

House Fiscal Advisory Staff

Budget Analysis Fiscal Year 2013



Submitted to the 2012 House of Representatives

House Committee on Finance

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Upon introduction of the annual state budget to the House on behalf of the Governor, the budget shall be referred to the finance committee. Within two (2) weeks following receipt thereof, the finance committee's fiscal advisor shall provide to each member of the House a concise summary of budget issues.

House Resolution adopting Rules of the
House of Representatives for the Years 2011
- 2012

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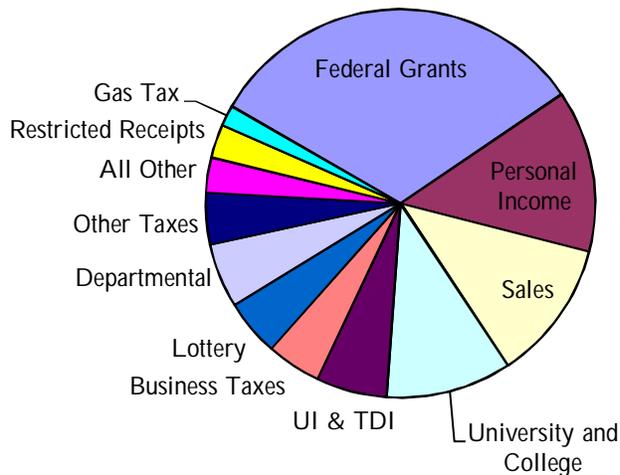
Section I

Budget at a Glance

Governor's FY 2013 Budget at a Glance

On January 31, Governor Chafee released his FY 2013 budget recommendations in a televised address to the General Assembly. The Governor's official FY 2013 Budget submittal was not introduced at that time. The General Assembly extended the deadline for his budget submittal by 12 days from January 19 to January 31.

Sources of Funds



Budget Issues

- **FY 2013 Gap.** House Fiscal Staff estimates that in preparing the FY 2013 budget, the Governor faced a projected revenue-expenditure gap of \$130 million, which would grow to over \$270 million by FY 2017. This was somewhat lower than Staff's FY 2012 forecast in the FY 2012 enacted budget, mainly because of pension reform adopted in November 2011. However, revisions and corrections to expenditure assumptions and a more pessimistic November 2011 economic forecast offset much of those savings. The Governor's budget appears to have resolved this gap with increased revenues, some of a limited or one-time nature along with expenditure reductions.
- **Budget Assumptions.** His budget follows the traditional Rhode Island budgeting practice of assuming passage of legislation submitted with the budget and approval by requisite federal agencies of changes under their purview. Should any of that legislation not pass, the budget will be significantly unbalanced.
- **Out-Year Projections.** The out-years appear to be significantly unbalanced. The forecast included with the Budget estimates a \$103.6 million gap for FY 2014, 3.1 percent of useable revenues, that grows to \$464.4 million in FY 2017, 12.0 percent of useable revenues. The FY 2014 gap is due to the use of one-time items in the resolution of the current budget gap as well as commitment of future expenses not reflected in FY 2013. Beginning in FY 2014 the estimate reflects the potential impact of casino gaming in Massachusetts. Those losses account for nearly one-third of the FY 2017 gap.

- **Supplemental Pension System Contributions.** The Budget includes legislation removing the requirement that the Governor include an appropriation to the retirement system equal to 20.0 percent of the state's savings from reductions in the prior year retirement rates to reduce the unfunded liability. The FY 2013 rates are lower than FY 2012, therefore an estimated \$4.4 million, including \$3.6 million from general revenues, would otherwise have to be appropriated to the retirement system.

Taxes and Revenues

Sales Taxes

- **Meals and Beverages Tax Increase.** The Budget includes \$39.5 million in revenues from the Governor's proposal to increase the Meals and Beverage Tax from 1.0 cent to 3.0 cents of gross receipts from retail sales of meals and beverages in or from eating and/or drinking establishments. Municipalities will continue to receive their quarterly payment from the first 1.0 cent from the Division of Taxation. Including the 7.0 percent sales tax, the total tax would be 10.0 percent.
- **Vacation Homes and Bed and Breakfast Inns.** The Governor proposes legislation to subject rentals of vacation homes and rooms at bed and breakfast inns with at least one bedroom for rent to the state's occupancy tax of 5.0 percent, the local occupancy tax of 1.0 percent and the state sales tax of 7.0 percent. Rentals would include those that are rented for more than 15 days per year. The Budget assumes revenues of \$1.9 million; an additional \$0.5 million would be passed through to host municipalities like other hotel tax revenue.
- **Cigarette Tax.** The Budget includes \$1.8 million in revenues from the Governor's proposal to increase the cigarette tax by \$0.04 per pack to \$3.50 per 20-pack, effective July 1, 2012.
- **Cigar Tax Increase.** The Budget includes \$0.5 million in revenues from the Governor's proposal to increase the maximum tax on cigars from \$0.50 to \$1.00 for each cigar. Cigars would continue to be taxed at 80 percent of cost; thus this affects only cigars with a wholesale cost of more than \$0.625 per cigar.
- **Redefine Little Cigars.** The Governor proposes legislation to change the definition of little cigars to ensure they remain subject to the cigarette sales tax. Currently, many little cigars exceed the weight threshold in statute, which allows them to be taxed like other cigars, which is 80.0 percent of their wholesale cost up to a maximum of \$0.50 per cigar. The Budget assumes new revenues of \$2.1 million from this change.
- **Clothing and Footwear Items over \$175.** The Budget includes \$13.3 million from repealing the sales tax exemption on clothing and footwear that costs more than \$175 per item, effectively July 1, 2012. It also assumes loss of \$1.8 million of voluntary payments from remote sellers in anticipation that the proposal for a tiered tax on this item would put the state out of compliance with the Streamlined Sales and Use Tax Agreement. The net impact is \$11.5 million in new revenue.
- **Taxicab and Limousine and Other Road Transportation.** The Budget includes \$3.3 million in revenues by subjecting taxicab, limousine and other road transportation services to the sales and use tax, effective July 1, 2012.
- **Moving, Storage and Freight Services.** The Budget includes \$10.8 million by subjecting moving, storage, warehousing and freight services to the sales and use tax, effective July 1, 2012.

- ***Pet Care Services.*** The Budget includes \$1.3 million in revenues by subjecting pet care services to the sales and use tax, effectively July 1, 2012. This excludes veterinary services and laboratory testing.
- ***Car Washes.*** The Budget includes \$1.3 million in new revenues by subjecting car washes to the sales and use tax, effective July 1, 2012.

