



SENATE FISCAL OFFICE  
REPORT

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**FY2020 BUDGET: CHANGES TO THE GOVERNOR**

**2019-H-5151 SUBSTITUTE A  
AS PASSED BY THE HOUSE FINANCE COMMITTEE**

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JUNE 20, 2019

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## Table of Contents

---

### Executive Summary

Executive Summary	5
-------------------	---

### FY2020 Budget

Revenue Changes	13
-----------------	----

Expenditure Changes by Agency	19
-------------------------------	----

### FY2019 Supplemental Budget

Revenue Changes	55
-----------------	----

Expenditure Changes by Agency	57
-------------------------------	----

### Special Reports

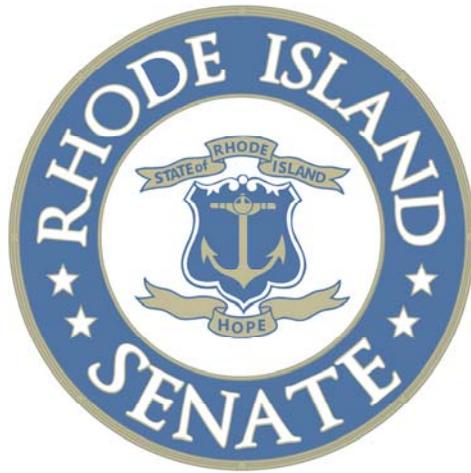
Municipal Aid	79
---------------	----

Education Aid	93
---------------	----

### Articles

Articles	103
----------	-----





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**EXECUTIVE SUMMARY**

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## Executive Summary

The Budget represents the \$9.96 billion spending plan for the State for the fiscal year ending June 30, 2020 (FY2020). Also included is the revised spending plan for the current fiscal year ending June 30, 2019 (FY2019). The Budget Reserve and Cash Stabilization Account (Rainy Day Fund) would be fully-funded. The following document summarizes key budget initiatives and changes.

<b>Expenditures by Source</b>	<b>FY2019 Enacted</b>	<b>FY2019 Governor</b>	<b>FY2019 Supp.</b>	<b>Change to Governor</b>	<b>FY2020 Governor</b>	<b>FY2020 Budget</b>	<b>Change to Governor</b>
General Revenue	\$3,908.2	\$3,947.1	\$3,933.8	(\$13.2)	\$4,075.1	\$4,075.1	\$0.0
Federal Funds	3,208.2	3,339.6	3,334.5	(5.1)	3,318.7	3,323.7	5.0
Restricted Receipts	281.8	294.3	287.1	(7.2)	301.5	311.4	9.9
Other Funds	2,174.5	2,227.8	2,191.0	(36.8)	2,234.8	2,256.0	21.2
<b>Total</b>	<b>\$9,572.7</b>	<b>\$9,808.8</b>	<b>\$9,746.4</b>	<b>(\$62.4)</b>	<b>\$9,930.0</b>	<b>\$9,966.2</b>	<b>\$36.1</b>
<b>FTE Authorization</b>	<b>15,209.7</b>	<b>15,230.7</b>	<b>15,221.7</b>	<b>(9.0)</b>	<b>15,413.7</b>	<b>15,069.7</b>	<b>(344.0)</b>

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

## GENERAL REVENUE SURPLUS STATEMENT

	<b>FY2017</b>	<b>FY2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Opening Surplus</b>				
Free Surplus	\$167,818,206	\$61,660,230	\$52,525,379	\$26,434,117
Reappropriated Surplus	7,848,853	10,338,899	10,057,409	-
<b>Subtotal</b>	<b>\$175,667,059</b>	<b>\$71,999,129</b>	<b>\$62,582,788</b>	<b>\$26,434,117</b>
<b>Revenues</b>				
Enacted/Actual/Estimated	3,675,827,389	3,908,384,435	3,998,485,298	3,950,250,000
Governor			10,786,873	248,637,451
Assembly			10,585,014	(23,658,780)
<b>Total Revenues</b>	<b>\$3,684,357,619</b>	<b>\$3,908,384,435</b>	<b>\$4,019,857,185</b>	<b>\$4,175,228,671</b>
To Cash Stabilization Fund	(115,565,275)	(119,101,340)	(122,171,477)	(126,049,884)
From Cash Stabilization Fund				
<b>Expenditures</b>				
Actual/Enacted/Current Svcs.	3,686,469,015	3,798,699,436	3,908,207,061	4,107,591,973
Reappropriations			10,057,409	
Governor			28,787,783	(32,498,834)
Assembly			(13,217,874)	23,852
<b>Total Expenditures</b>	<b>\$3,672,460,275</b>	<b>3,798,699,436</b>	<b>\$3,933,834,379</b>	<b>\$4,075,116,991</b>
<b>Total Surplus</b>	<b>71,999,128</b>	<b>62,582,788</b>	<b>26,434,117</b>	<b>495,913</b>
Reappropriations		(10,057,409)		
<b>Free Surplus</b>	<b>\$71,999,128</b>	<b>52,525,379</b>	<b>\$26,434,117</b>	<b>\$495,913</b>
<i>Operating Surplus/(Deficit)</i>	<i>(95,819,078)</i>	<i>922,558</i>	<i>(26,091,262)</i>	<i>(25,938,204)</i>
<b>Rainy Day Fund</b>	<b>\$192,608,791</b>	<b>\$198,502,233</b>	<b>\$203,619,128</b>	<b>\$210,083,139</b>

**REVENUE CHANGES:**

- **Eliminates Tax Expansions:** Eliminates a number of tax expansions proposed by the Governor:
  - Sales tax expansions to commercial building, interior design, hunting and shooting club, and lobbying services (\$11.8 million)
  - Medicaid Employer Assessment (\$15.6 million)
  - Tobacco tax increases and expansions (\$4.6 million)
  - Hotel Tax increase (\$4.4 million)
- **Rebuild RI Sales Tax Exemptions:** Adds \$5.6 million by subjecting Rebuild RI sales tax exemptions to the program cap and requires the tax credit fund to repay foregone revenue tax accounts.
- **E-911 Restricted Receipts:** Eliminates current E-911 and Emergency Services surcharges and levies equivalent E-911 fees that will fund agency operations from a restricted account, and a first response surcharge to fund public safety response through general revenues.
- **Attorney General Settlements:** Increases revenues by \$5.0 million from several recently negotiated multi-state settlements through the Office of Attorney General.
- **Marijuana Program Proposals:** Eliminates the Governor's proposed marijuana legalization program and expands the existing medical marijuana program (\$3.5 million reduction).
- **Sales Tax Exemptions:** Exempts feminine hygiene products, urns, and funeral shrouds from sales and use taxes (\$75,000 reduction).
- **DMV License Block Charges:** Rejects the Governor's proposal to charge municipalities for DMV license block services. This service will remain free for participating municipalities.

**STATEWIDE CHANGES:**

- **FTE Authorization:** Authorizes 15,069.7 FTE positions, 344.0 positions less than proposed by the Governor and 140.0 FTE positions less than authorized in the FY2019 Budget as Enacted.

**GENERAL GOVERNMENT:**

- **Government Efficiency Savings:** The Budget restores \$10.0 million in general revenue to the Department of Administration, reflecting the allocation of savings from the Governor's Commission on Government Efficiency.
- **Debt Service:** Includes \$2.5 million in reduced general revenue debt service. This includes a decrease of \$1.4 million for debt service related to the new Garrahy Garage project and a decrease of \$1.1 million for 38 Studios debt service, recognizing the collection of additional settlement payments.
- **Fraud, Waste, and Abuse Savings:** The Budget increases \$2.0 million in projected general revenue savings achieved through the Fraud, Waste, and Abuse initiative.
- **Complete Count (Census 2020):** Provides \$500,000 in FY2020, reflecting an additional \$350,000 over the amount recommended by the Governor to ensure the state maximizes outreach and individual count for the 2020 Census.
- **Water Resources Board:** Maintains the Water Resources Board at the Department of Administration.
- **Public Utility Commission New Positions:** Reduces restricted receipts by \$385,844 by eliminating the funding and FTE authorization for 4.0 new FTE positions that were proposed by the Governor.



- **State Studies:** Eliminates \$280,000 in general revenue to fund a disparity study for the Office of Diversity, Equity, and Opportunity and eliminates \$500,000 in the FY2019 Revised Budget to contract with Civic Initiatives for a study to find cost savings.
- **License Plate Reissuance:** Requires the reissuance of license plates beginning June 1, 2020. The Governor attempted to remove the reissuance requirement.

#### ECONOMIC DEVELOPMENT:

- **Rebuild RI:** Makes a number of changes to the Rebuild RI tax credit program:
  - Adds \$50.0 million to the program cap, increasing it to \$200.0 million.
  - Subjects Rebuild RI sales tax exemptions to the program and per-project caps, and requires the tax credit fund to repay foregone revenue tax accounts.
  - Expands definitions under the program to include many historic parcels.
  - Extends the program sunset date from July 1, 2020 to December 31, 2020.
- **Motion Picture and Musical and Theatrical Production Credit:** Increases the annual program cap to \$20.0 million and extends the sunset to 2027.
- **Historic Tax Credit Program:** Extends the sunset for the existing program.
- **Small Business Development Fund:** Creates a new fund at Commerce that authorizes the creation of multiple private capital funds designed to invest in small, Rhode Island-based businesses. The funding is targeted at the gap in financing that exists for many small businesses and start-ups.
- **Special Economic Development Districts:** Allows for the creation of special economic development districts and designates the I-195 Commission District as such.
- **I-195 Redevelopment Fund:** Eliminates \$1.0 million for the I-195 Redevelopment Fund, but provides \$761,000 for Commission operating costs and \$450,000 in RICAP funds for capital projects.
- **Qualified Jobs Incentive Program:** Limits future awards under the program to 75.0 percent of taxable withholding.
- **Opportunity Zones:** Accelerates the time period in which the entire capital gains liability is eliminated, from ten years down to seven, as an incentive for investors to locate in Rhode Island.

#### EDUCATION:

- **Audit Adjustment:** Includes \$1.8 million to hold districts harmless for an audit adjustment to correct an error in data used to calculate FY2019 education aid.
- **DCYF Aid Withholding:** Repeals the Governor's proposed amendment that held districts responsible for some of the costs associated with educating children in the care of the Department of Children, Youth, and Families (DCYF) and restores \$1.3 million in education aid.
- **Prekindergarten Expansion:** Provides an increase of \$8.6 million, including \$5.8 million to replace federal funding needed to support current seats and \$2.9 million to expand the program by an additional 270 seats.
- **ELL Expansion:** Includes the Governor's \$2.2 million in additional funding for the English Language Learners categorical funding program.
- **Funding Formula:** Adds \$759,284 in general revenue to fully fund the ninth year of the funding formula based on the March 2019 enrollment data.

- **School Improvement Positions:** Provides \$390,000 to fund three positions to support school leadership, school improvement, and STEM curricula.
- **Literacy/Dyslexia Training:** Adds \$250,000 to fund a new literacy position in RIDE, and to support curriculum for literacy and students with dyslexia.
- **Transportation Categorical:** Increases general revenues by an additional \$250,000 in state aid for costs associated with transporting students within a regionalized district.
- **New England Board of Higher Education (NEBHE) Dues:** Provides \$147,000 in general revenue to pay the membership dues for NEBHE.
- **No RI Promise Expansion/Additional RIC Operating Support:** Adds \$900,000 in general revenue operating support for Rhode Island College (RIC) and restores need-based grant funding to offset impact of not expanding the RI Promise program.
- **URI Board:** Shifts oversight of the University of Rhode Island (URI) from the Board of Education, Council of Postsecondary Education (Council), and the Commissioner of Postsecondary Education to the newly established Board of Trustees (Board). The article transfers all the duties and responsibilities pertaining to employees, debt service, and property from the Council to the Board.

#### LOCAL/MUNICIPAL ISSUES AND AID:

- **Motor Vehicle Excise Tax Phaseout:** Increases local aid by \$16.3 million to maintain the current Motor Vehicle Excise Tax Phaseout schedule. The Governor had proposed a reduction which, in essence, would have resulted in \$16.3 million more in local property tax assessments.
- **PILOT Restoration:** Adds \$5.3 million to level-fund the Payment in Lieu of Taxes program for FY2020.
- **Airport Impact Fees:** Restores \$247,396 to fully fund the Airport Impact Aid program that supports municipalities with airports.
- **DMV License Block Charges:** Removes the Governor's proposal to charge municipalities for DMV license block services. This service will remain free for participating municipalities.
- **Central Falls Support:** Adds general revenue funding of \$600,000 to support operations in the City of Central Falls.

#### HEALTH AND HUMAN SERVICES:

- **Caseload Changes:** Includes required Medical Assistance and Cash Assistance adjustments from the May 2019 Caseload Estimating Conference.
- **Hospital Payments:** Increases Medicaid payments to hospitals for a net general revenue increase of \$16.3 million (\$43.4 million all funds). Specifically, the Budget:
  - Provides a 7.2 percent rate increase for inpatient and outpatient hospital services financed through Medicaid. This restores the Governor's proposed rate freeze and provides a supplemental rate increase to account for prior year freezes. The Budget adds \$14.3 million (\$40.4 million all funds).
  - Increases the FY2020 Disproportionate Share Hospital (DSH) payment to the federal cap, increasing general revenue expenditures by \$1.2 million (\$2.6 million all funds).
  - Adjusts the outpatient upper payment limit (UPL) to account for the hospital rate increase, revising general revenue expenditures downward by \$182,315 (\$559,016 all funds).
  - Restores the \$1.0 million State-only Graduate Medical Education (GME) payment.

- **Internal Audit:** Includes \$1.9 million in general revenue savings (\$6.4 million all funds) related to an initiative undertaken by the Office of Internal Audit to detect fraud, waste, and abuse in the Medicaid program. The savings will be achieved by recouping payments that were made to the managed care plans on behalf of deceased individuals.
- **Rlte Share:** Includes \$1.1 million in general revenue savings (\$2.4 million all funds) by shifting 2,000 individuals from Medicaid to Rlte Share, the State's premium assistance program for Medicaid-eligible individuals with access to employer-sponsored insurance. This is an alternative to the Governor's proposed Medicaid Employer Assessment.
- **Cortical Integrative Therapy:** Restores the \$1.0 million State-only payment for Cortical Integrative Therapy which the Governor removed. CIT is a treatment for brain disorders which the federal government has denied federal Medicaid funding for due to lack of evidence regarding the efficacy of the treatment. The funding is provided to a single doctor.
- **Lead Inspection:** Rejects the Governor's proposal to modify the State's lead licensing protocol for foster care placements.
- **Female Residential Facility:** Provides \$1.5 million in Rhode Island Capital Plan (RICAP) funding for the Department of Children, Youth, and Families to acquire and renovate a facility for the purpose of operating an in-State residential treatment center for young women who, due to lack of in-State capacity, are currently placed in the Rhode Island Training School or an out-of-State facility.
- **Respite Services:** Increases general revenue funding by \$45,000 to support elderly respite care services.
- **BHDDH Direct Care Wage Increase:** Includes Governor's \$6.0 million direct care worker wage increase.
- **Health Homes:** Increases federal funds by \$13.0 million to reflect an enhanced match to implement a conflict-free case management system for individuals with intellectual and/or developmental disabilities.

#### **PUBLIC SAFETY:**

- **High Security Renovations:** Rejects the Governor's proposal to renovate the High Security Facility within the Department of Corrections. The budget includes an additional \$5.1 million in general revenues to offset the assumed savings that were included in the Governor's Budget.
- **Price Facility Operations:** Includes general revenue savings of \$358,409 from the proposed sale of the Price Facility in the Pastore Center. These savings were identified as a part of the Governor's Efficiency Commission.
- **Drug Court Diversion Staffing:** Adds \$348,000 in general revenue and 3.0 FTE positions to support the Superior Court's Drug Court Diversion program.
- **E-911 Restricted Receipts:** Eliminates current E-911 and Emergency Services surcharges and levies equivalent E-911 fees that will fund agency operations from a restricted account, and a first response surcharge to fund public safety response through general revenues.
- **E-911 Training Funds:** Provides \$222,000 in restricted funding for E-911 to train telecommunicators in emergency medical dispatch training.

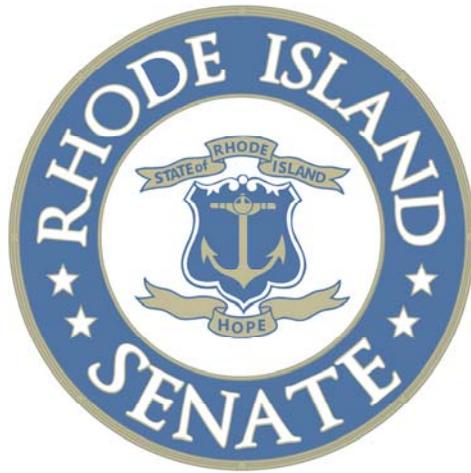
#### **NATURAL RESOURCES:**

- **OSPAR:** Eliminates the transfer of Oil Spill Prevention, Administration, and Response funds; maintains the current fee on oil imports instead of doubling as proposed by Governor; and, rejects the proposal to expand use of OSPAR funds for brownfields.

- **DEM Division of Parks and Recreation:** Reduces additional support for operating expenses in state parks by \$800,000 and reduces 3.0 new FTE positions to bring the increase more in-line with the updated revenue projections from fee increases at parks and campgrounds.
- **America's Cup:** Shifts \$392,223 in general revenue for costs associated with hosting a preliminary race for the America's Cup such as security, sanitation, and equipment rentals to tourism funds within the Commerce Corporation.

**TRANSPORTATION/TRANSIT:**

- **Gas Tax Adjustments:** Increases gas tax funding by \$4.4 million in FY2020 to reflect an upward revision of the projected per penny yield as estimated by the Office of Revenue Analysis.
- **RIPTA Free Fare:** Extends RIPTA's \$5.0 million annual appropriation, from the Department of Transportation's Highway Maintenance Account, indefinitely. These funds are used to support the Free-Fare program which provides free bus rides to qualifying low-income seniors and people with disabilities.



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**FY2020 BUDGET**

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## FY2020 Revenue Changes

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The FY2020 Budget includes \$4.1 billion in total general revenue, a \$23.7 million decrease from the Governor's proposal. In addition to the \$8.5 million revenue decrease identified by the May 2019 Revenue Estimating Conference, major revenue changes include the elimination of the Governor's proposed Medicaid Employer Assessment, the reauthorization of the hospital license fee, and the elimination of proposed sales tax expansions. The following section highlights changes to the Governor's recommended revenue proposals:

### **Medicaid Employer Assessment** **(\$15.6 million)**

The Budget eliminates the Governor's Medicaid Employer Assessment proposal which assumed \$15.6 million in new general revenue. The proposal would have imposed a fee on large, for-profit companies for each non-disabled employee enrolled in Medicaid. The fee was to be assessed at a rate of 10.0 percent of wages, up to a maximum amount of \$1,500 per employee per year. The Budget reduces general revenue by \$15.6 million accordingly.

### **Hospital License Fee** **\$13.0 million**

The Governor's Budget included a 6.0 percent hospital license fee, estimated to generate \$180.8 million in revenue for the State. The Budget maintains the fee at 6.0 percent, but assesses the fee against a higher patient revenue base than assumed in the Governor's recommended budget. This will generate \$193.8 million in revenue, or \$13.0 million more than the Governor's Budget. This estimate includes the 37.0 percent discount granted to South County and Westerly Hospitals.

### **Elimination of Sales Tax Expansion** **(\$11.8 million)**

The Budget eliminates the Governor's proposed sales tax expansions. Article 5 of the Governor's Budget subjected commercial building, interior design, hunting and shooting club, and lobbying services to the State's 7.0 percent sales and use tax. The proposal was estimated to produce \$11.8 million in new general revenue. The Budget reduces general revenue by the same amount.

<b>FY2020 Revenue - Services</b>	
Commercial Building Services	(\$10.1)
Interior Design	(0.8)
Hunting & Shooting	(0.6)
Lobbying	(0.3)
<b>Total</b>	<b>(\$11.8)</b>
<i>\$ in millions</i>	

### **May Revenue Estimating Conference** **(\$8.5 million)**

The May 2019 Revenue Estimating Conference (REC) decreased its personal income tax revenue estimate from November by 0.1 percent, or \$1.5 million. Business and sales taxes were revised upwards by \$500,000 and \$15.9 million, respectively, from November. These adjustments, along with other offsets and increases in other revenue sources (lottery, excise taxes, etc.), net the overall \$8.5 million reduction.

### **Rebuild Sales Tax Rebate Transfer** **\$5.6 million**

The Budget includes an additional \$5.6 million in general revenue based on changes made to the Rebuild RI tax credit program. Article 12 of the Budget subjects the sales and use tax exemptions authorized under the Rebuild RI tax credit program to the same per-project and aggregate program caps that the Rebuild RI tax credits are. The article also raises the aggregate cap from \$150.0 million to \$200.0 million. To date,

CommerceRI has authorized \$42.0 million of sales and use exemptions. It is estimated that \$5.6 million of these exemptions would have been redeemed through rebates in FY2020, lowering sales tax general revenue by the same. These rebates will now be paid out of the Rebuild RI Tax Credit Fund, thus avoiding the general revenue reduction.

***E-911 Restricted Receipts***

***(\$5.6 million)***

The Budget reconfigures the telecommunication surcharges that support emergency services and first response programs, including the E-911 program. Current law authorizes a \$1.00 emergency services and first response surcharge on wireline, wireless, and prepaid telecommunication services and an additional \$0.26 technology surcharge on just wireless services. 90.0 percent of the revenue from the \$1.00 surcharge is deposited as general revenue with the balance placed into the State's Information Technology Investment Fund. The \$0.26 surcharge is deposited into a restricted receipt account to support State geographic information system (GIS) and other technology improvements. The Budget eliminates both of these surcharges and establishes two new ones. A new \$0.50 E-911 surcharge is established to support the E-911 program. Revenue from the surcharge will be deposited into a new, dedicated restricted receipt account within the Department of Public Safety (DPS) explicitly reserved for the purposes of supporting the E-911 system. A new first response surcharge is also established to support first responder services across the State. The surcharge amount varies by telecommunication type and ranges from \$0.50 to \$0.75. The revenue from this surcharge is deposited as general revenue.

The fiscal impact of these change is a net \$5.6 million loss to the general fund in FY2020.

***Attorney General Settlements***

***\$5.0 million***

The Budget includes \$5.0 million in additional general revenue from several recently negotiated multi-state settlements through the Office of Attorney General.

***DMV Customer Service Cost-Sharing with HMA***

***\$4.9 million***

The Governor's Budget included general revenue savings of \$4.5 million based a proposal to shift a portion of DMV customer service costs to the State's Highway Maintenance Account (HMA), a restricted receipt account which is administered by the Department of Transportation and used to pay for road and bridge maintenance and improvement projects. DMV transaction fees are deposited into the HMA.

The Budget does not include the initiative as proposed. Instead, the Budget authorizes the DMV to retain 5.0 percent of the total resources in the Highway Maintenance Account. The Budget shifts these funds from the HMA to general revenue, for a \$4.9 million increase in to the general fund.

***Elimination of Tobacco Excise Tax Changes***

***(\$4.6 million)***

The Budget eliminates several proposed changes by the Governor to the State's tobacco taxes that reduce general revenue by \$4.6 million in FY2020. The Budget does not include the following proposals:

- Cigarette excise tax increase of \$0.25 per pack.
- OTP excise tax increase of \$0.30 per cigar.
- Requirement of OTP dealers to purchase from State-licensed suppliers.
- Imposition of other tobacco product (OTP) excise tax on electronic cigarettes.



