



SENATE FISCAL OFFICE  
ISSUE BRIEF

**FY2018 Budget as Passed by the House  
(2017-H-5175 Substitute A as amended)**

JUNE 23, 2017

The following report provides a summary of the floor amendments to 2017-H-5175 Substitute A, as passed by the House of Representatives. The table below summarizes the FY2017 Supplemental and FY2018 appropriations as included in the amended legislation.

Expenditures by Source	FY2017 Enacted	FY2017 Governor	FY2017 Budget	Change to Governor	FY2018 Governor	FY2018 Budget	Change to Governor
General Revenue	\$3,683.7	\$3,700.4	\$3,686.5	(\$13.9)	\$3,792.7	\$3,767.7	(\$25.0)
Federal Funds	2,957.1	3,098.1	3,184.6	86.5	3,081.8	3,134.1	52.3
Restricted Receipts	257.0	306.8	276.3	(30.5)	273.8	261.7	(12.1)
Other Funds	2,040.9	2,095.3	2,054.1	(41.2)	2,099.7	2,079.2	(20.5)
<b>Total</b>	<b>\$8,938.7</b>	<b>\$9,200.5</b>	<b>\$9,201.5</b>	<b>\$0.9</b>	<b>\$9,248.1</b>	<b>\$9,242.8</b>	<b>(\$5.2)</b>
<b>FTE Authorization</b>	<b>14,952.6</b>	<b>15,035.9</b>	<b>14,959.0</b>	<b>(76.9)</b>	<b>15,067.4</b>	<b>15,160.2</b>	<b>92.8</b>

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

**GENERAL REVENUE BUDGET SURPLUS STATEMENT**

	FY2016	FY2017	FY2018
<b>Opening Surplus</b>			
Free Surplus	\$168,038,072	\$167,818,206	\$49,716,065
Reappropriated Surplus	6,890,273	7,848,853	-
<b>Subtotal</b>	<b>\$174,928,345</b>	<b>\$175,667,059</b>	<b>\$49,716,065</b>
<b>Revenues</b>			
Enacted/Actual/Estimated	3,635,029,000	3,674,742,668	
Closing	28,563,637		
Nov. Revenue Estimating Conference		44,846,332	3,611,647,000
Governor		(202,882)	220,989,715
Assembly		(43,558,729)	2,085,792
<b>Total Revenues</b>	<b>\$3,663,592,637</b>	<b>\$3,675,827,389</b>	<b>\$3,834,722,507</b>
To Cash Stabilization Fund	(114,948,921)	(115,309,368)	(116,533,157)
From Cash Stabilization Fund			
<b>Total Available Resources</b>	<b>\$3,723,572,061</b>	<b>\$3,736,185,080</b>	<b>\$3,767,905,415</b>
<b>Expenditures</b>			
Actual/Enacted/Current Svcs.	3,572,582,032	3,683,715,867	3,822,581,498
Closing	(24,677,031)		
Reappropriations	7,848,853	7,848,853	
Governor		8,840,255	(29,872,510)
Assembly		(13,935,960)	(24,993,332)
<b>Total Expenditures</b>	<b>\$3,555,753,854</b>	<b>\$3,686,469,015</b>	<b>\$3,767,715,656</b>
<b>Total Surplus</b>	<b>167,818,207</b>	<b>49,716,065</b>	<b>189,759</b>
<b>Free Surplus</b>	<b>\$167,818,207</b>	<b>\$49,716,065</b>	<b>\$189,759</b>
<i>Operating Surplus/(Deficit)</i>	<i>(219,865)</i>	<i>(118,102,141)</i>	<i>(49,526,306)</i>
<b>Rainy Day Fund</b>	<b>\$191,581,535</b>	<b>\$192,182,280</b>	<b>\$194,221,929</b>

**ARTICLE 1: RELATING TO MAKING APPROPRIATIONS IN SUPPORT OF FY2018 (LC000884/10)**

The Budget includes changes to the FY2018 appropriation to the following departments:

***Department of Administration***

The Budget restores \$778,445 to the Department of Administration, reversing the Governor's proposal to transfer the Director for Cybersecurity position from the Department of Administration to the Department of Public Safety.

The Budget decreases general revenue by \$416,000 to reflect additional debt service savings.

The Budget includes \$300,000 in general revenue to fund the Pay-for-Success project in the Department of Corrections (DOC). The Department of Corrections worked with the Harvard Kennedy School's Government Performance Lab to develop a proposal to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals.

***Department of Business Regulation***

The Budget provides \$147,000 in general revenue and 1.0 FTE position to support the Office of the Health Insurance Commissioner's rate review staff.

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

The Budget fully restores the Upper Payment Limit (UPL) to hospitals adding \$3.6 million in general revenue (\$8.9 million all funds) and includes an increase of \$2.6 million in general revenue (\$23.4 million all funds) related to the ongoing costs associated with Unified Health Infrastructure Project (UHIP) delays.