Other Taxes and Fees

- ***Motion Picture Tax Credit.*** The Governor proposes legislation to extend the motion picture tax credit to documentary productions meeting specific guidelines. The legislation decreases the minimum production budget, including pre and post production, from \$300,000 to \$100,000. It transfers the final review and approval of the tax credits from the Film and Television Office to the Division of Taxation. The legislation also sunsets the issuance of new credits on or after July 1, 2019. There is no change in the \$15 million cap on the program and thus no fiscal impact.
- ***Hospital Licensing Fee.*** The Governor's budget includes \$143.8 million in revenues from extending the hospital licensing fee into FY 2013. The licensing fee appears annually in the Appropriations Act.
- ***Telecommunications Education Access Fund.*** The Governor recommends legislation to reduce the assessment for the Telecommunications Education Access Fund from \$0.26 to \$0.15 per line effective July 1, 2012 and expand it to include wireless lines. This is expected to generate an additional \$0.7 million in restricted receipts in FY 2013 to substitute for the current \$0.4 million in state support and \$0.1 million in general revenues from indirect cost recovery. Although wireless customers are not currently charged for this expense, they do pay a different \$0.26 charge that goes to general revenues. That fee had initially been imposed to support geo-coding the state for 911 calls.
- ***Motor Vehicle Fees.*** The 2011 Assembly enacted legislation establishing a transportation trust fund that would be funded through incremental increases of license and registration fees as part of a plan to reduce the state's reliance on borrowing for transportation. The incremental increases would begin in FY 2014 and reach their peak in FY 2016, when they will generate approximately \$20 million annually. The Governor proposes to accelerate the fee increases, such that they are fully implemented on January 1, 2013 and allow the Department of Transportation to use the proceeds for operating costs. The budget assumes this generates \$13.6 million in FY 2013 and the full annual value in FY 2014.
- ***School Bus Re-inspection.*** The Budget assumes \$58,650 from the imposition of a new \$100 fee for the re-inspection of a school bus, in the event the initial inspection is failed.
- ***Beverage Containers.*** The Governor proposes legislation to extend the \$0.04 per case litter control fee to all beverage containers and assumes revenues of \$0.2 million. The current definition excludes sports drinks, fruit beverages and ready to drink tea and coffee.
- ***Department of Health Fees.*** The FY 2013 Budget includes \$1.5 million of additional general revenues by changing dozens of fees collected by the Department of Health. The increases affect fees for licenses and license renewals; these require either statutory or regulatory changes.

Enhanced Collections

- ***Tax Amnesty.*** The Budget assumes \$10.9 million in one-time revenues from a 75 day tax amnesty, effective September 1 through November 15, 2012 for all taxes owed for periods on or before December 31, 2011. Filers will not be subject to penalties or prosecution and will pay 12.0 percent interest from the date the taxes were owed until payment. Filers may enter into a tax payment plan with the tax administrator, or pay one-half of the amount owed immediately, 25.0 percent the following month, and 25.0 percent the month after that. The Governor also includes expenditures of \$0.3 million for expenses relating to the Tax Amnesty, making the net revenue impact \$10.6 million.
- ***Eliminate Tax Preparation Assistance.*** The Governor proposes to stop providing tax preparation services to the taxpayers and reclassify the staff that did so as revenue agents. He assumes the redirected efforts will produce revenues of \$1.3 million. Taxpayers have received free tax preparation services from the Division of Taxation for the past 20 years. In 2011, approximately 6,000 taxpayers obtained this service from the Division.
- ***Tobacco Enforcement Task Force.*** The Budget assumes \$2.9 million from enhanced tobacco collections from adding 4.0 new tax investigator positions, for a net impact of \$2.6 million in revenue.

Other Revenues

- ***Bond Premiums.*** The Governor proposes to transfer \$12.6 million of bond premium proceeds paid by buyers of state debt in exchange for higher yield from the Rhode Island Capital Plan Fund. Of this amount, \$6.0 million would be transferred to the General Fund with the remaining \$6.6 million transferred to the Technology Investment Fund.
- ***Transfer from Narragansett Bay Commission for Debt Service.*** The Governor proposes that the Narragansett Bay Commission transfer \$3.1 million to the state General Fund by June 30, 2013. Budget documents suggest this amount reflects the cost to the state in FY 2013 for general obligation bonds that were been issued on the Commission's behalf.

Local Government

- ***Distressed Communities Relief Fund.*** The Governor provides \$10.4 million in FY 2013 to fund the Distressed Communities Relief Program at the enacted amount. Communities' aid distribution is based on updated qualifying tax levies. Updated data shows that Cranston now qualifies for distressed aid in FY 2013. Communities entering and exiting the program receive 50.0 percent of what would otherwise be full funding under the formula.
- ***Payment in Lieu of Taxes Program.*** The Budget includes \$33.1 million to fund the Payment in Lieu of Taxes program at the enacted level. This program reimburses cities and towns for property taxes that would have been due on real property owned by nonprofit educational institutions, nonprofit hospitals, or any state-owned hospital, veterans' residential facility or correctional facility, which is exempt from taxation by state law. Reimbursement is 27.0 percent of the forgone tax, subject to appropriation. Distributions to communities reflect updated data and a ratable reduction to the appropriation. The recommendation represents a reimbursement of 21.4 percent of the value.

- **Motor Vehicles Excise Tax.** The Budget funds the Motor Vehicles Excise Tax program at the enacted amount of \$10.0 million. The 2010 Assembly enacted legislation mandating a \$500 exemption for which the state will reimburse municipalities an amount subject to appropriation. The legislation allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement.

- **Library Resource Sharing Aid.** The Governor recommends \$8.8 million to fund library operating aid at the enacted level. The recommendation for FY 2013 is \$1.1 million or 10.5 percent less than allowed under current law, which requires 25.0 percent reimbursement of second prior year expenditures. Community distributions reflect updated data and a ratable reduction to the appropriation.

- **Library Construction Aid.** The Governor provides \$2.8 million to fully fund library construction aid requirements in FY 2012 and \$2.5 million in FY 2013. The state reimburses libraries up to half the total costs for eligible projects on an installment basis for a period of up to 20 years. The payments do not begin until the state fiscal year following the completion, acceptance, and audit of the project. The 2011 Assembly adopted legislation to set a three-year moratorium on the acceptance of applications for library construction aid projects.

- **Property Valuation Reimbursement.** The Governor provides full funding of \$1.0 million in FY 2012 and \$1.6 million in FY 2013 to reimburse communities conducting property valuation updates.

- **Airport Impact Aid.** The Governor provides the enacted level of \$1.0 million in both FY 2012 and FY 2013 to the Economic Development Corporation so that the Airport Corporation can provide impact aid payments to the seven communities that host the six state airports. The community payments are made proportionally based on the number of total landings and takeoffs.

- **Municipal Investigative Auditors.** The Budget includes \$0.7 million in FY 2013 to fund 6.0 full-time municipal investigative auditors. The positions will be responsible for analyzing municipal audits, as it relates to pension and other post-employment benefit obligations to determine the fiscal health of municipalities. The positions will also be responsible for reviewing municipal accounting procedures and training staff members in the use of accepted auditing principles.

- **Municipal Actuarial Studies.** The revised budget includes \$234,000 for the state's 50.0 percent share of municipal actuarial studies for FY 2012. Pension legislation passed in the fall requires local plans to complete actuarial review by April 1, 2012, with the state reimbursing communities for half the cost.

