



**SENATE FISCAL OFFICE
REPORT**

FY2017 BUDGET: CHANGES TO THE GOVERNOR

**2016-H-7454 SUBSTITUTE A
AS PASSED BY THE HOUSE FINANCE COMMITTEE**

JUNE 14, 2016

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EXECUTIVE SUMMARY

Executive Summary

The Budget represents the \$8.9 billion spending plan for the State for the fiscal year ending June 30, 2017 (FY2017). Also included is the revised spending plan for the current fiscal year (FY2016). The State is estimated to end FY2017 with a general revenue balance of \$446,921. The Budget Reserve and Cash Stabilization Account (aka Rainy Day Fund) would be fully-funded at \$189.9 million. The following document summarizes key budget initiatives and changes.

Expenditures by Source	FY2016 Enacted	FY2016 Governor	FY2016 Budget	Change to Governor	FY2017 Governor	FY2017 Budget	Change to Governor
General Revenue	\$3,552.0	\$3,576.5	\$3,572.6	(\$3.9)	\$3,676.8	\$3,684.5	\$7.8
Federal Funds	2,947.3	3,114.2	3,085.3	(28.9)	2,967.2	2,957.3	(10.0)
Restricted Receipts	245.5	288.8	309.1	20.3	261.9	257.0	(4.9)
Other Funds	1,920.7	1,995.7	1,974.2	(21.4)	2,058.9	2,040.9	(18.0)
Total	\$8,665.4	\$8,975.1	\$8,941.1	(\$34.0)	\$8,964.8	\$8,939.7	(\$25.1)
FTE Authorization	15,118.4	15,139.3	15,116.3	(23.0)	15,227.3	14,944.6	(282.7)

\$ in millions. Totals may vary due to rounding.

TAXES/FEES:

- **Pension Exemption:** Exempts the first \$15,000 in pension income from State income tax, provided that the taxpayer is of social security retirement age and meets the income restriction of either, \$80,000 per individual or \$100,000 per joint filing couple. This exemptions reflects a \$6.3 million revenue reduction (1/2 year).
- **Earned Income Tax Credit:** Expands the Rhode Island EITC for the second year in row, no equal to 15.0 percent of the federal EITC, up from the current rate of 12.5 percent.
- **Unemployment Insurance Employer Reduction:** Provides \$30.0 million in employer tax relief through UI rate reductions.
- **Beach Fees:** Reduces beach fees to 2011 levels, which is approximately a 50.0 percent reduction from the current year.
- **Cigarette Tax:** Eliminates the Governor's proposal to raise the cigarette tax by a \$.25 a pack, reducing revenue by \$7.1 million.
- **Small Distilleries:** Reduces the annual license fee for Rhode Island's small distillers from \$3,000 to \$500. Additionally, small distillers will receive a new tax exemption on the first 50,000 gallons of distilled spirits they produce, reducing revenue by \$30,000.
- **Corporate Tax:** Reduces the minimum tax that corporations have to remit to the State from \$450 to \$400.

ECONOMIC DEVELOPMENT:

- **Rebuild RI:** Includes \$25.0 million for the Rebuild Rhode Island Tax Credit and adds provisions to the Rebuild RI statutes for fiscal stability in preparing future State Budgets, enhances transparency concerns, authorizes additional land areas and finance options to provide more flexibility to developers, and authorizes the use of these funds to reimburse municipalities.
- **Other Incentives:** The Budget funds several Economic Development Initiatives under the Executive Office of Commerce/Commerce Corp, including:
 - \$7.0 million for the First Wave Closing Fund to catalyze development

- \$1.5 million for the Innovation Vouchers Program
- \$1.0 million for the Main Street RI Streetscape Program
- \$1.2 million for continuing the P-Tech Program
- \$700,000 for the Anchor Institution Tax Credit Program
- \$500,000 for the Competitive Cluster Grant Program
- \$3.5 million to support the RI Wavemaker Fund to provide tax credits against the taxpayers' tax liability to cover educational loan expenses
- \$1.5 million to support the Air Service Development Fund, which provides loss protection to an airline for new routes while minimizing downside risk for the airline and giving Rhode Island a competitive edge against other airports
- **Tourism Funding:** Redistributes approximately \$1.1 million in hotel tax proceeds, designated for the Rhode Island Commerce Corporation, to the various tourism districts in the State.
- **Quonset Piers:** Includes \$90.0 million for pier and port improvements to Pier 2 at the Quonset Davisville Port. These improvements are funded by: a \$50.0 million bond; a \$25.0 million revenue bond authorization to be paid by the Quonset Development Corporation; and \$15.0 million in RICAP funds, of which \$1.0 million is designated for planning and design.
- **Housing Bond:** Includes \$50.0 million housing bond for affordable housing development and blight remediation.
- **Renewable Energy:** Extends the Renewable Energy Fund for five years and updates the state's net metering program to enable third-party financing. Virtual net metering is expanded to affordable housing, low/moderate income housing, community (multiple homes), and private academic, with a maximum allowable aggregate capacity of 50.0 megawatts.

DEBT AND DEBT MANAGEMENT:

- **Public Finance Management Board:** Includes language strengthening the Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The Board will undertake a debt affordability study no less than every two years, and the Board may issue non-binding advisory opinions on all matters of debt management practices of state, municipal, and public and quasi-public corporations.

EDUCATION:

- **Funding Formula:** Increases the Budget by \$34.1 million to adjust the sixth-year formula calculation based on March 2016 student enrollment and free and reduced price lunch data.
- **Full-Day Kindergarten:** Increases the Budget by \$2.6 million to provide the fully-transitioned value of formula aid, beginning in FY2017, for districts that converted to full-time kindergarten in the 2014-2015 school year or thereafter.
- **Group Home Aid:** Increases per-bed funding by \$2,000, and by \$4,000 per CRAFT bed at Bradley Hospital, reflecting a total cost of \$828,000.
- **New English Learners Categorical:** Includes \$2.4 million in FY2017 for a new categorical to promote services for English Language Learners, with a 10.0 percent weight on the per-pupil core instruction (\$898 in FY2017).
- **High-Cost Special Education:** Increases funding for categorical aid by \$2.0 million over the FY2016, resulting in \$4.5 million in total funding. For costs exceeding five times the combined core instruction

plus student success factor (\$62,853 in FY2017). The Budget does not lower this threshold in FY2018 but requires RIDE to collect data on what the impact of a lower threshold would be.

- **Early Childhood:** Increases categorical aid by \$1.2 million over the FY2016 level to increase access to voluntary, free, high-quality pre-kindergarten programs; this results in \$5.2 million in total funding. The additional funds are needed as a match to the federal Pre-Kindergarten Expansion grant of \$5.7 million.
- **New Charter Density Categorical:** Establishes, through Article 11, a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$175 for each student attending a public school of choice (the Governor's budget had provided \$300 per student). There will be \$1.5 million to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket.
- **Transportation Categorical:** Provides an additional \$2.0 million over FY2016 funding for the transportation categorical to help districts with costs associated with transporting students to out-of-district non-public schools and within regionalized districts. Total funding for this categorical is \$6.4 million. The Governor's budget had this initiative level funded.
- **Career and Technical Categorical:** Adds \$1.0 million over the FY2016 enacted level, resulting in \$4.5 million in total funding. The Governor's budget had this categorical level funded with FY2016.
- **Recovery High Schools:** Includes \$500,000 to support the State's recovery high schools: Anchor Learning Academy.
- **Scholastic Aptitude Test (SAT):** Includes \$500,000 to make the SAT and the PSAT free for all students in RI.
- **Computer Science Grants:** Includes \$260,000 to increase access to computer science courses across the State.
- **Westerly Higher Education and Industry Center:** Includes \$750,000 in general revenue, \$3.1 million in all funds, for construction and operations at the Westerly Higher Education and Job Skills Center.
- **Bond Referendum: Leveraging Higher Education to Create 21st Century Jobs:** Includes a \$25.5 million bond referendum to renovate and construct an addition to University of Rhode Island College of Engineering, as the second phase of the Engineering School project, and a \$20.0 million for University of Rhode Island Affiliated Innovation Campuses.

LOCAL/MUNICIPAL ISSUES AND AID:

- **PILOT:** Increases the payments in lieu of taxes (PILOT) by \$1.9 million over last year, resulting in \$42.0 million in total funding. This new reimbursement level is at the required level of 27.0 percent for the first time since 2007.
- **Distressed Communities Relief:** Appropriates \$12.4 million for the property tax relief program. This is an increase of \$2.0 million from last fiscal year, which is intended to offset the impact to other distressed communities due to this year's addition of Cranston to the program.
- **Libraries:** Appropriates \$9.6 million of state aid to libraries across the state, which is \$900,000 more than in FY2016. Library construction will be subsidized in FY2016 with \$2.7 million and \$2.2 million in FY2017.
- **Property Revaluation Schedule:** Preserves the existing required property revaluation schedule of updates every 3rd and 6th year, with a full revaluation every 9th year. The Governor's budget had proposed a 5-10-15 year schedule.

- **Municipal Transparency Portal:** Establishes a web-based reporting system that has municipalities submitting to the State Budget actual financial information three times per year. This initiative would make reporting more streamlined and accurate.

HEALTH AND HUMAN SERVICES:

- **Nursing Facilities:** Includes \$3.9 million, \$7.9 million all funds, for the inflation-based direct care wage increase in nursing facilities in FY2017.
- **Graduate Medical Education:** Includes the Graduate Medical Education (GME) Program, increasing general revenue expenditures by \$2.0 million in FY2017.
- **Direct Care Wage Increase:** Includes an increase of \$2.0 million, \$4.1 million all funds for wages for direct care workers providing care to long-term care beneficiaries living in the community in FY2017.
- **Unified Health Infrastructure Project (UHIP):** Increases EOHHS funding for the Unified Health Infrastructure Project (UHIP) by \$6.8 million general revenue.
- **Developmental Disabilities:** Includes funding to support community based programming and employment services for individuals with disabilities, consistent with the consent decree.
- **Daycare Subsidies:** Includes a \$1.2 million increase from general revenue for daycare subsidies for families, as well as the negotiated payment rates daycare providers received in the FY2015 Budget. This DCYF program supported an average of 618 children residing with foster care families in FY2015.
- **Foster Care and Adoption Subsidies:** Increases general revenues by \$824,383 for foster care and adoption subsidies at DCYF.
- **Child Care:** Extends sunset date of the Transitional Child Care Pilot Program out an additional year, from September 30, 2016, to September 30, 2017. The May Caseload Estimating Conference includes the cost of implementing this extension.
- **Veterans Home:** Includes \$27.0 million bond initiative to fund the construction of new Veterans Home and the renovations of existing facilities.
- **Medical Marijuana:** Provides regulatory framework for program at minimal cost to patients.

NATURAL RESOURCES:

- **Clean Diesel Program:** Provides \$2.0 million to establish the Rhode Island Clean Diesel Program within the Department of Environmental Management (DEM) for the purpose of reducing emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency.
- **Bond Referendum: Green Economy:** Includes a \$35.0 million general obligation bond authorization be placed on the November 2016 ballot for environmental and recreational purposes: historic state park development, open space, bikeway development, brownfield remediation, stormwater pollution, local recreation grants, and local land acquisition.



FY2017 BUDGET

Revenue Changes

The FY2017 Budget includes \$3,685.0 million in total general revenue, an \$8.2 million increase above the Governor's proposal. Major revenue changes include the restoration of funds to quasi-public agencies that had been transferred to general revenue (\$16.2 million), the mitigation of the fees and other costs associated with the Medical Marijuana regulatory program (\$9.6 million), the elimination of the cigarette excise tax increase (\$7.1 million), the reduction of state personal income taxes assessed on pensions (\$6.3 million), and the rollback of the 2011 state beach fees increases (\$1.3 million). The following section highlights changes to the Governor's recommended revenue proposals:

Revenue Changes	FY2017
Remove Transfers from Quasi-Public Agencies	(\$16.2)
Medical Marijuana Regulation	(9.6)
May Revenue Estimating Conference	7.7
Cigarette Tax	(7.1)
Pension Tax Exemption	(6.3)
Minimum Corporation Tax Reduction	(1.6)
Beach Fees and Local Shares to 2011 Levels	(1.3)
Hospital License Fee	(0.9)
Medicaid Changes	0.8
Deepwater Lease Payment to Current Law	0.2
Veterans License Plates	(0.1)
Corporate Filing Fee Parity	(0.1)
Small Distilleries	(0.1)
Total	(\$35.0)

\$ in millions. Totals may vary due to rounding.

Remove Transfers from Quasi-Public Agencies **(\$16.2 million)**

The Budget does not include reserve transfers from quasi-public agencies as proposed by the Governor. The Governor's budget transferred \$16.2 million in reserves from several quasi-public agencies to the general fund. The amounts for the five agencies are outlined here:

Agency	Amount
Infrastructure Bank	\$8.0
Health and Educational Building Corporation	5.0
Resource Recovery Corporation	1.5
Narragansett Bay Commission	1.5
Airport Corporation	0.3
Total	\$16.2

Medical Marijuana Regulation **(\$9.6 million)**

Article 14 of the Governor's Budget outlined major changes to the regulatory framework of the State's medical marijuana program. The main feature consists of a new plant tagging system with tiered pricing depending on the type of license holder. The Budget reduces the tag fees and associated revenues. For patients and caregivers the annual cost of the tag will be no more than \$25. For other license holders, including the a new cultivator designation, the fee will range between \$150 and \$350. The Budget restructures the tag pricing system and deposits revenues and licensing fees as a restricted receipts to support the regulation of the program. General revenues are adjusted by \$9.6 million accordingly.

May 2016 Revenue Estimating Conference **\$7.7 million**

The May 2016 Revenue Estimating Conference increased FY2017 net available general revenues by \$7.7 million above the Governor's proposal. Business corporation taxes are expected to increase by \$2.4 million above the November estimate, while personal income taxes are expected to decrease by \$8.0 million. Revenues are assisted by an increases in other revenue sources, including an increase of \$3.8 million in estimated departmental receipts and a \$10.6 million increase in lottery revenue.

Cigarette Tax**(\$7.1 million)**

The Budget does not include the Governor's proposal to raise the per-pack excise tax on cigarettes by \$0.25. The proposal would have raised the average price of a pack of cigarettes in Rhode Island to between \$9.46 and \$9.78. This increase had been estimated to generate an additional \$7.1 million in revenue. The Budget reduces revenue accordingly.

Pension Tax Exemption**(\$6.3 million)**

Article 13 of the Budget establishes a new exemption on retirement income derived pensions for individuals who have reached full social security retirement age and whose adjusted gross income (AGI) is \$80,000 or less, and for joint filers whose AGI is \$100,000 a year or less. The State personal income tax will not be applied to the first \$15,000 of annual income derived from private pension plans; federal, state, and local government retirement plans; and military plans. The estimated value of these exemptions is \$6.3 million in FY2017 and approximately \$13.0 million in FY2018.

Minimum Corporation Tax Reduction**(\$1.6 million)**

The Budget reduces the annual minimum Business Corporations Tax by \$50, from \$450 to \$400, reducing general revenues by \$1.6 million. This represents the second consecutive budget to lower the minimum tax. Prior to FY2016 Rhode Island had the highest annual minimum corporate tax in New England at \$500. The FY2016 Budget as Enacted reduced the rate by \$50, effectively moving the state rate below Massachusetts. The revenue impact will only apply to the first half of FY2017. The first full year impact will be in FY2018.

Regional Comparison	
State	Minimum Tax
Massachusetts	\$456
Rhode Island	\$400
Connecticut	\$250
Vermont	\$250
Maine	-
New Hampshire	-

Beach Fees and Local Shares to 2011**(\$1.3 million)**

Article 13 of the Budget reduces the cost of seasonal passes and parking fees for state beaches to their 2011 levels, which was the last time these fees were addressed in the Budget. The local share of the associated revenues are similarly being restored to their previous levels at 20.0 percent. The Budget is reduced by \$1.3 million to accommodate these price and share changes.

Season Passes	Current	
	Rate	New Rate
Resident	\$ 60.00	\$ 30.00
Senior Resident	30.00	15.00
Non-Resident	120.00	60.00
Senior Non-Resident	60.00	30.00

Daily Parking (Weekday)	Current	
	Rate	New Rate
Resident	\$ 10.00	\$ 6.00
Senior Resident	5.00	5.00
Non-Resident	20.00	20.00
Senior Non-Resident	10.00	10.00

Daily Parking (Weekend)	Current	
	Rate	New Rate
Resident	\$ 15.00	\$ 7.00
Senior Resident	8.00	3.50
Non-Resident	25.00	14.00
Senior Non-Resident	13.00	7.00

Hospital License Fee **(\$91,778)**

General revenues are reduced in the Budget by \$91,778 to account for the reduction of the fee hospitals must pay to the State for an operating license. Fees are based on a state-prescribed percentage rate that is applied to hospital revenues derived from patient services. The FY2017 rate is decreased to 5.625 percent from its FY2016 level of 5.862 percent. Total license fees in FY2017 will be \$168.0 million.

Medicaid Changes **\$797,291**

The Budget adds \$797,291 in general revenue, restoring \$15.6 million in managed care savings included in the Governor's budget; this adjusts the amount to be collected from the premium tax paid by the managed care plans.

Deepwater Lease Payment to Current Law **\$150,000**

The Budget does not include the Governor's proposal to divert fees for the lease of submerged tidal lands by the Deepwater Wind project to a restricted receipt account entitled the Rhode Island Local Agriculture and Seafood Small Grants and Assistance Fund (LASA). \$150,000 in general revenue is restored, with a corresponding decrease in restricted receipts. The general revenue is partially offset by a \$100,000 appropriation for LASA in DEM.

Veterans License Plate **(\$35,000)**

Article 9 of the Budget establishes a new license plate for Gold Star Parents who have lost their child while serving in the armed services. The Budget also exempts veterans from having to pay the \$20 service fee and \$5 transfer fee associated with their veteran's license plate. General revenues are adjusted down by \$35,000 to accommodate these veteran initiatives.

Corporate Tax Filing Parity **(\$30,000)**

The Budget changes the filing and renewal application fees for limited liability partnerships. The filing fee is changed from \$100 for each partner (not to exceed \$2,500 in total) to a flat \$150 fee in total. The annual renewal application fee is changed from \$100 per partner to a flat \$150 fee per application. General revenues are reduced by \$30,000 in FY2017 to accommodate these changes.

Small Distilleries **(\$30,000)**

The Budget exempts Rhode Island distillers from paying a tax on the first 50,000 gallons of distilled spirits produced and distributed within Rhode Island during any calendar year. The fee structure for a distillery licenses is also amended. Licenses for small distillers (producing less than 50,000 gallons per year) will be \$500, for all other distillers the fee will remain the same (\$3,000). The Budget is reduced by \$30,000 in FY2017 to cover the cost of these reductions.

Expenditure Changes by Agency

DEPARTMENT OF ADMINISTRATION

Debt Service ***(\$2.7 million)***

The Budget includes \$2.7 million in general revenue debt service savings reflecting a delay in the issuing general obligation bonds.

Statewide Operational Savings ***(\$1.9 million)***

The FY2016 Budget as Enacted included \$8.2 million in statewide general revenue savings to be identified in the current fiscal year. This included \$5.0 million from personnel and operating reforms to be achieved in part through negotiations with the various labor bargaining units and \$3.2 million in further contractual and operating savings. The savings were stated under the Department of Administration to be distributed to State agencies as part of the revised budget. The FY2016 Revised Budget allocates \$6.3 million of these amongst the State agencies. The balance, \$1.9 million is shifted to FY2017 as a negative appropriation and tasks the Department to identify savings in the next fiscal year. The Department requires a restoration of \$1.9 million in FY2016, reflecting the unachieved savings.

RICAP Staffing Shift to RICAP ***\$1.3 million***

The Budget adds \$1.3 million in general revenue to cover the personnel costs for 10.0 FTE positions. The Governor proposed allocating staff time for 10.0 FTE positions within the Division of Capital Asset Management and Maintenance (DCAMM) program according to the percentage of time dedicated to RICAP capital projects. The proposal shifted the source of funding for 10.0 FTE positions within DCAMM from general revenues to RICAP funds for better development of performance management measures. The Budget does not include this proposal, and \$1.3 million in general revenue is restored to fund these positions.

Turnover Savings ***(\$1.3 million)***

The Budget decreases general revenue by \$1.3 million based on anticipated turnover savings for the Department of Administration. This equates to 7.9 FTE positions using the Department's average FTE cost of \$164,353 per FTE.

Library Aid ***\$900,000***

State aid to libraries is distributed based on the city or town's expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year's funding from the local tax base. The Budget includes \$9.4 million in general revenue for FY2017, an increase of \$900,000 as compared to what the Governor proposed in the FY2017 Budget. This increases library aid support to municipalities to 23.7 percent. Current law requires the State to provide financial support to public libraries equal to 25.0 percent of the second prior fiscal year's local expenditures for library services, but allows for a ratable reduction.

RIPTA Operating Support ***\$900,000***

The Budget includes \$900,000 in general revenue for the Rhode Island Public Transit Authority (RIPTA) for operational and fare-subsidy support. The FY2016 Budget as Enacted had authorized RIPTA to charge low-income seniors and disabled individuals to ride the bus. Revenue generated from these half-fare rides was estimated to be \$1.7 million. The Budget does not remove RIPTA's authorization; however, the appropriation will delay the half-fare implementation until at least January 1, 2017, offering additional time to explore other financing options for the Authority.

Employee Benefit Adjustments ***(\$750,000)***

The Budget eliminates the Governor's recommendation to appropriate \$750,000 in general revenue for anticipated employee parental leave benefits. These have not been negotiated with collective bargaining units.

Capital Asset Management and Maintenance – 4.0 FTE Positions **(\$658,380)**

The Budget removes \$658,380 in general revenue, thereby eliminating the Governor's proposal to fund four new positions within the Division of Capital Asset Management and Maintenance. The positions consist of a Chief Engineer, Chief Planner, Chief of Integrated Facilities Management, and a Chief of Strategic Planning and Evaluation. The Governor included these positions as part of the consolidation of programs into the Division of Capital Asset Management and Maintenance (DCAMM) in Article 4 to centralize capital assets, capital projects, and state facilities maintenance functions.

Electronic Local Permitting Initiative **(\$500,000)**

The Budget removes \$500,000 in general revenue to expand the E-permitting Initiative in FY2017 as a project within the Office of Regulatory Reform. The Initiative establishes a uniform, web-based system for electronic plan review of State and municipal building plans, permit management, and building inspection methods using an online, building permit system. The initiative involves the Office of the Building Commissioner in conjunction with the State Fire Marshal. The \$500,000 in additional funding was intended to expand the system to include twenty-five municipalities by the end of FY2017. There are unspent funds from FY2016 that are anticipated to be reappropriated to FY2017.

Office of Performance Management – 3.0 New FTEs **(\$361,947)**

The Budget removes \$361,947 in general revenue for salary and benefit costs associated with the proposed hiring of 3.0 FTE positions within the Performance Management Office. This includes 1.0 Principal Economic and Policy Analyst (\$137,904), 1.0 Senior Economic and Policy Analyst (\$126,184), and 1.0 Senior Management and Methods Analyst (\$97,859).

Staff Training Initiatives (DCAMM and Human Resources) **(\$228,417)**

The Budget eliminates \$228,417 in general revenue funding for training and education services for employees. The State would have contracted with a consultant to review the State's employee training program and to provide recommendations on enhancing the training programs to meet individual, group, or departmental needs. This includes a reduction of \$100,000 under the Human Resources program and \$128,417 under the Division of Capital Asset Management and Maintenance (DCAMM) program.

According to the Department of Administration, there is a lack of training and development programs available to employees of the State of Rhode Island. Some limited training opportunities are available through the Division of Human Resources and some Departments offer job specific training to their employees; however, the State lacks a comprehensive approach to promoting and supporting employee development. The training under DCAMM would have included training and certifying staff to use certain machinery.

Office of Regulatory Reform – Staffing Enhancements **(\$131,237)**

The Budget removes \$131,237 in general revenue for staffing enhancements, including position upgrades and intern costs within the Office of Regulatory Reform.

Central Management – New 1.0 FTE Billing Clerk **(\$128,994)**

The Budget removes \$128,994 in general revenue for salary and benefit costs associated with the proposed hiring of a new billing clerk within Central Management.

RIFANS Database Administrator **(\$103,844)**

The Budget eliminates \$103,844 in general revenue for salary and benefit costs associated with the proposed hiring of a new RIFANS database administrator position.

LEAN Initiatives **(\$100,000)**

The Budget reflects a decrease of \$100,000 in general revenues for contracted professional services in the Office of Management and Budget (OMB) for the statewide LEAN process improvement program administered by OMB. The LEAN process improvement program allows State agencies to submit an application to OMB to use the LEAN process improvement program and to conduct a review.

Community Service Objectives **(\$96,049)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The Budget decreases the general revenue appropriation for Community Service Objectives by \$146,049, thereby eliminating all previously funded community service grants administered by the Department of Administration. The Budget adds a \$50,000 line item appropriation to support City Year's Whole School Whole Child program, resulting in a net decrease of \$96,049 in general revenue.

Purchasing – 1.0 Implementation Aide **(\$87,986)**

The Budget eliminates \$87,986 in general revenue for salary and benefit costs associated with the proposed hiring of a new Implementation Aide position.

Office of Internal Audit Transfer **\$28,771**

The Budget adds \$28,771 reflecting the general revenue portion for the transfer of a 1.0 FTE Supervising Eligibility Technician from the Department of Human Services to the new Office of Internal Audit within the Office of Management and Budget. The Office of Internal Audit will standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. There is a corresponding decrease in the Department of Human Services' budget.

Delivered Fuels Energy Efficiency Program (restricted receipts) **(\$1.5 million)**

The Budget removes \$1.5 million in restricted receipts that was proposed to create a new Delivered Fuels Energy Efficiency Program. The language establishing this program was not included in Article 18 of the Governor's budget. According to the Department of Administration, the Governor's Office chose to pull the language from Article 18, but the funding was not removed; nonetheless, the attempt to create the program was active. Without accompanying legislation the restricted receipt appropriation is not required.

Reconciliation Funding (restricted receipts) **(\$150,000)**

The Budget eliminates \$150,000 in restricted receipts for purchased service expenses that may be required for consultant and legal services for energy related hearings. The Office of Energy Resources states that legislation is needed to authorize the funding mechanism and establish a utility surcharge. The Budget does not contain language to establish this program.

Regional Greenhouse Gas Staffing (1.0 New FTE) (restricted receipts) **(\$124,312)**

The Budget removes \$124,312 in restricted receipts for personnel costs related to a new 1.0 FTE position to administer the proposed Delivered Fuels Energy Efficiency Program. Without accompanying legislation the restricted receipt appropriation for personnel costs is not required.

Lean Government Grant (restricted receipts) **\$55,000**

The Budget adds \$55,000 in restricted receipts reflecting the Department's receipt of a grant from the Rhode Island Foundation to the Office of Management and Budget for the integration of lean tools and resources to build lean processing tools among state employees. The Rhode Island Foundation grant totals \$110,000, and will be split between FY2016 and FY2017.

Other Fund Changes (RICAP) **\$3.1 million**

The Budget includes a net increase of \$5.0 million in Rhode Island Capital Plan (RICAP) funding in FY2017 based on current expenditures and projections on various projects. The Budget:

- Increases funding by \$362,000 for the Chapin Health Laboratory RICAP project to reflect the Department of Administration's revised project timeline for mechanical system improvements.

- Increases funding by \$1.2 million for the Cranston Street Armory RICAP project to reflect the Department of Administration's revised project timeline by moving funds projected for FY2018 to FY2017.
- Decreases funding by \$430,000 for the Pastore Center Parking RICAP project to reflect the Department of Administration's revised project timeline.
- Decreases funding by \$932,000 for the Pastore Center Rehabilitation project to reflect the Department of Administration's revised project timeline.
- Adds \$850,000 for the Pastore Center Master Plan to begin a facility condition assessment on all of the facilities serviced by the Department's Division of Capital Asset Management and Maintenance. The assessments will be used to identify future capital asset projects at the Pastore Center.
- Increases funding by \$378,000 for the Pastore Center Electrical Utility Upgrades to reflect the Department of Administration's revised project timeline.
- Adds \$150,000 to the State House Renovation project to begin preservation of the State's Battle Flags that are on display in the south and north porticos of the State House.
- Increases funding by \$170,000 for the State Office Building project to reflect the Department of Administration's revised project timeline and includes funds to complete the elevator replacement.
- Increases funding by \$1.1 million for the Virks Building Renovation project to reflect the Department of Administration's revised project timeline.
- Decreases \$500,000 for the William Powers Administration Building renovations to reflect the Department of Administration's revised project timeline.
- Increases funding by \$785,000 for the Zambarano Building Rehabilitation project to reflect the Department of Administration's revised project timeline to demolish the power plant smoke stack.

DEPARTMENT OF BUSINESS REGULATION

Medical Marijuana Staff and Software

(\$1.3 million)

Article 14 of the Budget establishes the Department of Business Regulation (DBR) as the licensing agency for compassion centers, compassion center staff, cultivators, and caregivers and charges the Department with the implementation and management of a plant tag system. The latter will include the collection of fees for the tags and the maintenance of a tracking database. The Governor's budget recommended that these responsibilities be funded entirely with general revenue; however, the Budget reduces the amount to \$1.3 million and shifts the balance to a new restricted receipt account dedicated to the program. General revenues are reduced accordingly.

OHIC Rate Review Staff

(\$1.0 million)

The Budget eliminates \$1.0 million of general revenue funding for the 9.0 FTE positions which had been financed in previous years through federal grants designated for improving and supporting the health insurance rate review process. The final round of these grants are set to expire September 30, 2016. The activities funded by the rate review grants supported the establishment of the health insurance rate review program and assisted in the developing the data centers that provide pricing data to consumers.

Staff Training and Technology Enhancements

(\$134,900)

The Department began implementing a multi-year reform initiative across its divisions with the goal of increasing efficiency and providing better customer service. This "transformation" initiative consists of three elements – the implementation of lean processes and training, improvement of staff skills and the deployment of smart communication and management technology. The Budget reduces general revenues by \$134,900 for this initiative based on the changed implementation timeline, particularly relative to the technology enhancements, for which the Department is still developing its plan.