<b>Cigarette, OTP, and E-Cig Licensing Fiscal Impact</b>	
Cigarette Excise Tax Increase	(\$3,105,751)
Max Cigar Excise Increase	(622,520)
Cigarette, OTP, and E-Cig Licensing Fee Increase and Other Changes	(535,000)
E-Cigarette Excise Tax	(339,991)
<b>Total</b>	<b>(\$4,603,262)</b>

**Elimination of the 1.0 Percent Hotel Tax Increase** **(\$4.4 million)**

The Budget eliminates the Governor’s proposal to increase the State’s hotel tax from 5.0 percent to 6.0 percent and deposit all new revenue generated from the additional 1.0 percent into the general fund. The proposal assumed \$4.4 million to be collected from the increase. The Budget reduces general revenue accordingly.

**Marijuana Program Proposal Changes** **(\$3.5 million)**

The Budget eliminates the Governor’s Budget proposal to establish and regulate a legal Adult-Use Marijuana program. This proposal assumed \$4.9 million in new revenue from sales taxes, departmental fees, and new excise taxes. The Budget does, however, include a proposal to expand the number of compassion centers under the State’s existing medical marijuana program. Estimated revenue from increased sales taxes and other fees is \$1.4 million.

<b>Revenue Changes Associated with Marijuana Program Proposals</b>	
<b>Proposal</b>	<b>Revenue Impact</b>
Elimination of the Adult Use Marijuana Program	(\$4.9)
Medical Marijuana Program Changes	1.4
<b>Total</b>	<b>(\$3.5)</b>

*\$ in millions*

**Quasi-Public Transfers** **\$2.7 million**

The Budget includes \$9.7 million in transfers from quasi-public entities. This is \$2.7 million more than proposed by the Governor. The Budget transfers \$1.5 million, earmarked for the First Wave Closing Fund, from CommerceRI to the General Fund. This Fund is intended to support economic development by providing “gap financing” for certain types of projects. The incentive program has been appropriated \$15.3 million since it was established in FY2016 and has awarded only \$2.4 million. The fund will have a balance of \$11.4 million, inclusive of this transfer.

The Budget also includes a \$1.2 million transfer from the reserves of the Quonset Development Corporation (QDC). The Governor had proposed a \$2.0 million transfer from QDC in FY2019, which is not included in the Budget.

<b>Agency</b>	<b>Transfers from Quasi-Public Agencies</b>		<b>Change</b>
	<b>Governor FY2020</b>	<b>HFC FY2020</b>	
RI Infrastructure Bank	\$4.0	\$4.0	-
RI Housing	1.5	1.5	-
RI Student Loan Authority	1.5	1.5	-
CommerceRI - First Wave	-	1.5	1.5
Quonset Development Corp.	-	1.2	1.2
<b>Total</b>	<b>\$7.0</b>	<b>\$9.7</b>	<b>\$2.7</b>

*\$ in millions*

**Enhanced Research and Development Tax Credit****\$1.3 million**

The Budget does not include the Governor's proposed Enhanced Research and Development Tax Credit program. The program would have provided for a new transferable tax credit to be available to early stage companies. The credits would have been worth up to 22.5 percent of qualified R&D expenses for taxpayers that are either early stage companies or companies which are "substantially increasing" investment in R&D in Rhode Island. The proposal was estimated to reduce FY2020 revenues by \$1.3 million.

**DEM Fees****(\$964,378)**

**Beach Parking:** The Budget freezes parking fees charged at State beaches through October 1, 2021. The Governor's Budget originally included a proposal to raise parking fees by \$2.00/day or \$10.00/season for residents. These fees are double for non-residents. By eliminating this proposal, the Budget assumes a revenue loss relative to the Governor's proposal of \$737,801. The following table shows the fees through October 1, 2021, based on Article 5:

<b>Beach Parking Fees</b>		
	<b>Resident</b>	<b>Non-Resident</b>
<b>Weekday</b>	\$6.00	\$12.00
<b>Weekend</b>	7.00	14.00
<b>Season Pass</b>	30.00	60.00

*Note: Seniors pay half price.*

**Camping and Recreation:** The Governor's Budget increased fees on various campground services and recreational activities at State parks. The Governor's Budget assumed \$797,095 in revenue from the increases. Estimates on camping and recreational activity from the Department of Environmental Management since the introduction of the Governor's Budget have been revised down by \$226,577. The Budget is reduced by the same.

**Firearms Tax****(\$804,305)**

The Budget eliminates the Governor's proposal to impose a surcharge on firearm purchases. The proposal would have required a 10.0 percent surcharge be applied to the sale price of firearms and ammunition, with the surcharge constituting a part of the final price and therefore subject to the sales tax. The surcharge was estimated to generate \$804,305 in FY2020. The Budget reduces revenue by the same amount.

**Sales Tax Exemptions****(\$692,211)**

The Budget reduces general revenue in FY2020 by \$692,211 as a result of the addition of two new categories of products to the list of those items exempted from the State's sales tax. These items include:

- **Feminine Hygiene Products:** Article 5 exempts feminine hygiene products from the sales and use tax. The Budget assumes a revenue loss of \$617,211 in FY2020 based on an October 1, 2019, effective date.
- **Urns:** Article 5 also exempts funeral urns and shrouds from the sales and use tax. The Budget assumes a revenue loss of \$75,000 in FY2020 based on an October 1, 2019, start date.

**Medicaid Proposals****\$574,409**

The Budget adds \$574,409 to reflect the revenue impact of three Medicaid initiatives. This includes:

- A revenue increase of \$749,308 related to Medicaid payment rates. The Budget adds \$40.4 million from all funds to provide a 7.2 percent increase to hospital rates, of which \$37.5 million is subject to the 2.0 percent insurance gross premium tax.

- A revenue loss of \$127,201 related to a savings initiative to detect fraud, waste, and abuse in the Medicaid program. The Budget includes \$6.4 million in all funds savings which would otherwise be subject to the 2.0 percent insurance gross premium tax.
- A revenue loss of \$47,698 related to a savings initiative to promote utilization of the RItE Share program. The Budget includes \$2.4 million in all funds savings which would otherwise be subject to the 2.0 percent insurance gross premium tax.

***DMV Tax Block******(\$406,250)***

The Budget eliminates the Governor's proposal to have the Division of Motor Vehicles (DMV) charge municipalities for the service of placing a block on an individual's registration if they owe back property or excise taxes. These blocks are placed at the request of municipalities and other local jurisdictions. These blocks are removed on a rolling basis as cities and towns report to the DMV that the taxes have been paid. This service is currently provided free of charge to municipalities. The Governor's Budget assumed an additional \$406,250 from the initiative. The Budget preserves the free service, and reduces general revenue by \$406,250.

***SARA Fees******\$86,500***

The Budget eliminates the Governor's proposed new restricted receipt account for fees associated with distance learning education courses. Rhode Island participates in an interstate agreement that makes it easier for Rhode Island students to take high-quality, online courses offered by institutions based in other states and streamlines administration for Rhode Island institutions offering distance learning opportunities out-of-State. This agreement, known as the State Authorization Reciprocity Agreement (SARA) requires an annual reciprocity fee to be paid by each participating state. Rhode Island institutions of higher education must contribute to the fee payment. These transaction fees are currently collected by the Office of the Postsecondary Commissioner and deposited as general revenue. The Governor had proposed that these fees be deposited into a restricted receipt, and assumed a general revenue loss of \$86,500. The Budget restores this revenue.



## FY2020 Expenditure Changes by Agency

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### DEPARTMENT OF ADMINISTRATION

#### ***Government Efficiency Savings***

***\$10.0 million***

The Budget restores \$10.0 million in general revenue to the Department, reflecting the allocation of savings from the Governor's Commission on Government Efficiency. The Governor's FY2020 Budget includes statewide general revenue savings of \$10.0 million within the budget for the Department of Administration. This savings initiative reflects the assumed findings from the Commission on Government Efficiency. The Department of Administration has a centralized account for statewide unspecified personnel and operating savings included in the Budget as Enacted prior to the savings being reflected within the appropriate State agency budgets. Generally when the savings occur, the Budget Office will distribute and account for the savings within the appropriate departmental budget accounts of the State agencies.

#### ***Accounts and Control – Waste, Fraud, and Abuse Savings***

***\$2.2 million***

The Budget increases general revenue by \$2.2 million to reflect reduced waste, fraud, and abuse savings. The Office of Internal Audit (OIA) has focused on beneficiary fraud related to programs under the Department of Human Services and under the Executive Office of Health and Human Services. OIA is working with these agencies as well as the State Police, the Office of the Attorney General, and the Department of Revenue to recoup general revenue and federal funds by prosecuting cases civilly or criminally, and by ceasing benefits. The latter item is used to obtain cost avoidance savings.

For FY2020, the Budget proposed general revenue savings of \$4.2 million from the detection and prevention of waste, abuse, and fraud. The Budget Office recommends an adjustment to the FY2020 Budget based on anticipated savings carried out by OIA. The May 2019 Caseload Estimating Conference incorporated \$388,209 into the estimates for Medical Assistance and adopted \$1.8 million in anticipated savings for FY2020. This action reduces the yet to be achieved savings to \$2.0 million in FY2020.

#### ***Debt Service – Garrahy Garage***

***(\$1.4 million)***

The Budget reduces debt service by \$1.4 million in general revenue reflecting the use of projected revenue to reduce debt service costs in FY2020. The Governor included \$3.1 million in general revenue reflecting debt service for the new Garrahy Courthouse Parking Garage. The FY2016 Budget as Enacted authorized the State to enter into an agreement with the Rhode Island Convention Center Authority to develop, construct, and operate a parking garage. The resolution authorized the issuance of up to \$45.0 million in debt to fund the design and construction of a parking garage and retail space on state-owned land on the site of the existing Garrahy Courthouse surface parking lot. It is anticipated that future revenues from the garage will fully cover the debt service costs.

The current projection has a construction completion date of January 2020 and projected parking revenue will be used to lower the debt service need to \$1.7 million in FY2020, thereby reducing the costs by \$1.4 million.

#### ***Debt Service – 38 Studios***

***(\$1.1 million)***

The Budget reduces debt service by \$1.1 million in general revenue reflecting the collection of a settlement related to the 38 Studios. The net collections of settlements are used to offset the annual debt service requirements and currently, the State will only need to appropriate a small sum of funds in FY2020 and one last debt service payment in FY2021.

#### ***Debt Service - Department of Corrections - High Security COPs Payment***

***(\$1.1 million)***

The Budget removes \$1.1 million in general revenue for the interest only payment in FY2020 on debt service related to the proposed issuance of \$45.0 million in certificates of participation (COPs) to renovate

existing High Security housing units at the Department of Corrections. Debt service for the project is financed through general revenue appropriations within the Department of Administration.

As part of the recommended FY2020 budget, the Governor proposed the renovating the facility to achieve operational efficiencies, reduce correctional officer to inmate ratios, provide energy/maintenance efficiencies, and to increase the safety of correctional officers. The Budget does not authorize the debt issuance, therefore funds for the debt service are not required at this time.

***HealthSource RI Shift to Restricted Receipts*** ***(\$750,000)***

The Budget shifts \$750,000 general revenue costs to restricted receipts for HealthSource RI.

***Debt Service - Convention Center*** ***(\$500,000)***

The Budget reduces \$500,000 in general revenue for lower projected debt service for the Rhode Island Convention Center debt as a result of new capital energy efficiency improvements at the Rhode Island Convention Center and at the Dunkin Donuts Center. The Authority projects energy savings lowering the operating costs to the venues, and in turn, to the State because pursuant to the lease agreements between the Authority and the State, the State is responsible for the gross debt service costs as well as any operating deficits of the Authority.

***Tort Court Awards*** ***\$500,000***

The Budget adds \$500,000 in general revenue for court awards. Funding in the tort account is used to pay for tort/court award judgments against the state of Rhode Island. The Governor recommended an appropriation of \$400,000 in general revenue for tort judgments. This item adds funds to ensure that sufficient resources are available to cover costs associated with individuals wrongfully convicted of crimes and imprisoned.

***Water Resources Board*** ***\$443,759***

The Budget adds \$443,759 in general revenue, reversing the Governor's proposal to transfer the Water Resources Board and 3.0 FTE positions from the Department of Administration to the Public Utilities and Carriers. The positions are: 1.0 General Manager (currently vacant), 1.0 Staff Director, and a 1.0 Supervising Civil Engineer. The Budget also transfers the funding source for the Water Resources Board from restricted receipts back to general revenue. The Budget maintains the Water Resources Board as an entity within the Department of Administration.

***HSTC Debt Service Savings*** ***(\$420,798)***

Pursuant to the Governor's budget amendment, dated May 23, 2019, the Budget decreases \$420,798 in general revenue. The FY2009 Budget as Enacted authorized the issuance of \$356.2 million in debt to reimburse State revenues for redeemed historic tax credits. Based on program reviews the full \$356.2 million amount would not be required and only \$150.0 million of the debt was issued. The balance is issued as needed in succeeding fiscal years.

The Governor's Budget assumed a debt issuance of \$75.0 million at an interest rate of 4.5 percent resulting in a debt service cost in the first year of \$10.3 million. The actual issuance was \$76.9 million at a rate of 3.3 percent, requiring a first year debt service cost of \$9.9 million, \$420,798 less than originally projected.

***Deloitte Settlement Shift to FY2020*** ***(\$414,343)***

The Budget shifts general revenue costs to restricted receipt funds in FY2020 to reflect a delay in the expenditure of Deloitte settlement funds. The Governor's FY2020 budget included \$414,343 in general revenue within the Rhode Island Health Benefits Exchange to account for anticipated settlement funds which were not expended in FY2019. The Budget shifts these funds to FY2020 and shifts the funding source. There is a corresponding increase of \$414,343 in restricted receipts.

**Complete Count (Census 2020)****\$350,000**

The Budget adds \$350,000 in general revenue to fund the Complete Count Initiative with a total general revenue allocation of \$500,000. The Governor included \$150,000 in FY2020 to fund a Complete Count Initiative to ensure the state maximizes outreach and individual count for the 2020 Census. This reflects an additional appropriation of \$350,000. The upcoming census is critical to the state because, by the latest estimates, the state is within 157 people of losing a congressional seat. The Governor issued an Executive Order dated December 28, 2018, creating the Rhode Island Complete Count Committee. Although there are presently no program specifics, the proposed appropriation will be used to pay for outreach activities to hard-to-count populations; media buys; distribute information to communities, non-profits, and other partners; and, a coordinated campaign to ensure awareness and visibility.

The Division of Statewide Planning will administer the funds allocated to Division of Statewide Planning in the FY2020 Budget, along with FHWA matching funds allocated through the FY2020 Unified Planning Work Program (UPWP). The expenditure of the funds will be determined with the advice of the Governance Committee of the Rhode Island Complete Count Committee and will follow Federal and State purchasing and reporting requirements.

**Disparity Study****(\$280,000)**

The Budget removes \$280,000 in general revenue to fund the second year of the disparity study contracted through the Office of Diversity, Equity, and Opportunity. The study was originally proposed as a Governor's budget amendment on May 18, 2018, to provide independent empirical data on the level of minority participation on state contracts or procurements. The last disparity study was performed in 1998. The amendment proposed funding the study by reallocating surplus department appropriations. The initiative was not included in the FY2019 Budget as Enacted. Regardless, the Department initiated a \$499,029 contract with Mason Tillman Associates, LTD, to perform the study. To fund the ongoing study, the Governor included \$219,029 to the FY2019 Revised Budget and \$280,000 for FY2020.

**Purchasing – Senior Buyer Position****(\$108,791)**

The Budget eliminates \$108,791 in general revenue and removes a 1.0 Senior Buyer position within the Purchasing program. The position is filled but it was not included in the FY2019 Budget as Enacted. Instead the position was added by the Governor to improve customer services for agencies.

**Litigation Oversight Unit****(\$105,536)**

The Budget removes \$105,536 in general revenue to establish a new litigation oversight unit to oversee litigation amongst all state agencies, including the elimination of 2.0 FTE positions recommended by the Governor. The positions were a 1.0 Senior Legal Counsel and a 1.0 Paralegal and would have been funded by general revenue and federal funds. The Budget also removes \$105,536 in federal funds.

**Rhode Island Library Association****\$100,000**

The Budget adds \$100,000 in general revenue to fund a community service objective grant for the Rhode Island Library Association to promote excellence in library services through training, innovation, and advocacy. The grant item is identified within Article 1 of the Appropriations Act.

**Internal Service Fund - Personnel Changes****\$0**

The Budget eliminates 17.0 FTE positions for the Human Resource, Information Technology, and Capital Asset Management service centers that were recommended by the Governor for FY2020 and funded through internal service funds billed to each agency for the expense. The positions are removed because the appropriations to the various agencies was not adjusted to account for this expense.

**Federal Fund Changes****\$210,000**

The Budget increases federal funds \$210,000 for:

- **Office of Energy Resources:** Pursuant to the Governor’s budget amendment, dated April 5, 2019, the Budget adds \$145,000 for a new federal grant titled SEP2017 Competitive Grant in conjunction with several other states to engage small, medium, and rural communities across nine states, to increase energy affordability, reliability, and resiliency.
- **Office of Energy Resources:** Pursuant to the Governor’s budget amendment, dated April 5, 2019, the Budget adds \$65,000 for a new Clean Cities federal grant. The grant will be used for staff support for the Ocean State Clean Cities Coalition, that works with stakeholders to promote energy savings through the use of domestic fuels and advanced vehicle technologies in transportation.

**Restricted Receipt Fund Changes****(\$250,000)**

The Budget decreases restricted receipts \$250,000 for:

- **HealthSource RI Turnover:** The Budget reduces restricted receipts by \$250,000 to turnover savings based on the current vacancies in HealthSource RI.

**Rhode Island Capital Fund (RICAP) Changes****(\$4.7 million)**

The Budget includes a net decrease of \$4.7 million in RICAP changes based on current expenditures and projections on the following various projects:

- **BHDDH DD and Community Homes – Fire Code Project:** Shifts \$1.3 million in surplus RICAP funds from FY2019 to FY2020 for projects to be completed in FY2020.
- **BHDDH Substance Abuse Asset Protection:** Adds \$250,000 in RICAP funds reflecting the transfer of several capital accounts from BHDDH to the Department of Administration as the eleven state-owned substance abuse properties are managed by the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration.
- **Board of Elections (Medical Examiner):** Removes \$6.0 million for renovations to the building. The Department is reviewing new options for the structure including selling the property.
- **Cannon Office Building:** The Governor’s budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item includes \$1.3 million for asset protection work on this project.
- **Capital Hill Campus Projects:** The Governor’s budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item reflects a reduction of \$4.1 million for the separation of the five projects into separate appropriations.
- **Chapin Health Lab:** The Governor’s budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item maintains \$275,000 for asset protection work on this project. The Governor’s Efficiency Commission report recommends selling this property.
- **DoIT Operations System:** The Budget decreases funding by \$500,000 based on revised project timeline.
- **Hospital Consolidation:** Shifts \$702,000 in surplus RICAP funds from FY2019 to FY2020 for the hospital consolidation project at the Pastore Center in Cranston.



- **Old Colony House:** The Governor’s budget consolidated the Old Colony House in Newport and the Washington County Government Center in South Kingstown into a single project. The House did not concur and maintains a separate appropriation for each project. This item includes \$25,000 for asset protection work on this project.
- **Old State House:** The Governor’s budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item includes \$500,000 for asset protection work on this project.
- **Pastore Center Building Demolition:** Removes \$1.0 million for demolition projects, effectively delaying the demolition of the BHDDH laundry facility, which will be vacated by the end of FY2019.
- **Pastore Center Campus Projects:** The Governor’s budget consolidated projects at the Pastore Center Campus. The House does not concur with the consolidated project line and instead separates the appropriation into two asset protection projects; one for non-medical buildings and one for medical structures. This item decreases \$7.6 million to reflect the separation of the two projects into separate appropriations.
- **Pastore Center Medical Buildings:** The Governor’s budget consolidated projects at the Pastore Center Campus. The House does not concur with the consolidated project line and instead separates the appropriation into two asset protection projects; one for non-medical buildings and one for medical structures. This item provides \$4.4 million in a separate account for the asset protection of medical buildings on the Pastore Campus.
- **Pastore Center Non-Medical Buildings:** The Governor’s budget consolidated projects at the Pastore Center Campus. The House does not concur with the consolidated project line and instead separates the appropriation into two asset protection projects; one for non-medical buildings and one for medical structures. This item provides \$8.2 million in a separate account for the asset protection of non-medical buildings on the Pastore Campus.
- **Pastore Center Power Plant:** Adds \$1.6 million in RICAP funding to complete an emergency repair to the steam line at the Hazard Building.
- **Pastore Center Utility Upgrade:** Adds \$387,000 in RICAP funding reflecting the shift of unexpended funds from FY2019 to complete this project.
- **Shepard Building:** Decreases funding \$750,000 leaving \$250,000 for asset protection. The Department is reviewing new options for the structure including selling the property.
- **South County Capital Projects:** The Governor’s budget consolidated the Old Colony House in Newport and the Washington County Government Center in South Kingstown into a single project. The House did not concur and maintains a separate appropriation for each project. This item decreases \$450,000 to reflect the separation of the two projects into separate appropriations.
- **Statehouse Renovations:** Adds \$900,000 in RICAP funds for the elevator replacement project.
- **Statewide Facility Master Plan:** Removes \$1.8 million in RICAP funds for the Statewide Facility Master Plan and redistributes \$1.8 million to fund state agency reorganization and relocation expenses.
- **State Office Building:** The Governor’s budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item maintains \$350,000 for asset protection work on this project.
- **State Office Reorganization and Relocation:** The Budget adds \$1.8 million for state office reorganization and relocation expenses incurred as part of the Governor’s Efficiency Commission

recommendations to sell state-owned property and to relocate and consolidate state agencies into new or existing structures.

- **Washington County Government Center:** The Governor’s budget consolidated the Old Colony House in Newport and the Washington County Government Center in South Kingstown into a single project. The House did not concur and maintains a separate appropriation for each project. This item includes \$1.1 million for asset protection work on this project.
- **William Powers Building:** The Governor’s budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item maintains \$1.3 million for asset protection work on this project.
- **Zambarano Campus:** The Governor’s Budget Amendment dated February 15, 2019, reduces \$2.4 million for the project in FY2020, delaying the Ambulatory and Laboratory renovations and defers waste water treatment projects at the campus until FY2021. The Governor’s Budget Amendment dated May 23, 2019, shifts \$882,000 from FY2019 to FY2020, reflecting projects to be completed in FY2020 including the replacement of an elevator. The result is a net reduction of \$1.5 million in FY2020.

## DEPARTMENT OF BUSINESS REGULATION

### ***Simplify and Streamline***

***(\$614,520)***

The Budget reduces general revenues by \$614,520 to reflect the elimination of the Simplify and Streamline initiative. The initiative proposed in the Governor’s Budget was intended to dedicate staff to performing business outreach and coordination with local municipalities to ease business processes in the State. The Budget eliminates 7.0 proposed FTE positions associated with the initiative, including 3.0 Economic and Policy Analyst I positions, 1.0 Data Analyst, 1.0 Legal Counsel, 1.0 Principal Planner, and 1.0 Licensing Aide.

### ***Small Business Ombudsman***

***\$158,844***

The Budget increases general revenues by \$158,844 to reflect the transfer of funding for the Small Business Ombudsman from the Commerce Corporation. The Governor’s Budget transferred the position from the Office of Regulatory Reform but did not transfer funding.

### ***State Building Office***

***(\$125,839)***

The Budget reduces general revenues by \$125,839 related to the consolidation of the Contractor’s Registration and Licensing Board and the Building Code Commission into the State Building Office. The consolidation is the result of recommendations by the Governor’s Commission on Government Efficiency, which found that recent consolidations and digitalization of systems has resulted in redundancies in administrative personnel. The decrease in funding reflects the elimination of 2.0 FTE positions and the reclassification of 4.0 FTE positions.

### ***RIREACH***

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

The Budget reduces general revenues by \$30,000 to reflect an increase in federal matching dollars. The Governor’s Budget increased federal funds but did not reduce general revenues. RIREACH is a health insurance consumer protection hotline funded by the Office of the Health Insurance Commissioner (OHIC).