- **Central Falls Receivership.** The Budget includes general revenue expenditures of \$1.1 million in FY 2012 and \$0.3 million in FY 2013 for various costs, primarily for legal services pertaining to the non-judicial receivership for Central Falls. The FY 2012 revised value is \$0.4 million more than enacted.

- **Central Falls Stabilization Payment.** The Governor recommends \$2.6 million in FY 2012 to the City of Central Falls to fund the agreement reached with the City's police and fire retirees. If approved by the Assembly, the one-time expense would provide supplemental payments to the retirees from FY 2012 through FY 2016, whose pensions were reduced by up to 55.0 percent before the bankruptcy. After this period, additional appropriations would be needed from the City; otherwise the retirees would receive reductions in their pension payments.

Education Aid

- ***FY 2013 Formula Education Aid.*** The Governor recommends \$753.0 million for school formula aid for school districts including Central Falls, the Metropolitan Career and Technical School, Davies Career and Technical School and charter schools pursuant to the new funding formula. This is \$31.6 million more than enacted and includes \$21.6 million to fund the second year of the funding formula and an additional \$11.0 million to accelerate the phase in of funding for communities that are considered underfunded. The Governor's recommendation reflects \$32.0 million from general revenues to replace a like amount of federal Education Jobs funds that were used in lieu of general revenues for FY 2012 aid.
- ***Funding Formula Assumptions.*** The Governor funds the second year of the education funding formula adopted by the 2010 Assembly. The calculation for FY 2013 uses June 30, 2011 student enrollment data adjusted for FY 2013 projected charter school enrollments, a per pupil core instruction amount of \$8,679 and state share ratio variables updated with June 30, 2011 data. It assumes that districts that will receive more state funding will have the additional funding phased in over seven years, adjusted for the infusion of \$11.0 million to accelerate this, and districts that are going to receive less state funding will have that loss phased in over ten years. Aid amounts are subject to final student enrollment data collected in March 2012.
- ***Education Jobs Funds.*** Similar to FY 2012, the Governor uses \$0.5 million from additional federal Education Jobs funds that districts will receive for use in FY 2012 in lieu of general revenues for FY 2013 school formula aid.
- ***Central Falls Stabilization Fund.*** The funding formula legislation includes a transition fund to stabilize the Central Falls school district until the city can begin paying its local share. The Governor recommends legislation that clarifies the method for calculating the amount to be put into the fund and requires that the fund be supported through a reallocation of current resources to the school district and that the state does not have to provide new funding.
- ***Regionalization Bonus.*** The education funding formula requires additional funding from the state for a limited two-year bonus for regionalized districts. The Governor recommends \$0.4 million to fund this.
- ***Special Education Categorical Funds.*** The education 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 Governor recommends \$500,000 for FY 2013.
- ***Early Childhood Categorical Funds.*** The education funding formula allows for additional funding from the state to increase access to voluntary, free, high-quality pre-kindergarten programs. The Governor recommends \$1.5 million for FY 2013. Initially, funding will go to 17 communities with concentrations of children from low-income families as determined by the Department of Elementary and Secondary Education.
- ***Transportation Categorical Funds.*** The education funding formula allows for additional funding from the state to districts for transportation costs. The Governor recommends \$2.0 million for FY 2013 for the second year of funding. This is projected to be phased in over 10 years. The state will

provide funding to mitigate the excess costs associated with transporting students to out-of-district non-public schools and within regional school districts.

- **Career and Technical Education Categorical Funds.** The education funding formula allows for additional funding from the state to help meet the initial capital investment needs to transform existing or create new comprehensive career and technical education programs and offset the higher than average costs of maintaining highly specialized programs. The Governor recommends \$3.0 million for FY 2013.

- **Permanent School Fund.** The Governor recommends making the \$0.2 million from the Permanent School Fund that is currently provided to only the Central Falls School District available for education aid to be distributed at the discretion of the Department of Elementary and Secondary Education. The budget anticipates all of the persistently lowest achieving districts may be eligible for some funding. This is money received into the Permanent School Fund from duties paid to the state by auctioneers.

- **School Construction Aid.** The Governor recommends \$74.6 million to fund projected costs of school housing aid to local districts for FY 2013, which is \$4.8 million more than the FY 2012 entitlement. The final FY 2012 cost is \$2.7 million less than enacted.

- **School Construction Aid Minimum Share.** The Governor proposes legislation to roll back the state's minimum housing aid participation to 35.0 percent. The funding formula legislation includes a two-year phased increase in the state's minimum housing aid participation to provide that no local district receives less than a 40.0 percent state reimbursement by FY 2013 for projects completed after June 30, 2011. The minimum had been 30.0 percent and was 35.0 percent for FY 2012. The Budget assumes savings of \$440,000 from maintaining the minimum state share at 35.0 percent.

- **Charter School Construction Aid.** The Governor proposes legislation to set the state reimbursement for charter school construction projects at the three year weighted average share ratio of the sending districts. Unless sponsored by a school district, charter schools are currently eligible for a 30.0 percent reimbursement. There is no impact on the FY 2013 budget as it affects future projects. Governor Chafee also proposed this as part of his FY 2012 budget; it was not enacted.

- **Group Home Aid.** The Governor's budget reflects group home aid consistent with current law that requires that aid be paid for all beds opened as of December 31, 2011. The FY 2013 budget is \$420,000 less than the FY 2012 enacted budget.

- **Textbook Reimbursement.** The Governor recommends eliminating funding for reimbursements allowed under the textbook loan program for FY 2013; the enacted budget includes \$240,000. The state reimburses districts for the cost of providing textbooks to non-public school students in the areas of English/language arts and history/social studies in kindergarten through 12th grade. Local districts would still provide the books.

- **School Breakfast.** The Governor eliminates the administrative cost reimbursement to districts for the school breakfast program for which the enacted budget includes \$270,000. Administrative costs would shift to districts; food is paid from federal sources.

Housing and Economic Development

- **Affordable Housing.** The Governor recommends a \$25.0 million bond referendum for the November 2012 ballot for affordable housing projects. This assumes use of \$5.0 million each from FY 2014 through the post-FY 2017 period. This new bond authorization will be used by the Housing

Resources Commission to provide state funds to promote affordable housing through redevelopment of existing structures, new construction or foreclosure assistance.

- **Reinstate Project Status.** The Budget includes a general revenue loss of \$1.0 million from the reinstatement of the Economic Development Corporation's ability to grant project status designation to businesses that create 100 or more net new jobs. This would exclude retail and banking projects and the program would sunset on July 1, 2022.

- **Tourism Promotion.** The Governor provides \$250,000 to the Economic Development Corporation to promote tourism in the state.

- **America's Cup.** The Budget includes general revenue expenditures of \$770,000 in FY 2012 to the Economic Development Corporation for services, primarily security that will be provided by the state during the America's Cup World Series event.

- **Experimental Program to Stimulate Competitive Research (EPSCoR).** The Governor provides \$1.5 million in FY 2012 and \$1.2 million in FY 2013 for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research. Funding in FY 2013 reflects a reduction of \$350,000 which represents sufficient match for the federal funds.