EXECUTIVE OFFICE OF COMMERCE***Refundable R & D Tax Credit******(\$5.0 million)***

The Governor proposed a new Refundable Research and Development Tax Credit initiative to incentivize businesses to make multi-year commitments to conduct research and development activities in the state and invest in plant, equipment, or personnel in order to accomplish these research activities. The \$5.0 million initiative is not included in the Budget, as Commerce subsequently reprioritized its funding request.

Rebuild Rhode Island Tax Credit***\$4.4 million***

The Budget includes an increase of \$4.4 million in general revenue for the Rebuild Rhode Island Tax Credit (Rebuild RI) program. This will provide a total appropriation of \$25.0 million for the Rebuild Rhode Island Tax Credit in FY2017. The tax credit administered by the Commerce Corporation and is intended to promote investment in real estate development for commercial and/or residential use.

The Rebuild RI program allows the Secretary of Commerce to issue a tax credit based on the lesser of either 30.0 percent of the project cost or the amount needed to close demonstrated financing gap up to \$15.0 million. If the amount of credit exceeds the taxpayers' liability in a given year, the credit may be carried forward up to four years or until the full credit is used (whichever occurs first). Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. Prior to assignment of the credit, the State will have the right to redeem (purchase) the credits at 90.0 percent of the credit value. Tax credits are issued once a certificate of occupancy has been obtained.

A restricted receipt account is established (the Rebuild RI Fund) which will be funded annually by general revenue appropriations. On an annual basis, the Commerce Corporation will work with the Executive Office of Commerce, the Department of Administration, and the Division of Taxation to determine the availability of funds for the award of new tax credits. Each year, the Director of Revenue will request the amounts necessary to pay for the redemption of tax credits. The addition of \$4.4 million is to ensure that sufficient funds are available in the Rebuild RI fund to cover the Commerce investments.

Impact Faculty***(\$2.8 million)***

The Budget removes \$2.8 million in general revenue for a new initiative to assist the various institutions of higher learning in the State needed to attract and hire faculty who have had success in commercializing their research. The Impact Faculty program involves a State match to funds that schools, such as the University of Rhode Island will spend hiring faculty and setting up labs. The awards will go the schools, which will also have to raise funds to support the professorships being created. There are no limits on the awards. According to Commerce, there are no plans to undertake this program without funds.

First Wave Closing Fund***\$2.0 million***

The Budget adds \$2.0 million in general revenue for the First Wave Closing Fund, for a total appropriation of \$7.0 million for the closing fund in FY2017. The Administration requested an increase in funding to attract, expand, or retain businesses, and create jobs in the state, by providing "gap financing." This mechanism funds a portion of the project costs that remain to be financed after all other sources of capital have been considered, or the amount that the State may invest in a project to gain a competitive advantage over another state.

Rhody Rail Commuter Pass***(\$1.5 million)***

The Budget eliminates \$1.5 million in general revenue for a new initiative to provide an incentive for commuters using the rail service between Providence and Boston. This proposal was intended to enhance rail connectivity between Rhode Island and the Boston area.

Wavemaker Fellowship***(\$1.5 million)***

The Budget provides \$3.5 million for the Wavemaker Fellowship program, a decrease of \$1.5 million from the Governor's FY2017 Budget proposal.

The Fellowship is a competitive student loan reimbursement for college and university graduates who take employment in science, technology, engineering, and mathematics (STEM) fields in Rhode Island. The goal of the program is to award approximately 250 Fellows refundable personal income tax credits to offset annual student loan payments for up to 4 years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate degree up to \$6,000 for a graduate or post-graduate degree.

Affordable Housing ***(\$1.0 million)***

The Budget removes \$1.0 million in general revenue to finance the development of affordable housing. The Governor included these funds as a “stop-gap” measure, until proceeds from the proposed \$40.0 million general obligation become available.

Small Business Innovation Research State Match ***(\$1.0 million)***

The Budget eliminates \$1.0 million in general revenue to continue the innovative technology and bioscience and engineering program. These funds will combine public and private dollars to invest in promising companies in such areas as advanced industries, technology, and other strategically important sectors. The Innovate Rhode Island Small Business Program was created under the FY2014 Budget as Enacted to enhance job creation and economic development in the State. The program is administered by the Rhode Island Science and Technology Advisory Council (STAC) located at the Rhode Island Commerce Corporation. The Phase I and Phase II matching grant of \$150,000 is to assist eligible businesses to offset costs associated with applying to the United States Small Business Administration for Small Business Innovation Research (SBIR) grants or Small Business Technology Transfer (STTR) grants and commercialize their technology and research.

Industry Cluster Grants ***(\$750,000)***

The Budget includes \$500,000 in general revenue in FY2017 to support the Competitive Cluster Grant program. This is \$750,000 less than the amount requested by the Governor.

The program provides matching grants to start or improve industry sector partnerships or “clusters” to exchange technology and share personnel resources. Industry clusters are created by pooling labor forces, for collaborative problem solving, and sharing technology. The Commerce Corporation is in the process of evaluating 26 applications received, totaling \$5.7 million. However, due to the timing required for the Corporation to conduct the internal review and internal evaluations, none of the applications have yet to be placed before the Commerce Corporation Board for approval. The Board has requested that they have adequate time to review all items coming before them for vote.

Anchor Institution Tax Credit ***\$700,000***

The Budget includes \$700,000 in general revenue to continue funding the program in FY2017. The Governor did not include funding for the Anchor Institution Tax Credit as part of the FY2017 Budget, resulting in a \$1.8 million general revenue reduction as compared to the FY2016 Budget as Enacted. The Anchor Institution Tax Credit program was designed to entice businesses that supply component goods or services to Rhode Island companies to relocate to the State. The amount of the credit shall be based on criteria created by the Commerce Corporation, and include factors such as:

- The number, types, and compensation of jobs created
- The industry sector of the business
- Whether the relocation benefits an area designated as a “Hope Community”, which under the legislation would include Providence, Central Falls, West Warwick, Pawtucket, and Woonsocket

The Executive Office of Commerce recently indicated the need for \$700,000 in FY2017.

Community Service Objectives ***(\$589,492)***

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in

the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The Budget eliminates funding for all thirteen “pass-through” Community Service Objectives previously appropriated through the Rhode Island Commerce Corporation, resulting in a general revenue decrease of \$589,492.

Building and Fire Permit Initiative

(\$250,000)

The Budget removes \$250,000 in general revenue to develop office space and to reimburse local communities for lost permit and inspection fees. The planned initiative would allow all capital investment projects receiving incentives from the Rhode Island Commerce Corporation to bypass local building and fire codes. Projects would be subject to State building and fire codes, and required inspections would be conducted by the State Building Commissioner. This initiative was originally funded as a Commerce Economic Program in the FY2016 Budget as Enacted.

P-TECH Funding

(\$200,000)

The Budget provides \$1.2 million in general revenue for the P-TECH program in FY2017. This reflects a decrease of \$200,000 from the Governor’s recommendation to include \$1.4 million in general revenue to continue the P-TECH program in FY2017. The P-TECH program enlists a major employer to work with a local high school and community college to create a pipeline of talent. The employer helps to craft curriculum that will provide students internships; and, at the end of five or six years, a high school diploma, associate’s degree, and potentially a job. The funding will be used to hire staff and to set up the program at three high schools in state.

The Governor intended on using the additional funding to maintain the initial three high school P-TECH partnerships and also fund the creation of the partnerships in three additional high schools. Several high schools expressed interest in participating in this year’s cohort of P-TECH schools but were not able to meet the program requirements. The Corporation recently announced the first three partnerships, which launched in the fall of 2015 involving the public schools in Providence, Newport, and Westerly. As of March 18, 2016, the Commerce Corporation reported that 3 awards of \$200,000 each were made to the following schools:

Recipient	Approval Amount	Date Approved
Newport Public Schools	\$200,000	1/25/2016
Providence Public Schools	200,000	1/25/2016
Westerly Public Schools	200,000	1/25/2016
Total	\$600,000	

As part of the P-TECH program, the Commerce Corporation intends to hire at least 1.0 FTE position, at the vice principal level in each high school and have that employee work in the participating high school. To date, the three school districts have not hired these positions.

On March 29, 2016, the Board of the Rhode Island Commerce Corporation approved an additional expenditure of \$100,000 to pay for a P-Tech liaison and associated administrative costs with the Community College of Rhode Island. It was noted by the Corporation staff that \$100,000 will be deducted from the FY2016 Revised Budget appropriation.

Rhode Island College and University Research Collaborative

(\$165,000)

The Budget removes \$165,000 in general revenue for the Rhode Island College and University Research Collaborative. This initiative was originally funded as a \$100,000 program as part of the Commerce Corporation’s FY2016 Budget as Enacted.

The University Research Collaborative is a consortium of the local colleges and universities through which the schools provide support to the state in various ways, such as:

- Increase the use of non-partisan academic research in policymaking
- Provide an evidence-based foundation for government decision making in RI

The Collaborative developed a Resource Network of experts from Rhode Island's 11 colleges and universities, creating a public/private partnership.

Commerce Corporation – Base Appropriation ***(\$141,612)***

The Budget does not increase the general revenue base appropriation for the administration and operation of the Rhode Island Commerce Corporation. The Governor included \$7.5 million in general revenue for the administration and operation of the Rhode Island Commerce Corporation, an increase of \$141,612 from the FY2016 Budget as Enacted. The increase is intended to increase the staff, cover staff cost-of-living adjustments, and to cover increased occupancy costs. The Budget level funds the Commerce Corporation, reducing the appropriation \$141,612.

I-195 Redevelopment Commission - Project Manager ***(\$111,200)***

The Budget removes \$111,200 in general revenue that were proposed by the Governor to fund administrative, legal and engineering costs incurred by the I-195 Redevelopment District Commission. The Commission expects work involving the Commission to expand as the sales and development of the I-195 District parcels increase. A portion of the \$111,200 was intended for use to hire a Project Manager. Created in 2011, the I-195 Redevelopment Commission is tasked with developing the land formerly covered by the old I-195 Highway.

Housing and Community Development (federal funds) ***\$2.5 million***

The Budget increases federal funds by \$2.5 million, reflecting increased funding for the recently awarded 2015 Community Development Block Grant (CDBG) received by the State. Under federal guidelines, the State manages the program for 33 Rhode Island municipalities which do not receive an allocation directly from the United States Housing and Urban Development. The State distributes the CDBG funds to units of general local government. These communities may, however, distribute funds to non-profit and other entities to undertake federally determined eligible activities.

Capital – Quonset Piers (other funds) ***\$1.0 million***

The Budget adds \$1.0 million in Rhode Island Capital Plan (RICAP) funds for architectural and engineering work for the proposed pier and port improvements to Pier 2 at the Quonset Davisville Port in the Town of North Kingstown. The Budget will include a \$50.0 million bond referendum for infrastructure modernization and repairs at the Port (a decrease of \$20.0 million from what was proposed by the Governor), a revenue bond authorization that allows the Rhode Island Commerce Corporation to issue special obligation bonds of not more than \$25.0 million (an increase of \$5.0 million from what was proposed by the Governor), and a total commitment of \$15.0 million from the RICAP fund.

Economic Development Initiative Program ***Informational***

The Budget provides a technical change for two line items within the Economic Development Initiatives program of the Commerce budget. There is no fiscal impact. The amendment renames Innovation Network Grants line item the Innovation Initiative and renames the Innovation Vouchers program the Innovation Network Grants program.

DEPARTMENT OF LABOR AND TRAINING

TechHire Initiative ***(\$2.0 million)***

The Budget removes \$2.0 million in general revenue for the TechHire Initiative, a federal initiative to increase technical employment opportunities through accelerated training programs and innovative job placement programs involving 18 employers, including CVS, Citizens Bank, Fidelity, and Innovex, to recruit over 2,000 candidates from fast-track tech training programs by 2018. According to the Department,

other private funding sources will be secured to cover the cost of the TechHire Initiative and that the resources will be managed by a private non-government entity.

Misclassification Task Force **(\$110,143)**

The Budget eliminates 3.0 Labor Standards Examiners positions proposed for the Misclassification Task Force, in Injured Worker Services and Workforce Regulation and Safety program, resulting in a decrease of \$110,143 in general revenue and a decrease of \$110,143 in restricted receipts to fund the personnel costs.

Grant Monitoring and Evaluation (federal funds) **(\$122,292)**

The Budget eliminates 1.0 Principal Auditor position and 2.0 Senior. Monitoring and Evaluation Specialists proposed for grant monitoring and evaluation in Workforce Development Services program, resulting in a decrease of \$122,292 in federal funds and a decrease of \$183,430 in restricted receipts to fund personnel costs.

State Workforce and Education Alignment Project (other funds) **(\$94,331)**

The Budget eliminates 1.0 Principal Research Technician position proposed for the State Workforce and Education Alignment Project in the Workforce Development Services program, resulting in a decrease of \$94,331 in other funds to fund the personnel costs.

Workforce Development Services (federal funds) **\$58,934**

The Budget adds \$58,934 in federal funds for a new Women's Paid Leave grant. The Women's Paid Leave grant was awarded to the Department from the U. S. Department of Labor. The award is essentially a pass-through grant to the University of Rhode Island for the purpose of research and analysis responsibilities regarding a "Temporary Caregiver Insurance (TCI) Expansion Project" to provide gap analysis addressing issues and subsequent activities to expand access to the TCI program.

DEPARTMENT OF REVENUE

Distressed Communities Aid **\$2.0 million**

The Distressed Community Relief program is increased by \$2.0 million. Total aid from this program to cities and towns that have relative high property taxes as compared to their citizens' ability to pay will be \$12.4 million in FY2017.

Central Falls Support **\$600,000**

The Budget includes \$600,000 in general revenue to assist the City of Central Falls with operating and personnel costs.

Central Falls Retiree Payments **\$250,703**

The Budget provides \$250,703 within the Office of Municipal Finance as part of the financing that supports the pension costs of retired Central Falls employees. Legislation enacted in 2014 requires the State to appropriate sufficient funds to ensure that the city retirees receive 75 percent of their base pension benefit.

Lottery Commission Payments – May REC (other funds) **(\$19.9 million)**

Based on the May 2016 Revenue Estimating Conference's revised figures, revenue from the Lottery will be 3.0 percent lower in FY2016 as compared with the previous year. The result is a corresponding decrease in overall prize payouts, therefore the Budget reduces other funds by \$19.9 million.

Motor Fuel Tax Evasion (other funds) **\$160,000**

The Department of Transportation (DOT) has provided the Department of Revenue with \$160,000 in other funds to implement part of a new grant with the purpose of reviewing compliance with the Motor Fuel Tax. DOT receives federal funds through Federal Highway Administration for motor fuel enforcement efforts. Many of these efforts are implemented by the Division of Taxation. Taxation tracks the hours worked on the grant and submits an invoice to DOT quarterly for reimbursement. This agreement ends June 30, 2017.

LIEUTENANT GOVERNOR***Legal Services*** **(\$30,000)**

The Budget eliminates \$30,000 in general revenue funding designated for contracted legal services within the Office of Lieutenant Governor.

SECRETARY OF STATE***E-Poll Book*** **\$195,000**

The Budget includes \$195,000 in general revenue for an electronic poll book (e-poll book) pilot within the Secretary of State's Elections and Civics Divisions. An e-poll book is combination of hardware and software that allows officials to more accurately and quickly administer election activity including voter lookup, verification, identification, precinct assignment, ballot assignment, voter history update and other functions such as name change, address change and/or redirecting voters to correct voting locations. The pilot plans to deploy 200 electronic poll books during the 2016 fall elections at select test sites, with the goal to eventually scale up to 1,600 units statewide for 2018.

Community Service Grants **(\$24,635)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. The Secretary of State is appropriated \$125,000 of general revenue for CSO grants, a reduction of \$24,635 from the Governor's proposal. A \$125,000 line-item grant for the Rhode Island Historical Society remains.

OFFICE OF THE GENERAL TREASURER***Justice Reinvestment Initiative*** **(\$120,000)**

The Budget shifts \$120,000 in general revenue to fund 3-years of expanded victims' compensation benefits as part of the Justice Reinvestment Initiative to the Office of the Public Defender to support that Office's participation in the Justice Reinvestment Initiative. The Office of the General Treasurer indicated that the Crime Victims' Compensation Program possessed sufficient resources and did not require this general revenue appropriation.

Unclaimed Property (restricted receipts) **\$1.2 million**

The Budget increases \$1.2 million in restricted receipt expenses associated with the transfer to the state general fund, reduced claim payments, and an increase in the fund liability reserve costs to support the Unclaimed Property program. The need for the additional expenditures was determined during the May 2016 Revenue Estimating Conference.

Retirement System 2.0 FTE Positions (restricted receipts) **(\$198,623)**

The Budget eliminates the Governor's proposal to add a 1.0 Principal Projects Manager to assist in the implementation of the new computer system and a 1.0 Intermediate Accountant position to enhance the Retirement System's financial reporting. This action reduces restricted receipt expenditures for personnel costs for these two positions by \$198,623.

CollegeBoundfund 1.0 FTE Program Director (other funds) **(\$124,837)**

The Budget eliminates the Governor's proposal to add 1.0 Director of Member Services position for the CollegeBoundfund to monitor the investments of the fund and manage the program. This action reduces other expenditures for the position's personnel costs by \$124,837.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES**May Caseload Conference****\$8.6 million**

The May Caseload Estimating Conference (CEC) increases FY2017 general revenue expenditures by \$8.6 million as a result of increased spending in Rhody Health Options and Managed Care. Federal fund expenditures will decrease by \$58.2 million primarily due to lower than expected costs associated with Medicaid expansion members.

Managed Care Organization (MCO) Related Initiatives**\$5.3 million**

The Budget restores \$5.3 million in general revenue (\$7.8 million all funds) of the Governor's \$9.3 million general revenue (\$26.5 million all funds) savings proposals in FY2017 Budget.

The Budget eliminates the Governor's proposal to reduce administrative rates to MCO's as well as reductions to the re-procurement of the statewide MCO contract.

The Administrative Rate Savings proposal would have reduced general revenue expenditures by \$3.3 million (\$8.8 million all funds) by reducing the administrative rates to MCO's. Article 7 in the Governor's budget would have altered the manner in which MCO administrative rates are set from a variable to a fixed approach.

2017 MCO Related Initiatives

Initiative	Gov FY17 GR	Budget
Administrative Rate Reduction	(\$3.3)	-
Re-Procurement	(2.0)	-
Pharmacy Utilization Management	(2.0)	(2.0)
Accountable Entity Savings	(2.0)	(2.0)
Total	(\$9.3)	(\$4.0)

\$ In millions

The Re-Procurement savings proposal would have reduced general revenue expenditures by \$2.0 million (\$6.8 million all funds). The savings were associated with re-procurement of the

State's \$1.0 billion Medicaid Managed Care (MCO) contract. Article 7 of the Governor's Budget provided language to re-procure the MCO contract expected to take effect on September 1, 2016. EOHHS indicated savings would have been achieved through reducing the overall contract value with the expectation that performance-based incentive contracts will generate associated savings.

Nursing Facility Rate Increase**\$3.9 million**

The Budget includes \$3.9 million in general revenue (\$7.9 million all funds) to support a rate increase for nursing facilities. In Article 7 Section (2), the Budget reverses the Governor's proposal to freeze a scheduled rate increase to nursing facilities, scheduled to occur October 1, 2016. Article 7 further prescribes, that 85.0 percent of the aggregate amount of the increase shall be expended to fund an increase for wages, benefits, or related employee cost of direct care staff in nursing homes.

The Governor's proposal was intended to take effect in October 2016, maintaining current rates for nursing facilities resulting in \$2.0 million in general revenue savings in FY2017. While the Governor included \$2.0 million in general revenue savings, the Governor's proposal inadvertently did not apply the associated savings which would have been achieved in Managed Care payments to Nursing Facilities. The Budget restores the Governor's proposed savings as well as the additional \$1.9 million for Managed Care, a total increase of \$3.9 million in general revenue expenditures in FY2017 Budget.

Analyst's Note: The FY2016 Enacted Budget reduced nursing home rates, suspended the scheduled increase and delays the scheduled phase-in of a new reimbursement methodology for total general revenue savings of \$8.7 million (\$17.5 million all funds).

Children's Health Account**(\$3.2 million)**

The Budget reverses the Governor's FY2017 proposed savings initiative intended to increase the Children's Health Account (CHA) assessment on private insurers, generating \$4.0 million in general revenues. Article 9 of the Governor's budget included the language needed to increase this assessment. During the May Caseload Estimating Conference, annualized revenue projections associated with the CHA were reduced from \$4.0 million to \$3.2 million in FY2017, therefore reducing the total savings proposal.

The CHA fund provides commercially insured children with special health care needs access to Medicaid covered benefits not covered by commercial plans. These benefits include habilitative services and supports such as; nursing care, certified nursing assistant care, and durable medical equipment. This fund allows the Medicaid program to recoup costs associated with providing services to commercially insured children.

Graduate Medical Education

\$2.0 million

The Budget includes the Graduate Medical Education (GME) Program, increasing general revenue expenditures by \$2.0 million in FY2017. The Governor removed this initiative in her FY2016 Supplemental Budget request and proposed to repeal the statute governing appropriations for the GME program in Article 9 of her FY2017 proposed budget.

This program is entirely funded through general revenues and only available to Rhode Island's academic Level I trauma center hospitals that have a minimum of 25,000 discharges per year and employ at least 250 interns and residents per year. The Rhode Island Hospital is the only hospital in the state that qualifies for funding under these criteria. During the 2015 legislative session, the Governor recommended elimination of the funding for this program however the funding was reinstated in the Enacted FY2016 Budget.

Primary Care

\$1.5 million

The Budget reverses \$1.5 million in general revenue savings within the central management division of EOHHS. These savings were assumed due to the FY2015 Primary Care Physician Payment Settlement in the Governor's FY2017 Budget proposal. The Budget includes the associated savings for the Primary Care Physician Settlement within the May Caseload Estimating Conference, therefore reversing the savings included in the administrative division of the agency.

In 2013 the Affordable Care Act required states to increase Medicaid reimbursement to primary care and family medicine physicians. The increase was expected to elevate reimbursements from state Medicaid reimbursement rates to current federal Medicare rates, which are traditionally higher than Medicaid rates. Rhode Island's Medical Assistance program provided increased payments to primary and family physicians as required by the Affordable Care Act; however, the State did not fully maximize the federal funding. This oversight has resulted in the State's ability to seek a Primary Care Settlement from the Center for Medicaid and Medicare Services for fiscal years 2016 and 2017.

Turnover Savings

(\$1.2 million)

General revenues are reduced by \$1.2 million (\$2.2 million all funds) for associated turnover savings within the Department. The Department projected 173.0 filled FTE positions, assuming a 4.0 percent turnover rate resulting in \$884,523 in general revenue savings within the Governor's FY2017 Budget. The Budget further increases turnover savings assuming an additional 17.0 FTE position reduction. Within this turnover savings are the 3.0 FTE positions, which were included in the Governor's budget request for unclassified positions: Medicaid Program Director, Communication Director and Legislative/Policy Director.

Office of Health Analytics and Policy

(\$400,000)

The Budget removes the Governor's Budget initiative to create the Office of Health Analytics and Policy, decreasing general revenue by \$400,000 (\$800,000 all funds). This Office was proposed to centralize analytics for EOHHS and oversee statewide health policy initiatives. Additionally, a key function of the new Office was intended to calculate total cost of care and use this information to hold state payers and providers accountable for containing costs.

Administrative Improvements

(\$250,000)

The Budget restores \$250,000 in administrative savings in FY2017 that were predicted as of the result of the FY2016 Reinventing Medicaid initiative. Administrative improvements were proposed to save a combined total of \$2.0 million all funds in FY2016 and FY2017. The initiative aims to improve administrative efficiencies, particularly in the area of eligibility determinations and authorizations, thereby reducing personnel and administrative costs which result in savings.

The Budget reverses \$1.5 million in general revenue savings within the central management division of EOHHS. These savings were assumed due to the FY2015 Primary Care Physician Payment Settlement in

the Governor's FY2017 Budget proposal. The Budget includes the associated savings for the Primary Care Physician Settlement within the May Caseload Estimating Conference, therefore reversing the savings included in the administrative division of the agency.

In 2013 the Affordable Care Act required states to increase Medicaid reimbursement to primary care and family medicine physicians. The increase was expected to elevate reimbursements from state Medicaid reimbursement rates to current federal Medicare rates, which are traditionally higher than Medicaid rates. Rhode Island's Medical Assistance program provided increased payments to primary and family physicians as required by the Affordable Care Act; however, the State did not fully maximize the federal funding. This oversight has resulted in the State's ability to seek a Primary Care Settlement from the Center for Medicaid and Medicare Services for fiscal years 2016 and 2017.

Repurposing Savings toward Alternative Care Models

Informational

The Budget reverses the Governor's proposal in Article 9 to repurpose Disproportionate Share Hospital (DSH) payment and Upper Level Payments (UPL) payments to fund alternative care models for nursing facilities and hospitals. This initiative was intended to further long-term plans associated with the Reinventing Medicaid initiative, to ensure Rhode Islanders have access to a high quality, efficient health care delivery system aimed at delivering better health outcomes. The policy initiative was based on moving from "fee-for-service" payment models toward value-based purchasing. These initiatives were expected to be revenue neutral and assist EOHHS in their efforts to move toward value-based contracting with providers, particularly nursing facilities and hospitals.

Analyst's Note: The Executive Office of Health and Human Services is currently seeking approval from the Center for Medicaid and Medicare to leverage federal matching funds for Costs Not Otherwise Matchable (CNOM) that will be used to fund this initiative.

- **Disproportionate Share Payments (DSH):** Rhode Island's community hospitals receive payments from EOHHS and the federal government for the uncompensated care that hospitals provide to uninsured and indigent patients. These payments are commonly known as Disproportionate Share Hospital (DSH) payments. Article 9 would have amended "Uncompensated Care" language, changing the definition of a base year entirely and striking the provision establishing the disproportionate share hospital payment increase in FY2017. The Budget maintains the original language and should EOHHS receive CNOM approval, those federal matching funds will be used to fund the alternative payment incentive program.
- **Upper Payment Limits (UPL):** UPL payments compensate hospitals for the gap between what hospitals receive for Medicaid outpatient and emergency department services, and what they would have been paid for those services under Medicare reimbursement principles. In past fiscal years, the State has made a payment to hospitals, matched by the federal government, to bring its total Medicaid expenditures up to this Medicare upper payment limit, maximizing available federal funds. Article 9 would have repealed section 40-8.3-10 of the Uncompensated Care statute, eliminating both the inpatient and outpatient UPL payments to community hospitals in FY2017. The Budget does not repeal the Uncompensated Care statute and payments will not be repurposed.

DEPARTMENT OF CHILDREN, YOUTH AND FAMILIES

Youth Group Homes

(\$590,000)

The Budget transfers unspent RICAP funds for Youth Group Homes from FY2016 budget to the FY2017 budget. The Department of Children, Youth, and Families (DCYF) assesses and upgrades fire protection systems to all 111 privately owned and operated youth group homes and facilities throughout the State. The upgrades ensure facilities are compliant with current fire code. The Department indicates that it continues to work with private providers assessing and reviewing needed upgrades; therefore, they have not expended the FY2016 appropriation and expects the funds will be spent in FY2017.

Community Service Objective Grant

(\$210,256)

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in

the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The Budget eliminates \$210,256 in general revenue for Community Service Objective grants in the Department.

DEPARTMENT OF HEALTH

Community Service Grants **(\$319,445)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. All Community Service Objective Grants are eliminated in the Department of Health, resulting in \$319,445 in general revenue savings.

New Associate Director of Customer Services **(\$157,884)**

The Budget decreases in general revenue funds by \$157,884, eliminating the Governor's proposal to add an Associate Director to the Department of Health's proposed Division of Customer Service. The Governor proposed that this position would oversee the implementation of this new Division; provide policy and administrative guidance; and evaluate all programs for effectiveness and efficiency to improve outcomes.

New Scene Investigator Position **(\$92,843)**

The Budget reduces general revenue by \$92,843, eliminating the Governor's proposal to employ a new Scene Investigator for the Office of the Medical Examiner. This proposal would have increased the number of investigators from five to six, and complied with recommendations offered by the National Association of Medical Examiners (NAME). This recommendation was made to the Department in April 2015 as part of the NAME accreditation process. NAME indicated that the work of the Office is compromised by the lack of a sufficient number of investigators. The Department expected that the addition of one new investigator would decrease the amount of time needed to close cases, complete autopsy reports, and would permit the Department to respond in a more timely manner to inquiries from the Office of the Attorney General. Despite the aforementioned lack of resources, the Office has maintained accreditation.

Medical Marijuana Staffing (restricted receipts) **\$122,295**

The Budget increases restricted receipts by \$122,295 to fund staffing costs in the Medical Marijuana program. These restricted receipts will be funded via licensing fees, which will also fund expanded regulation, including new software for a tracking database. The Department of Health will continue to license patients and caregivers. Additionally, the Department will begin to issue a new license to "authorized marijuana purchasers", or individuals who are allowed to purchase medical marijuana from a compassion center and possess and transport the marijuana on behalf of a registered patient.

DEPARTMENT OF HUMAN SERVICES

May Caseload Estimating Conference **(\$3.5 million)**

The Budget decreases general revenue by \$3.5 million and decreases federal funds by \$2.1 million, as adopted by the May Caseload Estimating Conference. The decrease in general revenues is primarily due to the ability to fund child care via the federal Temporary Assistance to Needy Families (TANF) block grant more than previously considered permissible. Additionally, there is a \$5,187 general revenue decrease in the Supplemental Security Income program and an increase of \$12,900 in the General Public Assistance

program. The federal funds decrease is primarily due to a decrease in caseload in the Rhode Island Works program.

Race to the Top

(\$1.1 million)

The Budget decreases general revenue by \$1.1 million, eliminating the Governor's proposal to replace exhausted federal funds and extend programing that was supported by the federal Race to the Top Early Learning Challenge grant. The use of the federal funds was originally set to expire December 31, 2015, and has been extended until December 31, 2016.

Unspecified Senior Center Grants

(\$600,000)

The Budget decreases general revenue by \$600,000, eliminating the Governor's proposal to add \$600,000 to fund unspecified Senior Center Grants in FY2017.

Community Service Grants

(\$460,632)

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The Budget includes \$2.1 million in line item grants, and \$735,000 in pool grants in the Department of Human Services. There is a general revenue net decrease of \$460,632 in the program due to various grants being eliminated.

