned to any projects after that date. The FY 2016 budget sets aside \$1.0 million from general revenues in FY 2016 for credits. The five-year forecast projects an associated FY 2017 revenue loss of \$7.1 million, which grows to \$25.1 million by FY 2020; \$12.1 million of that was to come from refinancing proceeds.

**Section 4. Tax Increment Financing Program.** Section 4 of Article 19 creates 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 payments or tax exemptions of up to 75.0 percent of state revenues realized as a result of the redevelopment project. Contracts may only be undertaken if a developer can prove a gap between available project funding and total estimated project cost. The Division of Taxation is required to assist the Commerce Corporation in the determination of all state revenues collected as a result of the project. Agreements between the Commerce Corporation and a developer cannot exceed a 20-year period. Beginning in FY 2017, the Corporation will report annually to the Governor, the Speaker of the House of Representatives, and the President of the Senate on agreement totals, schedules for payment, and the measurable impacts of the program. The legislation also requires that the Commerce Corporation report annually on the use and efficacy of the program, beginning in FY 2017. The program will sunset on December 31, 2018; the Corporation may not enter into any agreement with developers for incentives after that date.

**Section 5. Tax Stabilization Incentives.** Section 5 of Article 19 establishes a state aid program to incentivize municipalities to enter into tax stabilization agreements with developers in exchange for the development or redevelopment of specific areas in qualifying communities. The section allows the Commerce Corporation to provide qualifying municipalities reimbursements up to 10.0 percent of property tax revenues that would have otherwise been collected, if the developed property were not party to a tax stabilization agreement. The legislation requires that the Division of Taxation report annually to the Governor regarding the anticipated funding required for the following fiscal year. No agreements with municipalities for incentives may be entered into after December 31, 2018.

**Section 6. First Wave Closing Fund.** This section of the article establishes the First Wave Closing Fund, which would provide financing to ensure that certain transactions that are critical to the state's economy occur, subject to the Commerce Corporation's Board approval. The funds can be used for working capital, equipment, furnishings, fixtures, construction, rehabilitation, purchase of property, or other purposes approved by the Corporation. The legislation requires that the Commerce Corporation report on the fund annually. The Budget includes \$5.0 million from the debt restructuring savings to fund this initiative. The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for financing after that date.

**Section 7. I-195 Redevelopment Project Fund.** This section of the article creates the I-195 Redevelopment Project Fund, which would be administered by the I-195 District Commission. The Fund would be used to provide developers and businesses with financing for capital investment, including land acquisition in order to promote the development of the land. The legislation allows the Commission to adopt rules and regulations to implement the program. The legislation further requires that the Commission report on the fund annually. The Budget includes \$25.0 million from the debt restructuring savings to fund this initiative. The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for funding or incentives after that date.

**Section 8. Small Business Assistance Program.** This section creates a Small Business Assistance Program for businesses with less than 200 employees that are having difficulties obtaining financing from traditional lending organizations. It includes a \$750,000 maximum amount that any one business can

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obtain from the fund. The legislation enables the Commerce Corporation to partner with an outside lending organization to administer the program funds. The legislation requires that 10.0 percent of funding must be set-aside for a microloan program to be administered by a third party with expertise in microloans. Microloans would be made in principal amounts of \$2,000 to \$25,000. The legislation requires that the Commerce Corporation report on the fund annually. The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for funding or incentives after that date.

**Section 9. Stay Invested In RI Wavemaker Fellowship.** This section creates a loan repayment tax credit program for graduates of accredited institutions of higher education who receive an associate's, bachelor's or master's degree and who remain in or become a resident of and employed in the state in the fields of life, natural or environmental sciences; computer, information or software technology; engineering or industrial design; and medicine or medical device technology. The amount of the tax credit is up to a maximum of \$1,000 for an associate's degree, \$4,000 for a bachelor's degree and \$6,000 for a graduate degree for up to four years. The legislation requires that the Commerce Corporation reserve 70.0 percent of the awards per calendar year to permanent residents of the state. It also requires that recipients must work at least 35 hours per week for an employer located in the state, which is defined as having at least 51.0 percent of its employees located in the state. The budget includes \$1.8 million to fund the program. Beginning in FY 2017, the Corporation will publish an annual report of recipients and the companies at which they work. The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for funding or incentives after that date.

**Section 10. Main Street RI Streetscape Improvement Fund.** This section authorizes 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 budget includes \$1.0 million in FY 2016. The legislation further requires that the Corporation report on the fund annually. The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for incentives after that date.

**Section 11. Innovation Initiative.** This section establishes 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 in FY 2016 to create a voucher program that would allow small businesses to earn \$5,000 to \$50,000. The Governor indicated intent to recommend \$0.5 million in FY 2017. The legislation further requires that the Commerce Corporation report on the fund annually. The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for incentives after that date.