- **State Small Business Credit Incentive.** The Budgets include federal fund expenditures of \$8.7 million and \$4.3 million in FY 2012 and FY 2013, respectively, for the State Small Business Credit Incentive program. The federal Small Business Jobs Act of 2010, created this program, which was funded with \$1.5 billion to enhance state programs that support lending to small businesses. The state was awarded a total of \$13.2 million for three programs: \$9.0 million for the Slater Technology Fund, \$2.0 million for the Small Business Loan Fund and \$2.0 million for Betaspring.

- **Slater Technology Fund.** The Governor recommends \$1.5 million in FY 2013 for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new ventures. This reflects a reduction of \$0.5 million from the FY 2012 funding level.

- **Economic Development Corporation Operations.** The Budget includes \$4.1 million in both FY 2012 and FY 2013 from general revenues to support general operations of the Economic Development Corporation.

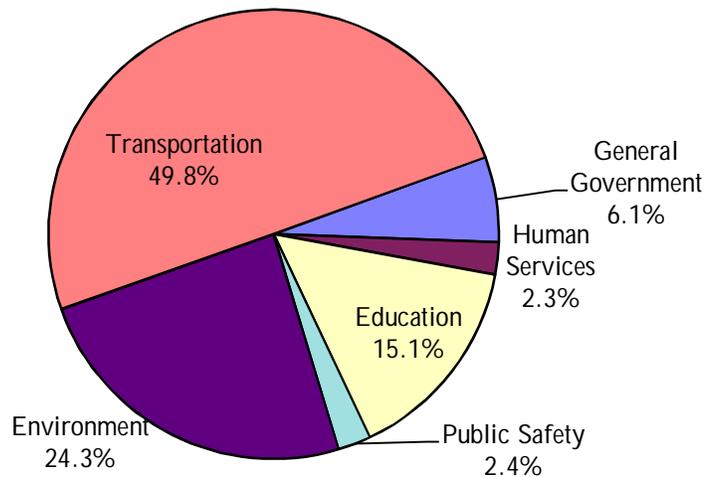
- **Interstate 195 Debt Service.** The Budget includes \$1.5 million from general revenues in FY 2013 for the first year of debt service on the \$42.0 million of revenue bonds to be issued by the Economic Development Corporation to purchase land made available through the relocation of Interstate 195 from the Department of Transportation. The project requires resources from these land sales to finance the remaining work, and this interim mechanism allows for a more deliberate process on the disposition of the land to occur while the project is completed. The 2011 Assembly's debt authorization stipulated that proceeds from the eventual sale of the land parcels would be used for debt service.

Capital Budget

- **Bond Referenda.** The Governor recommends seven separate general obligation bond proposals to go before the voters on the November 2012 ballot. Authorized debt would total \$201.4 million, including \$65.2 million to construct a joint nursing facility for the University and the College, \$44.7 million to renovate and modernize buildings at the College and \$21.5 million for transportation, including \$20.0 million to match federal funds and \$1.5 million for the Public Transit Authority's buses. The ballot would

also include a \$20.0 million authorization for Clean Water Finance Agency infrastructure loans, \$25.0 million for the Department of Environmental Management to acquire open space and develop recreational facilities and a \$25.0 million authorization for affordable housing projects.

FY 2013 - FY 2017 Capital Projects by Function

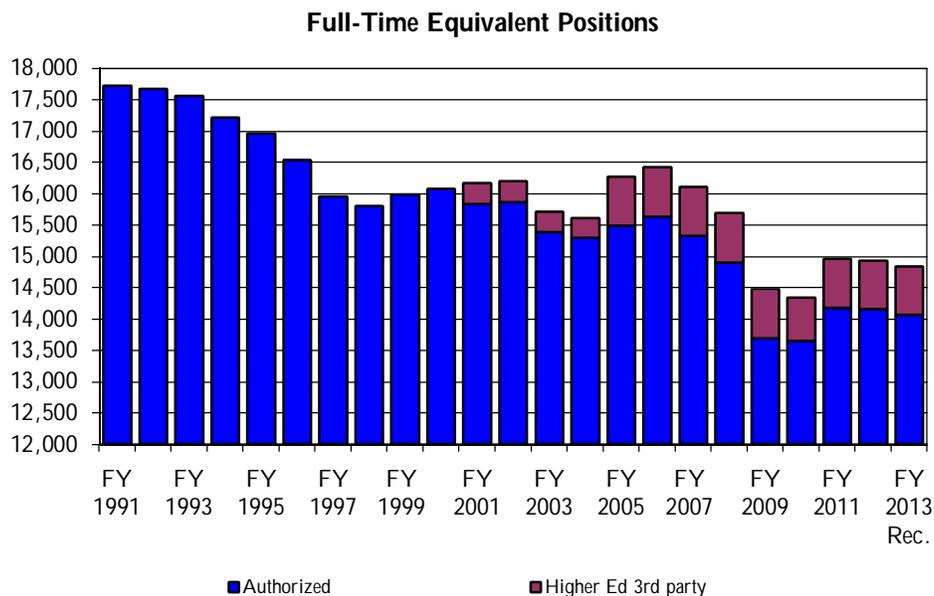


- **Other Debt Approvals.** The Governor’s Budget requires \$278.5 million to be approved by the 2012 Assembly under the Public Debt Management Act for information technology, and projects at the central landfill, T.F. Green Airport and Quonset Point. The capital plan includes an additional \$94.7 million of debt for Higher Education projects that would need to be approved by the General Assembly before debt can be issued. Although expenditures would begin in FY 2013, the Governor’s budget does not include the necessary authorizations for debt issuance.
- **Financing.** Paying for the five-year outlays includes \$855.2 million from debt financing and \$2,753.4 million from current or pay-go sources. Pay-go represents 76.3 percent with debt funding being 23.7 percent.
- **Debt Levels.** Total net tax supported debt decreases by \$129.9 million from the \$1,846.2 million reported for the end of FY 2011 during the period through FY 2017 to \$1,716.3 million. However, past practice indicates that debt levels will be significantly higher as more projects are added within the five-year period of this capital budget.
- **Debt Ratios.** Net tax supported debt would increase from 4.0 percent of personal income reported for FY 2011 to 4.1 percent in FY 2012 before dropping gradually back to 3.1 percent in FY 2017 assuming that the capital budget is not increased. However, as with debt levels, past practice indicates it is likely to be higher than projected.
- **Debt Service.** Debt service in the recommended capital budget would increase from 7.1 percent of useable general revenues in FY 2012 to 7.2 percent in FY 2017.
- **Bond Premiums.** The 2006 Assembly enacted legislation to mandate that the state use bond premiums paid by buyers of state debt in exchange for higher yield to lower the debt issuance instead of being available as general revenues for general use. The Governor’s budget includes language to

clarify the original legislation to provide that any bond premiums and accrued interest, net of the cost of bond issuance and underwriter discounts, shall become part of the Rhode Island Capital Plan Fund. This has been the practice, but the law did not specify it.