Line-Item Grants	FY2017
Boys and Girls Club of Rhode Island	\$250,000
Crossroads Rhode Island	300,000
Day One (Sexual Assault & Trauma Resource Center Of RI)	217,000
John Hope Settlement House	300,000
Rhode Island Community Action (All cap Grants)	520,000
RI Coalition Against Domestic Violence	300,000
RI Community Food Bank	175,000
Total	\$2,062,000
Pool Grants	FY2017
Elderly Nutrition	\$50,000
Elderly Security and Abuse	85,000
Senior Centers	400,000
Veterans Services	200,000
Total	\$735,000

Restore ORS CNOMs

\$294,101

The General Assembly restores \$294,101 in general revenue funds and \$321,175 in federal funds for costs not otherwise matchable (CNOM) programs within the Office of Rehabilitation Services (ORS). These programs seek to prevent disabled or elderly persons from moving to higher levels of care. Specifically, the General Assembly restores two rehabilitative services: Home Modifications program and the Personal Care Attendant program.

- The Home Modifications program helps to address physical barriers within the home with items such as, wheelchair ramps and shower replacements. This program serves approximately 20 individuals per year through the Ocean State Independent Living Center (OSCIL).
- The Personal Care Attendant (PCA) currently serves 11 people, and provides access to support for basic daily living skills for up to 20 hours per week.

Reinvent Medicaid **(\$250,000)**

The Budget restores administrative savings of \$250,000 in both general revenues and federal funds, totaling \$500,000 all funds. These savings are due to anticipated operational efficiencies and administrative simplifications with OHHS. This initiative requires an ongoing thorough review of staff assignments to ensure that proper workload, based on expertise is assigned to staff. To achieve savings, it is expected that positions that were slated to be filled will not be filled and existing staff will be redistributed throughout agencies.

Restore Volunteer Guardian Program **\$81,512**

The Budget restores \$81,512 in general revenues to the Division of Elderly Affairs (DEA) Volunteer Guardianship Program (VGP), which is level funded with the current year. Additionally, there is an increase of \$81,512 in federal funds, assuming that Medicaid funds can be matched for this program.

The purpose of the VGP is to provide guardianship services to low-income, older, at-risk persons who have been identified by a referral source as being in need of a guardian. Volunteers are appointed as "Good Samaritan" Guardians of the person by a Probate Court Judge and make important health care, residence, and relationship decisions (guardians, under this program, do not make decisions regarding the property or finance of the ward). As of December 2015, there are a total of 80 participants in this program.

Office of Veteran's Affairs New Positions **(\$80,431)**

The Budget decreases general revenue by \$80,431 and federal funds by \$200,000, eliminating the Governor's proposal to add three positions to the Veteran's Affairs Office. The Governor's proposal included two Chiefs of Veteran's Affairs and an Implementation Aide.

Restore Long Term Care Ombudsman **\$45,000**

The Budget restores \$45,000 in general revenues to the Long Term Care (LTC) Ombudsman. The total amount restored is \$90,000 due to a federal match and maintains level funding with current year. Currently, DHS contracts with the Alliance for Better Long Term Care to fulfill this position.

Alliance for Better Long Term Care advocates on behalf of residents of nursing homes, assisted living residences, other facility residents, and those who receive home care services. The ombudsman program identifies, investigates, and resolves complaints raised by residents, or persons acting on their behalf, of long term care facilities and persons receiving home or hospice care. According to their 2015 annual report, Alliance for Better Long Term Care opened 622 cases (each case involves one or more complaints) in FY2014.

Audit Personnel to DOA **(\$28,771)**

The Budget decreases in general revenue by \$28,771 and federal funds by \$102,005, reflecting the transfer of 1.0 FTE Supervising Eligibility Technician from the Department of Human Services to the Department of Administration due to the proposed centralization of audit functions. The purpose of this centralization process is to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. There is a corresponding increase in the Department of Administration's budget.

Transfer of Independent Living Council **(\$26,400)**

The Budget decreases in general revenue funds by \$26,400 and federal funds by \$228,750 due to the transfer of the Independent Living Program and Statewide Independent Living Council from the Department's Office of Rehabilitation Services to the Governor's Commission on Disabilities.

Veterans' Home Construction Project (federal funds) **\$10.0 million**

The Budget increases by \$10.0 million due to an anticipated partial grant award in FY2017 from the federal VA for the federal share of the cost for the Veterans' Home Construction Project. The Department anticipates that the full grant award will total \$60.6 million and it is currently unclear whether partial funding or full funding will be received in FY2017.

Disability Determination Services (federal funds) \$2.0 million

The Budget increases federal funds by \$2.0 million due to a 20.0 percent increase to medical consultants' salaries in Disability Determination Services. These services are under the Social Security Administration, which set forth the goal of increasing salaries. This federal funds increase is offset by the transfer of the Independent Living Program and Statewide Independent Living Council from the Department's Office of Rehabilitation Services to the Governor's Commission on Disabilities.

Veterans' Affairs Program Budget Error (restricted receipts) \$430,217

The Budget is increased by \$430,217 in restricted receipt funding due to an error made in the Department's budget submission; resources in the Veterans' program were not accounted for entirely.

BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES AND HOSPITALS**Division of Developmental Disabilities \$8.2 million**

The Budget includes an additional \$8.2 million in general revenue (\$16.9 million all funds) for the Division of Developmental Disabilities in FY2017. The Budget:

- Adds \$5.0 million in general revenue (\$10.2 million all funds) to supplant unachieved savings the Department proposed through an initiative to transition residents from group homes to Shared Living Arrangements.
- Increases general revenue by \$2.0 million (\$4.1 million all funds) to fund the requirements of the Consent Decree, including enhanced payments for integrated employment day services and direct care wages.
- Removes the Governor's FY2017 saving initiative to reduce professional services by \$2.2 million in general revenues (\$4.4 million all funds). The Department determined the transition of services to Managed Care Organizations (MCO) was not authorized through the existing MCO contracts.
- Reduces \$900,000 in general revenue (\$1.8 million all funds) for facilitative services and durable medical equipment spending.

Caseload Growth (\$2.9 million)

The Budget does not include the Governor's proposal to increase general revenue spending by \$2.9 (\$5.8 million all funds) associated with caseload growth. According to recent caseload reports from the Department, the number of individual eligible for services in FY2016 were slightly lower than in FY2015. The Budget does not include the proposed increase, therefore, decreases general revenues by \$2.9 million (\$5.8 million all funds).

Community Service Objective Grant (\$260,148)

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The Budget eliminates \$260,148 in general revenue for a Community Service Objective grants to the Department.

Eleanor Slater Hospital License Fee (\$91,778)

The Budget reduces the hospital licensing fee from 5.862 percent to 5.652 percent, thereby reducing the fee levied on Eleanor Slater Hospital. This reduction will reduce general revenue expenditures by \$91,778 (\$170,296 all funds) in FY2017.

CHILD ADVOCATE***Child Victims Services (federal funds)*** **\$100,000**

The Budget increases federal funds for the Child Victims Services, which supports victims of sexual assault, domestic violence, child abuse, and other violent crimes.

GOVERNOR'S COMMISSION ON DISABILITIES***Independent Living Program*** **\$26,400**

The Budget adds \$26,400 in general revenue and \$228,750 in federal funds reflecting the transfer (Article 4) of the administration of the Independent Living Program and the Statewide Independent Living Council from the Department of Human Services Office of Rehabilitation Services to the Commission effective October 1, 2016.

Help America Vote Act (HAVA) Grant (federal funds) **(\$10,297)**

The Budget eliminates \$10,297 for the Help America Vote Act (HAVA) grant. The decrease reflects the full expenditure of these federal funds in FY2016 per the federal requirement to expend all HAVA funds by June 30, 2016. The Commission utilized the HAVA funds to fund accessibility renovations to make polling places accessible to individuals with disabilities and to promote access and participation of individuals with disabilities in elections.

ELEMENTARY AND SECONDARY EDUCATION***Funding Formula Update*** **\$3.3 million**

Pursuant to statute, the enrollment data used to calculate the funding formula must be from the year prior to the year in which the aid is paid. The Budget increases FY2017 general revenue funding by \$3.3 million to adjust the sixth-year formula calculation based March 2016 student enrollment and free and reduced price lunch data. This adjustment brings the total for a total increase for the sixth year of the funding formula to \$34.1 million.

Full-Day Kindergarten Funding Formula Aid **\$2.6 million**

The Budget includes \$2.6 million to provide the fully-transitioned value of formula aid, beginning in FY2017, for districts that converted to full-time kindergarten in the 2014-2015 school year or thereafter. In FY2016, the Full-Day Kindergarten Accessibility Act was amended to require all districts to provide full-day kindergarten by August 2016.

Transportation Categorical **\$2.0 million**

The Budget provides an additional \$2.0 million over the FY2016 enacted level for the transportation categorical. This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor level funded this category at \$4.4 million in FY2017; the Budget includes \$6.4 million.

Community Service Grants **(\$1.3 million)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. CSO Grants are reduced by \$1.3 million, relative to the FY2016 Budget as Enacted.

Public School of Choice (Charter) Density Aid**(\$1.1 million)**

The Budget decreases funding for the new Public School of Choice (Charter) Density Aid by \$1.1 million, reflecting the decrease of the per-pupil amount from \$300 to \$175. Through Article 11, the Governor established a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. The per-pupil amount was calculated to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. The article required that the Department recalculate these costs every three years, in a manner to be determined by the Commissioner. The Budget includes \$1.5 million in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. The Governor's Fair Funding Formula Working Group recommended providing additional support to districts with high percentages of students enrolled in public schools of choice.

Innovation Fund Planning Grants**(\$1.0 million)**

The Budget eliminates funding for a new Innovation Fund Planning Grants program. As part of a strategic focus on building-level innovation and empowerment, \$1.0 million was included in the Governor's budget to provide both planning and implementation grants directly to schools to help fund the establishment of a statewide cohort of innovation and empowerment schools. The program would also have incentivized break-through educational models, innovation, enhanced building-level empowerment, and education practices that promote equity and increased efficiency. The planning grants would have been used to establish the first cohort of innovation and empowerment schools. Planning grants of \$25,000 to \$50,000 per school were to be awarded through a competitive process and used to initiate school and community wide conversations about innovation and autonomy.

Principal Empowerment and Training**(\$1.0 million)**

The Budget eliminates funding for a new Principal Leadership Program. As part of a strategic focus on building-level innovation and empowerment, \$1.0 million was included in the Governor's recommendation to provide both planning and implementation grants directly to schools to help fund the establishment of a statewide cohort of innovation and empowerment schools. The program was to build a sustainable model of identifying, developing, and credentialing emerging leaders who would work as members of school leadership teams through three initiatives.

- **Emerging Leaders Program:** Participants would become credentialed as K-12 Instructional Leaders. In the first year, about 35 educators from approximately five to eight schools will have the costs of participation provided through this fund. As the program moved forward, the costs for participation would be phased in to require candidates and their districts to bear some of the cost for earning the credential.
- **Leadership Practice Improvement Program:** This program would support the development of existing principals through online modules and on-site coaching. The intent was to fully fund training for about 135 principals over the next three years. Those principals with teams of educators in the Emerging Leader program and who are considering applying to be a school of choice, and those whose schools are struggling would be prioritized.
- **Principal Preparation Program at Rhode Island College:** Approximately 90.0 percent of Rhode Island's principals are prepared at either Rhode Island College (RIC) or Providence College. This component of the plan involved working with RIC faculty, as well Providence College faculty, to redesign the principal program to include strengthened selection, clinical experiences, and relevant coursework in school culture and leadership.

Career and Technical Schools**\$1.0 million**

The Budget increases the career and technical categorical funding by \$1.0 million. The Governor funded this category at \$3.5 million in FY2017, level funded with the FY2015 and FY2016 Budgets as Enacted. This fund contributes toward the initial investment needs to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies of higher cost programs at career and technical schools.

Under current law, the Department recommends criteria for the allocation of funds appropriated to this categorical program by the General Assembly. Through Article 11, the Budget empowers the Department to develop the criteria for the distribution of funds.

Group Home Aid**\$828,000**

The Budget provides an additional \$828,000 in Group Home Aid to increase the per-bed aid by \$2,000 for a total of \$17,000 per bed, except for beds associated with the Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which will increase by \$4,000 for a total of \$26,000 per bed. The Group Home aid category was created by the 2001 General Assembly to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes.

Fellowship for Instructional Excellence**(\$750,000)**

The Budget eliminates funding for the new Fellowships for Instructional Excellence program. The Governor recommended \$750,000 for FY2017, the first year of a proposed two-year fellowship program. The program would have brought approximately 7 master teachers from district schools to the Department of Education where the teachers will participate in high-quality professional development programs, and serve on and lead statewide educational projects. The teachers would leave the district for a year, the district would use a long-term substitute, if needed, to fill the gap. After the fellowship, the teacher would follow the plan made with the district upon accepting the fellowship.

Race to the Top – Early Learning Challenge Sustainability (3.3 FTE positions)**(\$569,700)**

The Budget eliminates \$569,700 in general revenue included by the Governor to sustain certain Race to the Top - Early Learning Challenge (RTTT-ELC) activities after the expiration of the grant on December 31, 2016. In December 2011, Rhode Island was awarded a Race to the Top - Early Learning Challenge grant for \$50.0 million over four years. The focus of the grant is to improve access to early learning programs as a strategy to close the preparation gap among children entering kindergarten. The federal grant supports work to expand the child-care program quality-rating system, provide professional development for individuals working in early-learning programs, build upon the statewide data system to monitor students from birth through their college years, and develop a statewide kindergarten assessment.

- The funding includes **\$219,700** to sustain 3.25 FTE positions for six months in FY2017; and,
- **\$350,000** to fund the Kindergarten Entry Profile (KEP) Survey initiative. The KEP would provide information to help teachers understand the developmental needs of the students to better tailor instruction, to educate parents, and to contribute toward a statewide measure of how Rhode Island children are doing when they enter kindergarten.

Recovery High School**\$500,000**

The Budget provides \$500,000 for the State's recovery high school, the Anchor Learning Academy. This school is management by Providence Center and has a maximum capacity of 20 students. The purpose of a recovery high school to provide an individualized program to students recovering from substance abuse to support in achieving personal recovery and academic goals.

Telecommunications Education Access Fund (E-Rate)**(\$500,000)**

The Budget eliminates new funding for the Rhode Island Telecommunications Education Access Fund (RITEAF or E-rate) provided in the Governor's recommendation. The purpose of the RITEAF is to fund a basic level of internet access for all qualified schools (kindergarten through grade 12) and libraries in the

State. In the past, the state match portion of the RITEAF has been derived from two sources: a monthly E-rate surcharge on landlines of \$0.26 per line and general revenues.

In addition to declining restricted receipt revenue, under the new federal rules Rhode Island federal subsidies declined. The federal subsidy is based on the income eligibility guidelines used for the free and reduced school lunch program. The federal subsidy is a discount on the cost of the internet access. For example, if a district has a 50.0 percent discount rate, the district pays the vendor providing the service 50.0 percent of the eligible costs. The vendor receives the remaining 50.0 percent directly from the federal program. Under the previous rules, Rhode Island received a federal discount of 65.0 percent. In FY2016, under the new rules that subsidy is 55.0 percent as the discount rate is calculated on a district-wide basis, instead of by building. Consequently, at a time when our education system is relying more heavily on wireless access, two of the three funding streams for this program are declining.

The Governor had increased funding for the state general revenue match for the E-Rate program in FY2017 by \$500,000; however, the funding is reduced to \$400,000, level funded with FY2016.

Schools Stabilization Funding

(\$394,971)

- **Davies Stabilization Fund (\$422,829):** Through Article 11, the Budget establishes a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$2.0 million provided in FY2017 includes \$1.7 million for state retirement expenses, since the teachers at Davies are part of the state system, and \$309,059 to offset the loss in revenues caused by the proposed \$355 per-pupil reduction in local tuition rates. The Budget reduces the stabilization amount by \$422,829 to reflect the impact of the district-specific tuition reduction enacted through the amended article.
- **Central Falls Stabilization Funds \$192,477:** Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This categorical was created due to concerns regarding the city's capacity to meet the local share of education costs. The Budget funds this category at \$4.8 million in FY2017, an increase of \$1.1 million from the enacted level. The increase of \$192,477 over the Governor's proposed budget is to reflect the impact of the district-specific tuition reduction enacted through the amended article.
- **Met School Stabilization Fund (\$164,619):** Through Article 11, the Budget establishes a stabilization fund to provide additional support to the Met School for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$297,135 provided in FY2017 by Governor is to offset the loss in revenues caused by the proposed \$355 per-pupil reduction in local tuition rates. The Budget reduces the stabilization amount by \$164,619 to reflect the impact of the district-specific tuition reduction enacted through the amended article.

Teacher Evaluation and Assessment Tools (RTTT)

(\$290,000)

The Budget eliminates \$290,000 in general revenue included by the Governor to support Rhode Island's model evaluation system. Of the total, \$150,000 provides for assessment training data analysis and maintenance support for Instruction Management System and \$140,000 was to maintain the system that schedules observations, track scores, and is linked to the RI teacher certification system. These expenses were previously funded through the original federal Race to the Top grant, which expired in June 2015. Through this grant program, new investments were made in standards and curriculum, instruction improvement systems, educator effectiveness, human capital development, and school transformation and innovation.

Education Specialist (RTTT – 1.0 FTE)

(\$107,843)

The Budget eliminates 1.0 FTE position and funding for an Education Specialist to support RI Evaluation Model. The new Education Specialist provided in the Governor's recommendation would have developed and implemented professional practice and foundations training for RI Model evaluators, developed and provided training on student learning aspect for all approved models, as well as produced guidebooks and other guidance documents on an annual basis. The position would have also provided technical support to

LEA's. The tasks to be performed through the new position were previously funded through the original federal Race to the Top, which expired in June 2015. Additional funding for these positions was not provided in FY2016.

Performance Management (RTTT – 1.0 FTE position) (\$72,491)

The Budget eliminates 1.0 FTE position and funding for a new Performance Management Executive position. This position would have been responsible for operation and maintenance of the department's performance management system, including ED Stats for major programs and performance review of professional staff. The tasks to be performed through the new position were previously funded through the original federal Race to the Top, which expired in June 2015. Additional funding for these positions was not provided in FY2016.

Other Funds Changes (RICAP) \$5,000

The Budget includes a net increase of \$5,000 in Rhode Island Capital Plan (RICAP) funding in FY2017 based on current expenditures and projections for various projects. The Budget:

- Reduces FY2016 funding by \$900,000 for the Davies HVAC project thereby eliminating funding for that fiscal year. The project has been delayed until the completion of the Facility Master Plan, anticipated to be completed in the upcoming months.
- Increases FY2017 funding by \$1.0 million for the Metropolitan School HVAC project to reflect updated project schedules: \$3.3 million in funding is shifted from FY2016 into FY2017 and FY2018.
- Transfers \$95,000 in RICAP funding for the Shepard Building Air Quality project from the Department of Elementary and Secondary Education to the Public Higher Education. This project replaces duct work in the HVAC system for the sixth floor office area of the Shepard Building containing offices for the Department of Elementary and Secondary Education. Recent indoor air quality testing indicates the potential presence of mold in the rooftop ductwork. About \$300,000 in RICAP funds was spent between FY2009 and FY2010 to install a supplemental air conditioning system for the sixth floor office area to remediate air quality issue. The ductwork was not replaced at that time, due to budget constraints.

PUBLIC HIGHER EDUCATION

Rhode Island Nursing Education Center (\$3.4 million)

The Budget eliminates \$3.4 million in general revenue funding for the Rhode Island Nursing Education Center due to the updated project schedule. The original plan had the school opening in September 2016. Currently the school is not expected to open until August 2017. The reduction in the Budget reflects operating savings due to the delayed opening. The Governor's Budget provided \$3.4 million for the State's share of the base lease, tenant improvements, and the first-year payments on the certificates of participation (COPs) for the Rhode Island Nursing Education Center. The FY2015 Budget as Enacted, through Article 4, authorized the Board of Education and the Department of Administration to enter into a multi-year lease with the developer (Commonwealth Ventures of Boston, Massachusetts) of the South Street Landing property (also referred to as the South Street Power Station or Dynamo House) in Providence for use as a Nursing Education Center by the University of Rhode Island (URI), Rhode Island College (RIC), and Brown University. The lease will run for an initial term of fifteen years, with a two-year extension option, beginning from the date the two schools take possession of their sections of the building.

Westerly Higher Education and Job Skills Center (3.0 FTE positions) \$750,000

The Budget includes \$750,000 in general revenue (\$3.1 million in all funds) for the Westerly Higher Education and Job Skills Center. The general revenue will to provide the state contribution toward the construction of the building. The Budget also includes \$2.0 million in RICAP funds for leasehold improvements and furnishings and \$361,925 in restricted receipts for 3.0 FTE positions to provide operations and management staff for the new center, including an Executive Director, a Marketing Director, and an Operations Coordinator. The restricted receipts will come from an occupancy fee charged for the use of the facility. The Council on Postsecondary Education and the Office of the Postsecondary

Commissioner will enter into a memorandum of understanding with parties associated with a new educational facility being built in Westerly. The facility will provide classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. The new job skill center will be managed through the Office of the Postsecondary Commissioner.

Community Service Grants **(\$519,302)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. CSO Grants are reduced by \$519,302, relative to the FY2016 Budget as Enacted.

Other Funds Changes (RICAP) **\$643,000**

The Budget includes a net increase of \$643,000 in Rhode Island Capital Plan (RICAP) funding in FY2017 based on current expenditures and projections for various projects, including:

- Increases RICAP funding for CCRI Asset Projection project by \$548,000.
- Transfers \$95,000 in RICAP funding for the Shepard Building Air Quality project to the Public Higher Education from the Department of Elementary and Secondary Education. This project replaces duct work in the HVAC system for the sixth floor office area of the Shepard Building containing offices for the Department of Elementary and Secondary Education. Recent indoor air quality testing indicates the potential presence of mold in the rooftop ductwork. About \$300,000 in RICAP funds was spent between FY2009 and FY2010 to install a supplemental air conditioning system for the sixth floor office area to remediate air quality issue. The ductwork was not replaced at that time, due to budget constraints.

Westerly Higher Education and Job Skills Center (3.0 FTE positions) (restricted receipts) **\$361,925**

The Council on Postsecondary Education and CCRI will enter into a memorandum of understanding with parties associated with a new educational facility being built in Westerly. The new job skill center will be managed through the Office of the Postsecondary Commissioner. The Budget provides \$361,925 in restricted receipts for 3.0 FTE positions to provide operations and management staff for the new center, including an Executive Director, a Marketing Director, and an Operations Coordinator. The financing will come from an occupancy fee charged for the use of the facility. This facility will provide classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. This would be in addition to the \$2.0 million in RICAP funds for construction.

RHODE ISLAND STATE COUNCIL ON THE ARTS

Restoration of the RI Film & Television Office (2.6 FTE positions) **\$331,838**

The Budget restores \$331,838 in general revenue funding and 2.6 FTE positions for the Rhode Island Film and Television Office in the Rhode Island Council on the Arts (RISCA). The Governor had eliminated the funding and positions for the Office. The FY2016 Budget as Enacted transferred the Office from the Department of Administration (DOA) to RISCA, where it had been prior to FY2013. The Office promotes Rhode Island as a site for film and television projects and, in conjunction with the Division of Taxation, manages the motion picture tax credit program.

Community Service Grants **\$80,426**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a

competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. CSO Grants are increased by \$80,426, relative to the FY2016 Budget as Enacted, and include a pool of \$200,000.

RHODE ISLAND ATOMIC ENERGY COMMISSION

Equipment Purchase (federal funds) **(\$17,886)**

The Budget shifts \$17,886 in federal grant funding from the federal Department of Energy to FY2016 from FY2017 in order to provide for an equipment purchase in FY2016. The equipment upgrade will integrate systems that monitor gamma, neutron, noble gas, and air particulate activity in the facility.

HISTORIC PRESERVATION HERITAGE COMMISSION

Community Service Objective Grants **(\$171,301)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The Budget reduces general revenues to the Historic Preservation Heritage Commission by \$171,301 related to the reductions to the Community Services Objective grant program. The Historic Preservation Heritage Commission will retain a \$30,000 line item grant for the Fort Adams Trust in FY2017.

ATTORNEY GENERAL

Crime Lab Equipment (restricted receipts) **\$260,000**

The Budget supports the improvement of the State Crime Laboratory with a \$260,000 restricted receipt appropriation (Google Forfeiture Funds). These monies will help with the acquisition of two critical instruments that will enhance the capacity of the lab to analyze both trace evidence and firearm and tool mark related evidence.

DEPARTMENT OF CORRECTIONS

Medication/Mediation Assisted Treatment **(\$500,000)**

The Budget reduces by half the general revenue support for the Medication/Mediation Assisted Treatment Program (MMAT) proposed in the Governor's budget to combat opioid abuse. This program, which is part of the Governor's Overdose Prevention and Intervention Task Force recommendations, is meant to screen for opioid disorder, conduct assessments, and provide method treatments for new inmates.

Pharmaceutical Savings **(\$400,000)**

Based on overall inmate population decline in the institutions and the corresponding reduction in per-diem pharmaceutical costs that the Department indicates will occur in FY2017, general revenue is reduced by \$400,000 in FY2017.

Sex Offender Discharge Planning **\$250,000**

The Budget adds \$250,000 in general revenue for the Department of Corrections to support the work done by Crossroads Rhode Island for sex offender discharge planning. Discharge planning involves pre-release counseling around housing, employment and mental health services.

Pre-Trial Population Initiative **\$150,706**

The Budget restores \$150,706 in general revenue that the Governor originally identified as staff and facility savings associated with the Governors' Justice Reinvestment Initiative's (JRI) pre-trial program elements.

The initiative included increased assessment of individuals for possible alternative programming other than incarceration; however, pending a final plan from the JRI, the Budget avoids taking the savings at this time.

Discharge Planning Services by Direct Staff **(\$93,000)**

The Budget reduces general revenue by \$93,000 allotted for departmental personnel costs associated with discharge planning. The Budget does not adopt the Governor's recommendation to bring discharge planning services in house. These services have historically been contracted out to community-based organizations. The reduction is equivalent to approximately 1.0 FTE.

Electronic Weapons Simulator **(\$80,000)**

The Budget does not include the \$80,000 in general revenue to purchase a new electronic weapons simulator as recommended by the Governor's budget. The simulator was to be used as part of the requalification process of correctional officers.

RICAP Shifts (RICAP) **(\$350,000)**

Based upon revised expenditure projections and timelines provided by Department and budget amendments submitted by the Governor, the Budget shifts funding for capital projects as follows:

- \$650,000 decrease in RICAP for Bernadette Guay renovation project, the original planned FY2017 phase now being moved out to FY2019 based on updated projections.
- \$300,000 increase in RICAP funding for Maximum Security facility to address new project timelines for FY2017.

JUDICIARY

Judicial Personnel **\$750,000**

The Budget includes funding for six of the eight justices appointed by the Governor and confirmed by the Senate during the 2016 General Assembly session. The Governor's original budget recommendation was based on a Judiciary payroll that did not reflect these positions because they were vacant at the time.

Community Service Grants **(\$35,319)**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The Budget includes line item grants of \$230,000 for the Domestic Violence Court Advocate Program, and \$90,000 for Rhode Island Legal Services. This is a reduction of \$35,319 from the Governor's recommendation.

Veteran's Treatment Calendar Grant (federal funds) **\$137,726**

The Budget allots \$137,726 in federal grant funds to pay for personnel resources to staff a new jail diversion program for veterans and an initiative to improve approaches to veteran specific substance abuse issues. The uses of the grant funds for these purposes have been approved by the U.S. Department of Justice.

MILITARY STAFF

Other Fund Changes (RICAP) **(\$1.5 million)**

The Budget includes a decrease of \$1.5 million in Rhode Island Capital Plan (RICAP) funding in FY2017 based on current expenditures and projections on various projects. The Budget:

- Decreases funding by \$1.5 million for the new Joint Force Headquarters Building project, to reflect the Rhode Island National Guard's revised timeline projecting the bulk of the planning and construction to occur during FY2018.

DEPARTMENT OF PUBLIC SAFETY

Turnover **(\$750,000)**

The Budget includes a \$750,000 reduction in general revenue costs related to the attrition in the 56th Training Academy class. Since the start of the class in February 2016, the number of recruits has dropped from 40 to 26. The attrition will lead to nine less troopers sworn-in than planned (35) in FY2017.

Pre-1987 Pension Trust Fund for State Police **\$366,372**

The Budget provides \$366,372 of general revenue funding for state's required contribution under the pay-go pension system for the State Police. The funding is part of an overall plan that to establish a new trust fund that will be capitalized by Google Forfeiture monies, the use of which was approved by the Department of Justice in March of 2016. The Budget also reduces restricted receipts by \$1.0 million.

Reimbursements from State Agencies for State Police Services (other funds) **(\$453,433)**

The Budget eliminates the Governor's proposal to charge state agencies for services provided to them by the State Police. This was originally recommended by the State Police, but was subsequently asked to be removed from the budget by a Governor's amendment. The Budget reduces other funds by \$453,433 accordingly.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Clean Diesel Program **\$2.0 million**

The Budget includes \$2.0 million for the new Rhode Island Clean Diesel Fund established within the Department of Environmental Management (DEM) through Article 16. The program is intended to reduce emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program. Grants for up to 50.0 percent of project costs will be awarded by DEM pursuant to rules and regulations promulgated by the Department. To be eligible for funding, equipment must be registered with the Rhode Island Division of Motor Vehicles, be garaged in Rhode Island, and certified by DEM that 50.0 percent of more of the vehicle miles traveled or hours operated are in Rhode Island for at least five years following the grant award. Administrative and outreach costs for the program are capped at \$200,000 annually or 10.0 percent of the fund appropriation, whichever is greater.

Environmental Scientist and Senior Legal Counsel (2.0 FTE positions) **(\$207,869)**

The Budget eliminates 2.0 FTE positions and \$207,869 in general revenue for the salary and benefits of a new Environmental Scientist (\$89,538) and a Senior Legal Counsel (\$118,331). The Governor had originally included the positions and the funding in the Budget. According to the Department, the new environmental scientist would have decreased response time to complaints of non-compliance and enforce new provisions of the amended wetlands and cesspool statutes. The legal counsel would have pursued litigation to compel compliance and ensure payment of administrative fines and penalties.

