



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUDGET OFFICE
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Memorandum

To: The Honorable Helio Melo
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: March 30, 2011

Subject: New Article 40

The Governor requests that the attached Article 40 replace the version submitted in the Governor's Budget on Wednesday, March 9, 2011. The revised Article 40 adds a new Section 2, which modifies RIGL 42-61.2-7 Division of Revenue [Effective June 30, 2011.] to clarify the distribution formula for aid to qualifying distressed communities in FY 2012. The previous Section 2 now becomes Section 3, which is also modified slightly to clarify that the requirement to submit a five-year forecast in order to receive the supplemental distressed communities aid will only be in effect for fiscal year 2011.

If you have any questions or need any additional information, please feel free to contact me at 222-6300.

TAM:sma 11-40

Attachment

cc: Representative Robert A. Watson
Senator Dennis L. Algiere
Sharon Reynolds Ferland
Peter Marino
Christine Hunsinger
Elizabeth Leach
Suzanne Greshner

ARTICLE 40

RELATING TO DISTRESSED COMMUNITIES RELIEF FUND AND VIDEO LOTTERY TERMINALS

SECTION 1. Section 42-61.2-7 of the General Laws in Chapter 42-61.2 entitled "Video Lottery Terminal" is hereby amended to read as follows:

§ 42-61.2-7 Division of revenue. [Effective June 30, 2009 and expires June 30, 2011]. – (a) Notwithstanding the provisions of § 42-61-15, the allocation of net terminal income derived from video lottery games is as follows:

(1) For deposit in the general fund and to the state lottery division fund for administrative purposes: Net terminal income not otherwise disbursed in accordance with subdivisions (a)(2) – (a)(6) herein;

(i) Except for the fiscal year ending June 30, 2008, nineteen one hundredths of one percent (0.19%) up to a maximum of twenty million dollars (\$20,000,000) shall be equally allocated to the distressed communities as defined in § 45-13-12 provided that no eligible community shall receive more than twenty-five percent (25%) of that community's currently enacted municipal budget as its share under this specific subsection. Distributions made under this specific subsection are supplemental to all other distributions made under any portion of general laws § 45-13-12. For the fiscal year ending June 30, 2008 distributions by community shall be identical to the distributions made in the fiscal year ending June 30, 2007 and shall be made from general appropriations. For the fiscal year ending June 30, 2009, the total state distribution shall be the same total amount distributed in the fiscal year ending June 30, 2008 and shall be made from general appropriations. For the fiscal year ending June 30, 2010, the total state distribution shall be the same total amount distributed in the fiscal year ending June 30, 2009 and shall be made from general appropriations, provided however that \$784,458 of the total appropriation shall be distributed equally to each qualifying distressed community. For the fiscal year ending June 30, 2011, the total state distribution shall be \$15,576,687 and shall be

made from general appropriations, provided however that \$784,458 of the total appropriation shall be distributed equally to each qualifying distressed community. (ii) Five one hundredths of one percent (0.05%) up to a maximum of five million dollars (\$5,000,000) shall be appropriated to property tax relief to fully fund the provisions of § 44-33-2.1. The maximum credit defined in subdivision 44-33-9(2) shall increase to the maximum amount to the nearest five dollar (\$5.00) increment within the allocation until a maximum credit of five hundred dollars (\$500) is obtained. In no event shall the exemption in any fiscal year be less than the prior fiscal year.

(iii) One and twenty-two one hundredths of one percent (1.22%) to fund § 44-34.1-1, entitled "Motor Vehicle and Trailer Excise Tax Elimination Act of 1998", to the maximum amount to the nearest two hundred fifty dollar (\$250) increment within the allocation. In no event shall the exemption in any fiscal year be less than the prior fiscal year.

(iv) Except for the fiscal year ending June 30, 2008, ten one hundredths of one percent (0.10%) to a maximum of ten million dollars (\$10,000,000) for supplemental distribution to communities not included in paragraph (a)(1)(i) above distributed proportionately on the basis of general revenue sharing distributed for that fiscal year. For the fiscal year ending June 30, 2008 distributions by community shall be identical to the distributions made in the fiscal year ending June 30, 2007 and shall be made from general appropriations. For the fiscal year ending June 30, 2009, no funding shall be disbursed. For the fiscal year ending June 30, 2010 and thereafter, funding shall be determined by appropriation.