- **Staffing Costs to Capital Fund.** The Governor includes salary and benefit expenditures of \$0.6 million from Rhode Island Capital Plan funds to support 4.0 full-time positions in the Division of Capital Projects and Property Management. The positions include a chief of property management, a chief of facilities management officer and two architects. Rhode Island Capital Plan funds have historically been limited to use on physical assets and not operating budget items.

State Government



- **Staffing.** The Governor recommends 14,837.7 full-time equivalent positions, including 776.2 higher education positions supported by research or other third-party funds. The recommendation is 104.5 positions less than enacted primarily from the elimination of 105.8 positions from the Department of Labor and Training from the loss of federal Unemployment Insurance funding. Fourteen positions in the Department of Administration are eliminated through reorganizing several programs. Program reductions result in the elimination of 22.0 positions from the Department of Human Services, 3.0 from the Department of Health and 3.0 from the Department of Environmental Management.

Offsetting these reductions are 13.5 additional positions for the Registry and 10.0 others for the Department of Revenue. It also includes 9.0 for the Office of Health and Human Services and 5.0 for the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. There are 21.5 positions in four agencies for a new Race to the Top Early Childhood Learning grant, 14.0 new faculty positions at the University of Rhode Island and 10.0 new faculty and staff positions at Rhode Island College. As of January 18, 2012 there were 13,705.1 positions filled, leaving 1,065.5 non-research vacancies. In FY 2011, the state averaged 13,725.2 filled positions reflecting an average of 1,028.0 non-research vacancies.

- **Personnel System Study.** The Budget includes \$0.3 million in FY 2012 from general revenues for a statewide study and review of the state's personnel system. The current system was designed and implemented more than 50 years ago and the Administration notes few amendments have been made to it.
- **Human Resources Restructure.** The Budget includes a savings of \$0.8 million from the elimination of 12.0 positions in the Division of Human Resources. The positions consists of 2.0 from the Employee Services Unit and 10.0 positions in the Classification and Examination Unit, which is about half of the current staff. The personnel reduction will impact the Division's ability to manage the current merit system. The Governor's FY 2012 budget includes \$0.3 million for a personnel study of the merit system.
- **Pension Reform Expenses.** The Governor recommends an additional \$0.6 million from Retirement System funds in the FY 2012 revised budget to pay for actuarial studies and expected legal expenses stemming from the pension changes made in the fall special session.
- **Defined Contribution Administrative Costs.** The Governor recommends \$0.4 million and \$0.6 million for FY 2012 and FY 2013, respectively, from yet to be identified restricted receipts to pay for the Treasurer's expenses associated with administering the new defined contribution plan.
- **Director Compensation.** The Budget includes legislation that allows the Department of Administration to adjust the salaries of department directors similar to the cost-of-living adjustments received by classified state employees. The Budget also removes the requirement to conduct a public hearing to determine directors' compensation annually.
- **Election Day Holiday.** The Budget includes savings of \$0.6 million from eliminating Election Day as a paid holiday for state employees. As required by existing collective bargaining unit contracts, the state will agree to add one additional day for personal leave.
- **Unemployment Insurance Benefits.** The Governor's budget includes \$523.7 million for the payment of unemployment insurance benefits in FY 2012, including \$159.2 million from federal stimulus funds and \$373.4 million from the Employment Security Trust Fund, reflecting the Congressional extension of federally funded benefits through the beginning of March 2012. He also includes \$261.5 million in FY 2013, including \$7.9 million from federal stimulus funds and \$253.6 million from the Trust Fund.
- **Unemployment Insurance Loan Repayment.** The Governor's budget includes \$25.7 million in FY 2012 and \$18.6 million in FY 2013 for the payment of interest and principal on the state's federal unemployment insurance loans. The interest payment made in September 2011 totaled \$7.1 million and the FY 2013 interest payment is estimated to be approximately \$12 million. The Governor's budget includes authorization for the remainder of the balance of the account to allow the Department of Labor and Training to pay down the principal.
- **Police and Fire Relief Fund.** The Governor's budget includes general revenue savings of \$124,150 from making several changes to the Police and Fire Relief program and limiting the funding, beginning in FY 2013, at the FY 2012 level. He proposes that annuity, tuition and one-time death payments may be available up to the current payment levels, eliminating the guaranteed standard payments that currently exist. He also proposes allowing the Department of Labor and Training to create rules and regulations establishing income and asset eligibility standards to ensure the neediest beneficiaries receive assistance and create a review panel to monitor expenditures and recommended changes.

- **Community Service Grants.** The Governor's FY 2013 budget includes general revenue savings of \$2.1 million from a 25 percent reduction to all community service grants.
- **Historic Tax Credit Trust Fund Debt Service.** The Budget includes \$21.2 million and \$21.3 million from general revenues in FY 2012 and FY 2013, respectively, to fund debt service for historic tax credits. This is \$7.1 million less than the \$27.4 million current service estimate, but the higher level would likely be needed in FY 2014 and beyond.
- **Contingency Fund.** The Budget includes the enacted amount of \$250,000 from the Contingency Fund.
- **Energy Program Transfers.** The Budget transfers the Low Income Heating Assistance Program and the Weatherization Assistance Program from the Office of Energy Resources to the Department of Human Services consistent with current law. It also proposes 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.
- **Office of Management and Budget.** The Budget creates a new Office of Management and Budget that will assume the functions of the State Budget Office, and some functions of the Bureau of Audits 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 Governor includes 11.0 new positions, including a director to be appointed by the director of the Department of Administration. These are offset by the loss of 12.0 positions from the elimination of the Bureau of Audits.
- **Division of Motor Vehicles New Positions.** The Budget includes \$0.6 million in FY 2012 and \$0.8 million in FY 2013 from general revenues to fund 14.5 new positions in the Division of Motor Vehicles to enhance services by reducing wait times at the Cranston headquarters. The positions primarily consist of customer service representatives and data entry clerks. All of the positions were filled by October 24, 2011. The 2011 Assembly did not provide the funding in the enacted budget and instead provided funding for a strategic plan, which has not been completed.
- **Rhode Island Financial Accounting Network System.** The Governor recommends borrowing \$11.5 million to fund the implementation of the time and attendance, projects and grants modules as part of the Rhode Island Financial Accounting Network System. Annual debt service would be \$1.4 million for 10 years and be paid from general revenues.
- **Integrated Tax System.** The Governor recommends borrowing \$25.0 million for an integrated tax system, which would store all taxpayer information into one centralized computer system. The system would replace the current tax system and includes the following functions: single registration of taxpayers, consolidated filing of employers' taxes, automated data capture, view of financial history and consolidated billing of business tax liabilities and others. Annual debt service would be \$3.1 million for 10 years and be paid from general revenues.
- **Compensation for Board Members.** The Governor proposes legislation to eliminate compensation for members of the Board of Elections, Labor Relations Board and Personnel Appeal Board, effective July 1, 2012. The Budget assumes savings of \$0.2 million in FY 2013.
- **Voter Identification Law.** The Governor recommends \$150,000 for FY 2012 to implement the new voter identification law. The funds would be used by the Secretary of State's office to produce voter identification cards, train existing staff to use the equipment and notify the public of the new law.