Community Service Grants **\$128,572**

The FY2017 Budget includes major changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits. CSO Grants are increased by \$128,572, relative to the FY2016 Budget as Enacted. The FY2017 Budget contains a line-item grant of \$200,000 for the North Providence drainage project.

Local Agriculture and Seafood Act **\$100,000**

The Budget restores funding of \$100,000 in general revenue to fund the Local Agriculture and Seafood Grant program. The Local Agriculture and Seafood Grant program was established to support the growth, development, and marketing of local food and seafood within Rhode Island. The program was launched in FY2014 and is co-administered by the Division of Agriculture, within the Rhode Island Department of Environmental Management, and the Rhode Island Food Policy Council. Grants are awarded through a competitive process open to farmers, fishermen/women, non-profits, and producer groups based in Rhode Island.

Building Code Commission to Foundry Building **(\$54,805)**

The Budget reduces funding by \$54,805 in general revenue for rental costs due to the transfer of the Building Code Commission to the Foundry Building. The Department of Environmental Management indicates that there is sufficient space for the Commission, and the rental costs for the space occupied by the Commission will be paid by the Department of Administration; consequently, DEM's budget will reflect the corresponding decrease in rental costs. The Building Code Commission oversees the approval of state projects for conformance to the Americans with Disabilities Act (ADA) and accessibility standards and building codes. The Commission also conducts a variety of training programs for code officials and those in the building trades.

Other Funds Changes (RICAP) **\$1.0 million**

The Budget includes a net increase of \$ million in Rhode Island Capital Plan (RICAP) funding in FY2017 based on current expenditures and projections for various projects. The Budget:

- Shifts \$230,000 from FY2016 to FY2017 for the state-owned dam rehabilitation to reflect updated project schedules.
- Shifts \$700,000 from FY2018 to FY2017 for the Fort Adams Sailing Improvements project for the new Mid-Park Marine and Education center.
- Shifts \$500,000 from FY2016 to FY2017 for the Natural Resources Offices/Visitor's Center to reflect updated project schedules.
- Shifts \$400,000 from FY2017 to FY2018 for the Marine Infrastructure/Pier Development rehabilitation to reflect updated project schedules.

COASTAL RESOURCES MANAGEMENT COUNCIL**Coastal Environmental Risk Index (federal funds)** **\$50,000**

The Budget increases federal funding by \$50,000 for the second and final year of a new federal grant from the Housing and Urban Development Community Development Block Grant (HUD CDBG) disaster funding. The grant will be used to develop a Coastal Environmental Risk Index (CERI) through a cooperative agreement between the University of Rhode Island and the Coastal Resources Management Council. The CERI will be an on-line tool to assess the risk to structures and infrastructures from storm surge, waves, sea level rise, and shoreline erosion. The grant, totaling \$200,000 over two years, will be used to develop pilot projects in Charlestown and Warwick.

South Coast Restoration Project (RICAP) **\$61,118**

The Budget shifts \$61,118 in RICAP funds for the South Coast Restoration Project in FY2017 from FY2016 into FY2017 to reflect the updated project schedule for dredging in Ninigret Pond. The project will help the marsh adapt more quickly to future sea level rise, reduce erosion, and mitigate flooding of the area during future storm surges.

DEPARTMENT OF TRANSPORTATION

Maintenance Equipment Replacement (RICAP)

(\$1.0 million)

The mild winter conditions in FY2016 resulted in lower than planned expenditures within RIDOT's maintenance division. This surplus can be used to offset RICAP spending originally budgeted for the repair and replacement of maintenance equipment.



FY2016 SUPPLEMENTAL BUDGET

Revenue Changes

The Governor proposed \$3,596.2 million in general revenues for FY2016, an increase of \$52.4 million (1.5 percent) over the enacted level. The Budget increases available general revenue collections for FY2016 by \$38.8 million for the following adjustments:

May Revenue Estimating Conference

\$38.8 million

The May 2016 Revenue Estimating Conference (REC) increased net available general revenues for the State for FY2016 by 38.8 million. The Conference revised its November 2015 estimate on personal income tax collections by an additional \$10.0 million. FY2016 sales and use taxes remained the same as estimated in November at \$981.0 million. Departmental receipts were up from the previous year by \$9.7 million.

Expenditure Changes by Agency

DEPARTMENT OF ADMINISTRATION

Turnover and Operating Savings **(\$1.9 million)**

The Budget decreases general revenue by \$1.9 million based on anticipated turnover savings for the Department of Administration. As of the May 28, 2016, payroll report, the Department has 74.2 FTE positions vacant reflecting a 10.4 percent vacancy ratio.

Statewide Operational Savings to FY2017 **\$1.9 million**

The FY2016 Budget as Enacted included \$8.2 million in statewide general revenue savings to be identified in the current fiscal year. This included \$5.0 million from personnel and operating reforms to be achieved in part through negotiations with the various labor bargaining units and \$3.2 million in further contractual and operating savings. The savings were stated under the Department of Administration to be distributed to State agencies as part of the revised budget. The FY2016 Revised Budget allocates \$6.3 million of these amongst the State agencies. The balance, \$1.9 million is shifted to FY2017 as a negative appropriation and tasks the Department to identify savings in the next fiscal year. The Department requires a restoration of \$1.9 million in FY2016, reflecting the unachieved savings.

Land Use Planning Grant **(\$56,079)**

The Budget eliminates funding for the Land Use Planning Grant. These funds are used to reimburse municipalities for the costs of developing municipal comprehensive plans, including surveys, inventories and other data-gathering activities, planning and other technical staff, planning consultants, contracts for planning and related services. The Division of Statewide Planning has overseen the disbursement of these funds over the years, but has run into difficulty getting communities to complete the process for reimbursement. A total of \$56,079 remains unexpended. The Division has set June 30, 2016 as the deadline for all requests for reimbursements, so the program can be closed out.

Debt Service **(\$40,369)**

The Budget decreases general revenue funded debt service payments by \$40,369. The reduction reflects the State's trustee possessing cash on hand to offset the debt service on a number of certificate of participation (COPs) projects including the DLT Center General Building (\$3,749), Central Power Plant (\$10,999), Shepard's Building (\$15,067), and the 2011 Energy Conservation Issuance (\$10,554).

Lean Government Grant (restricted receipts) **\$55,000**

The Budget adds \$55,000 in restricted receipts reflecting the receipt of a grant from the Rhode Island Foundation to the Office of Management and Budget for the integration of lean tools and resources to build lean processing tools among state employees. The Rhode Island Foundation grant totals \$110,000 to be split between FY2016 and FY2017.

Victims Assistance Portal (federal funds) **\$19,389**

The Budget adds \$19,389 in federal funds, reflecting the January 2016 receipt of a second grant from the federal Victims of Crime Act by the Division of Information Technology for enhancements to the Victim Assistance Portal. The portal is an online tool that allows for electronic claims submission. Previously all claims had to be sent in paper form.

Other Funds Changes (RICAP) **(\$2.9 million)**

The Budget includes a net decrease of \$2.9 million in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections on various projects. The Budget:

- Adds \$50,000 for ongoing maintenance issues as part of the State House Renovations project.

- Decreases funding by \$785,000 for the Zambarano Building Rehabilitation project to reflect the Department of Administration’s revised project timeline.
- Decreases funding by \$235,000 for the Pastore Center Rehabilitation project to reflect the Department of Administration’s revised project timeline.
- Adds \$80,000 for the Old State House project to reflect the Department of Administration’s revised project timeline.
- Decreases funding by \$500,000 for the State Office Building project to reflect the Department of Administration’s revised project timeline. This includes a shift of \$170,000 to FY2017 to complete the elevator replacement.
- Adds \$195,000 for the Old Colony House project to reflect expenditures consistent with the FY2016 Budget as Enacted.
- Decreases funding by \$353,000 for the Pastore Center Electrical Utility Upgrades to reflect the Department of Administration’s revised project timeline.
- Adds \$22,000 to meet forecasted expenditures regarding two projects with an accelerated completion date. This completes the Bellville and Cherry Hill fuel depots.
- Increases the Big River Management Area project by \$50,000 to reflect unanticipated expenses occurring with the Fish Hill Road emergency culvert repair.
- Decreases funding by \$362,000 for the Chapin Health Laboratory RICAP project to reflect the Department of Administration’s revised project timeline.
- Decreases funding by \$170,000 for the Pastore Center Parking RICAP project to reflect the Department of Administration’s revised project timeline.
- Adds \$223,000 for the Pastore Water Tanks project to reflect the Department of Administration’s expenditure forecast.
- Decreases funding by \$1.1 million for the Virks Building Renovation project to reflect the Department of Administration’s revised project timeline.
- Increases funding by \$72,000 for the Pastore Cottages project reflecting additional costs to complete renovations to the three structures.
- Decreases funding by \$27,972 for the Ladd School Building Demolition. The project is complete. No further funding is required at his time.

DEPARTMENT OF BUSINESS REGULATION

Turnover Savings

(\$300,000)

The Budget reduces general revenue by \$300,000 to reflect current year savings associated with personnel turnover, equivalent to approximately 2.3 FTEs. The enacted budget authorized 98.0 FTEs, and the Governor’s budget recommended the same. The Department averaged 17.0 vacant FTE positions for the fiscal year.

Staff Training and Technology Enhancements

(\$40,000)

The Department began implementing a multi-year reform initiative across its divisions with the goal of increasing efficiency and providing better customer service. This “transformation” initiative consists of three elements – the implementation of lean processes and training, improvement of staff skills and the deployment of smart communication and management technology. The Budget reduces general revenues by \$40,000 for this initiative based on the changed implementation timeline, particularly relative to the technology enhancements, for which the Department is still developing its plan.

EXECUTIVE OFFICE OF COMMERCE**Turnover** **(\$250,000)**

The Budget decreases general revenue by \$250,000 based on anticipated turnover savings as stated in the 3rd Quarter Report. As of the May 28, 2016, payroll report, the Department has 2.0 FTE positions vacant reflecting a 12.5 percent vacancy ratio.

Community Service Objectives **(\$237,000)**

The Budget reduces funding by \$237,000 in general revenue reflecting undistributed awards to two organizations, including a reduction of \$187,000 to the Small Business Administration, which is a federal government program and cannot accept state appropriations, and a reduction of \$50,000 to the Ocean State Higher Education Economic Development and Administrative Network (OSHEAN).

Housing and Community Development (federal funds) **\$2.7 million**

The Budget increases federal funds by \$2.7 million, reflecting increased funding for five federal grants within the Housing and Community Development Program, including \$2.0 million for the FY2014 Community Development Block Grant (CDBG), \$500,000 for the recently awarded FY2015 CDBG received by the State, \$75,000 for the CDBG Administrative grant, \$70,000 to close out the FY2009 CDBG award, and \$10,000 for the Housing Preservation grant expenditures expected during FY2016.

I-195 Redevelopment District Commission – RICAP (other funds) **\$11,240**

The Budget increases RICAP funds by \$11,240 for permitting, modeling, and architectural and engineering costs incurred by the I-195 Redevelopment District Commission to prepare the parcels for development. The increase in funds reflects the unspent portion of the RICAP appropriation from the FY2015 Budget as Enacted to FY2016. The Commission was created to acquire and administer the development of over 40 acres of former I-195 highway land. To assist with this task, the Commission requires architectural, engineering, and other professional services.

Analyst's Note: The FY2017-FY2021 Capital Budget includes the requested RICAP appropriation of \$311,240, reflecting the re-appropriation of the unspent funds from FY2015; however, the re-appropriated amount was inadvertently left out in the Governor's original supplemental budget in 2016-H-7454 (Article 10) for FY2016.

Economic Development Initiative Program **Informational**

The Budget provides a technical change for two line items within the Economic Development Initiatives program of the Commerce budget. There is no fiscal impact. The amendment renames Innovation Network Grants line item the Innovation Initiative and renames the Innovation Vouchers program the Innovation Network Grants program.

DEPARTMENT OF LABOR AND TRAINING**Misclassification Task Force** **(\$90,678)**

The Budget eliminates the Governor's proposal to bolster monitoring and workforce development initiatives at the Department. This eliminates 3.0 Labor Standards Examiners positions proposed for the Misclassification Task Force, in the Injured Worker Services and Workforce Regulation and Safety program, resulting in a decrease of \$90,678 in general revenue and a decrease of \$86,711 in restricted receipts to fund a portion of the personnel costs.

Unemployment Insurance (other funds) **\$2.8 million**

The Budget increases other fund expenditures by \$2.8 million for projected higher Unemployment Insurance (UI) benefit payments to other states (\$2.2 million), increased Reed Act expenses (\$315,000), and increased UI Trust Fund availability (\$288,499).

Workforce Development Services (federal funds) \$272,845

The Budget adds \$272,845 in federal funds, reflecting an increase of \$96,042 in projected expenditures for the Workforce Innovation and Opportunity Act grant, and an increase of \$176,803 for a new Women’s Paid Leave grant.

The Women’s Paid Leave grant was awarded to the Department from the U. S. Department of Labor to the University of Rhode Island for research and analysis of a “Temporary Caregiver Insurance (TCI) Expansion Project.” The project includes gap analysis addressing issues and subsequent activities to expand access to the TCI program.

Grant Monitoring and Evaluation (restricted receipts) (\$90,744)

The Budget eliminates a 1.0 Principal Auditor position and 2.0 Senior. Monitoring and Evaluation Specialists, proposed for grant monitoring and evaluation in Workforce Development Services program, resulting in a decrease of \$90,744 in restricted receipts to fund a portion of the personnel costs and a decrease of \$60,498 in federal funds to fund a portion of the personnel costs.

State Workforce and Education Alignment Project (other funds) (\$70,011)

The Budget eliminates the Governor’s proposal to bolster monitoring and workforce development initiatives at the Department. This action eliminates 1.0 Principal Research Technician position proposed for the State Workforce and Education Alignment Project in the Workforce Development Services program, resulting in a decrease of \$70,011 in other funds for personnel costs.

DEPARTMENT OF REVENUE**Property Revaluation Reimbursements (\$394,510)**

The Budget reduces general revenue by \$394,510 based upon the actual costs of reimbursements for property revaluations being conducted by cities and towns in FY2016. The original amount in the Budget was based upon the most recent cost estimates at the time of its preparation.

Municipal Incentive Aid Reappropriation (\$104)

The Budget reduces general revenue by \$104 as a technical adjustment to the municipal aid reappropriation.

Lottery Commission Payments (other funds) (\$8.4 million)

Based on the May 2016 Revenue Estimating Conference’s revised figures, revenue from the Lottery will be 3.0 percent lower in FY2016 as compared to the previous year. The result is a corresponding decrease in overall prize payouts, therefore the Budget reduces general revenue for these payouts by \$8.4 million.

Division of Taxation - Federal Grants to Fisherman (federal funds) \$519,700

\$519,700 in federal funds have been added to the Budget reflecting the 2016 receipt of an additional round of National Oceanographic and Atmospheric Administration (NOAA) grant funding from its Groundfish Disaster Fund. The Department of Revenue pays fishermen on behalf of the Department of Environmental Management for lost income experienced as result of fish kills in RI fisheries. Stricter limitations have been put on catch limits for groundfish in the Northeast Region. Different regions throughout the country had different disasters declared for various fish types. Federal funds have been made available to assist boats/fisherman during such conditions. RI DEM awards funds to owners and fishermen based on eligibility criteria established within the grant application. The Division of Taxation distributes the awards after each awardee is reviewed to see if they had outstanding debt (taxes, child support, unemployment, etc.). Debts are offset prior to distribution of the funds.

Lottery Building Renovations (RICAP) \$206,303

Renovations at the Pontiac Avenue headquarters of the Lottery will be completed in FY2016. The Budget increases capital funds by \$206,303 in order to complete the final stage, the upgrade to the HVAC system.

Motor Fuel Tax Evasion (other funds) \$160,000

The Department of Transportation (DOT) has provided the Department of Revenue with \$160,000 in other funds to implement part of a new grant with the purpose of reviewing compliance with the Motor Fuel Tax. DOT receives federal funds through Federal Highway Administration for motor fuel enforcement efforts. Many of these efforts are implemented by the Division of Taxation. Taxation tracks the hours worked on the grant and submits an invoice to DOT quarterly for reimbursement. This agreement ends June 30, 2017.

OFFICE OF THE SECRETARY OF STATE**Voter Rolls Improvement Grant (restricted receipts) \$35,000**

As result of its membership and work with the Electronic Registration Information Center (a national non-profit whose mission is to improve the administration of election registrations), the Secretary of State received a Pew Charitable Trust funded grant of \$35,000 (restricted receipt) to advance the accuracy of voter registration in Rhode Island. The period of performance of the grant takes place within FY2016.

OFFICE OF THE GENERAL TREASURER**Banking Services (\$100,000)**

The Budget decreases general revenue by \$100,000 reflecting reduced banking service expenses as stated in Treasury's 3rd Quarter Report. The Treasurer's Office reports that the "State's improved cash position, rising interest rates and more sophisticated cash management techniques" as the reason for the reduced costs.

Unclaimed Property (restricted receipts) \$3.8 million

The Budget increases \$3.8 million in restricted receipt expenses associated with the transfer to the state general fund, reduced claim payments, and an increase in the fund liability reserve costs to support the Unclaimed Property program. The need for the additional expenditures was determined during the May 2016 Revenue Estimating Conference.

Retirement System 2.0 FTE Positions (restricted receipts) (\$120,486)

The Budget eliminates the Governor's proposal to add 2.0 FTE positions in FY2016, reflecting the addition of a 1.0 Principal Projects Manager to assist in the implementation of the new computer system and 1.0 Intermediate Accountant position to enhance the Retirement System's financial reporting. This reduces restricted receipt expenditures by \$120,486.

CollegeBoundfund 1.0 FTE Program Director (other funds) (\$55,020)

The Budget eliminates the Governor's proposal to add 1.0 FTE positions in FY2016 reflecting the filling of a 1.0 Director of Member Services position for the CollegeBoundfund to monitor the investments of the fund and manage the program. This reduces other expenditures \$55,020.

OFFICE OF THE GOVERNOR**Reappropriation (\$91,630)**

The Budget reduces general revenue by \$91,630 adjusting for the salary and benefits portion of Governor's Office's reappropriation amount.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES**May Caseload Conference \$2.0 million**

The May Caseload Estimating Conference (CEC) increases FY2016 general revenue expenditures by \$2.0 million and reduces federal fund expenditures by \$30.0 million as a result of increased spending in Rhody

Health Options and Managed Care. Federal fund expenditures will decrease by \$30.0 million primarily due to lower than expected costs associated with Medicaid expansion members.

Graduate Medical Education

\$2.0 million

The Budget includes the Graduate Medical Education (GME) Program, increasing general revenue expenditures by \$2.0 million in FY2016. The Governor removed this initiative in her FY2016 Supplemental Budget request and proposed to repeal the statute governing appropriations for the GME program in Article 9 of her FY2017 proposed budget.

This program is entirely funded through general revenues and only available to Rhode Island's academic Level I trauma center hospitals that have a minimum of 25,000 discharges per year and employ at least 250 interns and residents per year. The Rhode Island Hospital is the only hospital in the state that qualifies for funding under these criteria. During the 2015 legislative session, the Governor recommended elimination of the funding for this program however the funding was reinstated in the Enacted FY2016 Budget.

Primary Care

\$949,293

The Budget reverses \$949,293 in general revenues savings within the Central Management division of EOHHS that were assumed due to the FY2015 Primary Care Physician Payment Settlement in the Governor's FY2016 Budget proposal. The Budget includes the associated savings for the Primary Care Physician Settlement within the May Caseload Estimating Conference, therefore reversing the savings included in the administrative division of the agency.

In 2013 the Affordable Care Act required states to increase Medicaid reimbursement to primary care and family medicine physicians. The increase was expected to elevate reimbursement from state Medicaid reimbursement rates to current federal Medicare rates, which are traditionally higher than Medicaid rates. Rhode Island's Medical Assistance program provided increased payments to primary and family physicians as required by the Affordable Care Act; however, the State did not fully maximize the federal funding. This oversight has resulted in the State's ability to seek a Primary Care Settlement from the Center for Medicaid and Medicare Services in FY2016 and FY2107.

Turnover Savings

(\$749,293)

General revenues are reduced by \$749,293 for associated turnover savings within the Department. The Departments third quarter report included 163.0 filled FTE positions, with 24.0 FTE positions remaining vacant. The Budget assumes saving associated with the vacant FTE positions.

Reinventing Medicaid Administrative Savings

(\$500,000)

The Budget restores \$500,000 in general revenue savings for improved administrative efficiencies that were removed in the Governor's Revised Budget request. Savings targets for this initiative were \$1.0 million all funds in FY2016. Restoring the \$500,000 in savings will achieve full savings proposed in the Governor's Enacted Budget. This initiative was intended to improve efficiencies within programs within EOHHS, particularly with eligibility determinations and authorizations.

Utilization Review Contract

(\$389,701)

The Budget reduces general revenues by \$389,701 due to reduced services needed for the hospital admissions screening and utilization review contract administered by the EOHHS.

Electronic Visit Verification

(\$252,203)

The Budget includes a reduction of \$252,203 in general revenues expenditures associated with the Reinventing Medicaid program integrity initiative, Electronic Visit Verification (EVV). Delayed implementation has resulted in unexpended funds previously earmarked for contracted vendors in FY2016.

The EVV program that will monitor the delivery of Medicaid home based services such as personal care and homemaker services. Implementation of the initiative is ongoing.

DEPARTMENT OF CHILDREN, YOUTH AND FAMILIES***Youth Group Homes (RICAP)* (\$590,000)**

The Budget transfers \$590,000 unspent RICAP funds for Youth Group Homes from FY2016 to FY2017. The Department of Children, Youth, and Families (DCYF) assesses and upgrades fire protection systems to all 111 privately owned and operated youth group homes and facilities throughout the State. The upgrades ensure facilities are compliant with current fire code. The Department continues to work with private providers assessing and reviewing needed upgrades, therefore they have not expended the FY2016 appropriation and expects the funds will be expended in FY2017.

DEPARTMENT OF HEALTH***Turnover* (\$250,000)**

The Budget decreases general revenues by \$250,000 to account for additional personnel turnover, equivalent to approximately 2.5 FTEs. The enacted budget authorized 490.6 FTEs, and the Governor's budget funded approximately 462.0 FTEs. As of May 14, 2016, the Department had 445.6 filled FTEs.

***Community and Family Health and Equity Programs (restricted receipts)* \$2.2 million**

The Budget increases restricted receipts that are funded via an assessment on health insurers to purchase the state supply of vaccines by \$2.2 million. The Budget increase is to purchase Meningococcal B vaccines, which were not originally included in the enacted budget. The vaccine is recommended by the Vaccine Advisory Committee to be offered as part of the state supply. The Department purchases the vaccine and then disperses it to community health providers.

DEPARTMENT OF HUMAN SERVICES***Turnover* (\$1.5 million)**

The Budget decreases general revenues by \$1.5 million and federal funds by \$1.6 million to account for additional personnel turnover, equivalent to approximately 31.6 FTEs. The enacted budget authorized 959.1 FTEs, and the Governor's budget funded 912.2 FTEs. As of May 14, 2016, the Department had 874.1 filled FTEs.

***Home and Community Care CNOM* (\$276,670)**

The Budget decreases general revenue by \$276,670 in the Division of Elderly Affairs. Additionally, there is an associated federal funds decrease of \$444,028 due to federal medical assistance percentages (FMAP) matching rates. This decrease, reflected in the Department's third quarter report, is due to current year spending in the CNOM Day Care program and CNOM Home Care program.

***May Caseload Estimating Conference—Cash Assistance* \$156,437**

The Budget increases general revenue by \$156,437 and decreases federal funds by \$3.1 million as adopted by the May Caseload Estimating Conference. The general revenue increase is due to an increase of \$133,445 in the Supplemental Security Income Program and an increase of \$22,922 in General Public Assistance. The federal funds decrease is primarily due to the optimization of the Temporary Assistance to Needy Families (TANF) block grant in relation to the State's Child Care Assistance Program. The State is able to charge the TANF block grant above the 30.0 percent cap on child care spending, which was previously considered to be unallowable.

***Community Service Grant* (\$2,372)**

The Budget decreases general revenue by \$2,372 due to CODAC Behavioral Healthcare declining a Community Service Grant.

Disability Determination Services (federal funds) **\$2.0 million**

The Budget increases federal funds by \$2.0 million in the Office of Rehabilitation within the Individual and Family Support Program. Per the Social Security Administration, medical consultants within the Disability Determination unit will experience a 20.0 percent salary increase.

LIHEAP Audit (federal funds) **\$640,860**

The Budget increases federal funds by \$640,860 in the Individual and Family Support Program. This increase is due to audit findings from a previous year that allowed the State to recoup federal funds. The funds will be allocated to the Low-Income Home Energy Assistance Program (LIHEAP).

Veterans' Affairs (restricted receipts) **\$576,326**

The Budget increases in restricted receipts by \$576,326. A portion of this increase, \$461,692, is due to an error the Department made in their budget submission. Additionally, there is an increase of \$114,634 due to a recently settled wrongful termination lawsuit settlement.

Refugee School Impact Program (federal funds) **\$299,604**

The Budget increases federal funds by \$299,604 in the Individual and Family Support Program. This increase is due to funding awarded to the Refugee School Impact Program within the Division of Refugee Assistance. The funding supports activities that promote integration and education of refugee children.

BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES AND HOSPITALS***Division of Developmental Disabilities*** **\$1.8 million**

The Budget increases general revenue expenditures in the Division of Developmental Disabilities by \$1.8 million (\$3.4 million all funds). The increased spending is the result of unachieved savings initiative that intended to shift individuals from group home settings to Shared Living Arrangements. The increased spending in the Division of Developmental Disabilities is offset by \$915,585 in reduced general revenue spending in the Divisions of Central Management, Hospital and Community Support, Behavioral Healthcare and Hospital and Community Habilitative Services.

Other Funds Changes (RICAP) **(\$1.1 million)**

The Budget decreases \$ 1.1 million in Rhode Island Capital Plan (RICAP) funding in FY2016 due to updated expenditure projections for several projects.

- \$438,528 decrease in RICAP funding for improvements to administrative buildings at the Pastore Complex, shifting \$237,736 to FY2017.
- \$250,000 decrease in RICAP funding for Fire Code upgrades to community mental health and development disability facilities.
- \$250,000 decrease in RICAP funding for improvements to community mental health facilities.
- \$200,000 decrease in RICAP funding for Fire Code upgrades to private developmental disability facilities. Additionally, the Budget reduces \$350,000 in federal matching funding for this project in FY2016.
- \$181,860 increase in RICAP funding for rehabilitation and improvements to Eleanor Slater Hospital.
- \$164,240 decrease in funding for improvements to state owned regional developmental disability facilities.

COMMISSION ON DISABILITIES***Help America Vote Act (HAVA) Grant (federal funds)* **(\$10,466)****

The Budget adds \$10,466 in federal funds from the Help America Vote Act (HAVA) grant. The increase in the appropriation is necessary to fully expend the federal funds prior to the expiration of the grant funding on June 30, 2016. The Commission utilizes the HAVA grant to fund accessibility renovations to make polling places accessible to individuals with disabilities and to promote access and participation of individuals with disabilities in elections.

ELEMENTARY AND SECONDARY EDUCATION***ACES Personnel and Operating Savings* **(\$600,000)****

The Budget includes \$600,000 in general revenue personnel and operating savings within the Department. The personnel savings is due to holding positions open longer than anticipated. At an average cost of \$123,171, the reduction equates to 4.9 positions. As of the May 2, 2016, the Department of Elementary and Secondary Education has 23.4 vacancies.

School for the Deaf Personnel Savings* **(\$200,000)*

The Budget includes \$200,000 in additional turnover savings within the School for the Deaf from holding positions open longer than anticipated. At an average cost of \$98,830, the reduction equates to 2.0 positions. As of the May 2, 2016, the School for the Deaf has 5.6 vacancies.

JASON Project - Community Service Grants* **(\$500,000)*

The Budget decreases community service grants by \$500,000 in general revenue for the JASON Project, since the grant was not awarded in FY2016. The JASON Project was founded in 1989 to provide curriculum and learning experiences in science, technology, engineering, and math (STEM) for K-12 students, and high-quality professional development for teachers. Available online at jason.org, JASON's curricula place students in real-world situations where they are connected with and mentored by leading STEM professionals. Each curriculum features print and digital materials, hands-on activities, videos and online games for students, as well as lesson plans, implementation tips, professional development, and a powerful digital platform for educators.

United Providence – Community Service Grants* **(\$100,000)*

The Budget eliminates funding for the community service grant to United Providence (UP). UP was a school reform partnership between the Providence School District and the American Federation of Teachers established to transform three of the lowest performing schools in the State, Alvarez High School, Gilbert Stuart Middle School, and Lauro Elementary School. The UP was dissolved in 2015.

Rhode Island Legal/Educational Partnership (Mock Trials) – Community Service Grants* **(\$3,020)*

The Rhode Island Legal/Educational Partnership (Partnership) has produced the Rhode Island Mock Trial Tournament since 1984 to educate student participants about the judicial system and provide an opportunity to gain new perspectives and self-confidence. The budget eliminates funding for this program since the non-profit status of the Partnership was revoked.

Other Funds Changes (RICAP)* **(\$3.8 million)*

The Budget includes a net decrease of \$3.8 million in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections for various projects. The Budget:

- Reduces FY2016 funding by \$3.3 million for the Metropolitan School HCAV project to reflect updated project schedules. Funding is shifted from FY2016 into FY2017 and FY2018.
- Reduces FY2016 funding by \$498,000 Davies HVAC project to project to reflect updated project schedules: The funding is shifted into FY2017 and FY2018.

PUBLIC HIGHER EDUCATION***College Access Challenge Grant (federal funds)*** **\$606,500**

Through an amendment, dated April 20, 2016, the Budget increases federal funding for the College Access Challenge Grant by \$606,500, for a total amount of \$1.4 million. The increase is for awards committed in FY2015 that will be disbursed in FY2016. The grant funds provide professional development for school counselors, college admissions and financial aid administrators to increase postsecondary attainment for underrepresented students. FY2016 is the final year of funding for this five-year grant program.