(2) To the licensed video lottery retailer:

(a) Prior to the effective date of the NGJA Master Contract, Newport Jai Ali twenty-six percent (26%) minus three hundred eighty four thousand nine hundred ninety-six dollars (\$384,996);

(ii) On and after the effective date of the NGJA Master Contract, to the licensed video lottery retailer who is a party to the NGJA Master Contract, all sums due and payable under said

Master Contract minus three hundred eighty four thousand nine hundred ninety-six dollars (\$384,996).

(b) Prior to the effective date of the UTGR Master Contract, to the present licensed video lottery retailer at Lincoln Park which is not a party to the UTGR Master Contract, twenty-eight and eighty-five one hundredths percent (28.85%) minus seven hundred sixty-seven thousand six hundred eighty-seven dollars (\$767,687);

(ii) On and after the effective date of the UTGR Master Contract, to the licensed video lottery retailer who is a party to the UTGR Master Contract, all sums due and payable under said Master Contract minus seven hundred sixty-seven thousand six hundred eighty-seven dollars (\$767,687).

(3) To the technology providers who are not a party to the GTECH Master Contract as set forth and referenced in Public Law 2003, Chapter 32, seven percent (7%) of the net terminal income of the provider's terminals;

(ii) To contractors who are a party to the Master Contract as set forth and referenced in Public Law 2003, Chapter 32, all sums due and payable under said Master Contract;

(iii) Notwithstanding paragraphs (i) and (ii) above, there shall be subtracted proportionately from the payments to technology providers the sum of six hundred twenty-eight thousand seven hundred thirty-seven dollars (\$628,737);

(4) To the city of Newport one and one hundredth percent (1.01%) of net terminal income of authorized machines at Newport Grand except that effective November 9, 2009, the allocation shall be one and two tenths percent (1.2%) of net terminal income of authorized machines at Newport Grand for each week the facility operates video lottery games on a twenty-four (24) hour basis for all eligible hours authorized and to the town of Lincoln one and twenty-six hundredths percent (1.26%) of net terminal income of authorized machines at Lincoln Park except that effective November 9, 2009, the allocation shall be one and forty-five hundredths percent (1.45%) of net terminal income of authorized machines at Lincoln Park for each week the

facility operates video lottery games on a twenty-four (24) hour basis for all eligible hours authorized;

(5) To the Narragansett Indian Tribe, seventeen hundredths of one percent (0.17%) of net terminal income of authorized machines at Lincoln Park up to a maximum of ten million dollars (\$10,000,000) per year, which shall be paid to the Narragansett Indian Tribe for the account of a Tribal Development Fund to be used for the purpose of encouraging and promoting: home ownership and improvement, elderly housing, adult vocational training; health and social services; childcare; natural resource protection; and economic development consistent with state law. Provided, however, such distribution shall terminate upon the opening of any gaming facility in which the Narragansett Indians are entitled to any payments or other incentives; and provided further, any monies distributed hereunder shall not be used for, or spent on previously contracted debts; and

(6) Unclaimed prizes and credits shall remit to the general fund of the state;

(7) Payments into the state's general fund specified in subdivisions (a)(1) and (a)(6) shall be made on an estimated monthly basis. Payment shall be made on the tenth day following the close of the month except for the last month when payment shall be on the last business day.

(b) Notwithstanding the above, the amounts payable by the Division to UTGR related to the Marketing Program shall be paid on a frequency agreed by the Division, but no less frequently than annually.

(c) Notwithstanding anything in this chapter 61.2 of this title 42 to the contrary, the Director is authorized to fund the Marketing Program as described above in regard to the First Amendment to the UTGR Master Contract.

(d) Notwithstanding the above, the amounts payable by the Division to Newport Grand related to the Marketing Program shall be paid on a frequency agreed by the Division, but no less frequently than annually.

(d) Notwithstanding anything in this chapter 61.2 of this title 42 to the contrary the Director is authorized to fund the Marketing Program as described in regard to the First Amendment to the Newport Grand Master Contract.

SECTION 2. Section 42-61.2-7 of the General Laws in Chapter 42-61.2 entitled "Video Lottery Terminal" is hereby amended as follows:

42-61.2-7 Division of revenue. [Effective June 30, 2011]. – (a) Notwithstanding the provisions of § 42-61-15, the allocation of net terminal income derived from video lottery games is as follows:

(1) For deposit in the general fund and to the state lottery division fund for administrative purposes: Net terminal income not otherwise disbursed in accordance with subdivisions (a)(2) – (a)(6) herein;