### ***Restricted Receipt Fund Changes***

***(\$4.0 million)***

The Budget includes a restricted receipt net decrease of \$4.0 million, including the following:

- **Adult-Use Marijuana Program:** The Budget reduces restricted receipts by \$4.4 million to reflect the elimination of the adult-use marijuana program proposed in the Governor’s Budget. This includes \$1.9 million for personnel expenses of the eliminated 17.0 FTE positions, \$1.2 million for marijuana tracking software, \$250,000 for assistance and grants, and \$205,000 for the purchase of equipment.

- **Fire Academy Training Fees:** The Budget increases restricted receipts by \$246,000 for additional Fire Academy classes.
- **Medical Marijuana Personnel:** The Budget increases restricted receipts by \$163,878 for the funding of 2.0 FTE positions related to the changes to medical marijuana including the new Office of Cannabis Regulation, and an increase in the number of compassion centers.

**Federal Fund Changes****(\$9,906)**

- **OHIC Personnel:** The Budget eliminates 2.0 FTE positions from the Office of the Health Insurance Commissioner (OHIC). The positions are eliminated due to the expiration of the State Innovation Model, a federal grant to achieve delivery system reforms. The grant expires mid-July of 2020 and the Office had applied for an extension that would have been at no cost to the State. Although the State was not selected to receive the extension, the Office identified other federal grants to fund one of the positions. OHIC has stated that a loss of these positions will impede their ability to provide consumer protections and ensure mental health parity in the State as the positions directly participate in health insurance rate setting, market conduct examinations, and other consumer protection activities.

**Rhode Island Capital Plan (RICAP) Fund Changes****\$185,160**

- The Budget increases RICAP funds for the cold storage facility at the Fire Academy by \$185,160 to shift funds from FY2019 to FY2020 based on the current projected timeline and expenditures.

**DEPARTMENT OF LABOR AND TRAINING****Medicaid Employer Assessment****(\$1.1 million)**

The Governor included \$1.1 million in general revenue funding to support the Medicaid Employer Assessment initiative. The Medicaid Employer Assessment would be paid by for-profit employers with 300 or more employees. The assessment would be 10.0 percent of the wages of any employee enrolled in Medicaid, capped at \$1,500 per employee per year. The Governor's Budget assumed that employers would be assessed quarterly beginning in October 2019. The Budget does not include this initiative and removes funding.

**Federal Funds/Restricted Receipt Fund Changes****(\$4.1 million)**

- **Employer Tax Unit:** The Governor's Budget included an additional \$1.4 million in federal funds and \$2.0 million in restricted receipts to support the relocation of the Employer Tax Unit from the Department of Revenue to the Department of Labor and Training. This transfer included 37.0 FTE positions. The Budget does not include this transfer and removes the additional funding and FTE positions.
- **Grant and Audit Unit:** The Governor's Budget included \$280,091 in federal funds and \$404,135 in restricted receipts to fund 6.0 vacant FTE positions to support the Governor's Workforce Board in grant and audit units. The Budget does not include the additional funds and removes the 6.0 FTE positions that were previously vacant.

**DEPARTMENT OF REVENUE****Motor Vehicle Tax Phase-Out Restoration****\$16.3 million**

The Governor's budget increased local aid for the Motor Vehicle Excise Tax phase-out program by \$23.2 million, \$16.3 million less than what is anticipated in FY2020 under current law. The variance was related to the Governor's proposal to alter the phase-out formula by modifying the assessment ratios, minimum required exemption amounts, and the maximum allowable tax rates. The Budget eliminates this proposal and restores \$16.3 million in general revenue to the program.

**PILOT Restoration****\$5.3 million**

The Governor's budget included a \$5.3 million reduction to the Payment in Lieu of Taxes (PILOT) program in FY2020. The PILOT program assists municipalities by offsetting lost revenue on tax-exempt property such as institutions of higher education, government property, religious buildings, and non-profit hospitals. The State reimburses local communities up to 27.0 percent of the value of taxes that otherwise would have been collected. The Budget restores this funding.

**DMV Staffing from HMA Revenues****\$4.5 million**

The Governor's budget included general revenue savings of \$4.5 million based a proposal to shift a portion of DMV customer service costs to the State's Highway Maintenance Account (HMA), a restricted receipt account which is administered by the Department of Transportation and used to pay for road and bridge maintenance and improvement projects. DMV transaction fees are deposited into the HMA.

The Budget does not include the initiative as proposed. Instead, the Budget authorizes the DMV to retain 5.0 percent of the total resources in the Highway Maintenance Account. The Budget restores the \$4.5 million to general revenue and reduces restricted receipts by the same.

**Taxation IT Costs to ITIF****(\$2.9 million)**

The Budget includes \$2.9 million in general revenue savings by transferring Division of Taxation information technology expenditures to the Information Technology Investment Fund (ITIF). The ITIF is funded primarily through the proceeds of State land sales. In a Governor's Budget Amendment request on May 23, 2019, the Governor recommended that \$4.0 million be shifted to the ITIF in response to recommendations made by the Governor's Efficiency Commission. The Budget reduces the savings to \$2.9 million.

**RIMS Support****\$900,000**

The Budget includes \$900,000 in additional general revenue to support the Division of Motor Vehicles information management system, known as RIMS. RIMS is a database designed to provide real-time and customer-centric computer system. The system has been financed through certificates of participation (COPs), restricted receipts, federal funds, and general revenues. Restricted receipts are generated through a \$1.50 surcharge on all DMV customer service transactions which are deposited into the State's Information Technology Investment Fund (ITIF) and used for debt service on the COPs. The DMV surcharge has a sunset date of June 30, 2022.

The DMV currently collects a \$1.50 surcharge on every fee transaction. The revenue is deposited in the State's Information Technology Investment Fund with the provision that it be used to support the DMV's computer systems. The Budget raises the surcharge by an additional \$1.00 per transaction (to \$2.50 total) and eliminates the surcharge's June 30, 2022, sunset. The article prohibits the surcharge from being applied to transactions related to vehicle inspections.

The revenue collected from the additional \$1.00 surcharge is to be deposited into a restricted receipt account within the DMV for the purposes of supporting the Division's information technology system. All revenue from full the \$2.50 surcharge will shift to DMV restricted receipt account beginning July, 1, 2022. These changes, however, do not generate the amount required to meet the RIMS expenditure needs in FY2020. The Budget therefore includes an additional \$900,000 to cover the shortfall.

**DMV Turnover and Operations Savings****(\$900,000)**

The Budget includes \$900,000 in personnel and operating savings in FY2020.

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

The Budget increases \$600,000 in general revenue to support operating expenses in the City of Central Falls.

**Sales Tax Expansion** **(\$552,299)**

The Governor's budget had proposed \$26.0 million of sales tax expansion across large number of services. To support the increased personnel and operating costs associated with the expansion the Governor's Budget included \$1.2 million in additional general revenue personnel funds. The Budget eliminates most of the proposed expansion and therefore reduces the administrative support for it by \$552,299.

**Liquid Nicotine Licensing** **(\$379,964)**

The Budget reduces personnel and operating costs within the Division of Taxation by \$375,964. These costs were associated with the Governor's Budget proposal to extend excise taxes to include the electronic cigarettes and vaping products. The Budget eliminates this proposal and reduces the general revenue support within Taxation by \$375,964.

**Taxation Turnover** **(\$300,000)**

The Budget includes \$300,000 in savings related to turnover and reduced personnel costs in FY2020.

**License Plate Inspectors (2.0 FTE)** **(\$159,038)**

The Governor's budget included a proposal to eliminate the statutorily-required reissuance of license plates. In its place, the Governor proposed increasing the DMV's vehicle inspection staff and enhancing the vehicle inspection process to enforce license plate visibility/reflectivity standards and the accuracy of registrations. The Governor's budget included \$159,038 in general revenue funding and 2.0 new FTE Control Inspector positions at the DMV to support enhanced inspection enforcement. The Budget does not include the Governor's license plate reissuance proposal and eliminates the general revenue support for it.

**Municipal Finance Personnel** **\$143,224**

The Governor's budget reduced the Division of Municipal Finance's personnel budget by \$447,619, or 26.5 percent, and eliminated 5.0 of its 14.0 FTE positions. The Governor subsequently requested an amendment to the Budget on May 23, 2019, that restored 1.0 FTE position and its funding. The Budget includes this amendment.

**Real ID Advertising** **(\$70,000)**

The Budget reduces advertizing costs associate with the State's Real ID program by \$70,000. The Real ID is a minimum security standard for the issuance of driver's licenses and state-issued identification cards that has been mandated by Congress and regulated by the U.S. Department of Homeland Security. The Governor requested an amendment to the Budget on May 23, 2019 that would reduce advertising expenditures in FY2020. The Governor's budget had erroneously double-counted the amount requested by the Division.

**Taxation Record Center** **\$36,000**

The Budget restores \$36,000 in general revenue funding to the Division of Taxation's Record Center. The program was inadvertently reduced in the submission of the FY2020 Budget.

**Federal Funds Changes** **\$1.4 million**

The Governor's budget included a proposal to transfer the Employer Tax Unit from the Department of Revenue (DOR) to the Department of Labor and Training (DLT). The Employer Tax Unit administers the unemployment tax, the temporary disability insurance tax, and the job development assessment tax. These taxes are used to fund Unemployment Insurance (UI) and Temporary Disability Insurance (TDI) benefits. The unit is funded through federal funds. As part of the proposal, the Budget shifted \$1.4 million in federal funds, \$990,653 in related restricted receipts, and \$1.0 million in other funds to DLT. The Budget does not include the proposal and therefore restores the federal funding to DOR.

**Restricted Receipt Funds Changes****(\$941,707)**

The Budget includes a net reduction of \$947,707 in restricted receipt funding in FY2020, including:

- **Elimination of the Adult Use Marijuana Program:** The Budget does not include the Governor's proposal to legalize the adult use of marijuana. The proposal included the establishment of numerous fees that were to be deposited into restricted receipt accounts to help State agencies pay for the administration of the program. The Governor's budget included \$790,184 for the Department of Revenue responsibilities under the program. The Budget reduces the Department's restricted receipt funding accordingly.
- **Elimination of Employer Tax Unit Transfer:** The Budget does not include the Governor's proposal to transfer the Employer Tax Unit from DOR to DLT or the accompanying shift of \$990,653 in restricted receipts. The Budget restores this funding to DOR.
- **RIMS Funding:** Article 7 of the Budget includes a new method of financing the DMV's information technology needs. Based on the new method, restricted receipts funding in FY2020 is reduced by \$1.4 million.

**Other Funds Changes****(\$3.5 million)**

The Budget includes a net reduction of \$3.5 million in FY2020, including:

- **DMV Customer Service Costs:** The Governor's budget included general revenue savings of \$4.5 million based a proposal to shift a portion of DMV customer service costs to the State's Highway Maintenance Account (HMA), a restricted receipt account which is administered by the Department of Transportation and used to pay for road and bridge maintenance and improvement projects. DMV transaction fees are deposited into the HMA. The Budget does not include the initiative as proposed. Instead, the Budget authorizes the DMV to retain 5.0 percent of the total resources in the Highway Maintenance Account. The Budget restores the \$4.5 million to general revenue and reduces restricted receipts by the same.
- **Elimination of Employer Tax Unit Transfer:** The Budget does not include the Governor's proposal to transfer the Employer Tax Unit from DOR to DLT or the accompanying shift of \$1.0 million in other funds. The Budget restores this funding to DOR.

**LEGISLATURE****Turnover and Operating****(\$750,000)**

The Budget includes \$750,000 in savings related to turnover and reduced personnel costs in FY2020.

**OFFICE OF THE SECRETARY OF STATE****Turnover Restoration****\$300,000**

The Budget restores \$300,000 in general revenue that was included by the Governor as turnover savings. The amount equates to 6.3 FTE positions. The Office of the Secretary of State averaged only 2.9 vacancies over FY2019.

**OFFICE OF THE GENERAL TREASURER****Restricted Receipt Fund Changes****\$437,256**

- **Revenue Estimating Conference Adjustments:** Based on Treasury's testimony received during Revenue Estimating Conferences conducted in May 2019, the Conference adjusted the projected revenue collections and expenditures to the Unclaimed Property Program impacting claim payments, change in liability and the surplus transfer to the General Fund. Based on Conference projections, the transfer to the General Fund increases \$437,256.

**BOARD OF ELECTIONS*****Lease Costs and Facilities Adjustment* \$286,272**

Pursuant to the Governor's budget amendment, dated May 23, 2019, the Budget adds \$286,272 in general revenue to reflect an adjustment for relocation, office design, and lease costs expected with the relocation of the Board of Elections from state-owned property to leased space, following the Governor's Efficiency Commission report recommendation to sell the state-owned property at 50 Branch Avenue in Providence.

**OFFICE OF THE GOVERNOR*****Turnover* (\$300,000)**

The Budget eliminates \$300,000 in general revenue for personnel costs based on the expenditure patterns of the Office in FY2019.

***Contingency Fund* (\$100,000)**

The Budget eliminates \$100,000 in general revenue from the Governor's Contingency Fund. The Governor's Office annually receives a general revenue appropriation for the contingency fund for unforeseen expenses. This is a discretionary spending account. The FY2019 Budget as Enacted included \$200,000 in general revenue. The Governor recommended increasing the appropriation by \$50,000 in the FY2019 Revised Budget for a total appropriation of \$250,000. For FY2020, the Governor recommends an appropriation of \$250,000 for the contingency fund. This action removes \$100,000 resulting in an appropriation of \$100,000, based on past expenditure history.

As of May 8, 2019, a total of \$152,522 was expended from the fund and another \$8,897 was encumbered from the fund leaving a balance of \$38,581. Generally, any balance in the fund is reappropriated to the following fiscal year. This would result in total funding of \$138,581, approximately a similar amount as expended in FY2019. In addition, over the past year, the contingency fund expenditures have been made on non-emergency items such as hiring interns, to purchase furniture, cards, and on a textbook initiative.

Amount	Perc.	Vendor Name	Description
\$144,000.00	94.4%	YEAR UP INC	YEAR UP Internship
\$2,510.00	1.6%	National Office Furniture	National Office Furniture Invoices
\$1,512.24	1.0%	Prudent Publishing, Inc.	Gallery Collection - Assorted Cards
\$4,500.00	3.0%	Regents of the U. of Minnesota	Regents of the University of Minnesota - Open Textbook Initiative
<b>\$152,522.24</b>	<b>100.0%</b>		

Source: State RIFANS Accounting System June 10, 2019

**PUBLIC UTILITIES COMMISSION*****Restricted Receipt Fund Change* (\$829,599)**

- **Water Resources Board:** The Budget eliminates \$443,759 in restricted receipts associated with the Governor's proposal transferring of the Water Resources Board and 3.0 FTE positions from the Department of Administration to the Public Utilities and Carriers. The positions are: 1.0 General Manager (currently vacant), 1.0 Staff Director, and a 1.0 Supervising Civil Engineer. The Budget shifts the funding source for the Water Resources Board from restricted receipts back to general revenue. This maintains the Water Resources Board as an entity within the Department of Administration.
- **Personnel – New FTE Positions:** The Budget eliminates 4.0 new FTE positions proposed by the Governor, including 2.0 Public Utilities Engineering Specialist II positions, 1.0 Consumer Agent position, and a 1.0 Public Utilities Analyst III position. The added positions are required to handle an increase in workload to expand the DPUC's capacity to inspect utility infrastructure, handle increased regulatory proceedings regarding renewable energy and energy-efficiency, to help consumers facing termination of utility services, and to assist rate payers in communicating with utilities. The projected decrease for the new positions added in FY2020 is \$385,840 in restricted receipts.

<b>New Positions</b>	<b>Cost</b>
2.0 Public Utilities Engineering Specialists II	\$207,474
1.0 Consumer Agent	89,185
1.0 Public Utilities Analyst III	89,185
<b>Total</b>	<b>\$385,844</b>

## **EXECUTIVE OFFICE OF COMMERCE**

### ***Rebuild RI Tax Credit Program***

***(\$5.0 million)***

The Budget provides \$10.0 million from general revenues in FY2020 for the Rebuild RI Tax Credit fund, \$5.0 million less than the Governor's budget. The Rebuild Rhode Island Tax Credit is a tax credit administered by the Commerce Corporation, designed to promote investment in real estate development for commercial and/or residential use. The fund is used to pay tax credit redemptions and does not impact tax credit approvals.

### ***Streamline and Simplify Initiative***

***(\$1.7 million)***

The Budget eliminates the Governor's proposed new program aimed at mitigating municipal barriers to economic development, specifically by providing tools to advance site preparation across the State. The complex proposal, referred to as the Site Readiness Partnership (SRP), involved structured but voluntary collaboration between the State and willing municipalities focused on three areas – training and technical assistance, investments in site readiness, and the delegation of authority when local capacity is weak. The Governor's budget included \$1.7 million from general revenue and \$1.0 million in RI Capital Plan funding for the program. The Budget reduces general revenue and RICAP funding accordingly.

### ***I-195 Redevelopment Fund***

***(\$1.0 million)***

The Budget does not include any new general revenue funding in FY2020 for the I-195 Redevelopment Fund. This represents a \$1.0 million reduction to the Governor's budget. The I-195 Redevelopment Fund has received a \$28.0 million in appropriations since FY2016 that are intended to be used to serve as a catalyst for real estate development on the former highway land. The Fund has awarded \$25.9 million to date and has a balance of \$2.1 million.

### ***Pay-for-Success – Affordable Housing***

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

The Budget eliminates the Governor's proposal to fund a pay-for-success initiative in support of affordable housing for homeless and high Medicaid users. The Governor's budget had included \$500,000 in general revenue allocated to CommerceRI to manage the program. The Budget reduces general revenue by \$500,000.

### ***Small Business Assistance Program***

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

The Budget provides \$500,000 for the Small Business Assistance incentive program, \$250,000 less than what the Governor's budget included. The program was established to help small businesses (under 200 employees) gain access to capital.

### ***Airport Impact Aid***

***\$247,536***

The Governor's Budget reduced general funding to the State Airport Impact Aid program by \$247,536 in FY2020. The Airport Impact Aid program provides State aid funds to municipalities which host airports. Under current law, the aid is distributed according to a statutory formula. The Budget restores this cut by adding \$247,536 in general revenue.



**CommerceRI Ombudsman****(\$158,884)**

The Governor's budget included a proposal to move the State's Small Business Ombudsman from the Department of Administration's (DOA) Office of Regulatory Reform to CommerceRI. The Budget eliminates this proposal and shifts \$158,884 from CommerceRI's base budget to DOA to fund the position.

**Urban Ventures****\$140,000**

The Governor's budget eliminated funding for Urban Ventures, a not-for-profit business incubator, representing a \$140,000 reduction in general revenue. Urban Ventures functions as the State's statutorily-required urban business incubator. The Budget restores this funding in FY2020.

Under RIGL 42-64-13.1, the State is required to establish, authorize and support an urban business incubator. According to the law, the incubator must be designed to "foster the growth of businesses through a multi-tenant, mixed-use facility serving companies in a variety of industries including, but not limited to: services, distribution, light manufacturing, or technology-based businesses".

**East Providence Waterfront Commission****\$50,000**

The Budget includes \$50,000 in general revenue in FY2020 to support the work of the East Providence Waterfront Commission in its efforts to revitalize the city's waterfront.

**EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES****Veterans' Affairs****(\$25.8 million)**

Pursuant to the Governor's Budget amendment dated April 22, 2019, the Budget reverses the transfer of the Office of Veterans' Affairs to the Executive Office of Health and Human Services (EOHHS). This transfer would have jeopardized federal funding, thereby increasing the need for general revenues to fund the program. Article 4 retains the Office within the Department of Human Services (DHS) but renames it the "Office of Veterans Services". The Budget transfers general revenue funding of \$25.8 million (\$40.3 million all funds) and 252.1 FTE positions from EOHHS to DHS.

**Hospital Rates****\$14.3 million**

The Budget increases FY2020 rates for inpatient and outpatient hospital services by 7.2 percent compared to FY2019 rates. This applies to hospital services financed both through fee-for-service Medicaid and through the managed care plans. This reverses the Governor's proposal to freeze hospital rates and also provides a supplemental rate increase to adjust for prior year rate freezes, increasing general revenue expenditures by \$14.3 million (\$40.4 million all funds) relative to the Governor's Budget.

**Elderly Affairs****(\$8.4 million)**

Pursuant to the Governor's Budget amendment dated April 22, 2019, the Budget reverses the transfer of the Division of Elderly Affairs to the Executive Office of Health and Human Services (EOHHS). This transfer would have jeopardized federal funding, thereby increasing the need for general revenues to fund the program. Article 4 retains the Division within the Department of Human Services (DHS) but renames it the "Office of Healthy Aging". The Budget transfers general revenue funding of \$8.4 million (\$22.1 million all funds) and 31.0 FTE positions from EOHHS to DHS.

**May Caseload Estimating Conference****(\$5.6 million)**

The May 2019 Caseload Estimating Conference projected FY2020 medical assistance spending of \$2,485.0 million. This is an all funds reduction of \$38.8 million compared to the November 2018 Conference estimate, including \$13.1 million less from general revenues. This favorable variance is related to reductions in Hepatitis C treatment costs as well as reduced fee-for-service activity attributable to the Rhody Health Options transition population. After accounting for savings that were already included in the Governor's recommendation, the Budget includes a net reduction of \$5.6 million in general revenue

expenditures. Additionally, federal funding decreases by \$11.6 million and restricted receipt funding increases by \$1.1 million for an all funds reduction of \$16.1 million compared to the Governor's Budget.

***Contracted Services*** ***(\$2.0 million)***

The Budget reduces funding for contracted services by \$4.0 million, including \$2.0 million from general revenues. The Governor's Budget provided \$11.8 million from general revenues (\$50.9 million all funds) to support financial and management contracts in FY2020, or \$5.7 million more from all funds than the FY2019 Budget as Enacted. The Budget reduces funding for these contracts to more closely align funding with the Enacted Budget.

***Internal Audit Fraud Savings*** ***(\$1.9 million)***

Pursuant to the Governor's Budget amendment dated May 23, 2019, the Budget reduces general revenues by \$1.9 million (\$6.4 million all funds) related to an initiative undertaken by the Office of Internal Audit (OIA) to detect fraud and waste in the Medicaid program. The savings will be achieved by recouping payments that were made to the managed care plans on behalf of deceased individuals.

***Disproportionate Share Hospital Payment*** ***\$1.2 million***

The Budget increases the FY2020 Disproportionate Share Hospital (DSH) payment by \$2.6 million compared to the Governor's Budget, including \$1.2 million more from general revenues. The DSH payment reimburses hospitals for uncompensated care incurred on behalf of uninsured/underinsured patients or a disproportionately high number of Medicaid beneficiaries.

***RIte Share Enrollment Outreach*** ***(\$1.1 million)***

The Budget directs EOHHS to develop a plan to improve participation in the RIte Share program. RIte Share is Rhode Island's premium assistance program for Medicaid-eligible individuals who have access to employer-sponsored health insurance. The program pays all or a portion of a beneficiary's premium on the employer-sponsored plan, rather than enrolling the individual in Medicaid, if it is more cost-effective for the State to do so. The Budget assumes \$1.1 million in general revenue savings (\$2.4 million all funds) by shifting 2,000 individuals from Medicaid to RIte Share.

***Cortical Integrative Therapy*** ***\$1.0 million***

The Governor's Budget eliminated \$1.0 million in State-only funding for the Cortical Integrative Therapy (CIT) program. CIT is a specialized rehabilitative treatment for certain brain disorders and injuries. The federal government has denied the State's request for Medicaid matching funds for CIT due to a lack of scientific evidence surrounding its efficacy as a medical treatment. According to CMS, the basis of the denial is lack of parameters for cost or quality control. The current appropriation of \$1.0 million is provided to a single doctor. The Budget restores general revenue funding for CIT to the FY2019 Enacted level of \$1.0 million.