Prepare RI (other funds) **\$409,120**

The Budget includes \$1.3 million from the tuition savings program for a dual and concurrent enrollment initiative that will allow qualified high school students to earn credits at their high school and credits at state public colleges and universities (URI, CCRI, and RIC) at no cost to the student. Concurrent enrollment is defined as credit hours earned when a high school student is taking a college course for both high school and college credit during the high school day. Dual enrollment allows a high school student to be enrolled at a local institution of higher education. If a student passes a college class, the credits received may be applied toward a high school diploma and toward a college degree as well. Due to demand exceeding projections, the program is expected to exceed the previously authorized expenditure by \$409,120.

RHODE ISLAND STATE COUNCIL ON THE ARTS***Providence Performing Arts Center - Community Service Grants*** **(\$15,188)**

The Providence Performing Arts Center (PPAC) has been a long-time recipient of a \$15,188 community service grant; however, the PPAC has indicated to the Rhode Island Council on the Arts (RISCA) that they will no longer be claiming the grant.

RHODE ISLAND ATOMIC ENERGY COMMISSION***Equipment Purchase (federal funds)*** **\$17,886**

The Budget shifts \$17,886 in federal grant funding from the Department of Energy to FY2016 from FY2017 in order to provide for an equipment purchase in FY2016. The upgrade will integrate systems that monitor gamma, neutron, noble gas, and air particulate activity in the facility.

HISTORIC PRESERVATION HERITAGE COMMISSION***Community Service Objective Grant*** **(\$4,808)**

The Budget reduces \$4,808 in general revenue community service objective grant support to the Historic Preservation Heritage Commission for unspent funds related to the Rhode Island Japan Society, Language and Cultural Center. The Center is no longer eligible to receive funding due to revocation of their corporation status.

ATTORNEY GENERAL***Personnel and Operating Savings*** **(\$900,000)**

The Budget decreases general revenues by \$900,000 to account for FTE positions and operating savings. The enacted budget authorized 236.1 FTE positions, and the Governor's budget funded approximately 234.3 FTEs. As of May 14, the Department had 231.1 filled FTEs.

DEPARTMENT OF CORRECTIONS***Turnover*** **(\$1.0 million)**

The Budget decreases general revenues by \$1.0 million to account for additional personnel turnover, equivalent to approximately 8.14 FTEs. The enacted budget authorized 1,419.0 FTEs and the Governor's budget funded approximately 1,361.7 FTEs. As of May 14, the Department had 1,317.0 filled FTEs.

COLA Calculation **(\$500,000)**

Based upon the Department's third quarter projections, cost of living adjustment (COLA) expenditures are lower than planned. The Budget reduces general revenue down by the \$500,000 in savings.

Pharmaceutical Savings **(\$400,000)**

Based on overall inmate population reduction and the corresponding reduction in per-diem pharmaceutical costs in FY2016, general revenue is reduced by \$400,000 in the Budget.

SCAAP **(\$25,577)**

The Department is transferring correctional officer overtime from the budgeted Intake Service Center (general revenue funds) over to the federally-funded State Criminal Alien Assistance Program (SCAAP). The latter program received an additional award from the US Bureau of Justice to house incarcerated/undocumented inmates. There is a corresponding increase in federal funds.

Other Funds Changes (RICAP) **(\$3.3 million)**

Based upon revised expenditure projections and timelines provided by DOC and the Governor's budget amendments, the Budget shifts funding for capital projects which are incomplete or have yet to begin. Changes include:

- \$711,000 decrease in RICAP for Bernadette Guay roof renovation project, which has been moved out to FY2018, based on updated projections for current projects and expenditures for other projects which were completed in the fiscal year.
- \$2.0 million for Medium Infrastructure renovations is delayed (out to FY2018) as the Department has yet to award the design contract.
- \$600,000 in RICAP funding for Maximum Security facility renovations is shifted to FY2018.

Custody and Security (restricted receipts) **\$35,000**

The U.S. Department of Justice has approved the use of \$35,000 in federal asset forfeiture funds to assist DOC in its participation in law enforcement activities. The approval was predicated on the Department's participation on both a Bureau of Alcohol, Tobacco and Firearm and Explosive task force and a Federal Bureau of Investigation task force. It is anticipated that the funds will be used to DOC investigations.

JUDICIARY***Turnover and Operational Savings*** **(\$400,000)**

The Budget decreases general revenues by \$400,000 to account for additional personnel turnover, equivalent to approximately 3.6 FTEs. The enacted budget authorized 724.3, and the Governor's budget funded approximately 695.4 FTEs. As of May 14, the Department had 663.4 filled FTEs.

Veteran's Treatment Calendar Grant (federal funds) **\$108,326**

The Budget allots \$108,326 in federal grant funds to pay for personnel resources to staff a new jail diversion program for veterans and an initiative to improve approaches to veteran specific substance abuse issues. The uses of the grant funds for these purposes have been approved by the U.S. Department of Justice.

MILITARY STAFF***Cybersecurity Commission Initiative*** **(\$50,000)**

The Budget removes \$50,000 in general revenue under the State Activation account to fund Military Staff participation in the Rhode Island Cybersecurity Commission Initiative. The Rhode Island National Guard does not anticipate any expenditures on this item because the plans implementing the State's cybersecurity protection are not yet finalized. Therefore, the appropriation can be removed from the current fiscal year.

National Guard Anti-Terrorism Program (federal funds) **\$72,047**

The Budget adds \$72,047 in federal funds to fund two 100.0 percent federally-reimbursable contracted service positions within the National Guard Anti-Terrorism program and Distance Learning program. This includes an Army National Guard Anti-Terrorism Program Manager II position at \$34,829 and an Information Technology System Supervisor position at \$36,410. Neither position will impact the agency's FTE authorization level.

Other Funds Changes (RICAP) **(\$700,000)**

The Budget includes a decrease of \$700,000 in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections on various projects. The Budget:

- Decreases funding by \$500,000 for the new Joint Force Headquarters Building project, to reflect the Rhode Island National Guard's revised project timeline.
- Decreases funding by \$200,000 for various asset protection projects to reflect the Rhode Island National Guard's revised timeline projecting the bulk of the planning and construction to occur during FY2018.

DEPARTMENT OF PUBLIC SAFETY***Pre-1987 Pension Trust Fund for State Police*** **\$1.0 million**

The Budget capitalizes the new pension trust with \$1.0 million in general revenue. This investment is accompanied by an additional \$14.0 million in Google forfeiture funding. The fund was established for State Police troopers hired prior to 1987 who are currently receiving benefits through a pay-as-you-go system.

Turnover Savings **(\$600,000)**

The Budget reduces general revenue by the \$600,000 (equivalent to approximately 6.0 FTEs) to reflect current year savings associated with personnel. The Department has averaged 573.3 filled full-time positions through May 2016, 59.9 fewer than authorized.

Reimbursements from State Agencies for State Police Services (other funds) **(\$226,908)**

The Budget eliminates the Governor's proposal to charge state agencies for services provided to them by the State Police. This was originally recommended by the State Police, but was subsequently asked to be removed from the budget by a Governor's amendment. The Budget reduces other funds by \$226,908 accordingly.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT***Personnel Savings*** **(\$75,000)**

Based on projections in the third quarter report, the Budget contains an additional \$75,000 in personnel savings to reflect estimated salary and benefit costs in FY2016. At an average cost of \$111,875, the reduction equates to 0.7 positions. As of the May 14, 2016, full-time equivalent (FTE) positions report, the Department of Environmental Management has 19.0 vacancies.

Other Funds Changes (RICAP) (\$2.9 million)

The Budget includes a net decrease of \$2.9 million in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections for various projects. The Budget:

- Reduces FY2016 funding by \$730,000 for the State-owned dam rehabilitation to reflect updated project schedules: \$230,000 is shifted into FY2017.
- Adds \$376,869 for the Fort Adams Sailing Improvements to close out the heavy-duty pier project. When the Volvo Races began in May 2015, it was assumed the project was completed; however, some final items and the retainage remained. The work was put on hold for the summer. After the end of FY2015, the project was completed and the Department received the final bill but the project had been considered finished and the remaining funds redistributed.
- Shifts \$100,000 from FY2016 to FY2018 for the Marine Infrastructure/Pier Development rehabilitation to reflect updated project schedules.
- Shifts \$2.4 million from FY2016 to FY2017 and FY2018 for the Natural Resources Offices/Visitor's Center to reflect updated project schedules.

Statewide Trail Recreational Projects (other funds) \$1.3 million

The Budget increases funding for DOT Recreational Projects by \$1.3 million to reflect projected expenditures for FY2016. The funds will be used for trail design, construction, and maintenance at Rocky Point in Warwick and Oak Bluffs on Block Island.

COASTAL RESOURCES MANAGEMENT COUNCIL**Narrow River Salt March Restoration Project (federal funds) (\$1.8 million)**

Funding from the United States Fish and Wildlife Services (USFWS) will be used to restore the Narrow River estuary and adjacent shoreline through dredging, enhanced salt marsh elevation, and creation of 3.5 acres of salt marsh to protect the area from erosion. However, due to project schedules, the USFWS has decided to complete the project through the Nature Conservancy, instead of the Coastal Resources Management Council (CRMC); consequently, federal funding for this project will be reduced by \$1.8 million in FY2016. The CRMC is still providing dredging expertise for the project.

Coastal Environmental Risk Index (federal funds) \$150,000

Through an amendment, dated April 20, 2016, the Budget increases federal funding by \$150,000 for the first year of a new federal grant from the Housing and Urban Development Community Development Block Grant (HUD CDBG) disaster funding. The grant will be used to develop a Coastal Environmental Risk Index (CERI) through a cooperative agreement between the University of Rhode Island and the Coastal Resources Management Council (CRMC). The CERI will be an on-line tool to assess the risk to structures and infrastructures from storm surge, waves, sea level rise, and shoreline erosion. The grant, totaling \$200,000 over two years, will be used to develop a pilot project in Charlestown and Warwick.

HUD-Pawtuxet River Modeling Project (federal funds) \$25,089

The Budget increases federal funding by \$25,089 for the HUD-Pawtuxet River Modeling Project. Through a partnership between the University of Rhode Island Ocean Engineering Department and the CRMC, the project will develop a hydrological, hydraulic model for the Pawtuxet watershed to help with flood mitigation and planning. The total grant award is \$175,059 for the project.

Other Funds Changes (RICAP) (\$323,401)

The Budget includes a net decrease of \$323,401 in Rhode Island Capital Plan (RICAP) funding in FY2016 based on current expenditures and projections for various projects:

- Shifts \$321,775 for the South Coast Restoration Project from FY2016 into FY2017 to reflect updated project schedules. The project will help the marsh adapt more quickly to future sea level rise, reduce erosion, and mitigate flooding of the area during future storm surges.
- Eliminates \$1,626 for the Shoreline Change Beach Special Area Management Plan (SAMP) to reflect final project costs. The SAMP is intended to provide practical, science-based tools and techniques for protecting and developing shoreline assets that are vulnerable to erosion and flooding caused by storm surge and sea level rise.

DEPARTMENT OF TRANSPORTATION

Maintenance Equipment Replacement (RICAP)

(\$2.0 million)

The mild winter conditions in FY2016 resulted in lower than planned expenditures within RIDOT's maintenance division. This surplus will be used to offset RICAP spending originally budgeted for the repair and replacement of maintenance equipment.



SPECIAL REPORTS

FTE Position Authorization

The FY2016 Budget as Enacted authorizes 15,118.4 FTE positions. At the start of the fiscal year, 13,684.0 FTE positions (90.5 percent of the original enacted authorized amount) were filled, leaving 1,434.4 FTE positions vacant, a rate of 9.5 percent. Since the start of the fiscal year, the State has a net decrease of 13.7 filled FTE positions. As of May 28, 2016, 13,670.3 FTE positions (90.4 percent of the authorized amount) were filled, leaving 1,448.1 FTE positions vacant.

Function	FY2016 Enacted	FY2016 Governor	FY2016 Budget	Change to Governor	FY2017 Governor	FY2017 Budget	Change to Governor
General Government	2,330.2	2,351.7	2,330.7	(21.0)	2,391.7	2,339.7	(52.0)
Human Services	3,747.6	3,745.6	3,745.6	0.0	3,753.6	3,617.6	(136.0)
Education	3,884.6	3,886.6	3,884.6	(2.0)	3,918.6	3,909.9	(8.7)
Public Safety	3,229.6	3,229.6	3,229.6	0.0	3,246.6	3,202.6	(44.0)
Natural Resources	428.0	428.0	428.0	0.0	430.0	428.0	(2.0)
Transportation	752.6	752.0	752.0	0.0	741.0	701.0	(40.0)
Subtotal	14,372.6	14,393.5	14,370.5	(23.0)	14,481.5	14,198.8	(282.7)
Higher Ed. Sponsored Research	745.8	745.8	745.8	0.0	745.8	745.8	0.0
Total FTE Positions	15,118.4	15,139.3	15,116.3	(23.0)	15,227.3	14,944.6	(282.7)

FY2016 FTE CHANGES TO THE GOVERNOR

The Budget includes a total of 15,116.3 FTE positions, 23.0 FTE positions less than the level proposed in the Governor's Supplemental Budget. Changes include:

- **A decrease of 11.0 FTE positions in the Department of Administration:** The Budget eliminates 11.0 FTE positions. The Governor added 12.0 FTE positions which included the transfer of 5.0 FTE positions from other agencies for the centralization of capital projects in the Department, 4.0 new FTE positions within the Capital Asset Maintenance and Management program, and 3.0 new FTE positions within the Office of Management and Budget increased performance management functions. The Budget adds 1.0 Deputy Building Commissioner position, resulting in a net decrease of 11.0 positions.
- **A decrease of 7.0 FTE positions in the Department of Labor and Training:** The Budget removes 7.0 FTE positions recommended by the Governor to bolster monitoring and workforce development initiatives at the Department. This includes 3.0 FTE positions for the Misclassification Task Force, 3.0 FTE positions for grant monitoring and evaluation, 1.0 FTE position for the State Workforce and Education Alignment project.
- **A decrease of 3.0 FTE positions in General Treasury:** The Budget removes 3.0 FTE positions recommended by the Governor. This includes a 1.0 Principal Projects Manager and 1.0 Intermediate Accountant position within the Employees' Retirement System and includes a 1.0 Director of Member Services position for the CollegeBoundfund in FY2016.
- **A decrease of 2.0 FTE positions in Elementary and Secondary Education:** The Budget removes 2.0 new FTE positions recommended by the Governor for the Department of Elementary and Secondary Education. The Budget eliminates 1.0 FTE position for an Education Specialist to support RI Evaluation Model. The Budget also eliminates 1.0 FTE position for a new Performance Management Executive position that would have been responsible for operation and maintenance of the department's performance management system, including ED Stats for major programs and performance review of professional staff. The tasks to be performed through the new position were previously funded through the original federal Race to the Top, which expired in June 2015.

FY2017 FTE CHANGES TO THE GOVERNOR

The Budget includes a total of 14,944.6 FTE positions, a net decrease of 282.7 FTE positions from the Governor's proposed FTE authorization for FY2017, and 194.7 FTE positions less than the Governor's FY2016 Revised Budget recommendation. Changes include:

- **A decrease of 35.0 FTE positions in the Department of Administration:** The Budget removes 11.0 FTE positions, including: 4.0 FTE position in the Division of Capital Asset Management and Maintenance. 3.0 FTE positions in the Office of Performance Management, a 1.0 Billing Clerk position in Central Management, a 1.0 RIFANS Database Administrator, a 1.0 Implementation Aide in Purchasing, and a 1.0 FTE Administrator in the Office of Energy Resources. The Budget eliminates another vacant 24.0 FTE positions. This reduction represents long term vacant positions within the Department.
- **A decrease of 7.0 FTE positions in the Department of Business Regulation:** The Budget reduces the Office of the Health Insurance Commissioner's rate review staff by 9.0 FTE positions. This staff has previously been funded by a series of federal grants that have ended. This amount is offset by an increase of 2.0 FTEs to support the newly established medical marijuana regulatory responsibilities.
- **A decrease of 7.0 FTE positions in the Department of Labor and Training:** The Budget removes 7.0 FTE positions recommended by the Governor to bolster monitoring and workforce development initiatives at the Department. This includes 3.0 FTE positions for the Misclassification Task Force, 3.0 FTE positions for grant monitoring and evaluation, 1.0 FTE position for the State Workforce and Education Alignment project.
- **A decrease of 3.0 FTE positions in General Treasury:** The Budget removes 3.0 FTE positions recommended by the Governor. This includes a 1.0 Principal Projects Manager and 1.0 Intermediate Accountant position within the Employees' Retirement System and includes a 1.0 Director of Member Services position for the CollegeBound*fund*.
- **A decrease of 8.0 FTE positions EOHHS:** The Budget removes 8.0 FTE positions from EOHHS in FY2017. This reduction represents long-term vacant positions within the Department.
- **A decrease of 43.0 FTE positions in the Department of Children, Youth, and Families (DCYF):** The Budget removes 43.0 FTE positions in DCYF in FY2017. This reduction represents long-term vacant positions within the Department.
- **A decrease of 20.0 FTE positions in the Department of Human Services:** The Budget removes 20.0 FTE positions from the Department of Human Services in FY2017. This reduction primarily represents long term vacant positions within the Department. The Budget eliminates the Governor's proposal of adding 3.0 FTEs in the Veterans Affairs Office, two Chiefs of Veterans Affairs and an Implementation Aide.
- **A decrease of 65.0 FTE positions in BHDDH:** The Budget removes 65.0 FTE positions from BHDDH in FY2017. This reduction represents long term vacant positions within the Department.
- **A decrease of 14.3 FTE positions in Elementary and Secondary Education:** The Budget eliminates 1.0 FTE position for an Education Specialist to support RI Evaluation Model and 1.0 FTE position for a new Performance Management Executive position. The Budget also eliminates 3.25 FTE positions for Race to the Top - Early Learning Challenge (RTTT-ELC) activities. Lastly, the Budget eliminates 9.0 vacant FTE positions. This reduction represents long term vacant positions within the Department.
- **An increase of 3.0 FTE positions in Higher Ed:** The Budget includes \$361,925 in restricted receipts for 3.0 FTE positions to provide operations and management staff for the new Westerly Higher Education and Job Skill Center, including an Executive Director, a Marketing Director, and an Operations Coordinator. The restricted receipts will come from an occupancy fee charged for the use of the facility.

The Council on Postsecondary Education and CCRI will enter into a memorandum of understanding with parties associated with a new educational facility being built in Westerly. The facility will provide classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. The new job skill center will be managed through the Office of the Postsecondary Commissioner.

- **An increase of 2.6 FTE positions for the Arts Council:** The Budget restores \$331,838 in general revenue funding and 2.6 FTE positions for the Rhode Island Film and Television Office in the Rhode Island Council on the Arts (RISCA). The Governor had eliminated the funding and positions for the Office. The FY2016 Budget as Enacted transferred the Office from the Department of Administration (DOA) to RISCA, where it had been prior to FY2013. The Office promotes Rhode Island as a site for film and television projects and, in conjunction with the Division of Taxation, manages the motion picture tax credit program.
- **A decrease of 1.0 FTE position at the Office of the Attorney General:** The Budget reduces the Attorney General's authorized FTE by 1.0 FTE position.
- **A decrease of 13.0 FTE positions in the Department of Corrections:** The Department of Corrections' FTE cap is lowered by 13.0 positions due to consistently carrying high FTE vacancies.
- **A decrease of 4.0 FTE positions in Military Staff:** The Budget removes 4.0 FTE positions from the Military Staff in FY2017. This reduction represents long term vacant positions within the Agency.
- **A decrease of 3.0 FTE positions in Emergency Management Agency:** The Budget removes 3.0 FTE positions from Emergency Management Agency in FY2017. This reduction represents long term vacant positions within the Agency.
- **A decrease of 23.0 FTE positions in the Department of Public Safety:** The Budget reduces the authorized FTE level of a number of state agencies that have consistently carried high levels of vacancies. The Department of Public Safety's FTE level is reduced down by 13.0 FTE positions.
- **A decrease of 2.0 FTE positions for the Department of Environmental Management:** The Budget eliminates 2.0 FTE positions and \$207,869 in general revenue for the salary and benefits of a new Environmental Scientist (\$89,538) and a Senior Legal Counsel (\$118,331). The Governor had originally included the positions and funding in the Budget. According to the Department, the new environmental scientist would have decreased response time to complaints of non-compliance and enforce new provisions of the amended wetlands and cesspool statutes. The legal counsel would have pursued litigation to compel compliance and ensure payment of administrative fines and penalties.
- **A decrease of 40.0 FTE positions in the Department of Transportation:** The Department of Transportation's FTE cap is lowered by 40.0 FTE positions due to consistently carrying high FTE vacancies.

Community Service Objective Grants

The FY2017 Budget includes significant changes to the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The Chairs of the House and Senate Finance Committees sent a joint letter to agencies noting the grant awardees, and amounts of the awards. The State agencies then managed the application, award, and reconciliation processes for the grants.

Beginning in the FY2017 Budget, the CSO program will be administered differently. The program now consists to two components: line-item grant awards, and pooled grants.

LINE-ITEM GRANTS

The FY2017 Budget contains 26 line-item grants, appearing in 12 agency budgets, totaling \$5.1 million. Awardees are identified in the appropriations act, with a brief description of the grant purpose. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

A table showing line-item grants is on the following page.

POOL GRANTS

The Budget also contains pool grants that will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The FY2017 Budget contains five grant pools, totaling \$935,000.

Pool	Agency	FY2017
Arts	RI State Council on the Arts	\$200,000
Elderly Nutrition	DHS, Division of Elderly Affairs	50,000
Elderly Security and Abuse	DHS, Division of Elderly Affairs	85,000
Senior Centers	DHS, Division of Elderly Affairs	400,000
Veterans Services	DHS, Office of Veterans Affairs	200,000
Total		\$935,000

Line Item Community Service Objective Grants

Department	Agency	FY2017 Governor	FY2017 Budget	Change to Governor
Arts	Providence WaterFire	\$375,000	\$375,000	\$0
Arts Total		375,000	375,000	-
DEA	Alliance For Better Long Term Care	38,475	40,000	1,525
	Diocese Of Providence (Respite Care)	136,680	140,000	3,320
	RI Meals On Wheels	530,000	530,000	-
DEA Total		705,155	710,000	4,845
DEM	North Providence Drainage Remediation -Elliot Avenue		200,000	200,000
DEM Total			200,000	200,000
DHS	Boys and Girls Club of Rhode Island	250,000	250,000	-
	Crossroads Rhode Island	302,500	300,000	(2,500)
	Day One (Sexual Assault & Trauma Resource Center Of RI)	216,944	217,000	56
	John Hope Settlement House	300,000	300,000	-
	Rhode Island Community Action (All cap Grants)	520,000	520,000	-
	RI Coalition Against Domestic Violence	93,787	300,000	206,213
	RI Community Food Bank	172,819	175,000	2,181
	VNA Statewide	172,529	-	(172,529)
DHS Total		2,028,579	2,062,000	33,421
DOA	City Year	5,771	50,000	44,229
DOA Total		5,771	50,000	44,229
DOH	VNS Home Health Services Family Outreach Program	61,506	-	(61,506)
DOH Total		61,506	-	(61,506)
EI/Sec	COZ	245,000	245,000	-
	Hasbro Childrens Hospital	90,000	90,000	-
EI/Sec Total		335,000	335,000	-
HP&H	Fort Adams Trust	28,857	30,000	1,143
HP&H Total		28,857	30,000	1,143
Judicial	Domestic Violence Court Advocacy Program	229,094	230,000	906
	Rhode Island Legal Services	91,125	90,000	(1,125)
Judicial Total		320,219	320,000	(219)
OPC	Best Buddies Program	30,000	30,000	-
	Children's Crusade/ College Crusade	356,538	355,000	(1,538)
OPC Total		386,538	385,000	(1,538)
Secretary of State	Rhode Island Historical Society	121,620	125,000	3,380
Secretary of State Total		121,620	125,000	3,380
URI	Polaris Manufacturing Extension Program	350,000	250,000	(100,000)
	Small Business Development Center -URI	250,000	250,000	-
	Special Olympics	50,624	50,000	(624)
URI Total		650,624	550,000	(100,624)
Grand Total		\$5,018,869	\$5,142,000	\$123,131

Municipal Issues

For FY2017, the Motor Vehicle Excise Tax Reimbursement is funded at the FY2016 Enacted level. The budget includes an additional \$1.9 million for the Payment in Lieu of Taxes (PILOT) program, allowing for a full 27.0 percent reimbursement rate. An additional \$2.0 million is added for the Distressed Communities program, and \$900,000 in additional library aid is budgeted. Funding for the Municipal Incentive Aid program is eliminated as it was a three-year program, saving \$5.0 million. Meal and Beverage Tax and Hotel Tax collections are projected to increase slightly for FY2017 based on historic collection rates.

Tables showing impacts by community are included at the end of this analysis.

Municipal Aid FY2015 - FY2017								
Program	FY2015	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Budget	Change from Enacted	
Payment in Lieu of Taxes	\$40.1	\$40.1	\$40.1	\$0.0	0.0%	\$42.0	\$1.9	4.7%
Distressed Communities	10.4	10.4	10.4	-	0.0%	12.4	2.0	19.3%
Motor Vehicle Excise Tax	10.0	10.0	10.0	-	0.0%	10.0	-	0.0%
Municipal Incentive Aid	5.0	5.0	5.1	0.1	2.7%	-	(5.0)	-100.0%
State Aid to Libraries								
Grant-in-Aid	8.8	8.8	8.8	-	0.0%	9.4	0.6	6.7%
Library Construction	2.3	2.7	2.7	-	0.0%	2.2	(0.4)	-16.5%
Total Direct Aid	\$76.6	\$76.9	\$77.0	\$0.1	0.2%	\$75.9	(\$1.0)	-1.2%
Public Service Corporations Tax	\$14.3	\$14.3	\$13.0	(\$1.3)	-8.8%	\$13.0	(\$1.3)	-8.8%
Meals & Beverage Tax	23.6	25.2	25.2	0.0	0.0%	26.0	0.9	3.4%
Hotel Tax	7.4	9.0	9.7	0.7	7.6%	9.9	0.9	10.0%
Airport Impact Fees	1.0	1.0	1.0	-	0.0%	1.0	-	0.0%
Total Indirect Aid	\$46.4	\$49.5	\$48.9	(\$0.6)	-1.2%	\$50.0	\$0.5	1.0%
Total Aid	\$123.0	\$126.4	\$125.9	(\$0.4)	-0.3%	\$125.9	(\$0.4)	-0.3%

\$ in millions. Totals may vary due to rounding.

DIRECT AID TO LOCAL GOVERNMENT

Payment in Lieu of Taxes (PILOT)

The Payment in Lieu of Taxes (PILOT) program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if it were subject to taxation. The objective is to offset the costs to the community for providing public safety or other municipal services to the properties and facilities covered by the statute.

For FY2017, PILOT increases by \$1.9 million from the FY2016 level, to \$42.0 million. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The FY2017

Fiscal Year	PILOT Funding Trends		
	Total Funding	% Change	% Reimbursed
2008	27.8	0.0%	25.4%
2009	27.6	-0.7%	25.2%
2010	27.6	0.0%	23.8%
2011	27.6	0.0%	21.1%
2012	33.1	20.0%	23.4%
2013	35.1	6.0%	23.8%
2014	35.1	0.0%	22.0%
2015	40.1	14.2%	25.4%
2016	40.1	0.0%	23.7%
2017	42.0	4.7%	27.0%

\$ in millions.

Budget represents a reimbursement rate of 27.0 percent for the first time since FY2007.

Distressed Community Relief

The Distressed Community Relief program was established in 1990 to provide state assistance to communities with the highest property tax burdens relative to the wealth of taxpayers. For FY2016, \$10.4 million was appropriated and distributed to seven eligible municipalities. Funds are distributed to each eligible community on the basis of the community's tax levy relative to the total tax levy of all eligible communities.

Municipality	Distressed Community Relief Fund Distribution		
	FY2016 Enacted	FY2017 Budget	Change
Central Falls	\$211,123	\$223,894	\$12,771
Cranston	-	1,341,001	1,341,001
East Providence	685,142	817,097	131,955
North Providence	989,710	1,032,992	43,282
Pawtucket	1,430,131	1,523,936	93,806
Providence	5,332,583	5,604,285	271,703
West Warwick	835,708	891,916	56,208
Woonsocket	900,062	949,336	49,274
Total	\$10,384,458	\$12,384,458	\$2,000,000

For FY2017, the Distressed Community Relief Fund is increased by \$2.0 million, to \$12.4 million. The City of Cranston is newly qualified as a distressed community and will receive a 50.0 percent appropriation of \$1.3 million. In the first year that a newly qualified community enters the program, it receives 50.0 percent of the current law requirement. The remaining 50.0 percent of Cranston's appropriation will be divided among the remaining 6 distressed communities. Although East Providence will exit the program in FY2017, it will receive a one-time payment of \$817,097, pursuant to current law.

The Budget requires that any community classified as "distressed" be required to participate in the Division of Taxation's income tax refund offset program, allowing the Division to recover unpaid state taxes and/or fines through an intercept of an individual's income tax refund. Central Falls, Cranston, North Providence, and Providence are required to participate in the program to receive Distressed Communities relief. Other distressed communities already participate in the program.

Motor Vehicle Excise Tax

The Motor Vehicle and Trailer Excise Tax Elimination Act of 1998 was enacted to offer broad-based property tax relief to the residents of Rhode Island. The FY2010 Budget as Enacted included \$135.4 million for Motor Vehicle Excise Tax Reimbursement. The FY2010 Revised Budget reduced that amount to \$117.2 million. In FY2011, funding was reduced to \$10.0 million, funding for fire districts was eliminated from the budget, and the state-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500. These provisions remain in effect through FY2017.

For FY2017, the Budget includes level funding for payments to cities and towns for the Motor Vehicle Excise Tax Reimbursement Program at \$10.0 million and excludes funding for fire districts. The mandatory motor vehicle tax exemption at \$500 per vehicle is maintained. Municipalities are authorized to provide an additional exemption; however, these additional exemptions are not subject to reimbursement.

Fiscal Year	Motor Vehicle Excise Tax	
	Total Funding	% Change
2008	135.3	-0.7%
2009	135.4	0.0%
2010	117.2	-13.4%
2011	10.0	-91.5%
2012	10.0	0.0%
2013	10.0	0.0%
2014	10.0	0.0%
2015	10.0	0.0%
2016	10.0	0.0%
2017	10.0	0.0%

\$ in millions.