- **Rhode Island Health Benefits Exchange.** The Budgets include \$0.1 million in FY 2012 and \$1.1 million in FY 2013 for the Rhode Island Health Benefits Exchange in the Office of the Governor. In September 2011, he issued an executive order to establish the Office as the centrally accountable office for operational and financial implementation, including policy development.
- **Technology Investment Fund.** The Capital Budget includes total expenditures of \$15.6 million from the Technology Investment Fund. This includes use of \$6.6 million in FY 2013 from bond premiums from the 2011 Series A bond issue. The Assembly enacted legislation to allow proceeds from land sales to be deposited into the fund for acquiring information technology improvements, including, but not limited to, hardware, software, and ongoing maintenance.

Health and Human Services

- **Eleanor Slater Hospital – New Building.** The Governor includes \$36.5 million from Rhode Island Capital Plan funds in his five-year capital plan for a new building at the Pastore Center, consolidating the separate hospital buildings operated by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals into one facility.
- **Program Audit and Oversight Unit.** The Governor adds \$150,179 from general revenues for five positions to staff the newly created Program Audit and Oversight Unit in the Executive Office of Health and Human Services. The unit will conduct program and performance reviews for all the health and human service agencies to include reviewing compliance with state and federal requirements and program standards with new staff starting in March 2013.
- **Clinical/Utilization Reviews.** The Governor recommends general revenue savings of \$5.6 million from clinical and utilization reviews for individuals receiving home care services and children receiving services through the Katie Beckett option. It also includes savings from the state verifying that payments are being made only for services provided.
- **Medicaid Benefits Program.** The Governor's budget transfers the Medicaid medical benefits program to the Executive Office of Health and Human Services totaling \$1.7 billion from all sources. The administrative staff was transferred in FY 2012. 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.
- **Cash Assistance and Medical Benefits Caseload.** The Governor's budget adds \$57.0 million, including \$42.2 million from general revenues for updated cash assistance and medical benefit costs adopted at the November Caseload Estimating Conference. He includes \$51.7 million more for medical benefits and \$5.3 million more for cash assistance program expenses in FY 2013.
- **Managed Care Plans.** The Governor's FY 2013 budget includes savings of \$28.9 million, \$14.0 million from general revenues, from applying a 4.14 percent reduction to the capitation rates paid to Neighborhood Health and UnitedHealth for those enrolled in RIte Care or Rhody Health. This will start July 1, 2012 when the Department resets the rates for both programs.
- **Medicaid - Dental Care for Adults.** The Governor's budget includes general revenue savings of \$2.7 million by eliminating dental coverage for individuals 21 or older, effective October 1, 2012. Coverage for emergency and palliative services would continue.

- **Project Sustainability.** The Governor's budget includes \$170.0 million from all sources to provide community based services to approximately 3,400 developmentally disabled adults through Project Sustainability.
- **Inpatient Fee-for-Service Hospital Rates.** The Governor's budget limits any fee-for-service inpatient payments made to the community hospitals to the lesser of the Medicaid rate or the rate charged by the hospital for savings of \$3.9 million, \$1.9 million from general revenues.
- **Hospital Payments.** The Governor's FY 2013 budget does not continue to include the community hospital's outpatient upper payment limit reimbursement, for which the FY 2012 enacted budget includes \$12.1 million, of which \$5.8 million is from general revenues.
- **State Only Acute Care Hospital Payments.** The Governor's budget does not provide any state only funding to the community hospitals in FY 2013 for which the FY 2012 enacted budget includes \$1.0 million.
- **Nursing Homes Payments.** The Governor includes legislation to allow the reduction of nursing home rates by no more than 1.8 percent in FY 2012 and FY 2013 to clarify that the reduction taken in FY 2010 impacted the base rate assumed for the facilities. The FY 2012 enacted budget assumed this reduction, but without this legislation it appears approximately \$5.9 million from all sources would be required in both years.
- **Health Care Reform - Treatment Services.** The Governor's FY 2013 budget continues to take advantage of opportunities under federal health care reform and includes general revenue savings of \$3.5 million from providing some behavioral health treatments and services to adults with developmental disabilities through a new health home model. The federal government will pay 90 percent of the costs of Medicaid funded services for two years.
- **Ride Transportation.** The Governor's budget includes an additional \$450,000 from general revenues for Ride transportation expenses. This includes \$600,000 for increased utilization by clients not eligible for Medicaid, offset by savings of \$150,000 from a proposal to institute a copayment of \$2 per trip to and from adult day care centers, beginning July 1, 2012.
- **Child Care Co-share Increase.** The Governor's budget includes general revenue savings of \$275,000 from a proposed 1.0 percent co-share increase for low income parents receiving child care. Currently, families with income levels between 100 percent and 180 percent of federal poverty pay co-shares of 2.0 percent, 5.0 percent or 8.0 percent of the family's gross countable income as a copayment, depending on the family's income level. Rhode Island Works clients do not pay a co-share for child care services.
- **Pharmaceutical Assistance.** The Governor recommends \$174,000 from general revenues, which is \$0.2 million less than enacted for the Pharmaceutical Assistance to the Elderly program, because of an anticipated decrease in utilization. The program provides assistance to Medicare Part D recipients who have reached the "donut hole" and social security disability insurance recipients prior to Medicare Part D eligibility. Federal healthcare reform eliminates the "donut hole" by 2020.
- **Veterans' Home Staffing and Census.** The Governor proposes to delay the planned increases in the staffing levels and the census from the final quarter of FY 2012 to the final quarter of FY 2013. This includes savings of \$0.4 million from eliminating 35.0 positions included in the enacted budget for the last four months of FY 2012. He adds contracted nursing services for the entire year and

funding for 9.0 new full-time and 26.0 temporary positions for the final quarter of FY 2013 for general revenue savings of \$0.4 million.

- ***New Veterans' Home.*** The Governor's budget includes a resolution that the Governor and the General Assembly consider and decide by June 30, 2012 whether to propose a general obligation bond issue to the voters in the next general election for the purpose of building a new Veterans' Home.
- ***Weatherization and Low Income Home Energy Assistance Programs.*** The Governor's budget transfers \$19.2 million from federal funds and 9.0 positions for the Low Income Home Energy Assistance and Weatherization Assistance programs from the Department of Administration to the Department of Human Services, effective July 1, 2012, consistent with legislation passed by the 2011 Assembly.
- ***DCYF Education.*** The Governor adds \$0.5 million from general revenues to support education costs for children in the Department of Children, Youth and Families' care. The Department of Elementary and Secondary Education is currently transitioning some financial responsibility for children in the Department's care attending school outside of their home districts from the schools to the state. This is the first year of a five year transition process.
- ***Training School Life Skills Program.*** The Governor assumes general revenue savings of \$53,185 by eliminating life skills assessment, education and transition planning support for youth in the training school.
- ***YESS Aftercare Services.*** The Governor reduces general revenue costs for aftercare services by \$374,862 from a roughly 20 percent reduction for services provided through the Young Adults Establishing Self Sufficiency program to youth aging out of the Department of Children, Youth and Families' care.
- ***State Only Substance Abuse Treatment Services.*** The Governor's budget includes general revenues savings of \$100,000 by providing state only residential substance abuse treatment services to indigent and uninsured individuals in less restrictive settings with appropriate supports.