***Graduate Medical Education*** ***\$1.0 million***

The Governor's Budget eliminated \$1.0 million in State-only funding for the Graduate Medical Education (GME) program. GME provides funding for academic Level I trauma center hospitals that have a minimum of 25,000 inpatient discharges and provide training for at least 250 interns and residents per year. Rhode Island Hospital is the only hospital that qualifies for this funding. The Budget restores general revenue funding for GME to the FY2019 Enacted level of \$1.0 million.

***Staffing Turnover and Vacancies*** ***(\$950,000)***

The Budget reduces general revenue funding for personnel by \$950,000 (\$1.7 million all funds) in FY2020. This includes the elimination of 3.0 FTE positions which were included in the FY2019 Budget as Enacted to implement savings initiatives but were not filled by the Executive Office. The estimate also assumes that approximately 10.0 FTE positions will remain vacant in FY2020.

**Deloitte Settlement Shift** **(\$855,662)**

The Budget shifts restricted receipt funds from FY2019 to FY2020 to reflect a delay in the expenditure of Deloitte settlement funds. The Governor's FY2019 Budget included \$5.3 million in restricted receipts within the Executive Office of Health and Human Services to account for anticipated settlement funds which will not be expended in the current year. After accounting for FY2019 savings, \$855,662 of these funds are shifted to FY2020 for an equivalent reduction in general revenues. The Budget also reduces restricted receipts by \$876,379 to reflect anticipated contract savings in FY2020 for an all funds reduction of \$1.7 million compared to the Governor's Budget.

**1115 Waiver – Independent Evaluation** **(\$350,000)**

The Budget eliminates funding for an independent evaluator for the Executive Office's recently-renewed Section 1115 waiver. This reduces general revenue funding by \$350,000 (\$700,000 all funds).

**Legal Staff** **(\$342,518)**

The Budget rejects the Governor's proposal to add 3.0 new legal staff to the Executive Office of Health and Human Services and reduces general revenue funding by \$342,518 (\$395,525 all funds).

**Outpatient Upper Payment Limit** **(\$182,315)**

The Budget reduces the general revenue portion of the outpatient upper payment limit (UPL) by \$182,315 (\$559,016 all funds). The UPL is a supplemental payment made to hospitals on a quarterly basis to reconcile the difference between Medicaid and Medicare reimbursement rates. The 7.2 percent increase in hospital rates provided in the Budget reduces the need for the UPL payment.

**Behavioral Health Benchmarking Study** **(\$150,000)**

The Budget removes general revenue funding of \$150,000 (\$187,500 all funds) which was included in the Governor's Budget for a behavioral health benchmarking study. The goal of this study was to determine the appropriate level of investment by both the Medicaid program and commercial insurance market in preventive and early intervention behavioral health services. A similar study was previously completed to evaluate investments in primary care; however, this study was completed by the Office of the Health Insurance Commissioner.

**Medicaid Academy** **(\$35,000)**

The Budget reduces general revenue funding by \$35,000 (\$70,000 all funds) for the Medicaid Academy professional development program for select health and human services management staff. The training, offered by New England States Consortium Systems Organization (NESCSO), was provided to State employees at no cost in FY2019.

**Federal Funds Changes** **(\$766,915)**

Pursuant to the Governor's Budget amendment dated April 5, 2019, the Budget reduces federal funding for CurrentCare, the State's health information exchange, by \$766,915 for total funding of \$4.4 million in FY2020. This reduction aligns funding for the monthly contribution to CurrentCare with anticipated funding requirements.

**Restricted Receipt Fund Changes** **(\$1.0 million)**

The Budget does not include the Governor's proposal to authorize and regulate a legal adult-use marijuana program and removes associated restricted receipt funding. The Governor's Budget included \$1.0 million in restricted receipts within the Executive Office of Health and Human Services for the program, including \$750,000 for grants to support local substance abuse prevention, treatment, and recovery services as well as \$250,000 for grants management, training, and education.

**DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES*****Child Care to Block Grant Funds******(\$2.5 million)***

The Budget includes general revenue savings of \$2.5 million to reflect the shift of child care expenses from general revenues to federal block grant funds awarded to the Department of Human Services (DHS). There is a projected surplus of \$5.0 million in block grant funds which can be used to offset child care expenses incurred on behalf of children in the care of the Department of Children, Youth, and Families (DCYF). The \$5.0 million surplus in DHS is split between FY2019 and FY2020 to offset these expenses in DCYF.

***Visual Lead Inspection******\$250,000***

The Budget rejects the Governor's proposal to modify the State's lead licensing protocol for foster care placements. The proposal would have allowed the Department of Children, Youth, and Families to place children in foster homes prior to the remediation of lead hazards. This would have facilitated the Department's ability to claim federal funds for certain placements. The Governor's Budget assumed \$250,000 would be shifted from general revenues to federal funds. The Budget reverses this shift and restores the general revenue savings.

***LEA Billing******(\$250,000)***

The Budget rejects the Governor's proposal to bill school districts for students placed in the Rhode Island Training School. Under this proposal, the Department of Children, Youth, and Families (DCYF) would have lost limited-purpose education authority status, along with \$415,374 in federal funding. The Governor's Budget removed the federal funding but added \$250,000 from general revenues to offset this loss. The Budget removes general revenue funding and restores federal funding of \$250,000.

*Analyst Note: The Budget does not restore the full amount of federal funds which were removed from the Department in the Governor's Budget.*

***Parking Leases******(\$55,540)***

Pursuant to the Governor's Budget amendment dated May 23, 2019, the Budget reduces general revenue funding by \$55,540 to reflect the consolidation of parking leases in Providence. This estimate is based on one quarter of the fiscal year for the Department's employee parking contract, assuming the reduction would be implemented in the fourth quarter of FY2020. This was an initiative proposed by the Governor's Commission on Government Efficiency.

***Children's Behavioral Health Licensing******(\$46,112)***

Pursuant to the Governor's Budget amendment dated May 23, 2019, the Budget reduces general revenue funding by \$46,112 (\$74,374 all funds) to reflect the utilization of existing regulations within the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) or licensing of behavioral health organizations and extending them to children's programs. The savings are based on the removal of 1.0 FTE position within the Department of Children, Youth, and Families' licensing division. This was an initiative proposed by the Governor's Commission on Government Efficiency.

***Child Care Rates******(\$37,185)***

The Budget removes general revenue funding of \$37,185 associated with the proposal to increase reimbursement rates for child care providers caring for preschool age children. The majority of the funding for this expansion was included in the Department of Human Services (DHS); however, a portion of the funding was included in the Department of Children, Youth, and Families (DCYF) to account for the expenses incurred on behalf of children in DCYF care.

**Rhode Island Capital Plan (RICAP) Fund Changes** **\$935,000**

The Budget includes a net increase of \$935,000 in Rhode Island Capital Plan (RICAP) funding for the following projects:

- **Female Residential Facility:** Pursuant to the Governor’s Budget amendment dated May 23, 2019, the Budget adds \$1.5 million to acquire and renovate a facility for the purpose of operating an in-State residential treatment center for females. There are currently about 30 adolescent females in the State whose complex behavioral health needs exceed existing in-State capacity. These youth are often placed in either the Rhode Island Training School or in an out-of-State facility.
- **Training School – Asset Protection:** Pursuant to the Governor’s Budget amendment dated February 15, 2019, the Budget reduces RICAP funding for the Training School Maintenance project by \$750,000. This reflects the revised estimate of work to be completed in FY2020. The funds are redistributed to future years to align with forecasted construction dates for the roof at the Training School.
- **Training School – Generators:** Pursuant to the Governor’s Budget amendment dated May 23, 2019, the Budget shifts RICAP funding for the Training School Generator project from FY2019 to FY2020 based on an updated installation schedule. This equates to an addition of \$185,000 in FY2020, with a concurrent reduction in FY2019, to reflect a delay in the timeline of the project.

**DEPARTMENT OF HEALTH****Family and Home Visiting** **(\$650,000)**

The Budget eliminates \$650,000 in general revenue funding within the Family and Home Visiting Program, removing the additional funding provided in the Governor’s Budget. The program works to improve maternal and child health, prevent child abuse and neglect, encourage positive parenting, and promote child development and school readiness. The Governor’s Budget added the funds to recuperate a loss in federal funding that occurred in FY2018 and the reduction leaves the program at its current service level of \$8.5 million.

**Monitoring and Compliance** **\$509,881**

The Budget increases general revenues by \$509,881 to reflect the elimination of a restricted receipt account proposed in the Governor’s Budget. This account was to be funded by any received fees or penalties from certain state-licensed hospitals, assisted living facilities, and other health facilities. The general revenue funds are allocated to conduct inspections of these facilities and investigate complaints. The Budget adds 3.0 FTE Nursing Care Evaluator positions to reduce a backlog of investigations and inspections as included in the Governor’s Budget. The Budget decreases restricted receipt funds by \$509,981 to reflect the shift.

**Available Restricted Receipts** **(\$500,000)**

The Budget reduces general revenues by \$500,000 to reflect a shift to restricted receipts due to excess funds in the Health Laboratories restricted receipt account.

**First Connections** **(\$378,000)**

The Budget eliminates \$378,000 in general revenue funding within the First Connections program, removing the additional funding provided in the Governor’s Budget. The First Connections program assists in access to services such as food assistance, mental health, child care, family home visiting, and Early Intervention. Expansion of the program was intended to serve 40.0 percent of prenatal referrals the program receives per year, which is approximately the number of women who continue in the program after a referral. The program is funded within the aforementioned Family and Home Visiting Program, which is funded at the current service level of \$8.5 million.

**Childhood Lead Prevention** **(\$190,000)**

The Budget reduces general revenue funding by \$190,000 for the Childhood Lead Prevention Program, eliminating the additional funding provided in the Governor's Budget. The program is funded at the current service level of \$1.5 million.

**Lab Equipment Maintenance Expenses** **(\$63,000)**

The Budget reduces general revenues by \$63,000 as compared to the Governor's Budget to reflect the replacement of new lab equipment, resulting in reduced maintenance costs. The Budget includes approximately \$255,000 in maintenance for the equipment.

**Restricted Receipt Fund Changes** **(\$464,703)**

The Budget decreases restricted receipts by \$464,703, including the following:

- **Adult-Use Marijuana Program:** The Budget reduces restricted receipts by \$319,919 that was included in the Governor's Budget to fund 2.0 FTE Environmental Food Inspector positions and 1.0 FTE Senior Environmental Health Food Specialist position to complete inspections on adult-use marijuana facilities. The funding and positions are eliminated as the Budget does not legalize marijuana.
- **Health Information Technology:** The Budget reduces restricted receipts by \$144,784 to reflect updated spending trends.
- **Personnel Cost Correction:** The Budget reduces restricted receipts by \$46,996 to reflect personnel technical errors. The Budget also reduces matching federal funds with the correction by \$186,041.

**DEPARTMENT OF HUMAN SERVICES****Office of Veteran's Services** **\$25.8 million**

The Budget includes \$25.8 million in general revenues, \$40.3 million all funds, to support the Office of Veteran's Services. Article 4 of the Governor's Budget transferred Veteran's Affairs from the Department of Human Services to the Executive Office of Health and Human Services. A Governor's Budget Amendment dated April 22, 2019, reversed the transfer. The Budget also changes that name of the Office of Veterans' Affairs to the "Office of Veteran's Services".

**Deloitte Settlement Shift** **(\$13.3 million)**

The Budget includes a decrease of \$13.3 million in general revenues to reflect a shift in restricted receipt funds from FY2019 to FY2020 due to a delay in the expenditure of Deloitte settlement funds. The Governor's FY2019 Budget included \$8.3 million in restricted receipts to account for anticipated settlement funds from Deloitte Consulting, the primary developer of the United Health Infrastructure Project (UHIP) system, which will not be expended in the current year. These funds are shifted to FY2020. The Budget removes \$8.3 million from general revenues to offset the additional restricted receipt funds. The Budget also reallocated \$5.0 million in restricted receipt savings based on updated contract costs from the Executive Office of Health and Human Services to DHS.

**Office of Healthy Aging** **\$8.4 million**

The Budget includes \$8.4 million in general revenues, \$22.1 million all funds, to support the Office of Healthy Aging. Article 4 of the Governor's Budget transferred the Division of Elderly Affairs from the Department of Human Services to the Executive Office of Health and Human Services. A Governor's Budget Amendment dated April 22, 2019 reversed the transfer. The Budget also changes the name of the Division of Elderly Affairs to the "Office of Healthy Aging".

**May Caseload Estimating Conference** **(\$1.6 million)**

The May 2019 Caseload Estimating Conference led to a general revenue decrease of \$1.6 million and a federal funds decrease of \$5.5 million from the November 2018 Caseload Estimating Conference. The

general revenue decrease is due to a \$780,354 decrease in Child Care Assistance, a \$682,508 decrease in the Supplemental Security Income (SSI) Program, and a \$136,680 decrease in General Public Assistance (GPA). The decrease in Child Care Assistance is due to an estimated decrease of 277 subsidies, the decrease in the SSI is due to an estimated decrease of 1,133 subsidies, and the decrease in GPA is due to an estimated decrease of 48 subsidies.

***Child Care Rates*** **(\$696,919)**

The Budget includes a decrease of \$696,919 associated with the elimination of increases in tiered reimbursement rates for licensed child care centers. Article 10 of the Governor's FY2020 Budget increased reimbursement rates to the 75<sup>th</sup> percentile of the weekly market rate for licensed child care centers providing care for preschool age children. The increase in funding was intended to increase rates for the licensed centers who provide child care to low-income families through the Child Care Assistance Program.

***Office of Health Aging- Co-Pay Expansion*** **(\$581,643)**

The Governor's Budget included a proposal to increase the income limit for the co-pay program from 200.0 percent of the FPL to 250.0 percent in FY2020. The Governor included \$581,643 from general revenues (\$1.2 million all funds) to support the expansion. The Budget does not include this expansion and removes the applicable funding.

The home and community care co-pay program supports seniors who do not qualify for Medicaid long-term services and supports (LTSS). The program pays for a portion of the costs of personal care and adult day services for individuals, ages 65 and older, who are unable to leave home without considerable assistance and require help with personal care. Individuals must have incomes below 200.0 percent of the Federal Poverty Level (FPL) in order to qualify.

***Rental Property*** **(\$296,337)**

The Budget includes a general revenue savings of \$296,337 (\$779,835 all funds) related to relocating DHS staff from outside rental locations to state-owned properties in the Pastore Complex in Cranston. These savings were identified as a part of the Governor's Efficiency Commission.

***Post-Secondary Child Care Assistance*** **(\$200,000)**

The Budget removes \$200,000 in general revenues that was intended to fund an expansion in child care assistance eligibility to include families who require child care in order to pursue an educational degree or professional certificate.

***Indirect Cost Recovery Shift*** **(\$200,000)**

The Budget shifts \$200,000 from general revenues to indirect cost recovery restricted receipts. The Governor's Budget removed indirect cost recovery funds, the Budget shifts funding back to indirect cost recoveries based on more recent collections.

***Institute for Nonviolence*** **(\$200,000)**

The Governor's Budget included \$200,000 in general revenues to support a violence Reduction Strategy Program within the Institute for the Study and Practice of Nonviolence. The Budget removes all funding for this program.

***Veteran's Services Grants*** **(\$200,000)**

The Governor's Budget included \$400,000 in general revenues to support grants for organizations that provide services to Veterans. The Budget reduces funding by \$200,000, consistent with the FY2019 Enacted level.

***Veteran's Services- RI Serves*** **(\$153,000)**

In December 2017, the Office of Veteran's Services launched RI Serves, a coordinated care networks that helps veterans and their families find and receive services. In FY2019, the project was funded by

Information Technology funds; however, the Governor's FY2020 Budget included \$153,000 in general revenues to continue supporting the project. The Budget removes the general revenue funding. The Office should be able to continue providing these services with existing resources and funding.

***Community Action Agencies*** ***\$80,000***

The Budget includes an additional \$80,000 in general revenues to fund Community Action Agencies, bringing total funding in FY2020 to \$600,000. Community Action Agencies work to address poverty throughout the State by providing training, public education, and technical assistance.

***Office of Healthy Aging- Respite Services*** ***\$45,000***

The Budget includes an additional \$45,000 in general revenues for elderly respite care services. Respite services allow family caregivers to arrange for a break from their daily care taking routines. Respite care services include in-home respite care, adult day centers, and residential respite care.

***Restricted Receipt Fund Changes*** ***\$152,000***

- **Veteran's Memorial Cemetery:** The Budget includes an additional \$152,000 to fund maintenance and repairs at the Veteran's Memorial Cemetery including the expansion of in-ground watering pipes, building and outdoor shelter area, and the expansion of crypts and the cemetery.

***Rhode Island Capital (RICAP) Fund Changes*** ***\$250,000***

- **Veteran's Home Asset Protection:** The Budget includes \$250,000 in RICAP funding for asset protection projects at the Veteran's Home in Bristol.

**DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS**

***RICARES*** ***(\$100,000)***

The Budget reduces general revenues by \$100,000 for the certification of recovery homes to reflect the Department's ability to use federal funding for this expense. The Governor's Budget included additional revenues for the activity, but the activity can be supported through existing substance abuse block grants.

***Hospital License Fee*** ***(\$12,072)***

The Budget reduces general revenues by \$12,072 to reflect changes in the payment obligation that hospitals must pay to be licensed in the State.

***Security Services*** ***(\$300,000)***

The Budget reduces general revenues by \$300,000. The Governor's Supplemental Budget included \$2.1 million for contracted security services at the Eleanor Slater Hospital. The Budget decreases funding based on FY2019 spending rates.

***Rhode Island Capital Plan (RICAP) Fund Changes*** ***(\$850,000)***

The Budget includes a net decrease of \$850,000 in RICAP funds, including the following:

- **DD Residential Development:** The Budget reduces RICAP funds by \$200,000 to reflect spending trends in FY2018.
- **Hospital Equipment:** The Budget reduces RICAP funds by \$300,000 as compared to the Governor's Budget as the purchases do not meet the criteria to be purchased with RICAP funds.
- **Substance Abuse Asset Protection:** The Budget reduces RICAP funds by \$350,000 to reflect a Governor's budget amendment dated May 23, 2019, that transfers the project to the Department of Administration.



**Federal Fund Changes****\$13.0 million**

**Health Home Conflict-Free Case Management:** The Budget increases federal funds by \$13.0 million to reflect an enhanced match to implement conflict-free case management for individuals with intellectual and/or developmental disabilities.

**COMMISSION ON THE DEAF AND HARD OF HEARING****Turnover****(\$30,000)**

The Budget reduces general revenues by \$30,000 in turnover savings based on the current vacancy rate.

**ELEMENTARY AND SECONDARY EDUCATION****FY2019 Audit Adjustment****\$1.8 million**

The Budget includes \$1.8 million to hold districts harmless for an audit adjustment to correct an error in data used to calculate FY2019 education aid. In July 2018, the Budget Office became aware of a potential miscalculation of education aid for the Town of North Kingstown due to an error in the AEWAV (Adjusted Equalized Weighted Assessed Valuation) Report produced by the Division of Municipal Finance. In response to the error, Municipal Finance conducted an audit of the AEWAV data used for the FY2019 and FY2020 education aid calculations. The audit identified incorrect data entries in both data sets for most districts; however, since the FY2020 aid is still subject to change, only the FY2019 aid distribution needs to be adjusted. Since municipalities had already enacted and implemented school budgets for FY2019, the Administration decided to make the adjustment in the FY2020 distribution. While the statewide impact of this adjustment is minor (\$18,947), the correction to individual districts varies significantly. According to the Administration, new procedures have been implemented to prevent such errors in the future; however, no further details were provided. Article 9 of the Budget provides a procedure to adjust aid should another error occur.

**DCYF Education Aid Withholding (Article 15)****\$1.3 million**

The Budget repeals the amendment to RIGL 16-64-1.1 in Article 15 that held districts responsible for some of the costs associated with educating children in the care of the Department of Children, Youth, and Families (DCYF) and restores \$1.3 million in education aid. Currently, educational costs at both the Rhode Island Training School (RITS) and Ocean Tides are borne by DCYF. The Governor's Budget assumed that DCYF would continue paying under this proposal; however, in order to hold districts accountable, a portion of the costs would be withheld from the sending districts' education aid disbursement.

LEA	DCYF Education Aid Withholding (Article 15)			
	Total Youth	Gross Charge	State Share	Education Aid Withheld
Central Falls	6	\$0	\$0	\$0
Cranston	6	210,000	45,598	(164,402)
Cumberland	1	35,000	5,979	(29,021)
Johnston	1	35,000	6,469	(28,531)
Newport	3	105,000	19,817	(85,183)
North Kingstown	2	70,000	6,842	(63,158)
Pawtucket	2	70,000	22,464	(47,536)
Providence	31	1,085,000	371,640	(713,360)
Warwick	1	35,000	5,348	(29,652)
West Warwick	2	70,000	17,512	(52,488)
Woonsocket	5	175,000	57,348	(117,652)
Unknown	1	-	-	-
<b>Total</b>	<b>61</b>	<b>\$1,890,000</b>	<b>\$559,016</b>	<b>(\$1,330,984)</b>

**Education Aid – Data Update****\$759,284**

The Budget includes \$759,284 in general revenue to fully fund the ninth year of the funding formula based on the March 2019 enrollment data. The increase includes \$1.1 million for increased enrollments and \$35,000 in Group Home aid due to an increase of 2 beds in Providence. These increases are partially offset by a decrease of \$386,531 in the Central Falls Stabilization fund, leaving Central Falls with an increase of \$388,999 in formula aid relative to the Governor's proposal.

**Prekindergarten Expansion (4.0 FTEs) (\$703,081)**

The Governor had requested an increase of \$9.3 million for early childhood prekindergarten. Of the increase, \$3.6 million was to add 540 prekindergarten seats, \$385,832 in salaries and benefits for 4.0 new FTE positions to support the expansion, and \$5.8 million to replace federal funding needed to support current seats. The Budget decreases the request by \$703,081 but still supports the existing seats and provides funding to add 270 seats. The Budget does not provide funding for the additional personnel and eliminates the FTE positions.

**School-Based Mental Health Services (1.0 FTE position) (\$590,000)**

The Budget eliminates \$590,000 in general revenue and 1.0 FTE position for school-based mental health services. The funding was to provide training, curricula, and other materials to increase in-classroom and in-school training resources. The training would have enabled teachers to intervene when a student shows signs of behavioral health challenges and to teach behavioral health skills in the classroom. The fund was to provide \$330,000 to train one individual at each school as a “trainer”, and \$260,000 for training materials for an additional 10 teachers in every school.

**Literacy/Dyslexia Training \$250,000**

The Budget provides \$250,000 in general revenue to fund a new literacy position in the Department and to support curriculum for literacy and students with dyslexia. Funds are intended to strengthen literacy screenings to detect dyslexia, coordinate Orton-Gillingham training statewide, and provide additional resources to improve literacy practices. The Department is encouraged to repurpose an existing position to provide literacy support.

**Transportation Categorical \$250,000**

The Budget increases state support for costs associated with transporting students within a regionalized district by \$250,000, bringing the total to \$4.6 million in FY2020.

**School Leadership Position \$150,000**

The Budget provides \$150,000 in general revenue for a position to support school principals, increase the diversity of the state’s school leadership and educator pipeline, and support the principal certification process. The Department is encouraged to repurpose an existing position to provide school leadership support.

**School Improvement Position \$120,000**

The Budget adds \$120,000 in general revenue for a new school improvement position to support districts in creating school improvement teams, strategic plans, and a district review process. The Department is encouraged to repurpose an existing position to provide school improvement support.