FY2014 - FY2016 Motor Vehicle Exemptions

Municipality	FY2014	FY2015	FY2016	Municipality	FY2014	FY2015	FY2016
Barrington	\$1,000	\$1,500	\$2,000	Narragansett	\$6,000	\$6,000	\$6,000
Bristol	3,000	3,000	3,000	Newport	6,000	6,000	6,000
Burrillville	1,500	1,250	1,250	New Shoreham	1,000	1,000	1,000
Central Falls	1,000	1,250	1,250	North Kingstown	3,000	3,000	3,000
Charlestown	500	500	500	North Providence	500	500	500
Coventry	500	500	500	North Smithfield	675	675	675
Cranston	500	500	500	Pawtucket	500	500	500
Cumberland	500	500	500	Portsmouth	3,000	3,000	2,500
East Greenwich	6,000	6,000	6,000	Providence	1,000	1,000	1,000
East Providence	500	500	500	Richmond	500	500	500
Exeter	500	500	500	Scituate	6,000	6,000	6,000
Foster	3,100	2,000	500	Smithfield	1,000	2,000	2,000
Glocester	500	500	500	South Kingstown	3,000	3,000	3,000
Hopkinton	500	500	500	Tiverton	6,000	6,000	6,000
Jamestown	6,000	6,000	6,000	Warren	500	500	500
Johnston	500	500	500	Warwick	2,000	2,000	2,000
Lincoln	3,000	3,000	3,000	Westerly	1,500	1,500	1,500
Little Compton	6,000	6,000	6,000	West Greenwich	500	500	500
Middletown	3,000	3,000	3,000	West Warwick	1,000	1,000	1,000
				Woonsocket	500	500	500

Source: RI Dept. of Revenue, Division of Municipal Finance.

Municipal Incentive Aid

The FY2014 Budget as Enacted created a 3-year Municipal Incentive Aid Program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities; however, there is no requirement that the additional state aid be spent for this purpose. The Governor allows the program to sunset in FY2017, saving \$5.0 million. The Budget includes \$352,935 in FY2017 for payments to Coventry, Johnston, and Scituate as these municipalities did not meet eligibility criteria for FY2016. Current law allows for deferred payments in the following fiscal year if eligibility criteria are met.

State Aid to Libraries Grant-in Aid

State aid to libraries is distributed based on the city or town’s expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year’s funding from the local tax base. The Budget increases grant-in-aid funding by \$900,000, to \$9.4 million; however, distribution is based on qualifying data from the statutory reference year. Current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$500,000.

State Aid to Libraries Construction Reimbursement

Rhode Island law grants authority to the Office of Library and Information Services (OLIS) to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community’s debt service requirement, for a period of up to 20 years.

Fiscal Year	Library Aid		Total Aid	% Change
	Grant in Aid	Construction		
2008	8.7	2.7	11.4	-0.4%
2009	8.7	2.6	11.3	-1.0%
2010	8.8	2.7	11.5	1.9%
2011	8.7	2.5	11.2	-2.4%
2012	8.7	2.8	11.5	2.6%
2013	8.7	2.5	11.2	-3.0%
2014	8.7	2.5	11.2	0.3%
2015	8.7	2.3	11.0	-1.8%
2016	8.7	2.7	11.4	3.6%
2017	9.4	2.2	11.6	2.0%

\$ in millions.

For FY2016, the Budget includes \$2.7 million for Library Construction Aid, and for FY2017, the Budget includes \$2.2 million, reflecting actual reimbursement costs.

The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014. No new applications for library construction have been received since the moratorium ended; however, letters of intent from Barrington, Jamestown, Providence Community Library, and the Providence Public Library have been received. Applications from Barrington and Providence Public Library are expected in the next three months. For the Barrington Public Library, reimbursement is expected to begin in FY2018. For Jamestown and Providence Public Library, reimbursement is expected to begin in FY2019. There is no timeline for the Providence Community Library project to date.

Property Revaluation Reimbursement

In 1997, the General Assembly enacted legislation requiring municipalities to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for appropriating funds to cover the costs of full property revaluations; however, the State reimbursed municipalities for 100.0 percent of the first statistical update. Reimbursements for subsequent updates were set at 80.0 percent (up to \$16 per parcel) for the second statistical update and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations.

The Budget includes \$559,900 for the Property Revaluation program in FY2017, a decrease of \$824,349 from the FY2016 Budget as Enacted, and is based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2017:

Property Revaluation Reimbursement		
Fiscal Year	State Reimbursement	% Change
2008	0.7	-66.5%
2009	1.1	61.9%
2010	1.5	35.2%
2011	0.7	-53.1%
2012	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%
2015	0.6	26.6%
2016	1.4	118.6%
2017	0.6	-59.6%

\$ in millions.

Community	Amount
Charlestown	\$66,560
Cumberland	153,965
Glocester	50,846
Hopkinton	41,051
North Providence	182,851
Richmond	38,189
West Greenwich	26,438
Total	\$559,900

*Source: RI Dept. of Revenue,
Division of Municipal Finance.*

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. The State Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The “average assessment ratio” is the total assessed valuation divided by the full market value of the valuation. The “average property rate” is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State: it is not appropriated. The State is allowed to keep 0.75 percent of this tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality’s population relative to the total population of the State.

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. The average property tax rate decline as the total assessed valuation increased dramatically due to the more frequent revaluations together with a dramatic increase in real estate values, resulting in a reduced tax rate being applied to Public Service Corporation Tax assets, which now carry a lower value. In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

The FY2017 Budget provides \$13.0 million be distributed to municipalities on July 31, 2016. This is level funded with FY2016, but is subject to change based on receipt of final data in the spring.

Meals and Beverage Tax

During the 2003 session, the General Assembly enacted a 1.0 percent gross receipt tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The revenue from this tax flows through the State: it is not appropriated. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered.

For FY2016, the Office of Revenue Analysis anticipates \$25.2 million in collections, increasing to \$26.0 million in FY2017.

Public Service Corporation		
Fiscal Year	Total Funding	% Change
2008	10.3	0.0%
2009	9.2	-11.1%
2010	10.2	10.9%
2011	11.4	11.8%
2012	11.8	3.5%
2013	12.7	7.6%
2014	13.2	3.9%
2015	14.3	8.3%
2016	13.0	-9.0%
2017	13.0	0.0%

\$ in millions.

Meals & Beverage Tax		
Fiscal Year	Total Funding	% Change
2008	\$18.7	-0.4%
2009	18.8	0.3%
2010	19.0	0.9%
2011	19.5	2.6%
2012	21.0	7.8%
2013	21.4	1.7%
2014	22.3	4.4%
2015	23.6	6.0%
2016	25.2	6.5%
2017	26.0	3.4%

\$ in millions.

Hotel Tax

The State levies a 5.0 percent gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised, or held out to the public to be a space where living quarters are supplied for pay to transient use (30 days or less). This tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis.

This tax is in addition to all other taxes and fees currently imposed. The Division of Taxation collects the tax and is responsible for distribution, except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the City. Twenty-five percent of the original 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located.

Fiscal Year	Hotel Tax	
	Total Funding	% Change
2008	\$5.8	1.8%
2009	5.6	-3.4%
2010	5.7	1.8%
2011	5.9	2.7%
2012	6.3	8.0%
2013	6.7	5.3%
2014	6.5	-2.2%
2015	7.4	13.5%
2016	9.7	30.6%
2017	9.9	2.3%

\$ in millions.

The FY2016 Budget as Enacted expanded the hotel tax to include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals (such as those listed on the Airbnb.com website). The expansion is expected to increase aid to municipalities by \$1.3 million in FY2016.

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred. The 1.0 percent tax will apply to the expanded tax base, and is included in the \$1.3 million generated by the expansion. Additional revenue of \$260,322 results from non-expansion growth.

Total distribution to municipalities is estimated at \$9.7 million for FY2016 and \$9.9 million for FY2017.

OTHER AID TO LOCAL GOVERNMENT**Warwick Rental Car Tax Revenue**

The RI Airport Corporation levies a \$5.00 per rental vehicle, per day, customer facility charge (CFC) for all vehicle rentals from companies operating at T.F. Green Airport. Revenues from the CFC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CFC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CFC are deposited into a restricted receipt account for the City of Warwick. These payments totaled \$631,132 in FY2010 and reached \$916,700 by FY2015. The FY2016 and FY2017 budgets include \$922,013 in CFCs for the benefit of the City of Warwick.

Airport Impact Fees

Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2016 and FY2017. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000.

FY2015 Actual	1.0 million passengers	Distribution on landings	All Airports and Communities to \$25,000	Total
Warwick - T.F. Green	\$600,000	\$190,578		\$790,578
Block Island		37,411		37,411
Middletown-Newport Airport ¹		49,063		49,063
North Central				
Smithfield		20,634	4,366	25,000
Lincoln		20,634	4,366	25,000
North Kingstown - Quonset		38,714		38,714
Westerly		42,967		42,967
Total	\$600,000	\$400,000	\$8,732	\$1,008,732

¹ Located in Middletown

Municipal Road and Bridge Fund

The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. The FY2014 Revised Budget increased this amount by \$3.3 million, for a total of \$10.3 million. The FY2015 Budget included an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds, and the Clean Water Finance Agency (now the Rhode Island Infrastructure Bank) will contribute \$3.5 million from its board designated administrative fund to capitalize this program in FY2015. The Budget does not include any additional funding for the Municipal Road and Bridge Fund in FY2017; however, the RI infrastructure Bank indicates that it has \$6.8 million in funding available for projects in FY2017.

These funds are available for municipalities to borrow for road and bridge projects. Loans began in FY2014, and future capitalizations combined with the revolved funds allow state-sponsored financing on an ongoing basis. This fund is administered by the Rhode Island Infrastructure Bank (RIIB). Applications are submitted to the Rhode Island Department of Transportation (RIDOT), based on regulations developed by RIDOT. RIDOT developed a project priority list based on 6 criteria:

- The extent to which the project generates economic benefits.
- The extent to which the project would be able to proceed at an earlier date.
- The likelihood the project will provide mobility benefits.
- The cost effectiveness of the project.
- The likelihood that the project will increase safety.
- The readiness of the project to proceed during the next calendar year.

To date, the RIIB has approved applications from thirteen municipalities for road and bridge projects as follows:

Borrower	Program Year	Amount Requested	Amount Borrowed	Loan Outstanding	Credit Limit Remaining
East Providence	2014	\$1,215,000	\$1,215,000	\$1,103,000	\$0
Newport	2014	4,000,000	1,500,000	1,358,000	-
Warwick	2014	1,600,000	1,600,000	573,377	960,623
Burrillville	2014	680,000	680,000	90,555	589,445
New Shoreham	2014	255,000	255,000	173,469	65,531
***Westerly	2014	625,000	225,000	14,906	210,094
Pawtucket	2014	7,000,000	3,500,000	3,361,610	390
Cumberland	2014	500,000	500,000	345,899	133,101
Coventry	2014	340,000	340,000	294,109	13,891
West Warwick	2015	150,515	150,515	4,905	144,610
Bristol	2015	500,000	500,000	328,615	170,385
Hopkinton	2015	253,000	253,000	175,967	76,033
Pawtucket	2015	5,000,000	5,000,000	3,476,384	1,522,616
East Greenwich	2015	2,000,000	2,000,000	1,484,388	514,612
Coventry	2015	900,000	900,000	53,053	845,948
TOTAL		\$25,018,515	\$18,618,515	\$12,838,239	\$5,247,276

*** \$400,000 turned back from Westerly

Central Falls Retiree Payments

The FY2012 Revised Budget included a \$2.6 million Stabilization Payment to the City of Central Falls that was deposited into a restricted account to provide transition payments over five years to municipal retirees who sustained significant pension reductions as a result of a “Settlement and Release Agreement.” Parties to the agreement include the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees. The Agreement was reached to avoid protracted litigation in federal court.

The payments ensure that retirees receive a reduction of no greater than 25.0 percent of their pre-bankruptcy annual pension benefits, as opposed to the reduction of up to 55.0 percent implemented by the City Receiver earlier in the year. The transition payments also include annual cost of living adjustments of up to 2.0 percent annually, not compounded.

Legislation passed by the 2014 General Assembly requires the State to appropriate sufficient funds to the City of Central Falls for payment to Central Falls’ city retirees so that those retirees continue to receive 75.0 percent of their base pension benefit as of July 31, 2011, for their lifetime, and to the extent applicable, up to 67.5 percent for the lives of their beneficiaries. An actuarial study estimates that the State will need to contribute an additional \$4.7 million to the Central Falls pension fund, beginning with \$250,703 on July 1, 2016, and ending with a payment of \$3,398 on July 1, 2044.

Fire Districts in Fiscal Stability Act

Legislation passed by the General Assembly during the 2014 session includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the state appointment of a Fiscal Overseer, Budget Commission, or Receiver. The Central Coventry Fire District, after several failed attempts to pass a budget, was ordered by the Rhode Island Superior Court to liquidate by May 16, 2014. Due to a lack of financial information available to the State, it is not known how many other fire districts are in fiscal distress. The FY2016 Revised Budget includes \$352,242 in general revenue to provide funds for the Division of Municipal Finance within the Department of Revenue to pay for legal costs associated with oversight of the Central Coventry Fire District. The Budget includes an additional \$50,000 in FY2017.

Under RIGL 45-9, the State, acting primarily through the Department of Revenue, in consultation with the Auditor General, has the power to exercise varying levels of support and control, depending on the circumstances. The Director of Revenue, in consultation with the Auditor General, is authorized to appoint a receiver in the event of a fiscal emergency.

The law does the following:

- Creates three levels of State oversight and control
 - 1) Fiscal Overseer
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 2) Budget Review Commission
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 5 members:
 - 3 designees of the Director of Revenue
 - Chairperson of the district's governing body
 - Fire chief of the district
 - 3) Receivership
 - Appointed by the Director of Revenue
- Includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the state appointment of a Fiscal Overseer, Budget Commission, or Receiver.
- Provides a mechanism for the State to work with fire districts undergoing financial distress that threatens the fiscal well-being, public safety, and welfare of these communities, others, or the State.
- Provides varying levels of support and control depending on the particular circumstances of the district.
- Sets out financial reporting requirements for fire districts that are similar to those required of cities and towns.
- Requires quarterly budget reports be submitted to the Division of Municipal Finance and the Auditor General, and requires a corrective action plan should a fire district anticipate a year-end deficit.
- Requires an annual audit of financial statements by an independent auditing firm; however, the auditor General may waive or modify the requirement based on the size of the district.
- Requires the tax roll be certified by the Division of Municipal Finance.
- Allows fire districts to contract with the tax administrator to allow the tax administrator to collect taxes for the fire districts.
- Extends the provision for 5-year contracts for fire districts that are under the jurisdiction of a budget commission or a reviewer. This is current law for cities and towns.
- Provides that this legislation applies to all pending state judicial receiverships.
- This bill does NOT make fire districts subject to the "3050" tax cap.
- Any changes to collective bargaining agreements must be negotiated.
- Tax levy changes can be made at the budget commission or receivership level.

OTHER MUNICIPAL ISSUES

Main Street RI Streetscape Improvement Program

Article 19 of the FY2016 Budget as Enacted created a statewide Main Street Rhode Island Streetscape Improvement Fund. The FY2016 budget designated \$1.0 million in general revenue to fund this initiative, and the Budget includes \$1.0 million in general revenue in FY2017. The purpose of the program is to

provide loans, matching grants, or other forms of financing to upgrade streetscapes in local business districts (lighting, street furniture, medians). The law does not delineate who or what entity may receive funding, or set individual award or community award limits, but it does include language requiring the Commerce Corporation to promulgate the rules and regulations of the program.

Tax Stabilization Incentive

Article 19 of the FY2016 Budget created the Tax Stabilization Incentive Program whereby municipalities can apply to the Rhode Island Commerce Corporation for partial reimbursement of personal and/or real estate tax revenue forgone due to the granting of a tax stabilization agreement by that community for a qualified construction or rehabilitation project. The Corporation will provide a partial reimbursement of no more than 10.0 percent of the property tax revenue that would have otherwise been collected.

Under this program a community can grant a stabilization agreement for the rehabilitation of an existing structure where the total cost of the development budget exceeds 50.0 percent of the adjusted basis in the property, or for a new construction project that begins within twelve months of the approval of the tax stabilization agreement and is completed within 36 months. The qualifying property must be used or intended to be used for offices or commercial enterprises or residential purposes. The terms of the stabilization agreements must be for a minimum of twelve years; and, reimbursements will cease upon any termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

FY2016 Direct Municipal Aid to Cities and Towns (Revised)

Municipality	FY2016	Payment In	Distressed	Municipal	Motor	Library	Library	Total FY2016	Change from
	Enacted	Lieu of Taxes	Communities	Incentive	Vehicle	Grant-in-	Construction	Revised	
			Relief Fund	Aid ¹	Excise Tax	Aid ²	Aid	Municipal Aid	Enacted
Barrington	\$726,243	\$14,638	\$0	\$79,669	\$217,477	\$337,167	\$66,417	\$715,368	(\$10,875)
Bristol	1,431,232	784,360	-	110,194	94,294	168,505	275,531	1,432,884	1,652
Burrillville	826,712	127,468	-	78,261	200,798	144,949	276,501	827,977	1,265
Central Falls	444,816	21,411	211,123	94,747	96,208	26,046	-	449,535	4,719
Charlestown	128,198	-	-	38,228	44,097	46,654	-	128,979	781
Coventry	629,593	-	-	171,006	244,791	217,150	-	632,947	3,354
Cranston	7,588,074	5,645,799	-	393,283	1,005,084	553,271	-	7,597,437	9,363
Cumberland	885,871	119	-	164,680	247,485	266,665	211,415	890,364	4,493
East Greenwich	667,742	341,085	-	64,146	81,417	121,208	61,265	669,121	1,379
East Providence	2,052,600	218,245	685,142	230,209	501,297	354,339	65,332	2,054,564	1,964
Exeter	245,661	-	-	32,639	92,110	45,910	75,968	246,627	966
Foster	110,398	415	-	22,612	72,955	30,796	-	126,778	16,380
Glocester	220,344	-	-	47,897	102,420	70,625	-	220,942	598
Hopkinton	139,475	-	-	39,823	69,295	31,101	-	140,219	744
Jamestown	135,226	-	-	26,503	22,042	87,375	-	135,920	694
Johnston	677,047	-	-	137,340	422,637	116,751	-	676,728	(319)
Lincoln	493,880	-	-	103,489	198,583	195,339	-	497,411	3,531
Little Compton	59,925	-	-	17,058	12,896	30,355	-	60,309	384
Middletown	335,637	-	-	78,930	63,006	135,162	54,568	331,666	(3,971)
Narragansett	255,761	-	-	77,283	60,810	120,040	-	258,133	2,372
Newport	2,041,511	1,250,492	-	118,955	77,989	380,016	217,409	2,044,861	3,350
New Shoreham	153,269	-	-	4,102	6,714	80,325	62,405	153,546	277
North Kingstown	609,720	1,494	-	128,823	185,691	266,128	32,047	614,183	4,463
North Providence	2,425,051	713,714	989,710	157,054	389,770	175,272	-	2,425,520	469
North Smithfield	304,392	-	-	58,718	177,990	65,478	-	302,186	(2,206)
Pawtucket	3,406,361	508,302	1,430,131	347,825	794,500	336,605	-	3,417,363	11,001
Portsmouth	262,433	-	-	84,739	84,669	101,476	-	270,884	8,451
Providence ¹	38,560,096	28,087,312	5,332,583	870,225	1,882,415	2,151,268	273,833	38,597,636	37,540
Richmond	129,364	-	-	37,426	65,687	26,246	-	129,359	(5)
Scituate	213,522	-	-	50,622	68,633	94,694	-	213,949	427
Smithfield	1,225,720	600,901	-	104,852	255,759	269,640	-	1,231,152	5,432
South Kingstown	659,577	173,565	-	149,526	139,730	201,734	-	664,555	4,978
Tiverton	640,500	-	-	77,231	59,170	100,382	406,000	642,783	2,283
Warren	196,425	-	-	51,810	92,183	54,101	-	198,094	1,669
Warwick	3,648,095	1,453,550	-	402,712	964,536	673,157	164,959	3,658,915	10,820
Westerly	982,776	137,538	-	111,058	216,507	274,847	253,767	993,717	10,941
West Greenwich	117,421	-	-	29,812	54,390	29,133	-	113,335	(4,086)
West Warwick	1,359,293	-	835,708	141,933	231,779	152,016	-	1,361,436	2,143
Woonsocket	1,848,251	-	900,062	200,980	402,183	178,865	165,138	1,847,228	(1,023)
Total	\$76,838,212	\$40,080,408	\$10,384,458	\$5,136,400	\$10,000,000	\$8,710,791	\$2,662,555	\$76,974,612	\$136,400

¹ Johnston does not meet eligibility criteria in FY2016. Aid will be reappropriated to FY2017 based on current law.

² Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2017 Direct Municipal Aid to Cities and Towns

Municipality	FY2016 Revised	Payment In Lieu of Taxes	Distressed Communities Relief Fund	Municipal Incentive Aid ¹	Motor Vehicle Excise Tax ²	Library Grant-in-Aid ³	Library Construction Aid	Total FY2017 Municipal Aid	Change from FY2016 Revised
Barrington	\$715,368	\$15,995	\$0	\$0	\$217,477	\$374,284	\$0	\$607,756	(\$107,612)
Bristol	1,432,884	954,792	-	-	94,294	185,859	276,731	1,511,676	78,792
Burrillville	827,977	145,198	-	-	200,798	165,414	269,202	780,612	(47,365)
Central Falls	449,535	24,507	223,894	-	96,208	30,523	-	375,132	(74,403)
Charlestown	128,979	-	-	-	44,097	51,221	-	95,318	(33,661)
Coventry	632,947	-	-	-	244,791	244,374	-	489,165	(143,782)
Cranston	7,597,437	5,322,139	1,341,001	-	1,005,084	595,274	-	8,263,498	666,061
Cumberland	890,364	135	-	-	247,485	287,647	211,083	746,350	(144,013)
East Greenwich	669,121	434,980	-	-	81,417	134,295	59,252	709,944	40,823
East Providence	2,054,564	248,601	817,097	-	501,297	422,447	63,549	2,052,991	(1,573)
Exeter	246,627	-	-	-	92,110	52,087	75,968	220,165	(26,462)
Foster	126,778	-	-	-	72,955	34,462	-	107,417	(19,361)
Glocester	220,942	-	-	-	102,420	78,763	-	181,183	(39,759)
Hopkinton	140,219	-	-	-	69,295	36,298	-	105,593	(34,626)
Jamestown	135,920	-	-	-	22,042	115,055	-	137,097	1,177
Johnston	676,728	-	-	136,438	422,637	122,211	-	681,286	4,557
Lincoln	497,411	-	-	-	198,583	210,541	-	409,124	(88,287)
Little Compton	60,309	-	-	-	12,896	36,397	-	49,293	(11,016)
Middletown	331,666	-	-	-	63,006	147,598	53,254	263,858	(67,808)
Narragansett	258,133	-	-	-	60,810	153,079	-	213,889	(44,244)
Newport	2,044,861	1,357,719	-	-	77,989	417,539	210,435	2,063,682	18,822
New Shoreham	153,546	-	-	-	6,714	88,318	63,446	158,478	4,932
North Kingstown	614,183	1,737	-	-	185,691	293,678	30,461	511,567	(102,616)
North Providence	2,425,520	-	1,032,992	-	389,770	192,234	-	1,614,996	(810,524)
North Smithfield	302,186	-	-	-	177,990	78,789	-	256,779	(45,407)
Pawtucket	3,417,363	554,958	1,523,936	-	794,500	384,468	-	3,257,862	(159,500)
Portsmouth	270,884	-	-	-	84,669	116,931	-	201,600	(69,284)
Providence ³	38,597,636	30,137,743	5,604,285	-	1,882,415	2,047,753	-	39,672,196	1,074,560
Richmond	129,359	-	-	-	65,687	27,268	-	92,955	(36,404)
Scituate	213,949	-	-	-	68,633	104,517	-	173,150	(40,799)
Smithfield	1,231,152	710,097	-	-	255,759	298,995	-	1,264,851	33,699
South Kingstown	664,555	198,218	-	-	139,730	225,653	-	563,601	(100,954)
Tiverton	642,783	-	-	-	59,170	116,085	327,699	502,954	(139,829)
Warren	198,094	-	-	-	92,183	57,784	-	149,967	(48,127)
Warwick	3,658,915	1,712,951	-	-	964,536	739,844	163,644	3,580,975	(77,939)
Westerly	993,717	159,333	-	-	216,507	318,145	253,767	947,752	(45,965)
West Greenwich	113,335	-	-	-	54,390	32,312	-	86,702	(26,633)
West Warwick	1,361,436	-	891,916	-	231,779	162,630	-	1,286,325	(75,111)
Woonsocket	1,847,228	-	949,336	-	402,183	181,300	164,730	1,697,549	(149,679)
Total	\$76,974,612	\$41,979,103	\$12,384,457	\$136,438	\$10,000,000	\$9,362,072	\$2,223,221	\$76,085,291	(\$889,321)

¹ Johnston does not meet eligibility criteria in FY2016. Aid will be reappropriated to FY2017 based on current law.

² Estimate is based on FY2016 data and will change once 12/31/15 data is received in the spring of 2016.

³ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2016 Indirect Local Aid to Cities and Towns (Revised)

Municipality	FY2016 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2016 Total Indirect Aid	Change from FY2016 Enacted
Barrington	\$368,637	\$201,686	\$169,571	\$4,840	\$376,097	\$7,460
Bristol	712,571	278,819	414,142	57,754	750,715	38,144
Burrillville	402,803	198,184	208,483	1,543	408,210	5,407
Central Falls	358,071	239,912	124,660	1,029	365,601	7,530
Charlestown	328,483	96,784	154,035	90,814	341,633	13,150
Coventry	921,481	432,985	413,426	105,225	951,636	30,155
Cranston	2,701,114	995,808	1,803,082	17,187	2,816,077	114,963
Cumberland	846,739	417,096	473,373	-	890,469	43,730
East Greenwich	751,966	162,408	636,056	4,451	802,915	50,949
East Providence	1,550,467	582,845	948,454	55,426	1,586,725	36,258
Exeter	172,451	82,701	96,201	514	179,416	6,965
Foster	74,313	57,271	16,700	237	74,208	(105)
Glocester	204,273	121,286	75,671	3,768	200,725	(3,548)
Hopkinton	154,440	100,831	50,748	953	152,532	(1,908)
Jamestown	211,346	67,109	98,430	57,465	223,004	11,658
Johnston	880,958	357,486	572,813	10,986	941,285	60,327
Lincoln	1,184,275	262,063	850,190	119,020	1,231,273	46,998
Little Compton	127,681	43,188	46,683	40,619	130,490	2,809
Middletown	1,669,946	199,830	685,478	870,392	1,755,700	85,754
Narragansett	1,119,114	195,635	614,542	362,759	1,172,936	53,822
Newport	4,527,642	301,205	2,179,413	2,346,221	4,826,839	299,197
New Shoreham	694,977	10,345	333,706	369,208	713,259	18,282
North Kingstown	941,110	326,128	534,560	113,977	974,665	33,555
North Providence	738,071	397,667	343,541	1,029	742,237	4,166
North Smithfield	399,834	148,734	255,353	4,158	408,245	8,411
Pawtucket	1,703,086	880,635	795,988	61,949	1,738,572	35,486
Portsmouth	434,055	214,568	188,709	38,729	442,006	7,951
Providence	9,503,458	2,203,425	5,190,931	2,370,595	9,764,951	261,493
Richmond	229,949	94,755	145,123	4,884	244,762	14,813
Scituate	202,356	128,192	72,034	7,085	207,311	4,955
Smithfield	1,134,286	265,491	714,442	174,905	1,154,838	20,552
South Kingstown	1,357,082	378,660	803,415	226,374	1,408,449	51,367
Tiverton	420,196	195,585	222,678	9,739	428,002	7,806
Warren	406,283	131,137	284,751	6,384	422,272	15,989
Warwick	4,817,495	1,019,420	2,799,504	1,200,354	5,019,278	201,783
Westerly	1,647,526	281,158	839,303	636,069	1,756,530	109,004
West Greenwich	312,560	75,512	144,141	104,408	324,061	11,501
West Warwick	812,086	359,305	355,931	126,423	841,659	29,573
Woonsocket	1,071,556	508,769	520,869	60,387	1,090,025	18,469
Total	\$46,094,737	\$13,014,618	\$25,177,130	\$9,667,860	\$47,859,608	\$1,764,871

FY2017 Indirect Local Aid to Cities and Towns

Municipality	FY2016 Revised Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2016 Total Indirect Aid	Change from FY2016 Revised
Barrington	\$376,097	\$201,686	\$175,404	\$4,950	\$382,040	\$5,943
Bristol	750,715	278,819	428,388	59,062	766,269	15,554
Burrillville	408,210	198,184	215,655	1,578	415,417	7,207
Central Falls	365,601	239,912	128,948	1,052	369,913	4,312
Charlestown	341,633	96,784	159,334	92,870	348,988	7,355
Coventry	951,636	432,985	427,647	107,608	968,241	16,605
Cranston	2,816,077	995,808	1,865,108	17,576	2,878,492	62,415
Cumberland	890,469	417,096	489,657	-	906,753	16,284
East Greenwich	802,915	162,408	657,936	4,552	824,897	21,982
East Providence	1,586,725	582,845	981,081	56,682	1,620,608	33,883
Exeter	179,416	82,701	99,510	526	182,737	3,321
Foster	74,208	57,271	17,275	242	74,788	580
Glocester	200,725	121,286	78,274	3,853	203,413	2,688
Hopkinton	152,532	100,831	52,494	974	154,299	1,767
Jamestown	223,004	67,109	101,816	58,767	227,692	4,688
Johnston	941,285	357,486	592,518	11,234	961,238	19,953
Lincoln	1,231,273	262,063	879,436	121,715	1,263,215	31,942
Little Compton	130,490	43,188	48,288	41,539	133,016	2,526
Middletown	1,755,700	199,830	709,058	890,104	1,798,993	43,293
Narragansett	1,172,936	195,635	635,682	370,975	1,202,292	29,356
Newport	4,826,839	301,205	2,254,385	2,399,358	4,954,947	128,108
New Shoreham	713,259	10,345	345,185	377,570	733,101	19,842
North Kingstown	974,665	326,128	552,949	116,559	995,636	20,971
North Providence	742,237	397,667	355,358	1,052	754,078	11,841
North Smithfield	408,245	148,734	264,137	4,252	417,122	8,877
Pawtucket	1,738,572	880,635	823,370	63,352	1,767,357	28,785
Portsmouth	442,006	214,568	195,200	39,606	449,375	7,369
Providence	9,764,951	2,203,425	5,369,499	2,424,283	9,997,207	232,256
Richmond	244,762	94,755	150,115	4,994	249,864	5,102
Scituate	207,311	128,192	74,511	7,246	209,949	2,638
Smithfield	1,154,838	265,491	739,019	178,866	1,183,376	28,538
South Kingstown	1,408,449	378,660	831,052	231,501	1,441,212	32,763
Tiverton	428,002	195,585	230,338	9,959	435,883	7,881
Warren	422,272	131,137	294,546	6,528	432,211	9,939
Warwick	5,019,278	1,019,420	2,895,806	1,227,539	5,142,765	123,487
Westerly	1,756,530	281,158	868,175	650,475	1,799,808	43,278
West Greenwich	324,061	75,512	149,100	106,772	331,384	7,323
West Warwick	841,659	359,305	368,175	129,286	856,766	15,107
Woonsocket	1,090,025	508,769	538,787	61,755	1,109,312	19,287
Total	\$47,859,608	\$13,014,620	\$26,043,218	\$9,886,814	\$48,944,652	\$1,085,044

Education Aid

The FY2017 Budget adds \$34.1 million to fully fund the sixth year of the education funding formula and restores \$2.6 million to fully fund full-day kindergarten implemented since FY2015. The Budget adds \$12.9 million, relative to the FY2016 Budget as Enacted, for the categorical aid areas created through the Education Adequacy Act and increases funding for categorical aid by \$2.3 million, relative to the Governor's proposal, including: transportation categorical (\$2.0 million increase), career and technical (\$1.0 million increase), Density Aid (\$1.1 million decrease), Group Home Aid (\$828,000 increase), stabilization funds (\$394,971 decrease).