Education

- ***Public Higher Education.*** The Governor's budget includes \$1,062.0 million for Public Higher Education including debt service. He recommends merging the Rhode Island Higher Education Assistance Authority with the Office of Higher Education. The budget includes \$177.6 million from general revenues, which is \$5.5 million more than FY 2012, excluding the increase related to the Authority, to fund additional general obligation bond debt service.
- ***Higher Education Staffing.*** The Governor recommends 14.0 new faculty positions at the University and 10.0 new faculty and staff positions at the College. He also adds 2.4 positions for the Office.
- ***Higher Education Tuition and Fees.*** The Governor's budget includes the Board's requested increase of \$17.6 million for tuition and fees. This includes \$9.6 million at the University, \$3.0 million at the College and \$5.0 million at the Community College. The Board of Governors approved combined tuition and fee increases of 9.5 percent for resident undergraduates and 2.0 percent for non-resident undergraduates

at the University. At the College, resident and non-resident undergraduate tuition and fee increases are 4.0 percent. Tuition and fees increase 7.5 percent at the Community College.

- **Higher Education Assistance Authority Merger.** The Budget reflects the transfer of \$27.7 million and 39.6 of the Authority's 41.6 full-time positions for the Rhode Island Higher Education Assistance Authority to the Office of Higher Education.

- **Rhode Island Higher Education Assistance Authority Excess Federal Funds.** The Governor's budget transmittal letter to the General Assembly references the creation of a \$20.0 million scholarship fund through merging Rhode Island Higher Education Assistance Authority with the Office of Higher Education; however, no funding or legislation related to this is in the budget or any supporting documents.

- **Need Based Scholarships and Grants.** The FY 2012 revised budget includes an additional \$0.2 million from general revenues for need based grants and scholarships to provide maintenance of effort for the federal college access challenge grant in the Office of Higher Education's budget. For FY 2013, the Budget includes \$5.2 million from general revenues and \$8.0 million from Tuition Savings funds for a total of \$13.2 million.

- **College Access Challenge Grant.** The Governor recommends \$1.5 million over two fiscal years from federal funds for the college access challenge grant that is aimed at increasing the number of low-income students who are prepared to enter post-secondary education.

- **Joint Nursing Building Referenda.** The Budget includes \$65.2 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for both the University of Rhode Island and Rhode Island College to construct a new 120,000 square foot joint nursing building in Providence.

- **Rhode Island College Academic Buildings Referenda.** The Budget includes \$44.7 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for renovations to Rhode Island College academic buildings. The project includes a full renovation to Craig Lee and Gaige Halls.

- **Race to the Top – Early Learning.** The Governor includes 13.0 new positions and \$6.2 million over FY 2012 and FY 2013 from newly awarded Race to the Top/Early Learning Challenge Grant funds. In December 2011, the state was awarded \$50.0 million to be used to improve education for pre-school students. This grant will involve multiple human service agencies and the Department of Elementary and Secondary Education with funding allocated over four years.

- **Wireless Classrooms.** The Governor recommends a resolution for Assembly approval to borrow \$20.0 million from Certificates of Participation to expand and enhance technology infrastructure in local education agencies. Annual debt service would be \$2.7 million for ten years and be paid from general revenues.

- **Science Kits.** The Governor eliminates the \$98,000 for the KITES (kits in teaching elementary science) kits. The KITES kits provide teachers with instructional science units that include hands-on tasks for students to build their knowledge and skills.

- **Adult Literacy.** The Governor adds \$2.0 million from general revenues in lieu of a like amount from Human Resource Investment Council funds that the Assembly provided for adult literacy grants.

- **Perkins School for the Blind.** The Governor recommends legislation that would eliminate the ability of parents who believe the state cannot meet their deaf, blind or visually impaired children's

needs to apply to the Department of Elementary and Secondary Education to appoint the child to attend any suitable institution or school. The enacted budget includes \$0.4 million for three students to attend the Perkins School for the Blind. The Governor removes the \$0.4 million and intends that the special education categorical funding for which he recommends \$0.5 million be used for the same purpose.

- **Rhode Island Public Telecommunications Authority.** The Governor's budget provides \$0.5 million less in state support for public television than in FY 2012. He recommends \$0.4 million in general revenue funding for a six month period in FY 2013, but would end state support for the Authority effective January 1, 2013. The Budget does not assume elimination of the Authority; however, it does expect that it will partner with other outside institutions or community groups for resources.

- **Arts Council Grants.** The Budget reduces Arts Council discretionary grants by \$10,000 to \$590,000.

Public Safety

- **Underestimated Personnel Expenses.** The Budget adds \$3.1 million for each FY 2012 and FY 2013 above enacted general revenues to adjust for an understated hourly wage included in the calculation of personnel expenses for uniform correctional officers who are receiving a wage base increase of 2.95 percent for FY 2012 based on the March 2010 contract agreement.

- **Prison Population.** The Budget assumes a population of 3,231, which is 8 fewer inmates than the enacted level of 3,239. It also assumes a revised population of 3,265 for FY 2012, which is 26 more than enacted.

- **Correctional Officer Training Class.** The Budget includes \$0.7 million for FY 2012 and \$0.8 million for FY 2013 from general revenues for recruitment and training for one new correctional officer class for each FY 2012 and FY 2013. The FY 2012 class is anticipated to start in February, with graduation in April 2012 of approximately 45 correctional officers.

- **Correctional Officer Overtime.** The Governor proposes legislation to change overtime calculations for correctional officers to that of other public safety officials who are exempt from weekly overtime provisions. Under this legislation, overtime would be granted for hours worked in excess of 171 hours over a 28-day period, rather than on a 40-hour work week. The Budget assumes overtime savings of \$325,000 for FY 2013 from this change.

- **Unachieved Personnel Savings.** The Budget adds \$2.3 million from general revenues for FY 2012 primarily for overtime expenses to restore unachieved personnel savings due to instant discharge of 15 paid leave days accrued in exchange of pay reduction days by correctional officers that had not been budgeted.

- **Medium Price Facility.** The Budget includes annualized savings of \$10.6 million in FY 2013 from the closure of the Medium Price facility which occurred in November 2011.

- **Tobacco Enforcement Litigation Reappropriation.** The Budget includes \$0.4 million appropriated to FY 2012 from the FY 2011 unused appropriation for continued tobacco enforcement litigation expenditures to cover the state's share of trial and trial-related expenses among settling states. This case is brought by the leading United States tobacco product manufacturers and alleged the states' lack of efforts in enforcing the "Master Settlement Agreement" for non-participating manufacturers.