**Section 12. Industry Cluster Grants.** Section 12 creates an Industry Cluster Grants Program and includes \$2.0 million from general revenues, 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. The legislation further requires that the Corporation report on the fund annually. The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for grants or incentives after that date.

**Section 13. Anchor Tax Credit.** Section 13 of Article 19 creates the Anchor Institution 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 the relocation of at least ten employees of that separate business on a permanent basis. No more than 75.0 percent of the total funds allowed for the program in a fiscal year may

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be assigned to a single recipient. The Budget dedicates \$5.7 million from debt refinancing proceeds between FY 2016 and FY 2017 for this purpose. The legislation requires that, beginning in FY 2017, the Commerce Corporation report annually on the use and efficacy of the program, which sunsets on December 31, 2018. No credits will be assigned to any projects after that date.

**Section 15. Jobs Credit.** This section establishes the Rhode Island New Qualified Jobs Incentive Act of 2015, which provides an annual reduction in tax liability for qualifying businesses for new full-time employees hired before December 31, 2018. Qualified businesses may receive credits from \$2,500 up to \$7,500 per new full-time job, subject to certain criteria including the creation of new jobs in targeted industries, jobs created in specific communities, and jobs created by businesses that relocate from out-of-state. Credits may not exceed the income tax withholdings of the employees in the new jobs. This section additionally limits existing Jobs Development Act Tax Credit to businesses that have qualified for credits prior to July 1, 2015. The legislation requires that, beginning in FY 2017, the Commerce Corporation report annually on the use and efficacy of the program, which sunsets on December 31, 2018. No credits will be assigned to any businesses after that date.

**Section 16. High School, College and Employer Partnerships.** This section establishes the High School, College, and Employer Partnerships program. The budget includes \$0.9 million 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. The legislation requires that the Corporation annually report the amount of grants and matching funds awarded. The program sunsets on December 31, 2018; the Corporation may not enter into any agreement for grants or incentives after that date.

**Section 17. Tax Credit Evaluation.** This section amends current law to include the Rebuild Rhode Island tax credit program, Tax Increment Financing program, Stay Invested in RI Wavemaker Fellowship tax credit program, Anchor Institution tax credit program, and Rhode Island New Qualified Jobs Incentive Act tax credit program in the tax credit and incentive evaluation process established by the 2013 Assembly.

**Section 18. Effective Date.** This section sets the effective date of the article upon passage.

### Article 20. Professional Licenses

This article repeals 27 professional license and permit requirements; 21 of which are administered by the Department of Health, four by the Department of Business Regulation, and one each by the Department of Environmental Management and the Department of Elementary and Secondary Education. It eliminates the licensure requirement for line cleaners, auctioneers, athletic coach, fur buyer, manicurist instructor, hairdresser/cosmetologist and manicurist instructors and several others. This is estimated to reduce revenues by \$0.3 million in FY 2016. The article takes effect upon passage with the exception of Section 17, which takes effect on January 1, 2016.

### Article 21. Pensions

The budget includes legislation to codify the pension settlement agreement signed by all the parties (except all municipal police and Cranston fire) in April 2015 and determined by the Court to be fair, adequate and reasonable in May 2015. The legislation does not exclude any parties. It preserves over 90 percent of the 2011 pension reform savings. The changes include providing a cost-of-living increase every four years instead of every five as well as two, one-time \$500 payments to all current retirees. It

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changes the formula for calculating the cost-of-living increase to use both investment returns and the consumer price index with a maximum of 3.5 percent; currently it is only based on investment returns with a 4.0 percent maximum. It also increases the base used for cost-of-living calculations from \$25,000 to \$30,000 for current retirees.

It returns state employees, teachers and Municipal Employees Retirement System (MERS) general employees with at least 20 years of service as of June 30, 2012 to a defined benefit plan with a 2.0 percent annual accrual and higher employee contribution rate. It also increases the state's contribution to the defined contribution plan for those with between 10 and 20 years of service as of June 30, 2012. It also contains increases in accrual rates for correctional officers and Municipal Employees Retirement System public safety employees.

It includes adjustments to the retirement age for all groups and allows local municipalities to re-amortize the unfunded liability four additional years to 25 years for MERS plans and the local employer portion of teacher contributions.

There is no assumed impact to the FY 2016 budget; the FY 2017 budget would require an additional \$12.6 million from general revenues.

### **Article 22. Rhode Island Public Transit Authority**

This article allows the Rhode Island Public Transit Authority to charge the half-fare rate of \$1.00 per one-way trip for low income riders who are elderly or disabled and currently pay no fare. Elderly or disabled riders whose income exceeds 200 percent of poverty shall continue to pay half-fare prices during off-peak hours and the full-fare of \$2.00 during peak hours. The change is effective October 1, 2015 and is designed to put the state more in line with other states and federal guidelines.

### **Article 23. Effective Date**

Article 23 provides that the act shall take effect on July 1, 2015, except where a provision within an article specifies a retroactive or prospective effective date.