**STEM Curriculum Position \$120,000**

The Budget provides \$120,000 in general revenue to support a new science, technology, engineering, and mathematics (STEM) curriculum position to assist with the development of science curriculum frameworks and the identification of high-quality instructional materials. The Department is encouraged to repurpose an existing position to provide STEM curriculum support.

**School Breakfast (\$55,000)**

The Budget does not include the proposal to require all public schools to implement breakfast after the bell or to participate in the community eligibility provision (CEP), and eliminates \$55,000 in FY2020 for costs associated with implementing this program. Implementation of the breakfast after the bell and the community eligibility provision (CEP) was projected to increase participation rates from 53.0 percent to 70.0 percent, the national standard for participation, increasing federal funds by \$2.6 million. The CEP allows high-poverty schools and districts to serve breakfast and lunch at no cost to all enrolled students without collecting household applications.

**Child Opportunity Zones (COZs) Support** **\$50,000**

The Budget provides an additional \$50,000 for COZs for total general revenue funding of \$395,000. COZs provide integrated education, health, and social services to students attending public school in ten communities across Rhode Island. Located near schools, COZs provide families with educational programs, information, support, services, and referrals. COZs are currently located in Bristol/Warren, Central Falls, Cranston, North Kingston, Middletown, Newport, Pawtucket, Providence, Westerly, and Woonsocket.

**Advanced Course Network** **(\$50,000)**

The Budget removes \$50,000 general revenue and \$200,000 in permanent school funds, leaving \$150,000 in general revenue and \$300,000 in permanent school funds for the Advanced Coursework Network (ACN) in FY2020, consistent with the FY2019 Budget as Enacted. The use of additional permanent school funds would limit the future funding for the ACN, since collections average about \$236,000 annually. The network is an initiative offering advanced coursework options for Rhode Island students with the goal of expanding access to opportunities that promote college and career readiness while they remain enrolled at their public school.

**Computer Science Education Grants** **(\$50,000)**

The Budget eliminates \$50,000 in additional general revenue to increase access to computer science courses across the State; however, \$210,000 in program funding remains in the Budget. The vast majority of the funds are used for professional development for district teachers. The Department now manages the program instead of the Innovation Office at Rhode Island College. The Computer Science for Rhode Island initiative was enacted in FY2017 with \$260,000 in general revenue but was reduced in FY2018 by \$50,000 to reflect program spending experience from FY2017.

**Federal Funds Changes** **(\$266,148)**

The Budget reduces federal funding by \$266,148, including the following:

- **Adolescent Health and Achievement (1.0 FTE position):** The Budget eliminates \$133,074 in salary and benefits and 1.0 new FTE position to coordinate the development and implementation of the grant program Project AWARE on the state and district levels to serve school-aged students with mental health disorders. The Department was awarded a five-year, \$9.0 million grant from the United States Department of Health and Human Services to support adolescent health and academic achievement. The Department is encouraged to use either use existing personnel who administer federal grants or to utilize a vacant position.
- **School Climate Transformation Project (1.0 FTE position):** The Budget removes \$133,074 in salary and benefits, and 1.0 FTE position for the school climate transformation project. In October 2018, the Department received a \$2.5 million federal School Climate Transformation Grant. The grant will provide approximately \$500,000 annually over five years. The Department will work with the Center for Leadership and Educational Equity (CLEE) and the Northern Rhode Island Collaborative to support students with, or at risk of developing, behavioral health challenges, including substance abuse disorders, and those in the child welfare or juvenile justice systems. After reviewing district proposals, the Department will work with nine LEAs to build school-level capacity to support multi-tiered systems of support for the students in their districts. The Department is encouraged to either use existing personnel who administer federal grants or to utilize a vacant position.

**Restricted Receipt Changes** **\$133,074**

- **School Construction Services (1.0 FTE position):** The Budget removes \$133,074 in personnel costs and 1.0 new FTE School Construction Finance Specialist from the School Building Authority (SBA). The

new position would have increased the number of positions from four to five. The FY2019 Budget as Enacted shifted funding for the existing FTEs at the SBA from general revenue to restricted receipts. The restricted receipt account is funded by the Rhode Island Health and Education Building Corporation (RIHEBC) from the School Building Authority Capital Fund, fees generated from the origination of municipal bonds and other financing vehicles used for school construction, and its own reserves. With voter approval of the school construction bond and the subsequent implementation of the unenhanced incentive program for school construction, the SBA has realized a significant increase in applications.

***Rhode Island Capital Plan (RICAP) Fund Changes*** ***(\$500,000)***

- **Davies HVAC:** The Budget shifts \$500,000 in RICAP funding for the Davies Career and Technical School HVAC project from FY2020 to FY2022. Davies has delayed repairs to the system until they can implement the recommendations in the recently completed Master Plan.

**PUBLIC HIGHER EDUCATION**

***Co-Locate OPC and RIDE (6.0 FTE position reduction)*** ***(\$1.0 million)***

Based on the Governor's recommendation from the Efficiency Commission, the Budget realizes \$1.0 million in general revenue savings from the co-location of the Office of the Postsecondary Commission (OPC) with the Department of Elementary and Secondary Education. The savings are based on the elimination of several FTE positions from the OPC due to the sharing of administrative support; consequently, the Budget eliminates 6.0 unspecified FTE positions from the OPC. The co-location is also intended to allow closer collaboration between the agencies.

***Rhode Island College Operating Support*** ***\$900,000***

The Budget adds \$900,000 in general revenue operating support for Rhode Island College (RIC) in FY2020. The Governor's Budget assumed 3.0 percent freshman and sophomore enrollment growth due to the expansion of the RI Promise program to RIC. This growth would equate to about \$1.2 million in new revenue. While the Budget does not provide for the expansion of the RI Promise program, there is additional general revenue support and the Budget restores need-based scholarship funding to RIC.

***Current Rhode Island Promise Program*** ***(\$900,000)***

The Budget reduces funding for the current RI Promise program at the Community College of Rhode Island (CCRI) by \$900,000 based on the experience of the first two cohorts, leaving \$7.0 million in support for FY2020. The remaining funds support a 3.0 percent increase in tuition and fees, as well as a 24.0 percent increase in enrollment relative to FY2019, instead of the 27.0 percent increase in the Governor's recommendation.

***CCRI Administrative Support*** ***(\$250,000)***

The Budget reduces general revenue for administrative support at CCRI by \$250,000 and removes 5.0 FTE positions.

***CCRI Pilot Program for SNAP and Employment and Training*** ***(\$235,000)***

The Budget eliminates \$235,000 to launch a need-based, support pilot program for SNAP eligible adults who attend CCRI. The pilot program was expected to provide an average grant of \$900 to 250 students. The federal SNAP E&T program reimburses states for 50.0 percent of costs paid for with non-federal dollars.

***New England Board of Higher Education (NEBHE) Dues*** ***\$147,000***

The Budget provides \$147,000 in general revenue to pay the membership dues for the New England Board of Higher Education (NEBHE). Previously (NEBHE) annual dues were paid out of reserves generated

through Division of Higher Educating Assistance (DHEA) guaranty agency activities. In December 2017, the Council on Postsecondary Education voted to transfer the loan portfolio to the United States Department of Education. Upon transfer, DHEA no longer generated revenues to replenish the fund, which is used to provide financial aid assistance to Rhode Island students. The FY2019 Budget as Enacted limited the amount of reserves that can be used annually to fund administrative expenses to 10.0 percent of the amount appropriated for scholarships and grants. Due to constraints imposed on the expenditure of funds, the Office of the Postsecondary Commissioner has not paid the annual membership dues for NEBHE.

Rhode Island has been an active member of NEBHE for over 60 years and Rhode Island students receive benefits from the membership including the New England Regional Student Program/Tuition Break and the Stat Authorization Reciprocity Agreement. In FY2018, 1,062 residents saved a total of \$7.5 million on tuition bills through the RSP/Tuition Break, with full-time students averaging \$8,613. In addition, public colleges and universities in Rhode Island received \$16.0 million in tuition revenues and \$1.3 million in fee revenue from 1,307 incoming students from the five other member states.

***State Authorization Reciprocity Agreement (SARA)*** ***\$71,000***

The Budget does not create the State Authorization Reciprocity Agreement (SARA) fees restricted receipt account recommended through Article 2 of the Governor’s Budget, and restores \$71,000 in general revenue in lieu of the restricted receipts. SARA is an agreement among member states, District of Columbia, and U.S. territories that established comparable national standards for interstate offering of postsecondary distance education courses and programs. Participation in this agreement makes it easier for Rhode Island students to take high-quality, online courses offered by institutions based in other states and streamlines administration for Rhode Island institutions offering distance learning opportunities out of state. SARA is overseen by the National Council for State Authorization Reciprocity Agreements (NC-SARA) and administered by four regional education compacts, with the New England Board of Higher Education (NEBHE) being the regional entity for Rhode Island.

***Best Buddies*** ***\$15,000***

The Budget increases general revenue funding for the Best Buddies program by \$15,000 for a total of \$75,000 in FY2020. Best Buddies is a nonprofit organization dedicated to creating opportunities for one-to-one friendships, integrated employment and leadership development for people with intellectual and developmental disabilities.

***Rhode Island Promise Expansion (federal/other funds)*** ***(\$3.8 million)***

The Budget does not include the proposed expansion of the Rhode Island Promise program to juniors and seniors at RIC or to adults at CCRI. The Governor’s proposal funded the first year of the expansion by diverting funds from need-based scholarships and deleting reserve funds. The Budget removes \$6.9 million in federal funds and restores \$3.1 million in other funds to the Budget, including need-based grant funding for RIC.

***Restricted Receipt Changes*** ***\$452,519***

The Budget includes a net increase of \$452,519 in restricted receipt funding, including the following:

- **Best-at-Work (Walmart) grant:** The Office of the Postsecondary Commissioner (OPC) received \$329,250 from Walmart to establish career pathways for populations facing barriers to employment. OPC will use the grant funds to implement the Integrated Basic Education and Skills Training (I-BEST) instructional model to increase the skills of workers in Rhode Island’s service sector industries. I-BEST delivers Adult Basic Education and job training at the same time to accelerate skill acquisition with a customized curriculum, co-teaching, and support services. The grant totals \$495,492 over 18 months.
- **Lumina Foundation grant:** The OPC received a \$399,700 grant over 18 months to develop a communication strategy, including an online portal, to increase postsecondary enrollment and success

for working-age adults. The Budget provides \$23,396 restricted receipts in FY2019 and \$261,552 in restricted receipts in FY2020 to support the development of infrastructure for an adult promise program in Rhode Island. The grant period runs from May 1, 2019, to October 31, 2020.

- **Northern Rhode Island Education Center (1.0 FTE position):** Due to the delay in the Northern Rhode Island Education Center project, the Budget eliminates \$138,283 in restricted receipt support for a 1.0 FTE Facilities Coordinator position. The building was originally scheduled to open in July 2020; however, the location has not been finalized.

#### **Rhode Island Capital Plan (RICAP) Fund Changes**

**\$1.7 million**

The Budget includes a net increase of \$1.7 million in Rhode Island Capital Plan (RICAP) funding, including the following:

- **University of Rhode Island - Biological Resources Lab:** The Budget reduces RICAP funding by \$2.8 million in FY2019 and adds \$2.9 million in FY2020 for the construction of a small, lab animal care facility that meets current federal standards allowing URI to centralize and replace older facilities. It will be constructed on the lower two floors in the University's new College of Pharmacy. The new lab will contain animal Bio Safety Level 2 laboratories, lab animal holding rooms, cage washing facilities, and redundant emergency HVAC and electrical systems for secure care of the animals and research work. The changes reflect the revised construction schedule.
- **RIC – Academic Buildings:** The Budget shifts \$2.0 million RICAP funding from FY2020 to FY2019 for Phase I of the Academic Buildings project. This phase of project is expected to be completed by June 30, 2019, and will re-purpose and renovate areas of Adams Library and other campus buildings to accommodate student service organizations and academic departments that will be moving out of Craig Lee Hall and Gaige Hall during the renovation of these buildings.
- **Office of Postsecondary Commissioner - Northern Rhode Island Education Center:** The Budget shifts \$1.8 million in RICAP funds from FY2019 into FY2020 to reflect the revised project schedule. The building was originally scheduled to open in July 2020; however, the location has not been finalized.
- **CCRI – Knight Campus Lab Renovation:** The Budget reduces RICAP funding for this project by \$1.3 million in FY2020, shifting the funding into FY2022 as requested by the institution. The Knight Campus Megastructure, which was completed in 1972, will be comprehensively renovated, including painting, door replacements, and interior and exterior upgrades. Plans include elevator upgrades, hi-tech AV upgrades, the relocation of several offices, modifications to the cafeteria, student dining commons, student lounge, and bookstore, as well as roadway and landscape improvements to the main entrance road and facility entrance.
- **RIC – Master Plan Advanced Planning (Henry Barnard School of Education):** The Budget restores \$150,000 in FY2020 that was originally provided in the FY2019 Budget as Enacted but removed in the supplemental budget for advanced planning, and adds an additional \$150,000 (\$300,000 total).

#### **RHODE ISLAND STATE COUNCIL ON THE ARTS**

##### **VSA Arts Rhode Island Collaboration**

**(\$50,000)**

VSA Arts Rhode Island is a statewide, nonprofit arts and education organization dedicated to providing opportunities for children and adults with disabilities to actively participate in the arts. Since its founding in 1986, VSA has been part of a national network of organizations affiliated with the Kennedy Center for the Performing Arts in Washington, D.C. Recently, the Kennedy Center informed all of the affiliates that federal funding would be discontinued beginning in federal FY2019. According to RISCA, the

discontinuation of federal funding will ultimately result in the elimination of VSA Arts RI. Consequently, RISCA requested \$150,000 in FY2020 to support a cooperative agreement with VSA Arts RI aimed at exploring ways to integrate VSA's work within RISCA. In FY2021, RISCA intends to request an FTE to continue VSA's work through RISCA. Integration of VSA Arts RI would enable RISCA to conduct an assessment of grantees to evaluate physical barriers to accessibility, and develop a series of workshops and trainings to help arts organizations develop more inclusive programming and train staff how to serve a diverse audience. The Budget eliminates \$50,000 in general revenue funding for VSA Arts.

***Workforce Development in the Arts*** **(\$30,000)**

While Rhode Island offers a wide array of youth arts program, the State does not offer much support for young artists as they age out of these programs. For FY2020, RISCA requested \$30,000 to contribute toward a workforce development pilot program for young adults ages 18 to 25. The program would enroll 7 to 12 young adults for a four month period that would include art-based education, such as Autocad and other digital design programs, and an apprenticeship at an art-based business or organization where they will be working on fabrication and small design projects. The program would provide a stipend for the artist and additional funds for expenses such as a work space, art materials, curriculum design, and course fees for both business training and art-based classes. The Budget eliminates funding (\$30,000 general revenue) to support workforce development in the arts.

***Restricted Receipt Changes*** **\$40,000**

**Rhode Island Arts and Health Network:** The Budget provides \$40,000 in restricted receipts to support the Arts and Health Network, a partnership between RISCA and the Department of Health to further the integration of arts and health into the State's policy, practice, and research agendas. The funding is part of a \$50,000 grant from ArtPlace American, LLC, providing \$10,000 in FY2019 and \$40,000 in FY2020. ArtPlace America is a collaboration of foundations, federal agencies, and financial institutions working to position arts and culture as a core sector of community planning and development.

**DEPARTMENT OF CORRECTIONS**

***High Security Renovations*** **\$5.1 million**

The Governor's Budget includes a proposal to renovate the Department's High Security Facility beginning in FY2020. The Budget does not include this project and includes an additional \$5.1 million in general revenues to offset the assumed savings that were included in the Governor's Budget.

***Price Facility Operations*** **(\$358,409)**

The Budget includes a general revenue savings of \$358,409 from the proposed sale of the Price Facility in the Pastore Center. The building is currently vacant but the Department still incurs operational charges, selling the building will eliminate all associated costs. These savings were identified as a part of the Governor's Efficiency Commission.

***Turnover*** **(\$350,000)**

The Budget includes turnover savings of \$350,000 for non-correctional officer positions. The turnover savings are based on FY2019 staffing levels.

***Laboratory Testing*** **(\$165,000)**

The Budget reduces general revenues by \$165,000 related to a savings for laboratory testing. The Budget anticipates that laboratory testing will be moved from East Side Clinical Laboratory to the Eleanor Slater Hospital within the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). Prior to FY2016, BHDDH provided free lab services; however, according to the Department of Corrections, BHDDH indicated that moving forward they would start charging approximately \$200,000 for lab services. The original increase caused the Department to look into alternative options.

**State Criminal Alien Assistance Program** **(\$124,233)**

The Budget increases federal funds by \$124,233 for the State Criminal Alien Assistance Program (SCAAP), offsetting general revenues by the same amount. The increase in federal funds is based on the FY2019 award. The SCAAP program provides federal payments to states that incur correctional officer salary costs for incarcerating undocumented criminal aliens.

**Population Savings** **(\$100,000)**

The Budget includes a \$100,000 savings due to population and per-diem related decreases. The Governor's FY2020 Budget was based on a population of 2,691 inmates. The Budget is based on 2,671 inmates, a decrease of 20 inmates.

**Public Courthouse Space** **(\$30,000)**

The Budget removes \$30,000 in general revenues due to a decrease in the amount of space the Department of Corrections occupies within public courthouses. Agencies that occupy space in court buildings around the State incur costs for a share of building related expenses based on the amount of space that is occupied.

**Rhode Island Capital Plan (RICAP) Fund Changes** **\$699,328**

The Governor's Budget consolidated all RICAP projects and funds for the DOC into one asset protection project totaling \$12.8 million in FY2020. The Budget does not accept this recommendation and creates two separate appropriations, asset protection and facilities management, for all RICAP projects in FY2020. Pursuant to Budget Amendments requested by the Governor, the Budget includes an increase of \$699,328 in RICAP funds. The increase shifts funds from FY2019 to FY2020 based on updated project schedules. RICAP appropriations include the following:

- **Asset Protection:** The Budget includes \$8.6 million, a decrease of \$4.2 million from the Governor's Budget for asset protection projects.
- **Facilities Renovations:** The Budget creates a new project fund for facilities renovations and includes \$4.9 million for FY2020.

**JUDICIARY****Pay-Go Judges Pensions** **(\$761,795)**

The Budget reduces general revenue funding for pay-go pensions by \$761,795 throughout the system in FY2020 to reflect the cost reduction projected by the Judiciary in the FY2019 third quarter report. Pay-go pensions support judges hired before 1990 who are not part of the state employees' retirement system.

**Court Operating** **(\$500,000)**

Based on the updated cost projections in the FY2019 third quarter report, the Budget reduces court general revenue operating support by \$500,000 in FY2020. The reduction includes \$300,000 for facilities and operating, and \$200,000 for court technology. With the completion of the case management system, electronic filings are increasing and providing increased revenue that displaces general revenue investment in court technology.

**Drug Court Diversion Staffing (3.0 FTE positions)** **\$348,000**

The Budget adds \$348,000 in general revenue and 3.0 FTE positions to support the Superior Court Diversion program. The program is open to people charged with a non-violent alcohol or drug offense who might otherwise be sent to prison. Upon completion of a year of substance-abuse treatment, screenings, court appearances and more, graduates leave probation, and their record is sealed and expunged. The program provides the individual with better prospects for steady employment and stable housing.



**Rhode Island Capital Plan (RICAP) Fund Changes****\$1.7 million**

The Budget includes a net increase of \$1.7 million in Rhode Island Capital Plan (RICAP) funding, including the following:

- **Noel Shelled Courtroom Build Out:** The Budget shifts \$2.2 million in RICAP funding for this project from FY2019 into FY2020 for completion. The Noel Shelled Courtroom Build-Out (NCBO) will expand the capacity of the Noel Judicial Complex by completing unfinished courtroom space within the interior shell. The build out will also include an additional lot for parking, as the current lot is near capacity for the courtrooms currently in use.
- **Judicial Complexes Fan Coil Replacement:** The Budget shifts \$500,000 in funding from FY2020 to FY2021 to reflect a one-year delay in the implementation of this project. This project provides for both the architectural/engineering work and the installation of the fan coils in the Licht, Fogarty, and Murray facilities.

**MILITARY STAFF****Rhode Island Capital Plan (RICAP) Fund Changes****\$1.0 million**

Pursuant to the Governor's budget amendment, dated May 23, 2019, the Budget shifts \$1.0 million in Rhode Island Capital Plan (RICAP) funding from FY2019 to FY2020 for the listed projects.

- **Armory of Mounted Commands:** Increases \$536,575 reflecting the shift of the full amount from FY2019 to FY2020 to complete the roof replacement project.
- **Bristol Readiness Center:** Shifts \$125,000 into FY2020 based on the Military Staff's revised project timeline and projected expense plans to complete the project.
- **Joint Force Headquarters Building:** Shifts \$357,896 into FY2020. The project is underway and based on the Military Staff's revised project timeline and projected expense plans, the balance of the funding is not required in the current fiscal year.

**RHODE ISLAND EMERGENCY MANAGEMENT AGENCY****Turnover****(\$75,000)**

The Budget decreases general revenue by \$75,000 based on anticipated personnel expenditures occurring in FY2020.

**DEPARTMENT OF PUBLIC SAFETY****E-911 Cost Shift****(\$5.1 million)**

The Budget reconfigures the telecommunication surcharges that support emergency services and first response programs, including the E-911 program. Current law authorizes a \$1.00 emergency services and first response surcharge on wireline, wireless, and prepaid telecommunication services and an additional \$0.26 technology surcharge on just wireless services. Ninety percent of the revenue from the \$1.00 surcharge is deposited as general revenue with the balance placed into the State's Information Technology Investment Fund. The \$0.26 surcharge is deposited into a restricted receipt account to support State geographic information system (GIS) and other technology improvements. The Budget eliminates both of these surcharges and establishes two new ones. A new \$0.50 E-911 surcharge is established to support the E-911 program. Revenue from the surcharge will be deposited into a new, dedicated restricted receipt account within the Department of Public Safety (DPS) explicitly reserved for the purposes of supporting the E-911 system. A new first response surcharge is also established to support first responder services across the State. The surcharge amount varies by telecommunication type and ranges from \$0.50 to \$0.75. The revenue from this surcharge is deposited as general revenue.

The impact of these changes is shift in funding from general revenue to restricted receipts. The Budget reduces general revenue funding for E-911 by \$5.1 million and increases restricted receipt funding for the program by the same amount.

**Turnover** **\$250,000**

The Budget includes \$250,000 in personnel savings across the Department of Public Safety. This amounts to approximately 1.2 FTE positions. As of the pay period ending June 8, 2019, DPS had 16.6 vacancies.

**Grants Manager** **(\$90,203)**

The Governor's budget included a proposal to add a Grants Manager and \$90,203 in associated personnel funding within the Central Management program to assist with an increase in federal grant activity. The increase in programming is related to the Department's support in fighting the opioid epidemic in Rhode Island. The Budget does not include this proposal and eliminates the FTE and the additional funding.

**Recruitment** **\$90,000**

The Budget includes \$90,000 in general revenue for the State Police to begin recruiting in FY2020 for the next State Police Training Academy. The next class would not begin until FY2021. There are 57 individuals eligible for retirement within the State Police, with 37 new Troopers expected to graduate June 28, 2019.

**Training and Upgrades** **\$36,500**

The Budget includes \$258,500 in all funds for staffing upgrades and training in FY2020. This includes \$36,500 from general revenue and \$222,000 from the new E-911 restricted receipt account. The latter funds will be used to increase the skills of E-911 Telecommunicators related to emergency medical dispatch training.

**Judiciary Changes** **\$30,000**

Pursuant to the Governor's Budget Amendment dated April 5, 2019, the Budget includes an additional \$30,000 for the Division of Sheriffs proportionate share of the rent paid to the Judiciary for use of space in the courthouses.