(i) Except for the fiscal year ending June 30, 2008, nineteen one hundredths of one percent (0.19%) up to a maximum of twenty million dollars (\$20,000,000) shall be equally allocated to the distressed communities as defined in § 45-13-12 provided that no eligible community shall receive more than twenty-five percent (25%) of that community's currently enacted municipal budget as its share under this specific subsection. Distributions made under this specific subsection are supplemental to all other distributions made under any portion of general laws § 45-13-12. For the fiscal year ending June 30, 2008 distributions by community shall be identical to the distributions made in the fiscal year ending June 30, 2007 and shall be made from general appropriations. For the fiscal year ending June 30, 2009, the total state distribution shall be the same total amount distributed in the fiscal year ending June 30, 2008 and shall be made from general appropriations. For the fiscal year ending June 30, 2010, the total state distribution shall be the same total amount distributed in the fiscal year ending June 30, 2009 and shall be made from general appropriations, provided however that \$784,458 of the total appropriation shall be distributed equally to each qualifying distressed community. For the fiscal year ending June 30, 2011, the total state distribution shall be \$15,576,687 and shall be made

from general appropriations, provided however that \$784,458 of the total appropriation shall be distributed equally to each qualifying distressed community. For the fiscal year ending June 30, 2012, the state shall appropriate funds in the annual appropriations act to support this program, provided however that \$784,458 of the total appropriation shall be distributed equally to each qualifying distressed community.

(ii) Five one hundredths of one percent (0.05%) up to a maximum of five million dollars (\$5,000,000) shall be appropriated to property tax relief to fully fund the provisions of § 44-33-2.1. The maximum credit defined in subdivision 44-33-9(2) shall increase to the maximum amount to the nearest five dollar (\$5.00) increment within the allocation until a maximum credit of five hundred dollars (\$500) is obtained. In no event shall the exemption in any fiscal year be less than the prior fiscal year.

(iii) One and twenty-two one hundredths of one percent (1.22%) to fund § 44-34.1-1, entitled "Motor Vehicle and Trailer Excise Tax Elimination Act of 1998", to the maximum amount to the nearest two hundred fifty dollar (\$250) increment within the allocation. In no event shall the exemption in any fiscal year be less than the prior fiscal year.

(iv) Except for the fiscal year ending June 30, 2008, ten one hundredths of one percent (0.10%) to a maximum of ten million dollars (\$10,000,000) for supplemental distribution to communities not included in paragraph (a)(1)(i) above distributed proportionately on the basis of general revenue sharing distributed for that fiscal year. For the fiscal year ending June 30, 2008 distributions by community shall be identical to the distributions made in the fiscal year ending June 30, 2007 and shall be made from general appropriations. For the fiscal year ending June 30, 2009, no funding shall be disbursed. For the fiscal year ending June 30, 2010 and thereafter, funding shall be determined by appropriation.

(2) To the licensed video lottery retailer:

(a) Prior to the effective date of the NGJA Master Contract, Newport Jai Ali twenty-six percent (26%) minus three hundred eighty four thousand nine hundred ninety-six dollars (\$384,996);

(ii) On and after the effective date of the NGJA Master Contract, to the licensed video lottery retailer who is a party to the NGJA Master Contract, all sums due and payable under said Master Contract minus three hundred eighty four thousand nine hundred ninety-six dollars (\$384,996).

(b) Prior to the effective date of the UTGR Master Contract, to the present licensed video lottery retailer at Lincoln Park which is not a party to the UTGR Master Contract, twenty-eight and eighty-five one hundredths percent (28.85%) minus seven hundred sixty-seven thousand six hundred eighty-seven dollars (\$767,687);

(ii) On and after the effective date of the UTGR Master Contract, to the licensed video lottery retailer who is a party to the UTGR Master Contract, all sums due and payable under said Master Contract minus seven hundred sixty-seven thousand six hundred eighty-seven dollars (\$767,687).

(3) To the technology providers who are not a party to the GTECH Master Contract as set forth and referenced in Public Law 2003, Chapter 32, seven percent (7%) of the net terminal income of the provider's terminals;

(ii) To contractors who are a party to the Master Contract as set forth and referenced in Public Law 2003, Chapter 32, all sums due and payable under said Master Contract;

(iii) Notwithstanding paragraphs (i) and (ii) above, there shall be subtracted proportionately from the payments to technology providers the sum of six hundred twenty-eight thousand seven hundred thirty-seven dollars (\$628,737);

(4) To the city of Newport one and one hundredth percent (1.01%) of net terminal income of authorized machines at Newport Grand and to the town of Lincoln one and twenty-six hundredths percent (1.26%) of net terminal income of authorized machines at Lincoln Park; and