- ***Municipal Police Training Academy.*** The Governor proposes to make the Municipal Police Training Academy self-supporting and assumes state savings of \$0.4 million. Municipalities who send candidates to the Academy will have to pay the same fee, currently \$4,000, which Brown University currently pays. The Director of the Department of Public Safety would be empowered to set and adjust the fee as needed.
- ***Dispatch Unit and Port Security.*** The Budget eliminates the requirement to transfer the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety. The 2011 Assembly included legislation that delayed the transfer of the unit until January 1, 2012.
- ***Tropical Storm Irene.*** The Governor recommends \$9.0 million in FY 2012 for expenditures incurred from Tropical Storm Irene in August of 2011. This includes \$8.9 million from federal funds and \$0.1 million from general revenues to be used as the state match.
- ***Indigent Defense Program.*** The Budget includes \$3.6 million from general revenues for the Judiciary's indigent defense program, which is \$0.1 million more than FY 2011 expenses.
- ***Geo-Code.*** The Budget includes general revenue expenditures of \$90,000 in FY 2012 and \$240,000 in FY 2013 to update the pictometry database for E-911. The database was last updated in FY 2010 through available federal funds.
- ***State Police Contract.*** The Budget includes additional general revenue expenditures of \$1.4 million in FY 2012 and \$1.3 million in FY 2013 for salary and benefit adjustments pursuant to the recently negotiated settlement with the Rhode Island State Police Troopers Association. Covered employees received an across-the-board wage increase of 3.0 percent, effective May 1, 2010 and May 1, 2011.

Environment

- ***Rhode Island Resource Recovery Corporation Revenue Bonds.*** The Governor proposes legislation that would authorize up to \$40.0 million in revenue bonds for the Rhode Island Resource Recovery Corporation to design and construct a leachate pretreatment facility to comply with projected changes in discharge standards for the disposal of wastewater, including leachate, into a public sewer system. The leachate pretreatment facility is expected to have the capacity to process 650,000 gallons of wastewater per day. The debt service on the bonds would be repaid with Resource Recovery revenues.
- ***Fort Adams America's Cup.*** The Governor recommends \$1.3 million in FY 2012 and \$3.1 million in FY 2013 for improvements to Fort Adams State Park which will allow the state to host large-scale sailing events such as the America's Cup World Series race in the summer of 2012.
- ***Blackstone Bike Path Design.*** The Governor recommends \$2.1 million in FY 2012 and \$1.1 million in FY 2013 for architectural and engineering work on the Blackstone Valley Bikepath.
- ***Narragansett Bay and Watershed Restoration.*** The Budget includes \$4.0 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for activities to restore and protect the water quality of Narragansett Bay and the state's watersheds.

- ***State Land Acquisition – Open Space.*** The Budget includes \$2.5 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for the purchase of land, development rights and conservation easements statewide.
- ***Farmland Development Rights.*** The Budget includes \$4.5 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for farmland development rights.
- ***Local Land Acquisition Grants.*** The Budget includes \$2.5 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for grants to municipalities, local land trusts and non-profit organizations to preserve open space in Rhode Island.
- ***Local Recreation Development Grants.*** The Budget includes \$3.5 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for grants to municipalities for recreation development and acquisition projects.
- ***Historic and Passive Grants.*** The Budget includes \$1.0 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for grants to municipalities for renovation and development of historic and passive recreation areas.
- ***Local Recreation Grants for Distressed Communities.*** The Budget includes \$2.0 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for grants to distressed communities for recreation acquisition and development projects.
- ***State Recreation Facilities.*** The Budget includes \$5.0 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for improvements at Rhode Island parks and management areas.
- ***Municipal Wastewater Testing Program.*** The Governor proposes legislation to eliminate the pollution monitoring system and fee system established by the Department of Environmental Management for point source dischargers who discharge sewage into the surface waters of the state. The Budget assumes that eliminating the program would result in a net savings to the state of \$36,913 in FY 2013, which assumes \$102,900 less to administer the program and \$65,987 in lost user fees.
- ***Eliminate Well Drilling Program.*** The Governor proposes legislation to eliminate the well drilling registration program administered by the Department of Environmental Management, effective July 1, 2012. The Budget assumes that eliminating the program would result in a net savings of \$93,977 in FY 2013, which assumes \$103,769 less to administer the program and \$9,792 in lost user fees.
- ***Clean Water Finance Agency Revolving Loan Funds.*** The Budget includes \$20.0 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for loans to be issued by the Clean Water Finance Agency. This includes \$12.0 million for the Clean Water State Revolving Loan Fund, a subsidized loan program for local governmental units to finance wastewater infrastructure projects and \$8.0 million for the Drinking Water State Revolving Loan Fund, which provides loans to eligible water suppliers for drinking water projects.

Transportation

- ***Motor Vehicle Fees.*** The 2011 Assembly enacted legislation establishing a transportation trust fund that would be funded through incremental increases of license and registration fees as part of a plan to reduce the state's reliance on borrowing for transportation. The incremental increases would begin in

FY 2014 and reach their peak in FY 2016, when they will generate approximately \$20 million annually. The Governor proposes to accelerate the fee increases, such that they are fully implemented on January 1, 2013 and allow the Department of Transportation to use the proceeds for operating costs. The Budget assumes this generates \$13.6 million in FY 2013 and the full annual value in FY 2014.

- ***East Bay Bridge System.*** The Governor's budget includes legislation to allow the transfer of the Sakonnet River Bridge and the Jamestown Verrazano Bridge to the Rhode Island Turnpike and Bridge Authority, and would also allow for the establishment and collection of tolls on those bridges. Statutory changes included with this proposal would also establish the East Bay Infrastructure Fund, which would be used for road and bridge projects in the East Bay.

- ***Transportation Debt Service.*** The Governor's revised budget shifts a \$2.0 million portion of the Department of Transportation's debt service payment from departmental sources to general revenues to fund the FY 2012 budget shortfall. His budget also includes a proposal to shift all financing of transportation debt service to general revenues over a five-year period beginning with \$10.0 million in FY 2014 and increasing by \$10.0 million annually until FY 2018.

- ***Transportation Bond Referenda.*** The Budget includes \$21.5 million of new general obligation bonds to be submitted to the voters on the November 2012 ballot for the Department of Transportation and the Public Transit Authority. Of the total amount, \$20.0 million will provide matching funds for the federal highway improvement program as well as state only funded projects. The voters approved \$80.0 million for this purpose in November 2010. The remaining \$1.5 million will be used by the Authority for the purchase and/or rehabilitation of its bus fleet.

- ***Rhode Island Airport Corporation Revenue Bonds.*** The Governor requests authorization for the Rhode Island Airport Corporation to issue up to \$174.0 million of revenue bonds for various improvements at T.F. Green Airport, including the extension of the main runway. Debt service payments will be made with a combination of federal sources and Corporation revenue.

- ***Rhode Island Public Transit Authority.*** The Governor's budget shows a \$10.0 million operating deficit for the Rhode Island Public Transit Authority in FY 2013.