**Restricted Receipt Funds Changes** **\$4.4 million**

The Budget includes a net increase of \$4.4 million in restricted receipt funding in FY2020, including:

- **E-911:** The Budget includes \$5.1 million in funding from the new E-911 restricted receipt account established as a dedicated source of funding for the program.
- **Elimination of the Adult Use Marijuana Program:** The Budget does not include the Governor's proposal to legalize the adult use of marijuana. The Budget reduces the Department's restricted receipt funding by \$850,000 accordingly.
- **Training:** The Budget includes \$222,000 in restricted receipt funding to upgrade the skills of E-911 Telecommunicators related to emergency medical dispatch training.
- **Fiscal Clerk:** The Governor's budget included a proposal to shift \$72,319 from general revenue to restricted receipts to fund a fiscal clerk position in the Central Management program. The Budget does not include this funding.

**OFFICE OF THE PUBLIC DEFENDER**

**Rental of Parking Spaces** **(\$23,400)**

Pursuant to the Governor's budget amendment, dated May 23, 2019, the Budget decreases \$23,400 in general revenue to reflect the consolidation of employee leased parking spaces from private lots to the Garrahy Courthouse Garage, following the recommendation of the Governor's Efficiency Commission.

**DEPARTMENT OF ENVIRONMENTAL MANAGEMENT*****Parks Operating*** **(\$450,000)**

The Budget decreases support for operating expenses in State parks by \$450,000 to bring the remaining increase of \$546,643, relative to the FY2019 Budget as Enacted, more in-line with the updated revenue projections from fee increases at parks and campgrounds. The Department requested an additional \$745,600 to fund the Division of Parks and Recreation at the FY2018 actual expenditure level. The Governor recommended this request and added an additional \$122,000 for trash removal. The Governor also proposed a pilot program at Misquamicut Beach that included a Big Belly waste and recycling system, and a water bottle refilling station. The goal is to reduce waste while encouraging the proper disposal of trash. The remaining \$129,000 was for miscellaneous operating costs.

***America's Cup*** **(\$392,223)**

The Budget shifts \$392,223 in general revenue for costs associated with hosting a preliminary race for the America's Cup such as security, sanitation, and equipment rentals to tourism funds within the Commerce Corporation.

***Parks Positions (3.0 FTE positions)*** **(\$350,000)**

The Budget reduces general revenue funding for maintenance workers, a civil engineer, and a reconciliation clerk in the Division of Parks and Recreation by \$350,000 and 3.0 FTE positions, leaving 3.0 FTE positions and bringing the funding more in alignment with the updated revenue projections from fee increases at parks and campgrounds. The Governor's proposal included revenue from an increase in beach parking fees; however, the Budget does not increase beach parking fees; consequently, projected revenues have been adjusted down.

***Beach Parking Fee Payments to Host Communities*** **(\$199,206)**

The Budget decreases general revenue for beach parking fees paid to host communities by \$199,206 since the Department withdrew the proposal to increase beach parking fees in 2019. Parking fees at State-owned beaches are collected through the sale of season passes and daily fees. The State retains the entire amount of revenue collected from the season passes; however, host communities are paid 27.0 percent of the fees collected through daily parking fees.

***Seasonal Employees and Minimum Wage Increase*** **(\$87,599)**

The Budget does not include the proposal to increase the minimum wage from \$10.50 to \$11.10 per hour effective January 1, 2020; and, consequently, removes \$87,599 in general revenue funding for the minimum wage increase for seasonal workers in the Department. Article 14 of the FY2018 Budget as Enacted increased the minimum wage from \$9.60 to \$10.10 per hour effective October 1, 2017, and again to \$10.50 per hour beginning January 1, 2019.

***Executive Business Development Office (1.0 FTE position)*** **(\$75,565)**

The Budget reduces general revenue support for the creation of an Executive Business Office by \$75,565 and eliminates 1.0 FTE position. The creation of the Office was recommended in a 2018 report, *Rhode Island State Parks Organization Management and Operations Study*, created in consult with CHM Governmental Services and PROS Consulting. The Office will concentrate on revenue generating strategies such as cost accounting, sponsorship and donor development, grant opportunities, fees, concessions, leases, and fiscal entrepreneurship. The Budget still provides \$92,372 in general revenue support and 1.0 FTE position for the Office.

***Restricted Receipt Changes*** **(\$272,116)**

The Budget includes a decrease of \$272,116 in restricted receipt funding, including the following:

- **OSPAR - Enhanced Compliance and Monitoring (3.0 FTE positions):** The Budget does not include the Governor's proposal to expand the uses of the Oil Spill Prevention, Administration and Response

(OSPAR) fund and removes \$222,116 and 3.0 new FTE positions for enhanced compliance and monitoring. Through Article 5 of the FY2020 Budget, the Governor had recommended transferring \$1.0 million in OSPAR funds to general revenue in FY2019 and, subsequently increasing the cap on the per-barrel fee from \$0.05 to \$0.10 in FY2020 to replenish the fund. The proposal also expanded the permitted uses of the fund to include storm water management and brownfield remediation. According to DEM, which administers the fund, the impact of the proposed transfer without the fee increase would be significant. The Budget does not transfer the funds or increase the fee.

- **Abandoned Vessel Removal:** The Budget reduces funding for the abandoned vessel removal fund by \$50,000 to the FY2019 Revised level of \$50,000. Funds from the account are used to cover the costs of removing, disposing, and/or selling derelict and abandoned vessels and other obstructions.

#### ***Rhode Island Capital Plan (RICAP) Fund Changes***

***\$755,000***

The Budget includes a net increase of \$755,000 in Rhode Island Capital Plan (RICAP) funding, including the following:

- **Dam Repair:** The Budget reduces RICAP funding by \$1.9 million, shifting program costs to general obligation bond proceeds approved by voter in November 2018. This project allows DEM to complete engineering studies, designs and repairs to “high-hazard” State-owned dams which, if they were to fail, would cause significant property damage and potential for loss of life. The State owns 10 high hazard and four significant hazard dams.
- **Galilee Piers:** The Budget reduces RICAP funding by \$1.9 million in FY2019, and shifts \$1.6 million into FY2020 to reflect the updated project schedule. The Port of Galilee is home to 170 commercial fishing vessels and provides affordable berthing spaces close to wholesale and retail seafood processing businesses. Since 2009, the Department has rebuilt numerous piers, as well as the southwest and northwest bulkhead. Current plans include designing and building the south bulkhead, repairing pilings, continued reconstruction of piers, reconstruction and maintenance of the facility/workshop/garage, and various electrical repairs.
- **Marine Infrastructure/Pier Development:** The Budget shifts \$525,000 from FY2019 into FY2020 to reflect updated expenditure projections. This project is for the development of a fishing pier, boating access ramp, and public restroom facility at Rocky Point in Warwick; a fishing pier and public restroom facility at India Point in Providence; and a fishing pier at Green Lane in Middletown.
- **Blackstone Valley Park Improvements:** The Budget shifts \$500,000 from FY2019 into FY2020 to reflect updated expenditure projections. This project provides funds to the Friends of the Blackstone River for improvements to areas around the Blackstone River Valley focused on enhancing river access and safety, and complimenting the State’s efforts to improve this river corridor. The Friends of the Blackstone River is a non-profit organization, recognized by the Rhode Island Rivers Council and dedicated to making the Blackstone River fishable and swimmable.
- **Recreational Facilities Improvements:** The Budget reduces funding \$500,000 in FY2020 and shifts funding to a new asset protection project to address needs at state-owned recreational facilities, such as bathroom renovations at Fishermen’s Memorial Campground and water and sewer line repairs at Colt State Park.
- **Recreational Facility Asset Protection:** The Budget establishes an asset protection project to address the needs in state parks and recreational facilities and shifts \$500,000 from the recreational facilities improvement project into the new asset protection project.

**COASTAL RESOURCES MANAGEMENT COUNCIL****Staffing** **(\$30,000)**

The Budget reduces salaries and benefits by \$30,000 in general revenue and \$40,000 in federal funds to more accurately reflect projected personnel costs.

**Rhode Island Capital Plan (RICAP) Fund Changes** **(\$20,000)**

The Budget includes a net decrease of \$20,000 in Rhode Island Capital Plan (RICAP) funding, including the following:

- **Beach SAMP:** The Budget reduces funding for this project by \$200,000 in FY2019 and \$50,000 in FY2020. Funding for this project was included in error as the project is complete.
- **Green Hill Pond:** The Budget adds \$30,000 in RICAP funding for a shoreline feasibility study for the beach at Green Hill Pond. The study will develop conceptual adaptation designs to improve the resiliency of 3,000 feet of coastline to erosion and overwash.

**DEPARTMENT OF TRANSPORTATION****Federal Fund Changes** **(\$1.9 million)**

The Budget includes a decrease of \$1.9 million in federal funds including the following:

- **Personnel:** The Budget removes \$1.9 million in federal funds, \$2.6 million all funds, due to the removal of 30.0 new FTE positions that were included in the Governor's Budget. The decrease in positions and funding is based on actual FY2019 staffing levels.

**Other Funds Changes** **\$22.9 million**

The Budget includes a net increase of \$22.9 million in other funds, including the following:

- **Funding Shift to Capital Projects:** The Budget includes an additional \$15.0 million to support capital projects, the additional funds are reallocated from anticipated savings and available funding. The \$15.0 million is comprised of \$5.0 million in anticipated turnover savings, \$2.8 million in savings from projected winter maintenance costs, \$2.3 million in gas tax funds that were allocated to RIPTA in the Governor's Budget, and \$4.9 million in additional gas tax funds that will be allocated to DOT based on an upward revision in the gas tax projections.
- **Vehicle Maintenance:** The Budget includes \$6.3 million for vehicle maintenance costs, this funding was inadvertently excluded from the Governor's Budget.
- **Gas Tax Adjustments:** The Budget decreases gas tax allocations by \$292,566. The majority of this decrease is due to a \$1.0 million decrease in gas tax funds that will be transferred to RIPTA. The Governor's Budget proposed that half a cent of the anticipated one cent increase in the gas tax be allocated to RIPTA. The Budget does not include this change and maintains current law. This decrease is partially offset by increases related to an upward revision of the projected per penny yield as estimated by the Office of Revenue Analysis. An additional \$453,845 will be distributed to the Rhode Island Turnpike and Bridge Authority, and an additional \$259,340 will be used by DOT to pay for debt service on GARVEE bonds.

Motor Fuel Tax Revenue	FY2017	FY2018	FY2019	FY2020	FY2020	Change from	
				Gov.	HFC	FY2020 Gov.	
DOT	\$85.0	\$86.5	\$94.3	\$89.7	\$94.6	\$4.9	5.5%
RITBA	15.5	15.7	17.1	15.9	16.3	0.5	2.9%
RIPTA	43.0	43.8	47.6	46.5	45.5	-1.0	-2.2%
DHS	4.4	4.5	4.9	4.5	4.7	0.1	2.9%
<b>Total</b>	<b>\$147.9</b>	<b>\$150.5</b>	<b>\$163.9</b>	<b>\$156.6</b>	<b>\$161.0</b>	<b>\$4.4</b>	<b>2.8%</b>

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

*Estimate developed by Senate Fiscal Office.*

*FY2019 includes infrequently occurring large payment received in October 2018.*

*Analyst Note: The additional \$4.9 million in gas tax funding for the DOT noted in the table is included in the shift of available funds to support capital projects.*

- **Drainage Program Funding:** The Budget includes a \$50,000 decrease in Highway Maintenance Account funding, consistent with the Department of Transportation's funding request. The Budget includes \$6.0 million for drainage projects.

#### **Rhode Island Capital Plan (RICAP) Fund Changes**

**\$969,349**

The Budget includes an increase of \$969,349 in RICAP funds, including the following:

- **Maintenance Facility Improvements:** The Budget shifts \$519,349 from FY2019 to FY2020 to complete the scheduled roof replacements at the Department's East Providence Garage.
- **RIPTA Building Project:** The Rhode Island Public Transit Authority (RIPTA) received a \$3.3 million federal grant to renovate and upgrade their facility on Melrose Ave. The Budget includes \$0.8 million, \$0.3 million in FY2020 and \$0.5 million in FY2021, to as a 25.0 percent match for the federal funds.
- **Welcome Center Facilities:** The Budget includes \$150,000 in RICAP funds to be used to renovate the welcome center facility in Richmond. The facility is in need of bathroom renovations, roof repairs and a new filtration system.



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**FY2019 SUPPLEMENTAL BUDGET**

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## FY2019 Revenue Changes

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The Governor proposed \$3,947.1 million in general revenues for FY2019, an increase of \$38.8 million (1.0 percent) over the enacted level. The Budget increases general revenue collections by \$9.6 million above the Governor's proposed FY2019 Revised Budget based on the following adjustments:

### **May Revenue Estimating Conference** **\$24.9 million**

The Budget includes \$24.9 million in additional revenue based on the May 2019 Revenue Estimating Conference (REC). The REC increased its personal income tax revenue estimate from November by 2.9 percent, or \$3.3 million. Business taxes were revised down \$10.8 million from November and sales taxes increased by \$6.6 million. Departmental receipts were also revised upwards by \$10.8 million (excluding a static hospital fee of \$180.8 million). These adjustments, along with other offsets and increases in other revenue sources (lottery, excise taxes, etc.), net the overall \$24.9 million increase.

### **Transfers** **(\$15.0 million)**

The Governor's Budget transferred \$15.5 million in reserves from several quasi-public agencies to the general fund. For FY2019, the Budget restores the reserves of for each of the following affected organizations: Rhode Island Health and Educational Building Corporation (\$2.0); Rhode Island Housing (\$2.5 million); Quonset Development Corporation (\$2.0 million); Rhode Island Resource Recovery Corporation (\$5.0 million); Rhode Island Student Loan Authority (\$1.5 million); Oil Spill Prevention, Administration, and Response Program (\$1.0 million); and the Underground Storage Tank Management Program (\$1.0 million). The amounts for the seven agencies are outlined here:

<b>Agency</b>	<b>Amount</b>
RI Resource Recovery Corp.	(\$5.0)
RI Housing	(2.5)
RI Health and Educational Building Corp.	(2.0)
Quonset Development Corp.	(2.0)
RI Student Loan Authority	(1.5)
OSPAR	(1.0)
UST	(1.0)
<b>Total</b>	<b>(\$15.0)</b>

*\$ in millions*

### **Real Estate Conveyance Tax Refund** **(\$1.7 million)**

The Budget reduces general revenue in FY2019 by \$1.7 million based on an anticipated real estate conveyance tax refund related to the Providence Place Mall (PPM). PPM is in a legal dispute with both the City of Providence and the State of Rhode Island regarding the large real estate conveyance tax payment. Attorneys for the Division of Taxation and staff at the Division of Accounts and Control advise that should the courts require the State to refund the payment, it would accrue to FY2019.

### **Health System Monitoring and Compliance** **\$1.2 million**

The Budget shifts \$1.2 million from restricted receipts to general revenue in FY2019. The Governor's Budget included a new restricted receipt within the Department of Health (DOH). The new Health System Monitoring and Compliance restricted receipt account was established to deposit consent agreement fees paid by hospitals. The stated purpose of the fee is to oversee the corrective action plans in order to ensure compliance. The Governor proposed using these one-time fees to pay for monitoring and quality-assurance activities related to the consent agreements with the hospitals. The Budget shifts the restricted receipt funds

into general revenue and requires DOH to address the monitoring and compliance work within its existing budget.

**Medicaid Changes**

**\$126,650**

The Governor's Budget assumed a revenue loss of \$126,650 associated with a Medicaid savings initiative to limit hospice rates. The May 2019 Caseload Estimating Conference restored the savings as they will not be achieved in FY2019. The Budget restores the revenues. This adjusts the amount to be collected in FY2019 from the 5.5 percent nursing home provider tax.

## FY2019 Supplemental Expenditure Changes by Agency

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### DEPARTMENT OF ADMINISTRATION

#### ***Debt Service Changes*** **(\$781,127)**

Pursuant to the Governor's budget amendment, dated May 23, 2019, the Budget includes general revenue savings of \$781,127 in FY2019, comprised of a decrease of \$643,862 for the I-195 Land Acquisition debt service due to the receipt of I-195 land sale proceeds used to offset the debt service; a decrease of \$100,553 for Fidelity Job Credits due to lower jobs during the fiscal year as reported by Fidelity; a decrease of \$21,723 for School for the Deaf debt service as funds became available through the 2017 bond refunding; a decrease of \$8,178 as funds became available through the 2017 bond refunding; and a decrease of \$6,811 for debt service related to the new Garrahy Garage project; and, a decrease of \$1.1 million based on debt service due to additional interest earnings on the capitalized interest fund.

#### ***3<sup>rd</sup> Quarter Savings*** **(\$700,000)**

The Budget decreases general revenue by \$700,000 based on anticipated savings as stated in the 3<sup>rd</sup> Quarter Report.

#### ***Civic Initiatives*** **(\$500,000)**

The revised budget eliminates \$500,000 in general revenue to fund a contracted management consultant to review the state's purchasing practices. The FY2019 Budget as Enacted contains a savings initiative of \$3.0 million in general revenue. The Department entered into a contract with Civic Initiatives on May 2, 2018, to undertake this study and assist the department to obtain the enacted savings initiative. However, this was an unfunded expenditure as the enacted budget did not appropriate funding for this contracted management service.

#### ***Deloitte Settlement Shift to FY2020*** **\$414,343**

The Budget shifts restricted receipt costs to general revenue to reflect a delay in the expenditure of Deloitte settlement funds. The Governor's FY2019 budget included \$414,343 in restricted receipts within the Rhode Island Health Benefits Exchange to account for anticipated settlement funds which were not expended in FY2019, and the Budget shifts these funds to FY2020. There is a corresponding decrease of \$414,343 in restricted receipts.

#### ***Data Analytics Pilot – DCYF*** **(\$300,000)**

The Budget eliminates \$300,000 in general revenue that was appropriated in the FY2019 Budget as Enacted to support a data analytics pilot project to demonstrate the value of merged data across multiple agency systems to further the mission of the Department of Children, Youth, and Families. The Department is reviewing how to implement the pilot project and the funds are not required at this time.

#### ***Disparity Study*** **(\$219,029)**

The Budget removes \$219,029 in general revenue to fund the disparity study contracted through the Office of Diversity, Equity, and Opportunity. The study was originally proposed as a Governor's budget amendment on May 18, 2018, to provide independent empirical data on the level of minority participation on state contracts or procurements. The last disparity study was performed in 1998. The amendment proposed funding the study by reallocating surplus department appropriations.

The initiative was not included in the FY2019 Budget as Enacted. Regardless, the Department initiated a \$499,029 contract with Mason Tillman Associates, LTD, to perform the study. To fund the ongoing study, the Governor added \$219,029 to the FY2019 Revised Budget and \$280,000 for FY2020.

**Fraud and Waste Savings****\$212,728**

Pursuant to the Governor's budget amendment, dated May 23, 2019, the Budget adds \$212,728 in achieved general revenue savings from the detection and prevention of waste, abuse, and fraud work by the Office of Internal Audit. The savings are incorporated into the estimates for Medical Assistance as revised by the May 2019 Caseload Estimating Conference.

The FY2019 Budget as Enacted proposed general revenue savings of \$9.6 million from the detection and prevention of waste, abuse, and fraud. The Office of Internal Audit (OIA) is primarily focused on beneficiary fraud related to programs under the Department of Human Services and under the Executive Office of Health and Human Services. OIA is working with these agencies as well as the State Police, the Office of the Attorney General, and the Department of Revenue to recoup general revenue and federal funds by prosecuting cases civilly or criminally, and by ceasing benefits. The latter item is used to obtain cost avoidance savings.

According to the Budget Office, "because savings associated with Medicaid-related fraud is captured in the Caseload Estimating Conference, much of the \$9.6 million savings is not as clearly identifiable as actual cash recoupment. As a result, the proposed FY2019 Revised Budget reduced the fraud savings amount to \$3.2 million to reflect cost avoidance already captured in the November Caseload Estimating Conference."

This action reduces the projected savings to \$3.0 million.

**Tort Court Awards****\$170,000**

Pursuant to the Governor's budget amendment, dated May 23, 2019, the Budget adds \$170,000 in general revenue for tort awards as projected by the Office of the Attorney General. Funding in the tort account is used to pay for tort/court award judgments against the state of Rhode Island. The FY2019 Budget as Enacted included \$400,000 in general revenue tort judgments. Current Tort judgment expenditures total \$424,775 as of June 4, 2019.

**Purchasing – Senior Buyer Position****(\$101,904)**

The Budget removes \$101,904 in general revenue to eliminate funding for a new Senior Buyer position within the Purchasing program. The position is filled but it was not included in the FY2019 Budget as Enacted. Instead the position was added by the Governor to improve customer services for agencies.

**Federal Fund Changes****\$132,000**

The Budget increases federal funds by \$132,000 for:

- **Office of Energy Resources:** Pursuant to the Governor's budget amendment, dated April 5, 2019, the Budget adds \$105,000 for a new federal grant titled SEP2017 Competitive Grant in conjunction with several other states to engage small, medium, and rural communities across nine states, to increase energy affordability, reliability, and resiliency.
- **Office of Energy Resources:** Pursuant to the Governor's budget amendment, dated April 5, 2019, the Budget adds \$27,000 for a new Clean Cities federal grant. The grant will be used for staff support for the Ocean State Clean Cities Coalition, that works with stakeholders to promote energy savings through the use of domestic fuels and advanced vehicle technologies in transportation.

**Restricted Receipt Changes****(\$350,000)**

The Budget decreases restricted receipts by \$350,000 for:

- **Healthsource RI Turnover:** The Budget reduces restricted receipts by \$350,000 to reflect savings from vacant positions in FY2019 that were not assumed in the Governor's revised budget.

**Rhode Island Capital Fund (RICAP) Changes****(\$12.7 million)**

The Budget includes a net decrease of \$12.7 million in RICAP changes based on current expenditures and projections on the following various projects:

- **BHDDH DD and Community Homes – Fire Code Project:** Shifts \$1.3 million in surplus RICAP funds from FY2019 to FY2020 for projects to be completed in FY2020.
- **BHDDH DD Group Homes:** Removes \$200,000 in RICAP funds to reflect actual estimated project expenses.
- **BHDDH Substance Abuse Asset Protection:** Adds \$233,413 in RICAP funds reflecting the transfer of several capital accounts from BHDDH to the Department of Administration as the eleven state-owned substance abuse properties are managed by the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration.
- **Big River Management Area:** Decreases the Big River Management Area project by \$44,204 to reflect actual estimated project expenses.
- **Board of Elections (Medical Examiner):** Decreases funding by \$658,816. The Budget maintains \$11,184 for roof repairs and structural design work but removes the balance following the Governor's Efficiency Commission report recommendation to sell this property.
- **Cannon Office Building:** The Governor's budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item includes \$1.5 million for asset protection work on this project.
- **Capital Hill Campus Projects:** The Governor's budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item reflects a reduction of \$4.9 million for the separation of the five projects into separate appropriations.
- **Chapin Health Lab:** The Governor's budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item maintains \$400,000 for asset protection work on this project. The Governor's Efficiency Commission report recommends selling this property.
- **Cranston Street Armory:** Decreases the Cranston Street Armory project by \$517,247 to reflect actual estimated project expenses.
- **DoIT Enterprise Operations Center:** Removes \$650,000 to reflect the cancellation of the generator project.
- **Hospital Consolidation:** Shifts \$702,000 in surplus RICAP funds from FY2019 to FY2020 for the hospital consolidation project at the Pastore Center in Cranston.
- **McCoy Stadium:** The Budget decreases funding \$81,084 to reflect actual estimated project expenses at the stadium.
- **Old Colony House:** The Governor's budget consolidated the Old Colony House in Newport and the Washington County Government Center in South Kingstown into a single project. The House did not concur and maintains a separate appropriation for each project. This item includes \$50,000 for asset protection work on this project.
- **Old State House:** The Governor's budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House

did not concur and maintains a separate appropriation for each project. This item includes \$256,727 for asset protection work on this project.