EDUCATION AID

Education Aid Funding Formula: Pursuant to statute, the enrollment data used to calculate the funding formula must be from the year prior to the year in which the aid is paid. The Budget increases FY2017 general revenue funding by \$3.3 million to adjust the sixth-year formula calculation based March 2016 student enrollment and free and reduced price lunch data. This adjustment brings the total for a total increase for the sixth year of the funding formula to \$34.1 million.

Full-Day Kindergarten Projected Aid: The Budget includes \$2.6 million to provide the fully-transitioned value of formula aid, beginning in FY2017, for districts that converted to full-time kindergarten in the 2014-2015 school year or thereafter. In FY2016, the Full-Day Kindergarten Accessibility Act was amended to require all districts to provide full-day kindergarten by August 2016.

Categorical Funds: When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but according to other methodology. They include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, Central Falls Stabilization, and the Regionalization Bonus. The FY2017 adds new categories including English Learners, Density Aid, Davies Stabilization, and Met School Stabilization.

FY2017 Categorical Education Aid
Change from

Categorical	Enacted	Total Funding
Transportation	\$2.0	\$6.4
High-Cost Special Education	2.0	4.5
Career & Technical Education	1.0	4.5
English Learners	2.5	2.5
Density Fund - Choice Schools	1.5	1.5
Early Childhood	1.2	5.2
Central Falls Stabilization	1.1	4.8
Davies Stabilization	1.5	1.5
Met School Stabilization	0.1	0.1
Regionalization Bonus	-	-
Total	\$12.9	\$31.0

\$ in millions. Totals may vary due to rounding.

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$6.4 million in FY2017, an increase of \$2.0 over the FY2016 Budget as Enacted.
- **High-Cost Special Education:** This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The State reimburses costs that exceed five times the combined core instruction and student success factor funding (currently \$62,853 for FY2017). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$4.5 million in FY2017, an increase of \$2.0 million over the FY2016 Budget as Enacted.
- **Career and Technical Schools:** This fund contributes toward the initial investment needs to transform existing programs or create new programs and the costs associate with facilities, equipment

maintenance and repair, and supplies of higher cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2017, an increase of \$1.0 million over the FY2016 Budget as Enacted.

- **English Learners:** Through Article 11, the Budget establishes a new categorical fund for English Learners (EL). The fund would provide a 10.0 percent weight on the per-pupil core instruction amount for each English learner identified by standards and assessments identified by the Commissioner. The article restricts the funds to provide new services to EL students and requires that the funds be managed in accordance with requirements enumerated by the Commissioner. The Article requires the Department to collect performance reports to ensure the funds aligned to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$2.5 million in FY2017, approximately one-half of the estimated full funding amount.
- **Public School of Choice Density Aid:** Through Article 11, the Budget establishes as new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. The article requires that the Department recalculate these costs every three years, in a manner to be determined by the Commissioner. The Budget includes \$1.5 million in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. The Governor's Fair Funding Formula Working Group recommended providing additional support to districts with high percentages of students enrolled in public schools of choice.
- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$5.2 million in FY2016, an increase of \$1.2 million over the FY2016 Budget as Enacted.
- **Central Falls Stabilization:** Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This categorical was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula. Although Central Falls has been working with the Department to reduce expenditures over the last several years, the district has not been able to reduce costs enough to keep pace with the phase in of the funding formula. Also, charter school tuitions have been increasing. The Budget funds this category at \$4.8 million in FY2017, an increase of \$1.1 million from the FY2016 enacted level.
- **Davies Stabilization Fund:** Through Article 11, the Governor establishes a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$1.5 million provided in FY2017 includes support to offset expenses for teacher salary and fringe benefit increase, since the teachers at Davies are part of the state

system, increased transportation expenses, and the loss in revenues caused by the reduction in local tuition rates.

- **Met School Stabilization Fund:** Through Article 11, the Governor establishes a stabilization fund to provide additional support to the Met School for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$132,516 provided in FY2017 is to offset the loss in revenues caused by the proposed \$355 per-pupil reduction in local tuition rates.
- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides no funding in FY2016, the fifth year of funding for the regionalized districts, as no new regional districts have been formed. This represents level funding from the FY2015 Budget as Enacted.

Group Homes: The Budget provides an additional \$828,000 in Group Home Aid to increase the per-bed aid by \$2,000 for a total of \$17,000 per bed, except for beds associated with the Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which will increase by \$4,000 for a total of \$26,000 per bed. The Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes.

FY2017 Education Aid¹

Districts	FY2016 Enacted (excludes group home and categorical)	FY2017 (Year 6) formula Change	High-cost			Public School Choice Density	Stabilization Funding	FY2017 Aid
			Kindergarten	Transportation	Special Education			
Barrington	\$5,040,087	\$138,785	\$36,232	\$73,424	\$123,115	\$0	\$0	\$5,412,982
Burrillville	12,982,749	(709)	-	34,510	11,802	82,140	721	13,111,213
Charlestown	1,706,421	(18,500)	-	-	-	-	-	1,687,921
Covenry	21,765,325	728,421	210,698	29,381	40,350	99,129	1,099	22,874,403
Cranston	50,354,984	3,864,811	607,354	597,409	497,530	47,702	59,195	56,028,986
Cumberland	16,552,780	1,106,574	-	154,954	77,357	-	2,123	17,980,588
East Greenwich	2,770,431	(161,673)	17,555	40,121	143,759	550,150	274	2,810,468
East Providence	30,348,208	1,896,906	-	17,079	263,702	-	25,391	33,101,437
Foster	1,181,172	(17,174)	-	8,907	26,519	-	-	1,199,425
Glocester	2,515,667	(119,138)	106,348	20,210	23,661	-	-	2,546,748
Hopkinton	5,470,735	(84,666)	-	-	-	-	613	5,386,681
Jamestown	438,478	425	-	-	34,940	-	33	473,875
Johnston	13,920,605	1,651,553	198,160	334,103	23,407	-	14,412	16,142,240
Lincoln	10,225,160	681,757	-	-	116,901	119,396	1,438	48,300
Little Compton	398,464	14,803	-	-	-	-	-	413,267
Middletown	8,369,412	(235,089)	-	-	143,318	334,390	9,787	8,621,817
Narragansett	2,134,161	(19,960)	-	-	35,732	-	218	2,150,151
Newport	10,402,340	318,254	-	-	16,538	184,817	16,406	10,938,355
New Shoreham	85,500	25,326	-	-	19,887	-	455	131,168
North Kingstown	10,662,516	(21,513)	205,003	-	48,838	-	2,268	10,897,113
North Providence	17,944,337	1,602,965	-	175,072	246,223	185,742	14,368	20,168,708
North Smithfield	5,683,082	277,004	-	37,185	71,106	108,137	1,007	6,177,520
Pawtucket	78,238,483	4,449,427	-	168,578	134,928	458,964	188,827	83,927,607
Portsmouth	4,212,562	(192,642)	-	-	166,554	600,518	389	4,787,380
Providence	221,212,806	9,656,846	-	388,736	833,506	819,684	1,540,593	235,212,370
Richmond	5,063,630	(222,647)	-	-	-	-	163	4,841,145
Scituate	3,909,685	(216,175)	18,468	47,004	35,619	-	-	3,794,602
Smithfield	5,089,386	397,812	49,069	74,327	115,493	235,340	467	5,961,895
South Kingstown	7,289,894	(295,623)	-	155,621	82,383	253,242	-	7,485,517
Tiverton	6,027,039	121,185	82,620	-	53,122	-	304	6,284,270
Warwick	36,354,185	642,987	371,025	37,750	432,542	407,284	6,548	38,252,321
Westerly	8,272,261	452,628	-	-	177,873	-	1,898	8,904,660
West Warwick	21,833,719	1,182,656	-	57,242	-	-	8,433	23,082,050
Woonsocket	53,126,130	2,300,451	607,104	13,002	41,108	75,400	122,647	56,340,792
Bristol-Warren ³	15,310,869	(579,482)	-	939,808	206,286	117,362	8,814	16,003,657
Exeter-West Greenwich ³	5,387,085	(239,143)	83,121	903,061	131,533	117,674	727	6,384,057
Charlho	191,602	(38,320)	-	1,606,730	49,320	-	-	1,809,332
Foster-Glocester	4,872,233	(128,977)	-	329,629	57,424	-	-	5,130,308
Central Falls	35,841,615	(1,524,963)	-	107,516	14,165	-	211,465	4,783,925
District Total	\$743,185,800	\$27,395,178	\$2,592,756	\$6,351,359	\$4,496,543	\$4,797,072	\$2,242,422	\$797,337,279
Charter School Total	67,513,058	7,664,670	-	-	3,460	-	-	75,310,452
Davies ⁴	11,640,152	(597,104)	-	-	-	-	1,566	12,591,659
Met School	9,864,425	(654,934)	-	-	-	-	-	9,342,007
Urban Collaborative	856,203	259,087	-	-	-	-	-	1,115,290
Total	833,059,638	\$34,066,897	\$2,592,756	\$6,351,359	\$4,500,000	\$4,797,072	\$2,373,252	\$895,696,685

¹ Based on March 2016 enrollment updated for projected charter school growth.

² Based on final 12/31/2015 report from Rhode Island Department of Education.

³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et al.

⁴ Reflects \$113,664 adjustment for State share of teacher retirement.

Source: Rhode Island Department of Education

FY2017 Enacted Education Aid - Change to FY2016 Budget as Enacted¹

Districts	FY2016 Enacted (includes group home and categorical)	FY2017 (Year 6) Formula Change	Full-Day Kindergarten Formula Aid ⁴	Transportation (change from FY2016)	High-cost Special Education (change from FY2016)	Group Home ² (change from FY2016)	English Learners	Public School Choice Density	Stabilization Funding	FY2017 Education Aid
Barrington	\$5,157,096	\$138,785	\$36,232	\$32,339	\$47,191	(201,234)	721	-	\$0	\$5,412,982
Burrillville	13,301,213	(709)	-	20,457	(9,235)	-	-	-	-	13,111,214
Charlestown	1,706,421	(18,500)	-	-	-	-	-	-	-	1,687,921
Coventry	21,919,203	728,421	210,698	1,654	9,688	3,640	1,099	-	-	22,874,403
Cranston	51,129,520	3,864,811	607,354	117,438	249,318	1,348	59,195	-	-	56,028,984
Cumberland	16,689,944	1,106,574	-	54,733	40,414	-	2,123	86,800	-	17,980,588
East Greenwich	2,911,566	(161,673)	17,555	8,486	34,258	-	274	-	-	2,810,467
East Providence	31,094,816	1,896,906	-	17,079	27,843	39,402	25,391	-	-	33,101,437
Foster	1,206,855	(17,174)	-	1,365	8,378	-	-	-	-	1,199,425
Glocester	2,546,606	(119,138)	106,348	1,922	11,010	-	-	-	-	2,546,748
Hopkinton	5,470,735	(84,666)	-	-	-	-	613	-	-	5,386,681
Jamestown	456,252	425	-	-	17,166	-	33	-	-	473,875
Johnston	14,241,390	1,651,553	198,160	78,482	(41,755)	-	14,412	-	-	16,142,242
Lincoln	10,434,249	681,757	-	-	20,911	6,297	1,438	48,300	-	11,192,952
Little Compton	398,464	14,803	-	-	-	-	-	-	-	413,267
Middletown	8,723,282	(235,089)	-	-	91,466	32,372	9,787	-	-	8,621,817
Narragansett	2,154,808	(19,960)	-	-	15,085	-	218	-	-	2,150,151
Newport	10,597,219	318,254	-	-	5,683	793	16,406	-	-	10,938,355
New Shoreham	103,748	25,326	-	-	1,639	-	455	-	-	131,168
North Kingstown	10,693,934	(21,513)	205,003	-	17,420	-	2,268	-	-	10,897,113
North Providence	18,350,725	1,602,965	-	68,968	128,371	3,310	14,368	-	-	20,168,708
North Smithfield	5,824,567	277,004	-	19,010	49,645	6,287	1,007	-	-	6,177,520
Pawtucket	78,877,331	4,449,427	-	86,073	69,995	(32,446)	188,827	288,400	-	83,927,608
Portsmouth	4,797,771	(192,642)	-	-	117,528	64,335	389	-	-	4,787,380
Providence	223,060,894	9,656,846	-	98,099	359,791	(264,052)	1,540,593	760,200	-	235,212,370
Richmond	5,063,630	(222,647)	-	-	-	-	163	-	-	4,841,145
Scituate	3,974,845	(216,175)	18,468	1,482	15,982	-	-	-	-	3,794,602
Smithfield	5,348,196	397,812	49,069	35,937	114,093	16,320	467	-	-	5,961,895
South Kingstown	7,757,160	(295,623)	-	21,729	49,920	(47,669)	-	-	-	7,485,517
Tiverton	6,068,532	121,185	82,620	-	11,629	-	304	-	-	6,284,270
Warwick	36,764,895	642,987	371,025	32,763	274,164	159,940	6,548	-	-	38,252,321
Westerly	8,418,818	452,628	-	-	31,316	-	1,898	-	-	8,904,660
West Warwick	21,881,242	1,182,656	-	9,719	-	-	8,433	-	-	23,082,050
Woonsocket	53,233,700	2,300,451	607,104	(23,044)	24,237	20,747	122,647	54,950	-	56,340,792
Bristol-Warren ³	16,207,316	(579,482)	-	292,684	66,638	7,686	8,814	-	-	16,003,657
Exeter-West Greenwich ³	6,230,076	(239,143)	83,121	375,943	68,511	(135,177)	727	-	-	6,384,057
Charlton	1,322,689	(38,320)	-	502,031	22,992	-	-	-	-	1,809,332
Foster-Glocester	5,113,855	(128,977)	-	103,798	41,633	-	-	-	-	5,130,308
Central Falls	39,597,254	(1,524,963)	-	40,851	3,679	-	211,465	253,575	1,105,438	39,687,299
District Total	\$758,830,815	\$27,395,178	\$2,592,759	\$2,000,000	\$1,996,540	(\$318,100)	\$2,242,422	\$1,492,225	\$1,105,438	\$797,337,280
Charter School Total	67,513,058	7,664,670	-	-	3,460	-	-	-	-	75,310,452
Davies	11,640,152	(597,104)	-	-	-	-	1,566	-	1,547,045	12,591,659
Met School	9,864,425	(654,934)	-	-	-	-	-	-	132,516	9,342,007
Urban Collaborative	856,203	259,087	-	-	-	-	-	-	-	1,115,290
Total	\$848,704,653	\$34,066,897	\$2,592,759	\$2,000,000	\$2,000,000	(\$318,100)	\$2,373,252	\$1,492,225	\$2,784,999	\$895,696,686

¹ Based on March 2016 data updates.
² Based on final 12/31/2015 report from the Department of Children, Youth and Families.
³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.
⁴ Does not reflect March 2016 data updates which will increase the aid by \$117,523. FY2016 Enacted Full-Day Kindergarten from FY2016 is rolled into FY2016 Enacted column. Reflects ratable reduction to total amount provided in Governor's Budget Amendment, dated April 20, 2016.
 Source: Rhode Island Department of Education

FY2017 Education Aid (March Data Update)

Change to the Formula Aid in the FY2016 Budget as Enacted

Change from Governor's Proposal

LEA	Governor's Submission	March 2016 Data Update	Difference	Change from Governor's Proposal				Total Change	
				Kindergarten Formula Aid ¹	Transportation	Group Home Aid	Choice Density Public School Aid		Stabilization funds
Barrington	\$178,417	\$196,534	\$18,116	\$36,232	\$23,121	\$0	\$0	\$0	\$77,469
Burrillville	(177,054)	(216,866)	(39,812)	-	10,867	16,000	-	-	(12,945)
Charlestown	11	(18,500)	(18,511)	-	-	-	-	-	(18,511)
Coventry	801,888	719,250	(82,638)	210,698	9,252	16,000	-	-	153,312
Cranston	3,629,646	4,095,990	466,344	607,354	188,120	8,000	-	-	1,269,818
Cumberland	1,103,918	1,314,650	210,732	-	48,794	-	(72,800)	-	186,726
East Greenwich	(135,239)	(131,289)	3,950	17,555	12,634	0	-	-	34,139
East Providence	1,663,108	1,897,243	234,135	-	5,378	104,000	-	-	343,513
Foster	(4,131)	(10,236)	(6,105)	-	2,805	-	-	-	(3,300)
Glocester	(117,713)	(112,570)	5,143	106,348	6,364	-	-	-	117,855
Hopkinton	(86,505)	(84,054)	2,451	-	-	-	-	-	2,451
Jamestown	19,490	17,624	(1,867)	-	-	-	-	-	(1,867)
Johnston	1,405,630	1,597,485	191,855	198,160	105,207	0	-	-	495,222
Lincoln	856,660	785,103	(71,557)	-	-	18,000	(44,400)	-	(97,957)
Little Compton	13,724	14,803	1,079	-	-	-	-	-	1,079
Middletown	(144,234)	(145,465)	(1,230)	-	-	44,000	-	-	42,770
Narragansett	6,800	(4,657)	(11,457)	-	-	-	-	-	(11,457)
Newport	26,439	313,136	286,697	-	-	28,000	-	-	314,697
New Shoreham	30,033	27,419	(2,614)	-	-	-	-	-	(2,614)
North Kingstown	43,791	(1,824)	(45,615)	205,003	-	0	-	-	159,388
North Providence	1,694,933	1,730,854	35,921	-	55,129	32,000	-	-	123,050
North Smithfield	377,582	325,243	(52,339)	-	11,709	16,000	-	-	(24,630)
Pawtucket	4,387,826	5,106,493	718,666	-	53,084	100,000	(209,300)	-	662,450
Portsmouth	(64,066)	(84,391)	(20,325)	-	-	74,000	-	-	53,675
Providence	9,726,763	12,375,667	2,648,904	-	122,410	200,000	(546,600)	-	2,424,714
Richmond	(208,504)	(222,484)	(13,980)	-	-	-	-	-	(13,980)
Scituate	(192,188)	(213,512)	(21,324)	18,468	14,801	0	-	-	11,945
Smithfield	501,514	509,225	7,711	49,069	23,405	32,000	-	-	112,185
South Kingstown	(321,831)	(352,648)	(30,817)	-	49,004	32,000	-	-	50,187
Tiverton	133,118	133,118	-	82,620	-	0	-	-	82,620
Warwick	1,213,676	1,044,516	(169,160)	371,025	11,887	60,000	-	-	273,751
Westerly	673,177	485,842	(187,335)	-	-	-	-	-	(187,335)
West Warwick	993,764	1,182,782	189,019	-	18,025	-	-	-	207,044
Woonsocket	2,712,480	2,511,645	(200,835)	607,104	4,094	16,000	(31,750)	-	394,613
Bristol-Warren	(478,832)	(515,599)	(36,767)	-	295,939	16,000	-	-	275,172
Exeter-West Greenwich	(211,837)	(229,509)	(17,672)	83,121	284,368	16,000	-	-	365,817
Charlto	(19,304)	(19,304)	-	0	505,948	-	-	-	505,948
Foster-Glocester	(88,472)	(87,344)	1,128	-	103,798	-	-	-	104,926
Central Falls	8,670	54,438	45,768	-	33,856	-	(190,725)	192,477	81,376
Subtotal District Aid	\$29,953,149	\$33,988,806	\$4,035,658	\$2,592,759	\$2,000,000	\$828,000	(\$1,095,575)	\$192,477	\$8,553,315
Charter School Total	8,513,353	7,797,394	(715,959)	-	-	-	-	-	(715,959)
Davies ¹	1,360,214	1,374,336	14,122	-	-	-	-	(422,829)	(408,707)
Met School	(334,537)	(357,799)	(23,262)	-	-	-	-	-	(187,881)
Urban Collaborative	285,505	259,087	(26,418)	-	-	-	-	-	(26,418)
Total	\$39,777,683	\$43,061,824	\$3,284,141	\$2,592,759	\$2,000,000	\$828,000	(\$1,095,575)	(\$394,971)	\$7,214,350

¹ Reflects March 2016 data updates which increase the aid by \$117,523. FY2016 Enacted Full-Day Kindergarten from FY2016 is rolled into FY2016 Enacted column. Source: Rhode Island Department of Education

LOCAL CHARTER SCHOOL TUITION REDUCTION

Article 11 of the Budget provides for reduction to local tuition payments to state and charter schools. The amount of the reduction is calculated based on differences in expenses between each district and charter schools. The expenditure data is based on the prior previous fiscal year; consequently, the calculation of unique costs for FY2017 will be based on FY2015 data from the Uniform Chart of Accounts (UCOA). The reduction will be the greater of 7.0 percent of the district's per-pupil funding or the per-pupil value of each district's costs in certain expenditure categories. The categories include each district's costs for non-public transportation, transportation for non-public students, retiree health benefits, out-of-district special education tuition and transportation, services for students age eighteen to twenty-one, pre-school screening and intervention, career and technical education tuition and transportation costs, debt service, and rental costs minus the average charter school expenses for the same categories.

HOUSING AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2016, the minimum state share is 35.0 percent and the maximum is 96.1 percent for Central Falls: the state share for charter schools is 30.0 percent.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, and any project approval granted prior to the adoption of the school construction regulations in 2007, which did not receive voter approval or which has not been previously financed, is no longer eligible for reimbursement. Article 22 of the FY2015 Budget extended the moratorium from June 30, 2014, to May 1, 2015, limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety conditions.

As part of the legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to refinance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would

only apply to refinancing done between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

For FY2017, the \$70.9 million, level funded to the FY2016 Budget as Enacted. For FY2016, the Department projects expenditures of \$66.8 million in school housing aid, a decrease of \$4.1 million from the FY2016 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

School Building Authority Capital Fund:

Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education

(Department) as the State's School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the foundation program, as enumerated in RIGL 16-7-35 through 16-7-47, and the school building authority capital fund (Capital Fund), as created through the article. The FY2016 budget added 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC). For FY2017, the Budget provides \$9.1 million in general revenue to capitalize the Capital Fund, a decrease of \$10.9 million from the FY2016 budget as Enacted.

School Bond Refinancing Incentive Estimated Savings Summary

Municipality	Local Savings	State Savings	Total Savings
Burrillville	\$391,582	\$97,896	\$489,478
Central Falls	485,690	121,423	607,113
Cumberland	392,456	98,136	490,592
Johnston	41,684	10,421	52,105
Lincoln	1,590,165	397,541	1,987,706
New Shoreham	329,114	82,278	411,392
North Kingstown	419,141	104,785	523,926
North Providence	492,390	123,098	615,488
Pawtucket	44,094	11,023	55,117
Portsmouth	208,533	52,135	260,668
Providence	5,854,680	1,463,670	7,318,350
South Kingstown	232,603	58,151	290,754
Tiverton	753,270	188,317	941,587
West Warwick	525,572	131,393	656,965
Woonsocket	728,129	182,083	910,212
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453



ARTICLES

Articles

Article 1: Relating to Making Appropriations in Support of FY2017

This Article makes appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department for the fiscal year ending June 30, 2017. Other sections of the Article outline the use of contingency funds; delineate out-year appropriation changes to Rhode Island Capital Plan Fund projects; determine expenditure limits for internal service funds; and provide for disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds.

Expenditures by Source	FY2016 Enacted	FY2017 Governor	FY2017 Budget	Change to Governor
General Revenue	\$3,552.0	\$3,676.8	\$3,684.5	\$7.8
Federal Funds	2,947.3	2,967.2	2,957.3	(10.0)
Restricted Receipts	245.5	261.9	257.0	(4.9)
Other Funds	1,920.7	2,058.9	2,040.9	(18.0)
Total	\$8,665.4	\$8,964.8	\$8,939.7	(\$25.1)

\$ in millions. Totals may vary due to rounding.

This Article also:

- Sets the FTE position caps for various departments and agencies.
- Authorizes debt payments for the I-195 Redevelopment District Commission loan.
- Sets the airport impact aid formula.
- Requires that internal student financial aid not be reduced below the FY2016 levels. The President of each institution is required to report to the chair of the Council of Postsecondary Education that student aid levels have been maintained, prior to the commencement of the 2016-2017 academic year. The article does not require that tuitions be frozen.
- Caps the amount the Judiciary may charge to five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.1 million.
- Requires that Rhode Island Housing continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The Article requires a report on the number of housing units produced and funding be provided to the Director of Administration, chair of the Housing Resources Commission, State Budget Officer, and the chairs of the House and Senate Finance Committees.
- Includes \$5.1 million in line-item Community Service Objective grants in various departments and agencies.

Article 2: Relating to Public Finance Management Board

This article strengthens the Public Finance Management Board's (PFMB) oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The article requires the Board to undertake a debt affordability study no less than every two years, which shall recommend limits for the debt capacity of the State, municipal, and regional entities having authority to issue revenue or general obligation bonds or notes. In addition, the article requires the State, municipalities, authorities, boards, commissions and quasi-public agencies, to provide a report on the final sale of the bonds to the PFMB within 30 days, or 5 days after closing on forms approved by the PFMB. The Board shall have the authority to issue non-binding advisory opinions on all matters of debt management practices of State, municipal, and public and quasi-public corporations. The article allows an issuance fee, which the Board can use to

fund the Office of Debt Management within the Office of the General Treasurer. The Budget adds \$303,921 in general revenue for personnel, contracted services, and operating costs for debt tracking, and includes a 1.0 Director position for the new office.

Article 3: Relating to Making it Easier to do Business in Rhode Island

This article outlines various tax and benefit proposals to the Unemployment Insurance (UI) and Temporary Disability Insurance (TDI) programs to provide employers with tax relief earlier than what would occur under current law. The legislation changes the reserve ratios used in calculating the UI tax rate on employers for the following calendar year. The changes are projected to reduce the UI cost on employers by \$30.0 million a year beginning in calendar year 2017. The savings are projected to increase to \$40.0 million a year starting in calendar year 2019.

Other proposed changes include:

- Establish a TDI Fraud and Program Integrity Task Force to educate the State’s workforce about TDI and to reduce fraud.
- Reduce the time allowable for an employee to file a TDI claim from 1 year to 90 days.

Article 4: Relating to Government Reorganization

This article makes the following changes to the organization of state government:

- Establishes by statute the Office of Diversity, Equity, and Opportunity which was established by Executive Order 13-05 in 2013.
- Establishes by statute a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services.
- Establishes by statute the Division of Capital Asset Management and Maintenance (DCAMM) to centralize the management of the capital assets including state property and state facilities.
- Repeals the existing Bureau of Audits statutes, and establishes an Office of Internal Audit to standardize audit functions across executive agencies. This is accomplished by consolidating the functions and merging personnel from the Bureau of Audits and from similar units in the Departments of Transportation, Human Services, and from Higher Education into the Office of Internal Audit within the Office of Management and Budget.
- Transfers administrative responsibilities associated with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) from the Department of Human Services to the Department of Health.
- Establishes the independent Office of Veterans Affairs by elevating the Division of Veterans Affairs under the Department of Human Services to an autonomous office reporting directly to the Governor. The Office will continue to be listed under the Department for budgeting purposes.
- Establishes the Governor’s Commission on Disabilities as the Designated State Entity (DSE) under the federal Workforce Innovation and Opportunity Act to receive and disburse funds under Part B of the State Independent Living Plan. There is a corresponding transfer of funds of \$26,400 in general revenue and \$228,750 in federal funds associated with the transfer of the independent living program and Statewide Independent Living Council from the Department of Human Service’s Individual and Family Support Program to the Governor’s Commission on Disabilities.
- Co-designates the Executive Office of Health and Human Services (EOHHS) and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) as the Substance Abuse authority to meet the Substance Abuse and Mental Health Services Administration (SAMHSA) block grant Maintenance of Effort (MOE) requirements. This co-designation will allow the State to

accurately reflect spending for required programs' authority for the purpose of calculating the MOE for the Substance Abuse Block Grant awarded by SAMHSA.

- Adds the position of Cybersecurity Officer in the Department of Administration to the State's unclassified service.

Article 5: Relating to Capital Development

This article submits a total of \$207.5 million in ballot referenda to Rhode Island voters for their approval. Proposed as five questions on the November ballot, the following projects are included.