Additionally, the Budget maintains the House Finance Committee allocation of \$250,000 to fund a home modification grant program within EOHHS. Article 1 adds language specifying the intent of the allocation and instructs the expenditures to be in consultation with the Governor's Commission on Disabilities.

***Department of Children, Youth, and Families***

The Budget shifts \$450,000 in capital funds from the capital improvement project for generators at the Rhode Island Training School (RITS) to the RITS project for repairs and improvements.

***Department of Human Services***

The Budget adds \$283,185 in UHIP development costs in FY2018. Additionally, the Budget includes \$300,000 in general revenue savings within the Office of Child Support Services. This savings is due to an assumption that, based on FY2017 spending trends, reserve money for child support settlement tax intercepts will go unspent.

***Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals***

The Budget increases general revenue expenditures by \$111,090 at Eleanor Slater Hospital for increased costs associated with raising the hospital license fee. The hospital license fee increased relative to the House Finance Committee Budget from 5.570 percent to 5.856 percent.

Article 1 includes language directing wage increases for developmental disability direct care workers. The language states "of this general revenue funding, \$3.0 million shall be expended on private provider direct support staff raises and associated payroll costs as authorized by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. Any increases for direct support staff in residential or other community based settings must first receive the approval of the Office of Management and Budget and the Executive Office of Health and Human Services."

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**Elementary and Secondary Education**

The Budget adds \$460,000 in transportation categorical aid for regionalized districts to transport students within district.

**Department of Corrections**

The Budget includes \$410,735 in turnover savings and restores 3.0 mental health-related FTE positions. These positions include, 2.0 Clinical Social Workers and 1.0 Behavioral Health Administrative Assistant. Additionally, the Budget is reduced by \$120,000 for a lab contract with East Side Laboratory.

**Judiciary**

The Budget adds \$700,000 for Magistrates, including \$233,333 in Superior Court, \$233,334 in Family Court and \$483,333 in District Court. The Budget also adds \$250,000 for the District Court Bail Unit staff. There are no changes to the FTE cap in the Judiciary.

**Department of Public Safety**

The Budget eliminates the transfer of the State’s Director of Cybersecurity from the Department of Administration (DOA) to the Department of Public Safety and returns \$778,445 of related expenditures that were to accompany the position for operations and other support activity.

**Department of Environmental Management**

The Budget restores \$100,000 in general revenue funding for Local Agriculture and Seafood Act grants to level fund the program in FY2017. The Budget also eliminates \$121,978 in restricted receipts and 1.0 FTE Chief Program Development position for the new state parks merchandizing initiative recommended by the Governor.

**FY2018 FTE CHANGES TO THE GOVERNOR**

The Budget includes total of 15,160.2 FTE positions, 92.8 FTE position more than proposed by the Governor.

**FTE POSITION CAP AND APPROVAL**

Government Function	FY2017 Enacted	FY2017 Revised	Change to Enacted	FY2018 Governor	FY2018 Budget	% of Total	Change to Governor	Change to Enacted
General Government	2,342.7	2,344.7	2.0	2,402.9	2,365.9	15.6%	(37.0)	23.2
Human Services	3,619.6	3,618.6	(1.0)	3,561.6	3,715.6	24.5%	154.0	96.0
Education	3,909.9	3,908.9	(1.0)	3,918.9	3,924.9	25.9%	6.0	15.0
Public Safety	3,205.6	3,211.0	5.4	3,231.2	3,210.0	21.2%	(21.2)	4.4
Natural Resources	428.0	429.0	1.0	432.0	429.0	2.8%	(3.0)	1.0
Transportation	701.0	701.0	-	775.0	775.0	5.1%	-	74.0
<b>Subtotal</b>	<b>14,206.8</b>	<b>14,213.2</b>	<b>6.4</b>	<b>14,321.6</b>	<b>14,420.4</b>	<b>95.1%</b>	<b>98.8</b>	<b>213.6</b>
Sponsored Research	745.8	745.8	-	745.8	739.8	4.9%	(6.0)	(6.0)
<b>Total FTE Positions</b>	<b>14,952.6</b>	<b>14,959.0</b>	<b>6.4</b>	<b>15,067.4</b>	<b>15,160.2</b>	<b>100.0%</b>	<b>92.8</b>	<b>207.6</b>

**Department of Administration**

**1.0 FTE**

The Budget maintains 1.0 Cybersecurity Director in the Department of Administration rather than transferring the position to the Department of Public Safety as proposed by the Governor.

**Department of Business Regulation**

**1.0 FTE**

The Budget adds 1.0 FTE position. The position title is not identified, however the additional FTE position is intended to support the Office of the Health Insurance Commissioner’s rate review responsibilities.

**Executive Office of Health and Human Services****16.0 FTEs**

The Budget adds 16.0 FTE positions to the Office of Health and Human Services to support the Unified Health Infrastructure Project (UHIP).

**Department of Human Services****143.0 FTEs**

The Budget adds 143.0 FTE positions related to the UHIP project. This increase includes 96.0 Eligibility Technicians, 11.0 Customer Service Aids, 6.0 Career Advisors, 23.0 Social Case Workers, 2.0 Program Development Chiefs, and 1.0 Family and Adult Services Administrator. These 143.0 new positions include 60.0 permanent positions and 83.0 temporary positions.