- **Pastore Center Building Demolition:** Removes \$125,100 for demolition to reflect actual estimated project expenses.
- **Pastore Center Campus Projects:** The Governor’s budget consolidated projects at the Pastore Center Campus. The House does not concur with the consolidated project line and instead separates the appropriation into two asset protection projects; one for non-medical buildings and one for medical structures. This item decreases \$13.3 million to reflect the separation of the two projects into separate appropriations.
- **Pastore Center Medical Buildings:** The Governor’s budget consolidated projects at the Pastore Center Campus. The House does not concur with the consolidated project line and instead separates the appropriation into two asset protection projects; one for non-medical buildings and one for medical structures. This item provides \$5.1 million in a separate account for the asset protection of medical buildings on the Pastore Campus.
- **Pastore Center Non-Medical Buildings:** The Governor’s budget consolidated projects at the Pastore Center Campus. The House does not concur with the consolidated project line and instead separates the appropriation into two asset protection projects; one for non-medical buildings and one for medical structures. This item provides \$8.2 million in a separate account for the asset protection of non-medical buildings on the Pastore Campus.
- **Pastore Center Parking:** Removes \$109,795 in RICAP funding to reflect actual estimated project expenses.
- **Pastore Center Utility Upgrade:** Removes \$387,000 in RICAP funding to reflect actual estimated project expenses.
- **Pastore Center Water Tanks and Pipes:** Removes \$250,173 in RICAP funding to reflect actual estimated project expenses.
- **South County Projects:** The Governor’s budget consolidated the Old Colony House and Washington County Government Center projects. The House does not concur with the consolidated project line and instead separates the appropriation into two projects. This item decreases \$867,344 to reflect the separation of the two projects into separate appropriations.
- **Shepard Building:** Removes \$337,100 for the project based on revised project timeline. The Governor’s Efficiency Commission report recommends selling this property in FY2021.
- **State Office Building:** The Governor’s budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item maintains \$350,000 for asset protection work on this project.
- **Statewide Facility Master Plan:** Removes \$4.9 million in RICAP funds for the Pastore Center Master Plan and redistributes \$2.5 million to FY2020 and FY2021 to align with project schedules. This also includes a decrease of \$2.4 million that is not required for the structure at 55 Colorado Avenue as the Governor’s Efficiency Commission’s final report recommends the sale of the property.
- **Virk’s Building:** Decreases \$757,670 in RICAP funds from the Governor’s request to include \$300,000 for the project. This action creates a \$457,670 credit balance due to an accounts payable being established for the same payments processed during FY2018, thereby overstating the FY2018 closing. The accounts payable was reversed in FY2019.

- **Washington County Government Center:** The Governor’s budget consolidated the Old Colony House in Newport and the Washington County Government Center in South Kingstown into a single project. The House did not concur and maintains a separate appropriation for each project. This item includes \$35,000 for asset protection work on this project.
- **William Powers Building:** The Governor’s budget consolidated the Chapin Health Lab, State Office Building, William Powers Building, Cannon Building, and the Old State House into a single project. The House did not concur and maintains a separate appropriation for each project. This item maintains \$1.0 million for asset protection work on this project.
- **Zambarano Buildings:** Shifts \$882,000 from FY2019 to FY2020 reflecting projects to be completed in FY2020 including the replacement of an elevator.

## DEPARTMENT OF BUSINESS REGULATION

### ***Simplify and Streamline*** **(\$614,520)**

The Budget reduces general revenues by \$614,520 to reflect the elimination of the Simplify and Streamline initiative. The initiative proposed in the Governor’s Budget was intended to dedicate staff to performing business outreach and coordination with local municipalities to ease business processes in the State. The Budget eliminates 7.0 proposed FTE positions associated with the initiative, including 3.0 Economic and Policy Analyst I positions, 1.0 Data Analyst, 1.0 Legal Counsel, 1.0 Principal Planner, and 1.0 Licensing Aide.

### ***Small Business Ombudsman*** **\$158,844**

The Budget increases general revenues by \$158,844 to reflect the transfer of funding for the Small Business Ombudsman from the Commerce Corporation. The Governor’s Budget transferred the position from the Office of Regulatory Reform but did not transfer funding.

### ***State Building Office*** **(\$125,839)**

The Budget reduces general revenues by \$125,839 related to the consolidation of the Contractor’s Registration and Licensing Board and the Building Code Commission into the State Building Office. The consolidation is the result of recommendations by the Governor’s Commission on Government Efficiency, which found that recent consolidations and digitalization of systems has resulted in redundancies in administrative personnel. The decrease in funding reflects the elimination of 2.0 FTE positions and the reclassification of 4.0 FTE positions.

### ***RIREACH*** **(\$30,000)**

The Budget reduces general revenues by \$30,000 to reflect an increase in federal matching dollars. The Governor’s Budget increased federal funds but did not reduce general revenues. RIREACH is a health insurance consumer protection hotline funded by the Office of the Health Insurance Commissioner (OHIC).

### ***Restricted Receipt Fund Changes*** **(\$4.0 million)**

The Budget includes a restricted receipt net decrease of \$4.0 million, including the following:

- **Adult-Use Marijuana Program:** The Budget reduces restricted receipts by \$4.4 million to reflect the elimination of the adult-use marijuana program proposed in the Governor’s Budget. This includes \$1.9 million for personnel expenses of the eliminated 17.0 FTE positions, \$1.2 million for marijuana tracking software, \$250,000 for assistance and grants, and \$205,000 for the purchase of equipment.
- **Fire Academy Training Fees:** The Budget increases restricted receipts by \$246,000 for additional Fire Academy classes.

- **Medical Marijuana Personnel:** The Budget increases restricted receipts by \$163,878 for the funding of 2.0 FTE positions related to the changes to medical marijuana including the new Office of Cannabis Regulation, and an increase in the number of compassion centers.

**Federal Fund Changes****(\$9,906)**

- **OHIC Personnel:** The Budget eliminates 2.0 FTE positions from the Office of the Health Insurance Commissioner (OHIC). The positions are eliminated due to the expiration of the State Innovation Model, a federal grant to achieve delivery system reforms. The grant expires mid-July of 2020 and the Office had applied for an extension that would have been at no cost to the State. Although the State was not selected to receive the extension, the Office identified other federal grants to fund one of the positions. OHIC has stated that a loss of these positions will impede their ability to provide consumer protections and ensure mental health parity in the State as the positions directly participate in health insurance rate setting, market conduct examinations, and other consumer protection activities.

**Rhode Island Capital Plan (RICAP) Fund Changes****\$185,160**

- The Budget increases RICAP funds for the cold storage facility at the Fire Academy by \$185,160 to shift funds from FY2019 to FY2020 based on the current projected timeline and expenditures.

**DEPARTMENT OF LABOR AND TRAINING****Real Jobs RI****(\$1.5 million)**

The Budget shifts \$1.5 million in general revenues from Real Jobs Rhode Island (RJRI) and increases Job Development Fund restricted receipts by the same amount. The general revenues will be shifted from RJRI to Unemployment Insurance (UI) Administration to address the ongoing deficit.

**Staffing Overspend- Unemployment Insurance Administration Deficit****\$1.5 million**

The Budget shifts \$1.5 million in general revenues from Real Jobs Rhode Island (RJRI) to Unemployment Insurance (UI) Administration to address the projected deficit. The Department of Labor and Training closed FY2018 with a general revenue deficit of \$4.0 million within the Central Management program related overspending within UI Administration.

**Federal Fund/Restricted Receipt Fund Changes****(\$329,011)**

- **Grant and Audit Unit:** The Governor's FY2019 Budget included \$134,763 in federal funds and \$194,248 in restricted receipts to fund 6.0 vacant FTE positions to support the Governor's Workforce Board in grant and audit units. The Budget does not include the additional funds.

**DEPARTMENT OF REVENUE****Turnover and Operational Savings****(\$1.7 million)**

The Budget decreases general revenue by \$1.7 million based on the Office of Management and Budget's third quarter projections for FY2019 expenditures. The Department of Revenue projects savings across four of its Divisions, including \$291,919 in the Collections Unit, \$662,291 in the Division of Taxation, \$275,377 in the Division of Municipal Finance. The remaining \$455,413 is from reduced personnel and operating in the Division of Motor Vehicles due to fewer than expected Real ID transactions.

**OFFICE OF THE GENERAL TREASURER****Restricted Receipt Fund Changes****\$1.7 million**

- **Revenue Estimating Conference Adjustments:** Based on Treasury's testimony received during Revenue Estimating Conferences conducted in May 2019, the Conference adjusted the projected revenue collections and expenditures to the Unclaimed Property Program impacting claim payments,



change in liability and the surplus transfer to the General Fund. Based on Conference projections, the transfer to the General Fund increases \$1.7 million.

## BOARD OF ELECTIONS

### **Public Financing of Elections** **(\$102,528)**

The Budget decreases general revenue by \$102,528 based on anticipated savings largely due to lower than anticipated for the public financing of elections in the 2018 General Election

### **Printing Costs** **(\$90,000)**

The Budget decreases general revenue by \$90,000 based on projected savings for printing expenses. The FY2019 Budget as Enacted included \$190,000 for printing costs. As of June 5, 2019, only \$78,368 is spent to date leaving a balance of \$104,508. A reduction of \$90,000 will leave sufficient funding for printing in the remainder of the current fiscal year.

## OFFICE OF THE GOVERNOR

### **Supplemental Appropriation** **(\$774,024)**

The Budget eliminates the supplemental increase included in the FY2019 Revised Budget recommendation. This includes a decrease of \$706,571 for salary and benefits mainly reflecting personnel costs that the Governor previously allocated against ten state agencies, as a means to supplement the Governor's Office personnel budget, a decrease of \$50,000 eliminating the Governor's request to increase the Governor's Contingency Fund, and a decrease of \$17,453 for operating expenses.

The Governor's Office annually receives a general revenue appropriation for the contingency fund for unforeseen expenses. This is a discretionary spending account. The FY2019 Budget as Enacted included \$200,000 in general revenue. The Governor recommended an increase of \$50,000 in the FY2019 Revised Budget resulting in a total appropriation of \$250,000. However, as of May 8, 2019, expenditures from the contingency fund totaled \$152,522 and another \$8,897 was encumbered from the fund, leaving a balance of \$38,581. The expenditures during FY2019 have been to four vendors and that the Governor expended \$41,510 from the fund during the past month (\$39,000 to YEAR Up Internship and \$2,510 on office furniture).

<b>Contingency Expenditure Item</b>	<b>Expense</b>
YEAR UP Internship	\$144,000
National Office Furniture	2,510
Gallery Collection - Assorted Cards	1,512
Regents of the University of Minnesota Open Textbook Initiative	4,500
<b>Total</b>	<b>\$152,522</b>

The following table illustrates the contingency fund appropriations and expenditures over the past six years:

<b>Budget Year</b>	<b>Enacted/Request</b>	<b>Revised Changes</b>	<b>Total</b>	<b>Actual</b>	<b>Variance</b>
FY2015	\$250,000	\$0	\$250,000	\$89,199	\$160,801
FY2016	250,000	160,800	410,800	65,966	344,834
FY2017	250,000	(8,000)	242,000	172,350	69,650
FY2018	250,000	(32,911)	217,089	206,586	10,503
FY2019	200,000	50,000	250,000	161,419	88,581

Source: Budget Data Tables

FY2019 Expenditures as of May 8, 2019

*Italics reflects proposed amounts or non-finalized amounts*

**EXECUTIVE OFFICE OF COMMERCE*****Federal Fund Changes*** ***(\$3.5 million)***

The Budget reduces the FY2019 federal Community Development Block Grant funding by \$3.5 million to align the current year budget with projected expenditure totals.

***Rhode Island Capital Plan (RICAP) Fund Changes*** ***(\$447,298)***

The Budget reduces Rhode Island Capital Plan funding for the Quonset Point/Davisville Pier improvement projects. The Governor's Budget had erroneously assigned \$447,298 in additional RICAP funds to the project. The Budget reduces FY2019 RICAP funding by this amount.

**EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES*****May Caseload Estimating Conference*** ***(\$13.6 million)***

The May 2019 Caseload Estimating Conference projected FY2019 medical assistance spending of \$2,424.9 million. This is an all funds reduction of \$32.1 million compared to the November 2018 Conference estimate, including \$17.6 million less from general revenues. This favorable variance is related to reductions in Hepatitis C treatment costs as well as reduced fee-for-service activity attributable to the Rhody Health Options transition population. After accounting for Hepatitis C savings that were already included in the Governor's Budget and restoring savings that will not be achieved, the Budget includes a net decrease of \$13.6 million in general revenue funds. Additionally, federal funding decreases by \$5.4 million for an all funds reduction of \$19.1 million compared to the Governor's Budget.

***Staffing and Contracts*** ***(\$1.0 million)***

The Budget reduces general revenue funding for staffing and contracts by \$1.0 million based on spending through the third quarter of FY2019. The Executive Office's third quarter report indicated personnel savings of \$575,182 based on delays in filling staff vacancies. The Budget includes the savings and also includes approximately \$400,000 to bring contracted financial and management services in line with the FY2019 Enacted level.

***Deloitte Settlement Shift*** ***\$855,662***

The Budget shifts restricted receipt funds from FY2019 to FY2020 to reflect a delay in the expenditure of Deloitte settlement funds. The Governor's FY2019 Budget included \$5.3 million in restricted receipts within the Executive Office of Health and Human Services to account for anticipated settlement funds from Deloitte Consulting, the primary developer of the United Health Infrastructure Project (UHIP) system, which will not be expended in the current year. These funds are shifted to FY2020. The Budget adds \$5.3 million from general revenues to offset the restricted receipt funds, reduced by \$4.4 million to reflect anticipated contract savings. This results in a net general revenue increase of \$855,662 in FY2019.

***Federal Fund Changes*** ***\$2.3 million***

Pursuant to the Governor's Budget amendment dated April 5, 2019, the Budget increases federal funding by \$2.3 million within the Executive Office of Health and Human Services to adjust for the following:

- **State Innovation Model:** An increase of \$2.1 million from federal funds to align the State Innovation Model (SIM) initiative with available federal grant funds.
- **CurrentCare:** An increase of \$203,156 from federal funds to align funding for the monthly contribution to CurrentCare, the State's health information exchange, with anticipated funding requirements.

**DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES*****Third Quarter Report******\$6.3 million***

The Budget adds \$6.3 million from general revenues (\$11.1 million all funds) to reflect the Department's third quarter projection for FY2019. The Department reported a substantial deficit in the current year, primarily related to an increase in costly residential placements and unachieved savings initiatives.

***Child Care to Block Grant Funds******(\$2.5 million)***

The Budget includes general revenue savings of \$2.5 million to reflect the shift of child care expenses from general revenues to federal child care development block grant funds awarded to the Department of Human Services (DHS). There is a projected surplus of \$5.0 million in block grant funds which can be used to offset child care expenses incurred on behalf of children in the care of the Department of Children, Youth, and Families (DCYF). The \$5.0 million surplus in DHS is split between FY2019 and FY2020 to offset these expenses in DCYF.

***Rhode Island Capital Plan (RICAP) Fund Changes******(\$935,000)***

The Budget reduces RICAP funding by \$935,000 in FY2019 for the following projects:

- **Training School – Asset Protection:** Pursuant to the Governor's Budget amendment dated February 15, 2019, the Budget reduces RICAP funding for the Training School Maintenance project by \$750,000. This reflects the revised estimate of work to be completed in FY2019. The funds are redistributed to future years to align with forecasted construction dates for the roof at the Training School.
- **Training School – Generators:** Pursuant to the Governor's Budget amendment dated May 23, 2019, the Budget shifts RICAP funding for the Training School Generator project from FY2019 to FY2020 based on an updated installation schedule. This equates to a reduction of \$185,000 in FY2019, with a concurrent increase in FY2020, to reflect a delay in the timeline of the project.

**DEPARTMENT OF HEALTH*****Family and Home Visiting******(\$650,000)***

The Budget eliminates \$650,000 in general revenue funding within the Family and Home Visiting Program, removing the additional funding provided in the Governor's Budget. The program works to improve maternal and child health, prevent child abuse and neglect, encourage positive parenting, and promote child development and school readiness. The Governor's Budget added the funds to recuperate a loss in federal funding that occurred in FY2018 and the reduction leaves the program at its current service level of \$8.5 million.

***Monitoring and Compliance******\$509,881***

The Budget increases general revenues by \$509,881 to reflect the elimination of a restricted receipt account proposed in the Governor's Budget. This account was to be funded by any received fees or penalties from certain state-licensed hospitals, assisted living facilities, and other health facilities. The general revenue funds are allocated to conduct inspections of these facilities and investigate complaints. The Budget adds 3.0 FTE Nursing Care Evaluator positions to reduce a backlog of investigations and inspections as included in the Governor's Budget. The Budget decreases restricted receipt funds by \$509,981 to reflect the shift.

***Available Restricted Receipts******(\$500,000)***

The Budget reduces general revenues by \$500,000 to reflect a shift to restricted receipts due to excess funds in the Health Laboratories restricted receipt account.

***First Connections******(\$378,000)***

The Budget eliminates \$378,000 in general revenue funding within the First Connections program, removing the additional funding provided in the Governor's Budget. The First Connections program assists

in access to services such as food assistance, mental health, child care, family home visiting, and Early Intervention. Expansion of the program was intended to serve 40.0 percent of prenatal referrals the program receives per year, which is approximately the number of women who continue in the program after a referral. The program is funded within the aforementioned Family and Home Visiting Program, which is funded at the current service level of \$8.5 million.

***Childhood Lead Prevention*** ***(\$190,000)***

The Budget reduces general revenue funding by \$190,000 for the Childhood Lead Prevention Program, eliminating the additional funding provided in the Governor's Budget. The program is funded at the current service level of \$1.5 million.

***Lab Equipment Maintenance Expenses*** ***(\$63,000)***

The Budget reduces general revenues by \$63,000 as compared to the Governor's Budget to reflect the replacement of new lab equipment, resulting in reduced maintenance costs. The Budget includes approximately \$255,000 in maintenance for the equipment.

***Restricted Receipt Fund Changes*** ***(\$464,703)***

The Budget decreases restricted receipts by \$464,703, including the following:

- **Adult-Use Marijuana Program:** The Budget reduces restricted receipts by \$319,919 that was included in the Governor's Budget to fund 2.0 FTE Environmental Food Inspector positions and 1.0 FTE Senior Environmental Health Food Specialist position to complete inspections on adult-use marijuana facilities. The funding and positions are eliminated as the Budget does not legalize marijuana.
- **Health Information Technology:** The Budget reduces restricted receipts by \$144,784 to reflect updated spending trends.
- **Personnel Cost Correction:** The Budget reduces restricted receipts by \$46,996 to reflect personnel technical errors. The Budget also reduces matching federal funds with the correction by \$186,041.

**DEPARTMENT OF HUMAN SERVICES**

***Deloitte Settlement Shift*** ***\$8.3 million***

The Budget shifts restricted receipt funds from FY2019 to FY2020 to reflect a delay in the expenditure of Deloitte settlement funds. The Governor's FY2019 Budget included \$8.3 million in restricted receipts within the Department of Human Services to account for anticipated settlement funds from Deloitte Consulting, the primary developer of the United Health Infrastructure Project (UHIP) system. These funds will not be expended in the current year and; consequentially, are shifted to FY2020. The Budget adds \$8.3 million from general revenues to offset the shifted restricted receipt funds.

***May Caseload Estimating Conference*** ***(\$1.6 million)***

The May 2019 Caseload Estimating Conference led to a general revenue decrease of \$1.6 million and a federal funds decrease of \$2.6 million from the November 2018 Caseload Estimating Conference. The general revenue decrease is due to a \$708,354 decrease in Child Care Assistance, a \$705,450 decrease in the Supplemental Security Income (SSI) Program, and a \$136,680 decrease in General Public Assistance (GPA). The decrease in Child Care Assistance is due to an estimated decrease of 85 subsidies, the decrease in the SSI is due to an estimated decrease of 750 subsidies, and the decrease in GPA is due to an estimated decrease of 48 subsidies.

***Restricted Receipt Fund Changes*** ***\$368,450***

- **Veteran's Memorial Cemetery:** The Budget includes an additional \$368,450 to fund maintenance and repairs at the Veteran's Memorial Cemetery including the expansion of in-ground watering pipes, the

building and outdoor shelter areas; as well as the expansion of crypts and the cemetery. These funds were inadvertently omitted from the Governor's Budget.

## **DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS**

### ***RICARES*** **(\$100,000)**

The Budget reduces general revenues by \$100,000 for the certification of recovery homes to reflect the Department's ability to use federal funding for this expense. The Governor's Budget included additional revenues for the activity, but the activity can be supported through existing substance abuse block grants.

### ***Hospital License Fee*** **(\$12,072)**

The Budget reduces general revenues by \$12,072 to reflect changes in the payment obligation that hospitals must pay to be licensed in the State.

### ***Security Services*** **(\$300,000)**

The Budget reduces general revenues by \$300,000. The Governor's Supplemental Budget included \$2.1 million for contracted security services at the Eleanor Slater Hospital. The Budget decreases funding based on FY2019 spending rates.

### ***Rhode Island Capital Plan (RICAP) Fund Changes*** **(\$850,000)**

The Budget includes a net decrease of \$850,000 in RICAP funds, including the following:

- **DD Residential Development:** The Budget reduces RICAP funds by \$200,000 to reflect spending trends in FY2018.
- **Hospital Equipment:** The Budget reduces RICAP funds by \$300,000 as compared to the Governor's Budget as the purchases do not meet the criteria to be purchased with RICAP funds.
- **Substance Abuse Asset Protection:** The Budget reduces RICAP funds by \$350,000 to reflect a Governor's budget amendment dated May 23, 2019, that transfers the project to the Department of Administration.

### ***Federal Fund Changes*** **\$13.0 million**

- **Health Home Conflict-Free Case Management:** The Budget increases federal funds by \$13.0 million to reflect an enhanced match to implement conflict-free case management for individuals with intellectual and/or developmental disabilities.

## **GOVERNOR'S COMMISSION ON DISABILITIES**

### ***Contracted Services - School Construction Review Design*** **(\$45,500)**

The Budget decreases general revenue by \$45,500 reflecting unexpended funds for a contracted service. In 2018, voters authorized the \$250.0 million School Construction bond. The Commission expected an increase in the number of school construction design plans to review for compliance with the Americans with Disabilities Act. The Commission does not have the staff to review these plans so it contracts out for these professional services. As part of the revised budget request, the Commission requested \$45,500 for this service in FY2019. To date, the Commission has made no expenditures regarding the appropriation.

## **COMMISSION ON THE DEAF AND HARD OF HEARING**

### ***Turnover*** **(\$30,000)**

The Budget reduces general revenues by \$30,000 in turnover savings based on the current vacancy rate.

**OFFICE OF THE CHILD ADVOCATE****Turnover** **(\$91,000)**

The Budget includes general revenue savings of \$91,000 (\$119,413 all funds) to adjust for staff turnover in the current year. The FY2019 Budget as Enacted added 2.0 FTE positions to the Office of the Child Advocate to support an anticipated increase in workload associated with the Office's role as the monitor for the Children's Rights Settlement. One of these positions was added to evaluate the Department of Children, Youth, and Families' progress towards meeting the quality benchmarks set forth in the settlement. The Governor's Budget assumed that the position would be filled in the current year; however, the Office does not plan to hire this position until the first set of benchmark data is received in July 2019.

**ELEMENTARY AND SECONDARY EDUCATION****Turnover** **(\$300,000)**

The Budget increases turnover savings by \$300,000 within the Department of Elementary and Secondary Education, to reflect updated personnel cost projections. With an average cost per FTE position of \$137,749, the increase equates to about 2.2 FTE positions. This adjustment brings total general revenue turnover within the Department to \$445,730 (\$513,146 all funds). As of May 28, 2019, the Department has 11.1 unfilled positions, down from 13.1 a month prior.