(5) To the Narragansett Indian Tribe, seventeen hundredths of one percent (0.17%) of net terminal income of authorized machines at Lincoln Park up to a maximum of ten million dollars (\$10,000,000) per year, which shall be paid to the Narragansett Indian Tribe for the account of a Tribal Development Fund to be used for the purpose of encouraging and promoting: home ownership and improvement, elderly housing, adult vocational training; health and social services; childcare; natural resource protection; and economic development consistent with state law. Provided, however, such distribution shall terminate upon the opening of any gaming facility in which the Narragansett Indians are entitled to any payments or other incentives; and provided further, any monies distributed hereunder shall not be used for, or spent on previously contracted debts; and

(6) Unclaimed prizes and credits shall remit to the general fund of the state; and

(7) Payments into the state's general fund specified in subdivisions (a)(1) and (a)(6) shall be made on an estimated monthly basis. Payment shall be made on the tenth day following the close of the month except for the last month when payment shall be on the last business day.

(b) Notwithstanding the above, the amounts payable by the Division to UTGR related to the Marketing Program shall be paid on a frequency agreed by the Division, but no less frequently than annually.

(c) Notwithstanding anything in this chapter 61.2 of this title 42 to the contrary, the Director is authorized to fund the Marketing Program as described above in regard to the First Amendment to the UTGR Master Contract.

(d) Notwithstanding the above, the amounts payable by the Division to Newport Grand related to the Marketing Program shall be paid on a frequency agreed by the Division, but no less frequently than annually.

SECTION 3. Section 45-13-12 of the General Laws in Chapter 45-18 entitled "Distressed communities relief fund" is hereby amended to read as follows:

§ 45-13-12 Distressed communities relief fund. – (a) There is established a fund to provide state assistance to those Rhode Island cities and towns which have the highest property tax burdens relative to the wealth of taxpayers.

(b) *Establishment of indices.* Four (4) indices of distress shall be established to determine eligibility for the program. Each community shall be ranked by each distress index and any community which falls into the lowest twenty percent (20%) of at least three (3) of the four (4) indices shall be eligible to receive assistance. The four (4) indices are established as follows:

(1) *Percent of tax levy to full value of property.* This shall be computed by dividing the tax levy of each municipality by the full value of property for each municipality. For the 1990-91 fiscal year, tax levy and full value shall be as of the assessment date December 31, 1986.

(2) *Per capita income.* This shall be the most recent estimate reported by the U.S. Department of Commerce, Bureau of the Census.

(3) *Percent of personal income to full value of property.* This shall be computed by multiplying the per capita income above by the most recent population estimate as reported by the U.S. Department of Commerce, Bureau of the Census, and dividing the result by the full value of property.

(4) *Per capita full value of property.* This shall be the full value of property divided by the most recent estimate of population by the U.S. Department of Commerce, Bureau of the Census.

(c) *Distribution of funds.* Funds shall be distributed to each eligible community on the basis of the community's tax levy relative to the total tax levy of all eligible communities. For the fiscal year 1990-91, the reference year for the tax levy shall be the assessment date of December 31, 1988. For each fiscal year thereafter, except for fiscal year 2007-2008, the reference year and the fiscal year shall bear the same relationship. For the fiscal year 2007-2008 the reference year shall be the same as for the distributions made in fiscal year 2006-2007. Any newly qualifying community shall be paid fifty percent (50%) of current law requirements the first year it qualifies.

The remaining fifty percent (50%) shall be distributed to the other distressed communities proportionately. When any community falls out of the distressed community program, it shall receive a one-time payment of fifty percent (50%) of the prior year requirement exclusive of any reduction for first year qualification. The community shall be considered a distressed community in the fall-out year.

(d) Appropriation of funds. The state of Rhode Island shall appropriate funds in the annual appropriations act to support this program. For the fiscal year ending June 30, 2011, the total state distribution shall be \$15,576,687 and shall be made from general appropriations, provided however, that \$784,458 of the total appropriation shall be distributed equally to each qualifying distressed community. In order to receive supplemental state aid payments for fiscal year ending June 30, 2011, distressed communities shall submit a five-year budget forecast, in the form and format required by the division, to the division of municipal finance by June 20, 2011 for major funds, as defined by generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB). The forecast shall include, but not be limited to, a scenario reflecting pensions and Post Employment Benefits Other Than Pensions (OPEB) obligations at one hundred (100) percent of the Annual Required Contribution (ARC), both for the general and unrestricted school funds. The forecast shall also set forth any and all underlying assumptions.

(e) Payments. Payments shall be made to eligible communities each March equal to one half of the appropriated amount and each August equal to one half of the appropriated amount.

SECTION 4. This article shall take effect upon passage.