**Department of Public Safety****1.0 FTE**

The Budget maintains 1.0 Cybersecurity Director in the Department of Administration rather than transferring the position to the Department of Public Safety as proposed by the Governor. Offsetting this decrease is an increase of 2.0 Capitol Police funded through rotary accounts.

**Department of Environmental Management****(1.0 FTE)**

The Budget eliminates 1.0 FTE Chief Program Development position for the new merchandizing program recommended by the Governor.

**ARTICLE 3: RELATING TO RHODE ISLAND PROMISE SCHOLARSHIP (LC000886/15)**

Technical amendment to correct drafting errors.

**ARTICLE 4: RELATING TO DIVISION OF MOTOR VEHICLES (LC000887/4)**

The House Finance Committee version of Article 4 inadvertently eliminated truck registration fees instead of reversing the sliding scale fee schedule, set to begin in FY2018, as intended. The amendment reestablishes the fee schedule currently in effect for FY2017 for every motor truck or tractor. This amendment ensures that the current schedule is maintained and that all truck registration fees will be collected.

*Analyst Note: Additionally, Article 4 eliminates refunds on multi-year motor vehicle registrations. The general revenue portion of these receipts is projected to be \$107,800 in FY2018. This revenue was not included in the House Finance Committee version of the bill.*

**ARTICLE 5: RELATING TO GOVERNMENT ORGANIZATION (LC000888/4)**

Technical amendments to correct drafting errors.

**ARTICLE 8: RELATING TO TAXES AND REVENUES (LC000891/16)**

This amendment makes several changes to Article 8 including the following:

- Increases the statutorily-prescribed percentage that is applied to hospital revenues derived from patient services from 5.570 percent to 5.856 percent. This percentage is used in the calculation of the fee that hospitals must pay to operate in Rhode Island. The change will increase estimated license fees collected from hospitals in FY2018 by \$13.0 million.
- Exempts seeds and plants used to grow food and food ingredients from the sales and use tax. It explicitly does not include marijuana seeds or plants as part of this exemption.
- Technical amendment to correct drafting errors.

**ARTICLE 9: RELATING TO HEALTH AND HUMAN SERVICES (LC000892/4)**

The House Finance Committee Budget proposal included the elimination of the Upper Payment Limit provisions in Article 9. The amendment restores language to fully fund the Upper Payment Limit to

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Hospitals. Additionally, the amendment corrects a technical error related to the Graduate Medical Education Program and modifies language related to outpatient and inpatient payments to hospitals. The amendment:

- Strikes “negotiated” payments made by Managed Care Organizations (MCOs) and inserts “increases” payments to inpatient and outpatient payments.
- Strikes payment may “not exceed” and includes increases to payments “shall be” the Centers for Medicare and Medicaid Services (CMS) Inpatient Prospective Payment System (IPPS) Services Hospital Input Price Index for the applicable period.
- Includes increased rates “shall be paid to each hospital retroactively to July1.”
- Strikes “negotiated rates” and inserts “new rates”.
- Corrects a technical error eliminating the Graduate Medical Education program and includes a \$4.0 million allocation to the program.

Modifications to language related to inpatient and outpatient payment to hospitals essentially requires MCOs and Medicaid to increase payments to hospitals by the total amount included in the Budget beginning July 1, 2017. The Budget includes an increase in payments to hospitals consistent with the CMS IPPS Hospital Input Price Index.

#### **ARTICLE 10: RELATING TO MAKING APPROPRIATIONS IN SUPPORT OF FY2017 (LC000893/2)**

##### ***Legislature***

The Budget reduces personnel and operations spending at the Legislature by \$1.9 million in FY2017.

#### **ARTICLE 11: RELATING TO TAXATION – EXCISE ON MOTOR VEHICLES AND TRAILERS (LC000894/3/4)**

Amendment LC000894/4 changes the sales tax escalator calculation language that was in place from the 1998 motor vehicle excise tax phase-out language. Under current law, unchanged by this article, municipalities and fire districts shall receive a permanent distribution of growth in sales tax that is equal to lost revenue due to the tax elimination. The existing language rounds the changes so that it could significantly and negatively impact the levy reimbursements to cities and towns. This amendment changes the rounding of the sales tax received from the nearest tenth of one cent to the nearest thousandth of one cent, reducing the impact of the rounding. Additionally, the amendment shifts the authority to make this calculation from the Director of Administration to the Director of Revenue.

Amendment LC000894/3 makes technical changes to clarify levy calculation and certification methodologies.

#### **ARTICLE 12: RELATING TO EDUCATION AID (LC000895/4)**

The amendment:

- Requires the Department of Elementary and Secondary Education to collect data on special education costs that exceed two and three times the core-foundation amount in addition to the four times required under current law.
- Amends the transportation categorical to separate the aid for costs associated with transporting student to out-of-district non-public schools from the aid for transporting students within regional school districts.