November 2016 Bond Referenda	Amount
Veterans' Home	\$27.0
Leveraging Higher Education to Create 21 st Century Jobs	45.5
<i>University of Rhode Island College of Engineering</i>	25.5
<i>University of Rhode Island Affiliated Innovation Campus Program</i>	20.0
Port of Davisville at Quonset	50.0
Green Economy	35.0
<i>Historic State Park Development Program</i>	4.0
<i>State Land Acquisition Program</i>	4.0
<i>State Bikeway Development Program</i>	10.0
<i>Brownfield Remediation and Economic Development</i>	5.0
<i>Stormwater Pollution Prevention Program</i>	3.0
<i>Local Recreation Development Matching Grant Program</i>	5.0
<i>Local Land Acquisition Matching Grant Program</i>	4.0
Housing Opportunity	50.0
Total	\$207.5

\$ in millions.

VETERANS' HOME

The Budget includes a \$27.0 million bond referendum for the construction of a new Veterans' Home and renovation of existing facilities in Bristol. This authorization is in addition to the ballot approved in 2012 providing \$94.0 million; however, due to an increased federal reimbursement, the cost to the State will decrease by \$12.4 million.

The original design was estimated to cost approximately \$94.0 million; consequently, the 2012 bond referendum was written to allow the full use of the \$94.0 million, net federal reimbursement, in case federal funds were not awarded. After voter approval of the 2012 referendum, the federal Veterans' Administration (VA) approved a different design with a community living center and clusters of private rooms arrayed around the common areas, instead of the semi-private rooms included in the original design. This new design is consistent with modern VA nursing home standards, and is estimated to cost \$121.0 million, including \$60.5 million in state funds and \$60.5 million in federal reimbursements. The language of the 2012 bond referendum, however, only allows the State to issue \$33.5 million (\$94.0 million minus the \$60.5 million federal reimbursement) leaving a shortfall of \$27.0 million. The new bond referendum will address this shortfall to fully fund the new Veterans' Home at a reduced cost to the State.

LEVERAGING HIGHER EDUCATION TO CREATE 21ST CENTURY JOBS

- **University of Rhode Island College of Engineering:** The Budget includes a \$25.5 million bond referendum to renovate and construct an addition to Bliss Hall on the Kingston Campus, as the second

phase of the Engineering School project. The project will upgrade building systems, improve classroom space, modernize teaching laboratories, and provide advanced research facilities, as well as the addition to Bliss Hall. In 2014 a \$125.0 million bond referendum was approved by voters to begin a comprehensive overhaul of physical space dedicated to engineering programs at URI. The 2014 bond provided for the renovation of Kirk Hall and the demolition of Crawford Hall, Gilbreth Hall, Kelly Hall and Annex, and Wales Hall.

- **University of Rhode Island Affiliated Innovation Campus:** The Budget includes a \$20.0 million bond referendum to build one or more innovation campuses through a university-business collaboration with the University of Rhode Island and may include other higher education institutions for cutting-edge research, product, service and business development. The proposal is based on recommendations from the 2016 Brookings “Rhode Island Innovates” report. The State will conduct a competitive process to determine the location and type of campus or campuses. Minimal proposal requirements include the involvement of a Rhode Island-based university, a greater investment of private or federal funds than state funds, at least one business partner, and the creation of a substantial number of jobs at a variety of skill levels. Priority will be given to proposals that include multiple higher education institutions.

PORT OF DAVISVILLE AT QUONSET

The Budget includes a \$50.0 million bond referendum for infrastructure modernization and repairs at the Port, including Pier 2. Pier 2 was built in 1956 and has outlived its original design lifespan of 50 years. According to the Quonset Development Corporation, the improvements will add another 50 years of design lifespan to the pier and create an additional berth capable of docking the auto carriers, allowing an additional 100,000 more units per year. The Corporation projects the auto carrier business will increase by 4.5 percent per year over the next 6 years, with import volumes growing to 295,600 units. In addition to autos, the Port handles various cargoes, including timber pilings from South America, wind turbine components, defense industry manufactured goods, and cogeneration equipment.

The total project cost is \$82.0 million for the Pier 2 Improvements, and \$8.0 million for port improvements, including work to Pier 1. Of the remaining \$40.0 million, \$15.0 million is provided through Rhode Island Capital Plan (RICAP) funds and \$25.0 million is provided through Article 6 which authorizes the Rhode Island Commerce Corporation to issue special obligation bonds of not more than \$25.0 million in General Assembly approved debt.

GREEN ECONOMY

The Budget includes a \$35.0 million general obligation bond authorization be placed on the November 2016 ballot for environmental and recreational purposes to be allocated as follows:

- **Historic State Park Development Program:** The referendum provides \$4.0 million for major capital improvements to state-owned properties that will leverage funding from other sources such as the National Park Services’ Land and Water Conservation Fund. Priority projects include renovation of the bathroom pavilion, a new golf course facility building, historic roof replacement and landscaping at Goddard Park; a new restroom facility and maintenance building at Fort Adams; restoration of the historic stone barn at Colt Park; barn replacement and a visitor center at Coggeshall Farm, restoration of the restroom facility and visitor center at Brenton Point; restoration of the historic barn at Snake Den; and barn improvements at Urban Edge Farm. The original proposal contained \$7.0 million; however, \$3.0 million was shifted to Rhode Island Capital Plan (RICAP) funds.
- **State Land Acquisition – Open Space:** The referendum adds \$4.0 million for state land acquisition. Since 1985, the State has acquired or protected more than 20,250 acres of open space through the purchase of land, development rights and conservation easements statewide. The State has adopted a goal to protect 3,000 acres annually through the land acquisition program. On average, DEM is able to leverage 75.0 percent of funding from federal and/or local sources. The November 2004 ballot included

\$10.0 million, the November 2008 ballot included \$2.5 million, and the November 2012 ballot included \$2.5 million in general obligation bond funds for this program. The 2004 and 2008 bond proceeds were exhausted in FY2014, and the 2012 bond proceeds are expected to be exhausted in FY2016.

- **State Bikeway Development Program:** The referendum provides \$10.0 million to design and construct bikeways, including the completion of the Blackstone River Bikeway, and the South County Bikeway.
- **Brownfield Remediation and Economic Development:** The referendum provides \$5.0 million to provide up to 80.0 percent in matching grants to public, private or non-profit entities for brownfield remediation projects. According to the Department of Environmental Management (DEM), brownfields comprise between 100,000 and 120,000 acres of land across the State, much of it in prime commercial or industrial locations within urban areas. The clean-up and re-purposing of these sites will remove hazards, attract jobs, and protect the urban environment. The federal Environmental Protection Agency estimates that brownfield clean-up increases adjacent property values by 2.0 to 3.0 percent. As part of the \$53.0 million bond referendum for Clean Water, Open Space, and Healthy Communities initiative on the November 2014 ballot, the voters approved the initial \$5.0 million in general obligation bond for brownfield remediation projects. DEM recently awarded \$3.8 million of these grant funds to support 14 projects across the State. Another round of awards will be held in the spring of 2016 to award the remaining \$1.3 million. The 2016 bond funds will be used to grow this program.
- **Stormwater Pollution:** The referendum provides \$3.0 million to provide up to 75.0 percent in matching grants to public, private or non-profit entity projects that reduce stormwater pollution. Pollution caused by the contaminants carried by storm water cause closures of beaches and shell fishing beds, as well as other degraded conditions that impair the use of rivers, lakes and coastal waters. Much of the State's developed landscape lacks proper storm water controls. The State's water quality restoration plans will provide the technical basis for prioritizing stormwater controls.
- **Local Recreation Grants:** The referendum provides \$5.0 million to municipalities to match grants of up to 80.0 percent of project costs to acquire, develop, or rehabilitate local recreational facilities such as sports fields, tennis courts, and playgrounds. The grant applications will be evaluated and ranked by the State Recreation Resources Review Committee, which is comprised of state and local government officials and representatives of non-profit agencies. DEM is scheduled to exhaust the remaining \$4.0 million in 2014 bond funds for grant awards in 2016. The new bond would be used to continue the program in FY2017. The original proposal contained \$2.0 million and was increased by \$3.0 million.
- **Local Land Acquisition:** The referendum provides \$4.0 million for grants to municipalities, local land trusts, and non-profit organizations to acquire fee-simple titles, development rights, or conservation easements of open spaces throughout the state. Through this program, DEM will provide up to 50.0 percent of project costs, and applications are reviewed by the Governor's Natural Heritage Preservation Commission. Over 160 conservation projects preserving over 10,000 acres of land have been acquired including Sunset Farms in Narragansett, Weetamoe Woods in Tiverton, Glacier Park in Westerly, and Mount Hope Farm in Bristol. For the first time in the 30 year history of this program, DEM has depleted all the available funds.

HOUSING OPPORTUNITIES

The Budget includes the Governor's proposal to issue general obligation bonds, refunding bond, and temporary notes in the amount of \$40.0 million for the development of affordable housing. The funding will be allocated through Building Home Rhode Island for the development of apartments, for-sale homes and supportive housing. Additionally, the Budget includes \$10.0 million toward Urban Revitalization and Blight Remediation. These funds will be used to improve properties that are blighted or in need of revitalization, including residential and commercial properties and public and community spaces.

Article 6: Relating to Debt Management Act Joint Resolution (Kushner)

This article authorizes the Rhode Island Commerce Corporation to borrow \$25.0 million in General Assembly approved debt to finance pier and port improvements to Pier 2 at the Quonset Davisville Port in the Town of North Kingstown. The article requires the Quonset Development Corporation (Corporation) to make payments equal to the debt service. The Corporation assumes that the bonds will be for a term of 20 years with a 4.25 percent interest. The projected annual debt service is \$1.9 million.

Article 7: Relating to Health and Human Services

This article revises and adds to the statutes governing the Medical Assistance (Medicaid) program and implements certain initiatives set forth in the FY2017 Budget. The Article gives the Executive Office of Health and Human Services authority to oversee aligning General Law with the stated goals of promoting service quality, access and efficiency. More specifically, the Article imposes reporting requirements on the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, extends the Transitional Child Care Assistance Pilot Program, and modifies the payments to nursing facilities.

Article 8: Relating to Municipalities

This article requires electronic exchange of municipal financial information, streamlines financial reporting by municipalities, and requires distressed communities to participate in a debt recovery program. The Budget does not adopt the Governor's proposed new property revaluation schedule that would have called for municipal valuation updates every 5th and 10th year, and full physical revaluations every 15th year.

Specifically, this article:

- Establishes a transparency portal which requires municipalities to post required financial data to the Division of Municipal Finance website. The initiative is intended to streamline preparation and submission of required financial data and make this information available in a searchable, electronic format. Financial data must include audited annual financial statements, the status of the general funds and a comparison of the municipality's budget to actual expenditures.
- Modifies the program description of the Division of Municipal Finance, requiring the program to encourage the exchange of information using web based tools, including posting of municipal contracts. This change is intended to promote the use of shared services.
- Requires distressed communities to participate in the Income Tax Refund Offset program, which authorizes the Division of Taxation to collect debts owed to other government agencies and entities in the state, including cities and towns. Four of the eight communities that qualify for FY2017 aid already participate in the program: East Providence, Pawtucket, West Warwick, and Woonsocket. Those needing to become part of the program include: Central Falls, Cranston, North Providence, and Providence.

Article 9: Relating to Division of Motor Vehicles

This article addresses several important initiatives related to motor vehicle regulation: The reissuance of license plates as required by statute is delayed until April, 2017; authorizes a new license plate honoring Gold Star Parents; and, provides a reduction in annual registration fees for classes of commercial trucks.

LICENSE PLATE REISSUANCE

This article delays the mandatory license plate reissuance from July 1, 2016, until April 1, 2017. Under RIGL 31-3-33, the Division of Motor Vehicles (DMV) is required to issue new reflective license plates for all registered vehicles beginning September 1, 2013, and every 10 years thereafter. The requirement has been delayed three times previously, most recently within the FY2016 Budget as Enacted, which delayed the reissuance from September 2015 to the current July 2016 date.

The delay is attributable to several factors including the fact that the coordination and effort required by the DMV to complete the re-issuance project will affect personnel who are working on the implementation of the Rhode Island Motor Vehicle System (RIMS) information technology (IT) project (a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system). The personnel assigned to RIMS would need to be pulled off and reassigned to the re-issuance project to ensure it is successfully coordinated, potentially delaying the planned implementation date in December, 2016.

GOLD STAR PARENTS LICENSE PLATE & VETERANS EXEMPTION

The article creates an exemption for veterans from paying the standard \$20 service fee and \$5 transfer fee associated with their special designated license plates. It also establishes a new special license plate for Gold Star Parents, whose children served in the armed forces and were killed in the line of duty. General revenues are reduced in the Budget by the \$35,000 in estimated lost fees.

COMMERCIAL TRUCK REGISTRATIONS

This article reduces the annual registration fees for commercial trucks, truck tractors, and truck trailers in Rhode Island. A new sliding scale fee schedule is established beginning July 1, 2017, for commercial truck vehicles weighing over 10,000 pounds. Owners of vehicles at the lowest weights will see a 26.0 percent reduction of registration fees. Registration savings increase with the weight of the vehicle, topping out at 50.0 percent for those trucks above 26,000 pounds. These cuts in fees are expected to reduce revenue collections by \$4.2 million in FY2018.

Article 10: Related to Making Supplemental Appropriations in Support of FY2016

This Article makes revised appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department for the fiscal year ending June 30, 2016.

Expenditures by Source	FY2016 Enacted	FY2016 Governor	FY2016 Budget	Change to Governor
General Revenue	\$3,552.0	\$3,576.5	\$3,572.6	(\$3.9)
Federal Funds	2,947.3	3,114.2	3,085.3	(28.9)
Restricted Receipts	245.5	288.8	309.1	20.3
Other Funds	1,920.7	1,995.7	1,974.2	(21.4)
Total	\$8,665.4	\$8,975.1	\$8,941.1	(\$34.0)
FTE Authorization	15,118.4	15,139.3	15,116.3	(23.0)

\$ in millions. Totals may vary due to rounding.

Article 11: Relating to Strengthening Neighborhood Schools

The education funding formula statute is amended to provide a five-year review period for the funding formula, and to change the definition of poverty status of students for the purpose of calculating education aid. New aid categories are established for English Learners as well as communities that send large numbers of students to public schools of choice, and sending district tuition rates for charter and state schools are reduced. In addition, this article creates stabilization categorical funds for Davies and the Met School and eliminates obsolete language regarding the funding of charter schools. This article also creates a "performance dashboard" for greater local and state school budget transparency.

Article 12: Relating to Budget and Accounts

This article authorizes the Board of Education to establish a restricted receipt account for the Westerly Higher Education and Industry Center for the deposit of lease payments and other fees related to the operation and maintenance of the facility, and exempts deposits into the account from the 10.0 percent indirect cost recovery provision. The "DMV Modernization Project" in the Rhode Island Department of Motor Vehicles is also exempted from the indirect cost recovery provision. The article also amends the

budget submission process to require departments to submit their budgets directly to the Senate and House Fiscal Advisors, instead of just the Governor’s Budget Officer.

Article 13: Relating to Taxes and Revenues

This article includes a number of tax and fee changes, including:

- **Pension Tax Exemption:** This article establishes a new exemption on retirement income derived from pensions of individuals who have reached full social security retirement age and whose adjusted gross income (AGI) is \$80,000 or less, and for joint filers whose AGI is \$100,000 a year or less. The State personal income tax will not be applied to the first \$15,000 of annual income derived from private pension plans; federal, state, and local government retirement plans; and military plans. The estimated value of these exemptions is \$6.3 million in FY2017 and approximately \$13.0 million in FY2018.
- **Earned Income Tax Credit:** This article increases the amount of refundable earned income tax credit from 12.5 percent in tax year (TY) 2016 to 15.0 percent in TY2017. The following table demonstrates the financial impact on a single filer with one qualifying child.

Changes to Earned Income Tax Credit

	TY2015 (Current)	TY2016 (Current)	TY2017 (Proposed)
Income*	\$39,131	\$39,296	\$39,296
Maximum EITC (\$)	3,359	3,359	3,359
Allowable Federal Credit Amount	10.0%	12.5%	15.0%
Deduction Allowable from RI Tax Owed (\$)	336	420	504
Refundable Amount	100%	100%	100%
Total Refunded to Taxpayer	\$336	\$420	\$504

*Single filer, one qualifying child.

Note: TY2017 income amount reflects TY2016 limit as this income level is set annually by the IRS.

- **Beach Fees and Reimbursements:** The cost of seasonal passes and parking fees for state beaches are reduced to their pre-2011 levels, which was the last time these fees were addressed in the Budget. The local share of the associated revenues are similarly being restored to their previous level of 20.0 percent. The Budget is reduced by \$1.3 million to accommodate these price and share changes.

Current

Season Passes	Rate	New Rate
Resident	\$ 60.00	\$ 30.00
Senior Resident	30.00	15.00
Non-Resident	120.00	60.00
Senior Non-Resident	60.00	30.00

Current

Daily Parking (Weekday)	Rate	New Rate
Resident	\$ 10.00	\$ 6.00
Senior Resident	5.00	5.00
Non-Resident	20.00	20.00
Senior Non-Resident	10.00	10.00

Current

Daily Parking (Weekend)	Rate	New Rate
Resident	\$ 15.00	\$ 7.00
Senior Resident	8.00	3.50
Non-Resident	25.00	14.00
Senior Non-Resident	13.00	7.00

- **Minimum Corporate Tax:** The annual minimum Business Corporations Tax is reduced by \$50, from \$450 to \$400, reducing general revenues by \$1.6 million. This represents the second consecutive budget to lower the minimum tax. The revenue impact will only apply to the first half of FY2017. The first full year impact will be in FY2018.

Regional Comparison

State	Minimum Tax
Massachusetts	\$456
Rhode Island	\$400
Connecticut	\$250
Vermont	\$250
Maine	-
New Hampshire	-

- **Corporate Tax Filing Parity:** The initial application fee for limited liability partnerships is reduced from the current \$100 for each partner with a cap of \$2,500, to a flat fee of \$150 in total. The annual renewal fee is changed from \$100 per partner to a flat \$150 fee per application. General revenues are reduced by \$30,000 in FY2017 to accommodate these changes.
- **Corporate Filing Dates:** Filing deadlines for business taxes are brought into alignment with federal law based on the following schedule:

Summary Changes

Tax	Due Date Statute	Current Filing Deadline	Proposed Filing Deadline	Current Est. Pmt. Due Date
Corporate Income Tax	44-11-3 & 44-26-2.1	15th day of the 3rd month after close of taxable year	15th day of the 4th month after close of taxable year	1st pmt: 15th day of 3rd month:40%; 2nd pmt: 15th day of the 6th month: 60%
Tax on Gross Earnings Tax	44-17-1	March 1	April 15	1st pmt: March 15; 2nd pmt: June 15
Public Service Corporate Gross Earnings Tax	44-13-6	March 1	April 15	1st pmt: March 15; 2nd pmt: June 15
Bank Excise	44-14-6	15th day of the 3rd month after close of taxable year	15th day of the 4th month after close of taxable year	1st pmt: March 15; 2nd pmt: June 15
Limited Partnerhsips	7-12-60	15th day of the 4th month after close of taxable year	15th day of the 3rd month after close of taxable year	N/A
Limited Liability Companies	7-13-69	15th day of the 4th month after close of taxable year	15th day of the 3rd month after close of taxable year	N/A
Partnerships	7-16-67	15th day of the 4th month after close of taxable year	15th day of the 3rd month after close of taxable year	N/A

- **Transportation Network Companies:** This article clearly establishes in statute that businesses that use a digital network to connect passengers to the network's local operators are providing a retail service that is subject to the State's 7.0 percent sales. The tax is effective July 1, 2016.
- **Hospital License Fee:** The calculation of the fee hospitals must pay to operate in Rhode Island is amended by this article. This fee is determined by applying a statutorily-prescribed percentage to hospital revenues derived from patient services. The FY2016 rate of 5.862 percent is reduced to 5.625 percent. The change results in a \$91,778 reduction in general revenues in the Budget. The estimated total of license fees collected from hospitals in FY2017 is \$168.0 million.

- **Small Distilleries:** The article establishes a two-tiered licensing and fee framework for alcohol distilleries. Annual license fees for small producers (less than 50,000 gallons of distilled spirits produced annually) is set at \$500, for all others it remains \$3,000. The first 49,999 gallons of spirits produced by an established (operating for 12 months or more) distiller are exempt from the alcohol tax. Revenues are reduced by an estimated \$30,000 annually.
- **Motor Fuel Tax:** Revenues received from the Motor Fuel Use Tax will be deposited in the Intermodal Surface Transportation Fund, rather than the general fund, for use by the Department of Transportation. There is no general revenue impact as the tax was estimated to generate \$0 in FY2017.
- **Motion Picture & Historic Tax Credits:** The Motion Picture Production Tax credit provides a 25.0 percent credit for state certified production costs related to motion picture activity. The program's sunset has been extended from June 30, 2019, to June 30, 2021. The Historic Structures Tax Credit program provides various tax credits against expenditures related to the rehabilitation of qualified historic buildings. This article extend the program's sunset from June 30, 2016, to June 30, 2017.

Article 14: Relating to Compassion Centers

This article revises the regulatory framework related to the State's medical marijuana program. The primary change involves the establishment of a new plant tagging system designed to help better track and enforce marijuana plant cultivation in the state. The specific changes by category include:

LICENSING & REGULATION

- The Department of Business Regulation (DBR) is established as the licensing agency of compassion centers, compassion center staff, and a newly established class called a cultivator.
- Cultivators will have exclusive right to sell medical marijuana to compassion centers. DBR will be authorized to regulate and inspect cultivators.
- The Department of Health (DOH) will continue to have licensing authority over patients and caregivers as well as new class of license for "authorized purchasers".
- Authorized purchasers will be registered by the DOH and be permitted to purchase medical marijuana directly from compassion centers on behalf of a qualified patient.
- The Budget provides \$1.5 million in restricted receipt revenues from plant tag and business licensing fees to help finance the associated regulation of medical marijuana at the Department of Business Regulation. 4.0 additional FTEs are also provided for in the Budget to support the new license and tracking system.

TAGS

- A tagging system is established under which each medical marijuana plant in the state is required to have a state-issued tag. Licensed medical marijuana plant growers must renew the tag annually and pay the appropriate fee per the Department's regulations. The DBR will be responsible for sale of plant tags.
- Annual tag prices will be set in regulation; however, patients and caregivers cannot be charged more than \$25 per tag and those who are Medicaid eligible will not be charged.
- The Department is required to develop and manage a medical marijuana tag database. The database will be used for tracking the ownership and location of medical marijuana in throughout the state.

LIMITS ON POSSESSION AND PURCHASING

- The number of plants that each license class is permitted to own remains unchanged from current law. Patients retain the authorization to have 12 plants, double the amount recommended in the Governor's proposal.
- Patients are permitted to purchase medical marijuana from any of the state's three compassion centers.

Article 14 - Medical Marijuana Program Changes		
Section	Governor's Recommended	Budget
License Type	Patients	Patients
	Authorized Purchaser	Authorized Purchaser
	Caregiver	Caregiver
	Co-ops	Co-ops
	Cultivator	Cultivator
	Compassion Center	Compassion Center
Plant Limits	6 plants per patient	12 plants per patient
	24 plants per caregiver	24 plant per per caregiver
	72 plants, non-residential co-ops	48 plants per non-residential co-ops
	36 plants, residential co-ops	24 plants per residential co-ops
Tag Prices	Annual fee	Annual fee
	\$150 for patient	\$25 for patients and caregivers
	\$350 for caregivers	\$0 for qualified patients
	\$150 for Medicaid patients w/ caregiver	\$0 for caregivers w/qualified patients
	\$350 for cultivator	TBD by regulation
License Fees	Fees TBD by regulation	Fees TBD by regulation
	\$5,000 Compassion Center	\$5,000 Compassion Center

Article 15: Relating to Lease Agreement for Leased Office and Operating Space

This article provides the joint resolution pursuant to RIGL 37-6-2 (d) requesting authorization to enter into lease agreements for office space for the Commission on Human Rights. It authorizes the Commission on Human Rights to renew the 5-year lease with Dorwest Associates, LLC for 9,912 sq. ft. of space at 180 Westminster Street in the City of Providence. The current lease expires August 31, 2016. The annual rent is \$175,938 (average cost per sq. ft. is \$17.75) with an aggregate rent not to exceed \$879,690 after 5 years. The proposed lease does not include parking. However, the parking costs are included as part of the Commission's expenses for rental costs.

Analyst's Note: Currently, the Commission's lease includes 15 spaces at the Providence Place Mall at an annual cost of \$26,100. Although the article does not mention parking, the Commission will rent 15 spaces at the Rhode Island Convention Center garage at \$18,000 per year.

Article 16: Relating to Clean Diesel Program

This article establishes the Rhode Island Clean Diesel Fund within the Department of Environmental Management (DEM) for the purpose of reducing emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program. Grants for up to 50.0 percent of project costs will be awarded by DEM pursuant to rules and regulations promulgated by the Department. To be eligible

for funding, equipment must be registered with the Rhode Island Division of Motor Vehicles, be garaged in Rhode Island, and certified by DEM that 50.0 percent of more of the vehicle miles traveled or hours operated are in Rhode Island for at least five years following the grant award. Administrative and outreach costs for the program are capped at \$200,000 annually, or 10.0 percent of the fund appropriation, whichever is greater.

Article 17: Relating to Commerce

This article amends the distribution of hotel tax proceeds, adds new provisions to the Rebuild Rhode Island Tax Credit program, and authorizes a new economic incentive, the Air Service Development Fund.

- **Tourism:** For FY2017 only, the Budget redistributes approximately \$1.1 million in hotel tax proceeds designated for the Rhode Island Commerce Corporation to the various tourism districts in the State. The redistribution of hotel tax proceeds does not impact those funds generated from residential units offered for tourist or transient hosting. The following table illustrates the projected impact of the one-year redistribution:

Tourism District	FY 2017	FY 2017	Change
	Governor	Budget	
Aquidneck Island	\$ 3,301,639	\$ 2,950,401	\$ 351,238
Block Island	334,877	299,252	35,625
Convention Authority of Providence	1,603,460	1,448,287	155,174
East Providence	54,795	48,965	5,829
Northern Rhode Island	436,584	390,139	46,445
South County	1,201,810	1,073,958	127,852
Statewide	165,385	147,791	17,594
Warwick Dept of Econ Development	843,359	761,743	81,615
Providence Warwick Convention & Visitor Bureau	2,633,799	2,399,966	233,834
Rhode Island Commerce Corporation	4,112,775	5,167,982	(1,055,207)
Municipalities	4,896,161	4,896,161	-
Total	\$ 19,584,644	\$ 19,584,644	\$0

Source: Department of Revenue

- **Rebuild RI:** The Budget adds several provisions to the Rebuild Rhode Island Tax Credit Fund (Rebuild RI) that provide fiscal stability in preparing future State Budgets, enhances transparency concerns, authorizes additional land areas and finance options to provide more flexibility to developers, and authorizes the use of these funds to reimburse municipalities. This includes:
 - Establishes a cap not to exceed \$150.0 million as the aggregate sum for the Rebuild RI tax credits to provide stability in planning future State Budgets for the redeemed tax credits. The sunset provision is maintained and the Rebuild RI Fund sunsets on December 31, 2018. No credits will be authorized after this date.
 - Allows for no more than once per year, the use of the Rebuild RI tax credits for a development project undertaken by a tenant or commercial condominium owner for the development of land and building within I-195 Redevelopment District. In addition, a qualified development project by a tenant or commercial condominium owner on I-195 Redevelopment District land may be exempt from the provision that the maximum Rebuild RI credit be the lesser of 30.0 percent of the total project cost.
 - Requires the Director of the Office of Management and Budget to provide written confirmation in notifying the Rhode Island Commerce Corporation Board on the impact that each proposed project will have on the aggregated authorized program tax credit limit.
 - Adds language authorizing the use of Rebuild RI funds to provide a partial reimbursement (10.0 percent) to municipalities pursuant to RIGL 42-64.22 for forgone revenues as part of a tax stabilization agreement for a qualifying Rebuild RI project.

- Allows the Commerce Corporation to use the Rebuild RI funds to make loans or equity investments as an alternative incentive in lieu of the tax credits, as long as the applicant otherwise qualifies for the Rebuild RI tax credits.
- **Air Service Development:** The Budget authorizes the Air Service Development Fund and includes \$1.5 million in general revenue to support the creation of additional direct airline routes to major metropolitan areas. The Administration believes that T.F. Green is well-positioned to capitalize on the airline industry trend to add new air routes. It has become common practice in the industry to provide a revenue backstop to an airline that is implementing a new route, in essence, providing a limited, capped amount of money to compensate the airline for losses incurred if the new route is not profitable.

The Air Service Development Fund will provide loss protection to an airline for new, high-priority routes, minimizing downside risk for the airline and giving Rhode Island a competitive edge against other airports. If a route is profitable, no money from the Fund will be paid to the airline. Federal Aviation administration (FAA) regulations prohibit the Rhode Island Airport Corporation (and all airports) from providing these incentives, but there is no restriction on the State from providing this incentive.

Article 18: Relating to Renewable Energy Programs

This article extends the Renewable Energy Fund for five years and updates the State's net metering program to enable third-party financing. Virtual net metering is expanded to affordable housing, low/moderate income housing, community (multiple homes), and private academic, with a maximum allowable aggregate capacity of 50.0 megawatts. The article also establishes renewable energy interconnection standards and deadlines for utility and renewable energy developers. Residential and manufacturing renewable energy systems are exempted from tangible property taxation, and the Office of Energy Resources (OER), in consultation with the Division Taxation and the Division of Municipal Finance, is empowered to develop a statewide property tax rate through a rules and regulations process.

Article 19: Effective Date

This article provides that the Act would take effect on July 1, 2016, except as otherwise provided therein.

Senate Fiscal Office

Stephen H. Whitney

Senate Fiscal Advisor

David M. Tremblay

Deputy Senate Fiscal Advisor

Sandra L. Berube

Legislative Grant Coordinator

Robert C. Bromley

Senior Legislative Fiscal Analyst

Susan E. Gardiner

Legislative Fiscal Analyst II

Kelly M. Carpenter

Legislative Fiscal Analyst II

Molly McCloskey

Legislative Fiscal Analyst I

Tina Spears

Legislative Fiscal Analyst II