**Education Aid - School Resource Officer Support** **\$16,706**

The Budget provides \$16,706 in general revenue for School Resource Officer Support for an application received from Bristol-Warren after the Governor's Budget was released. Article 9 of the FY2019 Budget as Enacted established an aid category to support new Resource Officers at public middle and high schools. The program provides support for districts to add Resource Officers but does not mandate their use. For FY2019 through FY2021, the State will reimburse one half the cost of salaries and benefits for qualifying positions created after July 1, 2018; however, for schools with fewer than 1,200 students, only one resource officer position is eligible for reimbursement. Schools with 1,200 students or more may receive reimbursement for up to 2 positions. Each resource officer can only be assigned to one school. The FY2019 Revised Budget reduces this category by \$1.8 million to reflect projected expenditures of \$229,936. In FY2019, four districts applied for aid: Bristol-Warren, East Providence, Narragansett, and North Smithfield.

**Federal Fund Changes** **(\$173,678)**

The Budget reduces federal funding by a total of \$173,678 and 2.0 FTE positions, including the following:

- **Adolescent Health and Achievement (1.0 FTE position):** The Budget eliminates \$132,509 in federal funding for 1.0 FTE to oversee a federal grant to support adolescent health and academic achievement. In FY2019, the Department was awarded a five-year, \$9.0 million grant from the United States Department of Health and Human Services to support stronger mental health and behavioral health services for students. The Department is encouraged to use either use existing personnel who administer federal grants or to utilize a vacant position.
- **School Climate Transformation Project (1.0 FTE position):** The Budget eliminates \$41,169 in federal funding for 1.0 FTE to oversee a federal grant to work with the Center for Leadership and Educational Equity (CLEE) and the Northern Rhode Island Collaborative to support students with, or at risk of developing, behavioral health challenges, including substance abuse disorders, and those in the child welfare or juvenile justice systems. The Department is encouraged to either use existing personnel who administer federal grants or to utilize a vacant position.

**Restricted Receipt Fund Changes** **\$4.0 million**

The Budget includes a net increase of \$4.0 million in restricted receipt funding, including the following:

- **Statewide Transportation:** The Budget includes an increase of \$3.9 million (\$29.4 million total) in restricted receipts to cover the updated cost estimate for the statewide transportation program. The statewide student transportation program was created to help districts provide transportation for students attending private schools outside their transportation district, special needs students, homeless students, and foster youth with greater service and cost efficiencies. Transportation is provided to students who attend private, parochial, and charter schools, as well as career & technical education centers and other approved programs. This program maximizes the sharing of buses when possible to achieve service and cost efficiencies. This program is entirely funded by participating school districts but managed by the Department. Payments from the participating districts are deposited into a restricted receipt account within the Department for payment to the vendor providing the transportation services. Costs are increasing due to the federal McKinney-Vento Homeless Education Assistance Act, requiring districts to provide transportation for homeless students to and from their school of origin if it is in the student's best interest. Also, the federal Every Student Succeeds Act requires that students placed in foster care be bused to their district of origin if it is the best interest of the student. Both of these initiatives have led to greater participation in the program and the need to service more locations.
- **Davies – National School Breakfast and Lunch Program:** The Budget includes an additional \$60,000 in restricted receipts to reflect anticipated collections for the school breakfast and lunch programs. Davies participates in the federally subsidized National Breakfast and School Lunch Program and receives funds comprised of federal reimbursements for all students who qualify for free or reduced meals benefits, and receipts from students who pay the full or partial price to purchase breakfast and lunch, as well as any adult meals that are sold in the student cafeteria.

***Rhode Island Capital Plan (RICAP) Fund Changes***

***(\$1.3 million)***

- **Davies HVAC:** The Budget reduces RICAP funding by \$1.3 million, based on an amendment submitted by the Governor, to reflect the amount requested by the Department to replace and repair the HVAC system at the Davies Career and Technical School. Davies has delayed repairs to the system until they can implement the recommendations in the recently completed Master Plan.

**PUBLIC HIGHER EDUCATION**

***Rhode Island Promise***

***(\$397,485)***

The Budget reduces funding for the Rhode Island Promise program by \$397,485 in general revenue based on updated expenditure projections. This reduction leaves a total of \$5.6 million to fund two classes in FY2019, the second year of the RI Promise Scholarship program (RI Promise). Article 3 of the FY2018 Budget as Enacted established the program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island, less federal and all other financial aid available to the recipient. In the first year of the program, CCRI realized a 43.0 percent increase (477 students) in first-time, full-time students.

***New England Board of Higher Education Dues***

***\$147,000***

The Budget provides \$147,000 in general revenue to pay the membership dues for the New England Board of Higher Education (NEBHE). Previously (NEBHE) annual dues were paid out of reserves generated through Division of Higher Educating Assistance (DHEA) guaranty agency activities. In December 2017, the Council on Postsecondary Education voted to transfer the loan portfolio to the United States Department of Education. Upon transfer, DHEA no longer generated revenues to replenish the fund, which is used to provide financial aid assistance to Rhode Island students. The FY2019 Budget as Enacted limited the amount of reserves that can be used annually to fund administrative expenses to 10.0 percent of the amount appropriated for scholarships and grants. Due to constraints imposed on the expenditure of funds, the Office of the Postsecondary Commissioner has not paid the annual membership dues for NEBHE. Rhode Island

has been an active member of NEBHE for over 60 years and Rhode Island students receive benefits from the membership including the New England Regional Student Program/Tuition Break and the Stat Authorization Reciprocity Agreement. In FY2018, 1,062 residents saved a total of \$7.5 million on tuition bills through the RSP/Tuition Break, with full-time students averaging \$8,613. In addition, public colleges and universities in Rhode Island received \$16.0 million in tuition revenues and \$1.3 million in fee revenue from 1,307 incoming students from the five other member states.

***Shepard Building Operating***

***\$42,188***

The Budget provides an additional \$42,188 in general revenue operating costs for the Shepard Building to correct a statewide reduction that was applied in error.

***Restricted Receipt Fund Changes***

***\$170,610***

The Budget includes a net increase of \$170,610 in restricted receipt funding, including the following:

- **Best-at-Work (Walmart) grant:** The Office of the Postsecondary Commissioner (OPC) received \$147,214 in FY2019 and \$329,250 in FY2020 from Walmart to establish career pathways for populations facing barriers to employment. OPC will use the grant funds over 18 months to implement the Integrated Basic Education and Skills Training (I-BEST) instructional model to increase the skills of workers in Rhode Island's service sector industries. I-BEST delivers Adult Basic Education and job training at the same time to accelerate skill acquisition with a customized curriculum, co-teaching, and support services.
- **Lumina Foundation grant:** The OPC received an 18 month grant to develop a communication strategy, including an online portal, to increase postsecondary enrollment and success for working-age adults. The Budget provides \$23,396 restricted receipts in FY2019 and \$261,552 in restricted receipts in FY2020 to support the development of infrastructure for an adult promise program in Rhode Island. The grant period runs from May 1, 2019, to October 31, 2020.

***Rhode Island Capital Plan (RICAP) Fund Changes***

***(\$2.6 million)***

The Budget includes a net decrease of \$2.6 million in Rhode Island Capital Plan (RICAP) funding, including the following:

- **University of Rhode Island - Biological Resources Lab:** The Budget reduces RICAP funding by \$2.8 million in FY2019 and adds \$2.9 million in FY2020 for the construction of a small, lab animal care facility that meets current federal standards allowing URI to centralize and replace older facilities. It will be constructed on the lower two floors in the University's new College of Pharmacy. The new lab will contain animal Bio Safety Level 2 laboratories, lab animal holding rooms, cage washing facilities, and redundant emergency HVAC and electrical systems for secure care of the animals and research work. The changes reflect the revised construction schedule.
- **Rhode Island College- Academic Buildings I – Craig Lee, Gaige, Adams Library:** The Budget provides an additional \$2.0 million (\$11.7 million total in FY2019) to re-purpose and renovate areas of Adams Library and other campus buildings to accommodate student service organizations and academic departments that will be moving out of Craig Lee Hall and Gaige Hall during the renovation of these buildings. The shift of these funds from FY2020 to FY2019 reflects the revised project schedule.
- **Office of Postsecondary Commissioner - Northern Rhode Island Education Center:** The Budget shifts \$1.8 million in RICAP funds from FY2019 into FY2020 to reflect the revised project schedule. The building was originally scheduled to open in July 2020; however, the location has not been finalized.



**RHODE ISLAND STATE COUNCIL ON THE ARTS*****Federal Fund Changes*****\$88,276**

- **Partnership Grant:** The Budget carries forward \$88,276 in federal funding from FY2018 to FY2019. This grant is the Partnership Grant from the National Endowment for the Arts and is used for operating support in the Council. Most of the funding goes to award grants to organizations throughout the State. It also supports the salaries of two staff members and some operating expenses.

***Restricted Receipt Fund Changes*****\$10,000**

- **Rhode Island Arts and Health Network:** The Budget provides \$10,000 in restricted receipts to support the Arts and Health Network, a partnership between RISCA and the Department of Health to further the integration of arts and health into the State's policy, practice, and research agendas. The funding is part of a \$50,000 grant from ArtPlace America, LLC, providing \$10,000 in FY2019 and \$40,000 in FY2020. ArtPlace America is a collaboration of foundations, federal agencies, and financial institutions working to position arts and culture as a core sector of community planning and development.

***Other Fund Changes*****(\$616,000)**

- **Percent for the Arts Program:** Based on expenditures through the third quarter, the Budget reduces funding for the State's Percent for Public Art Program by \$616,000 (\$876,905 remaining). Percent for the Arts was established in 1987 to expand the public experience of art, foster the development of artists, and create a more humane environment. It also serves to stimulate the state's economy. In accordance with Rhode Island General Law, at least 1.0 percent of state government capital construction costs are allocated for the acquisition of works of art to be placed in public places. The 1.0 percent is generally spent on the project from which the funds were derived; any amounts not expended by RISCA are retained to provide for the maintenance and restoration of existing works.

**HISTORIC PRESERVATION AND HERITAGE COMMISSION*****Turnover Savings*****(\$156,482)**

The Budget includes general revenue turnover savings of \$156,482 due to projected expenditures included in the Commission's third quarter report. This turnover savings is in addition to the \$10,611 that was included in the Governor's Budget. The Commission experienced unplanned vacancies in early FY2019 but is currently fully staffed at 15.6 FTE positions.

**DEPARTMENT OF THE ATTORNEY GENERAL*****3<sup>rd</sup> Quarter Report Savings*****(\$1.9 million)**

The Budget includes general revenue savings of \$1.9 million related to turnover and salary savings. The new Attorney General took office in January 2019 and has been working to hire new positions. As of April 2019, the Department had 46 vacancies.

***State Match Medicaid Fraud*****(\$250,000)**

The Budget decreases general revenues by \$250,000 due to the removal of funds associated with the Medicaid/Medicare fraud prevention initiative. In FY2019, the Department received federal permission to solicit a request for proposals (RFP) to procure data mining services for Medicaid/Medicare fraud prevention. The FY2019 Budget as Enacted included \$250,000 in general revenue for the Department's 25.0 percent State match to \$750,000 in federal funds. The Department has placed the project on hold for an unknown amount of time.

**Federal Fund Changes****\$350,000**

- **Google Forfeiture Funds:** As requested by the Governor in a Budget Amendment, the Budget includes an additional \$350,000 in Google Forfeiture funds to purchase new furniture for its headquarters building.

**DEPARTMENT OF CORRECTIONS****Centralized Services****\$222,000**

As requested by the Governor in a budget amendment, the Budget includes a general revenue increase of \$222,000 to fund decentralized statewide services provided by and centralized in the Department of Administration, specifically human resource services. The additional funds are based on actual expenditures in FY2019.

**State Criminal Alien Assistance Program****(\$124,233)**

The Budget increases federal funds by \$124,233 for the State Criminal Alien Assistance Program (SCAAP), offsetting general revenues by the same amount. The increase in federal funds is based on the FY2019 award. The SCAAP program provides federal payments to states that incur correctional officer salary costs for incarcerating undocumented criminal aliens.

**Rhode Island Capital Plan (RICAP) Fund Changes****(\$3.7 million)**

The Governor's Budget consolidated all RICAP projects and funds for the DOC into one asset protection project totaling \$13.6 million in FY2019. The Budget does not accept this recommendation and, instead, maintains separate appropriations for all RICAP projects in FY2019. As requested by the Governor in Budget Amendments, the Budget decreases RICAP funds by \$3.7 million. Of the total decrease, \$1.0 million is due to revised project schedules and \$1.7 million is due to a shift of funds from FY2019 to FY2020. RICAP allocations for FY2019 include the following:

- **Asset Protection:** The Budget includes \$2.9 million for asset protection projects in FY2019, \$10.7 million less than the Governor's Budget.
- **Medium Infrastructure:** The Budget includes an additional \$5.1 million for upgrades to the Department's Medium Moran facility. Planned upgrades include laundry and corridor expansion and continued improvements to the dining hall.
- **Intake Service Center Renovations:** The Budget includes an additional \$1.0 million for HVAC upgrades to the Intake Service Center.
- **Maximum Security Renovations:** The Budget includes an additional \$545,737 for upgraded exterior and interior lighting within the Department's Maximum Security Facility.
- **Dix Building Renovations:** The Budget includes an additional \$375,000 for continued upgrades of the parking lot at the Dix Building. The Department also anticipates upgrading the building's HVAC in FY2020.

**JUDICIARY****Third Quarter Report Personnel and Operating Savings****(\$1.2 million)**

The Budget reduces personnel and operating costs across the system by \$1.2 million to reflect the expenditure projections in the Judiciary's FY2019 third quarter report. The savings is reflected primarily in turnover and technology improvements. As of May 11, 2019, the Judiciary had 41.7 vacant FTE positions. With the completion of the case management system, electronic filings are increasing and providing increased revenue that displaces general revenue investment in court technology.

**Pay-Go Judges Pensions** **(\$640,946)**

The Budget reduces general revenue funding for pay-go pensions by \$640,946 throughout the system to reflect the cost projected by the Judiciary in the third quarter report. Pay-go pensions support judges hired before 1990 who are not part of the state employees' retirement system.

**Federal Fund Changes** **\$18,755**

The Budget includes a net increase in federal funds of \$18,755, including the following:

- **Supreme Court Program:** The Budget provides a net decrease of \$6,056, including a decrease of \$7,000 for the Violence Against Women grant to match available funding and an increase of \$944 for the Grants to Encourage Arrest Policies for expenses rolled into FY2019.
- **Superior Court Program:** The Budget provides an increase of \$33,248 due to unexpected grant funds from the Office of Justice Programs Adult Drug Court Expansion Program.
- **Family Courts Program:** The Budget provides a net decrease of \$8,437. Changes include a reduction of \$55,000 in the Juvenile Justice Program due to a reduction of contract costs, of \$41,437 due to the National Court Appointed Special Advocate Grant - Victims of Child Abuse grant not being received, of \$40,000 in the Delinquency Prevention/Intervention program to reflect reduced expenses due to personnel on leave without pay for the first half of the fiscal year, and of \$50,000 based on available funding for the Victims of Crime grant. These decrease are partially offset by an increase of \$167,000 due to the increase in the indirect cost rate for the Child Support Enforcement – IV D Program and \$11,000 based on available funding for the Supervision of Court Ordered Child Visit grant.

**Rhode Island Capital Plan (RICAP) Fund Changes** **(\$2.2 million)**

- **Noel Shelled Courtroom Build Out:** The Budget shifts \$2.2 million in RICAP funding for this project from FY2019 into FY2020 for completion. The Noel Shelled Courtroom Build-Out (NCBO) will expand the capacity of the Noel Judicial Complex by completing unfinished courtroom space within the interior shell. The build out will also include an additional lot for parking, as the current lot is near capacity for the courtrooms currently in use.

**MILITARY STAFF****Rhode Island Capital Plan (RICAP) Fund Changes** **(\$1.0 million)**

Pursuant to the Governor's budget amendment, dated May 23, 2019, the Budget shifts \$1.0 million in Rhode Island Capital Plan (RICAP) funding in FY2019 to FY2020 for the listed projects.

- **Armory of Mounted Commands:** Decreases \$536,575 and shifts the full amount to FY2020 to complete the roof replacement project.
- **Bristol Readiness Center:** Shifts \$125,000 to FY2020 based on the Military Staff's revised project timeline and projected expense plans to complete the project.
- **Joint Force Headquarters Building:** Shifts \$357,896 to FY2020. The project is underway and based on the Military Staff's revised project timeline and projected expense plans, the balance of the funding is not required in the current fiscal year.

**RHODE ISLAND EMERGENCY MANAGEMENT AGENCY****3<sup>rd</sup> Quarter Change** **(\$75,000)**

The Budget decreases general revenue by \$75,000 based on anticipated expenditures as stated in the 3<sup>rd</sup> Quarter Report.

**Federal Fund Changes****\$182,187**

The Budget increases federal funds \$182,187 for:

- **Pre-disaster Mitigation Grant 2016:** Pursuant to the Governor's budget amendment, dated April 5, 2019, the Budget increases federal funds by \$182,187. The correct amount was inadvertently excluded from the agency's FY2019 Revised Budget submission.

**DEPARTMENT OF PUBLIC SAFETY****Restricted Receipt Fund Changes****\$86,699**

The Budget increases restricted receipt funds by a net \$86,699. This change is comprised of the following:

- **Forfeiture Fund Expenses:** Pursuant to a Governor's Budget Amendment request dated April 4, 2019, the Budget adds \$153,617 in restricted receipts related to costs associated with investigating violations of controlled substances. \$23,500 of these funds are to be shared with municipalities and \$130,117 will be used to purchase safety equipment and vehicles.
- **Elimination of 1.0 Fiscal Clerk Position:** The FY2019 Governor's Supplemental Budget request included a proposal to add \$66,918 restricted receipts to fund a fiscal clerk to support increased federal grant activity. The Budget does not include this proposal and therefore reduces restricted receipts by \$66,918.

**Rhode Island Capital Plan (RICAP) Fund Changes****(\$625,036)**

The Budget includes a net decrease of \$625,036 in Rhode Island Capital Plan funding, including the following:

- **Asset Protection:** The Budget reduces asset protection funding by \$124,157 based on revised end-of-year cost estimates. On May 23, 2019, the Governor requested to have an amendment made to the budget that included this change. Total FY2019 RICAP funds available for asset protection after this reduction is \$642,429.
- **Training Academy:** Pursuant to the Governor's Budget Amendment request dated May 23, 2019, the Budget reduces RICAP funding associated with improvements to the State Police Training Academy by \$375,879. The Department of Public Safety is in the process of developing a Facilities Master Plan that includes the training academy. The Department has decided to hold off on further improvement spending until the plan is complete. It is estimated to be finished in FY2020.
- **Headquarters Roof Replacement:** The Budget does not include the \$125,000 in RICAP funds the Governor recommended to be used towards the roof replacement at the State Police Headquarters in Scituate. Based on DPS spending reports, the roof was replaced but was paid out of asset protection funds.

**OFFICE OF THE PUBLIC DEFENDER****3<sup>rd</sup> Quarter Savings****(\$177,000)**

The Budget decreases general revenue by \$177,000 based on anticipated savings as stated in the 3<sup>rd</sup> Quarter Report.

**DEPARTMENT OF ENVIRONMENTAL MANAGEMENT****Parks and Recreation - 3<sup>rd</sup> Quarter Report****\$418,000**

The Budget includes an additional \$418,000 in general revenue for increased expenses in the Division of Parks and Recreation for electricity costs (\$185,192), state fleet overhead (\$208,419), and transfer of personnel from Natural Resources (\$208,419), partially offset by increased turnover across the agency.

**Federal Fund Changes** **(\$2,971)**

The Budget includes a net decrease of \$2,971 across numerous federal grants to reflect grants received after the Governor's Budget submission or excluded from the Budget in error. Adjustments occur among nine different grants to reflect available funds and updated expenditure projections.

**Rhode Island Capital Plan (RICAP) Fund Changes** **(\$3.9 million)**

The Budget includes a total decrease of \$3.9 million in Rhode Island Capital Plan (RICAP) funding, including the following:

- **Galilee Piers:** The Budget reduces RICAP funding by \$1.9 million in FY2019, and shifts \$1.6 into FY2020 to reflect the updated project schedule. The Port of Galilee is home to 170 commercial fishing vessels and provides affordable berthing spaces close to wholesale and retail seafood processing businesses. Since 2009, the Department has rebuilt numerous piers, as well as the southwest and northwest bulkhead. Current plans include designing and building the south bulkhead, repairing pilings, continued reconstruction of piers, reconstruction and maintenance of the facility/workshop/garage, and various electrical repairs.
- **Recreational Facilities Improvements:** The Budget reduces funding by \$1.0 million in FY2019 and by \$500,000 in FY2020 to reflect the revised schedule for projects at state-owned recreational facilities, including bathroom renovations at Fishermen's Memorial Campground and water and sewer line repairs at Colt State Park.
- **Marine Infrastructure/Pier Development:** The Budget shifts \$525,000 from FY2019 into FY2020 to reflect updated expenditure projections. This project is for the development of a fishing pier, boating access ramp, and public restroom facility at Rocky Point in Warwick; a fishing pier and public restroom facility at India Point in Providence; and a fishing pier at Green Lane in Middletown.
- **Blackstone Valley Park Improvements:** The Budget shifts \$500,000 from FY2019 into FY2020 to reflect updated expenditure projections. This project provides funds to the Friends of the Blackstone River for improvements to areas around the Blackstone River Valley focused on enhancing river access and safety, and complimenting the State's efforts to improve this river corridor. The Friends of the Blackstone River is a non-profit organization, recognized by the Rhode Island Rivers Council and dedicated to making the Blackstone River fishable and swimmable.

**COASTAL RESOURCES MANAGEMENT COUNCIL****Personnel Costs** **(\$90,000)**

The Budget reduces salaries and benefits by \$90,000 in general revenue and \$50,000 in federal funds based on third quarter expenditure projections.

**Rhode Island Capital Plan (RICAP) Fund Changes** **\$200,000**

- **Beach SAMP:** The Budget reduces funding for this project by \$200,000 in FY2019 and \$50,000 in FY2020. Funding for this project was included in error as the project is complete.

**DEPARTMENT OF TRANSPORTATION****Other Fund Changes** **(\$5.7 million)**

The Budget includes a net decrease of \$5.7 million in other funds, including the following:

- **Turnover Savings:** The Budget increases turnover savings by \$5.0 million within the Department of Transportation. As of May 2019 the Department had 67 vacant positions. The average cost per FTE at the Department is about \$114,000, the turnover savings is equal to about 44 positions.
- **Winter Maintenance:** The Budget reduces gas tax funds used for winter maintenance by \$2.8 million, leaving \$15.2 million for FY2019. The decrease is based on actual expenditures through May 2019.
- **Gas Tax Adjustment:** The Budget includes an additional \$1.9 million in gas tax funds to reflect an upward revision of the gas tax estimate from the Department of Revenue. In May 2019, the Office of Revenue Analysis estimated the gas tax per-penny yield will increase by \$127,818 per penny in FY2019. The updated per-penny estimate yields an additional \$1.2 million in gas tax funds that will be transferred to RIPTA, an additional \$447,363 that will be transferred to the RI Turnpike and Bridge Authority, and an additional \$255,636 that will be used by DOT to pay for debt service on GARVEE bonds.
- **Vehicle Maintenance:** The Budget includes \$53,364 for vehicle maintenance costs, this funding was inadvertently excluded from the Governor's Budget and corrected in a subsequent Budget Amendment.

***Rhode Island Capital Plan (RICAP) Fund Changes***

***(\$937,587)***

The Budget includes a net decrease of \$937,587 in RICAP funds, including the following:

- **Maintenance Facility Improvements:** The Budget shifts \$519,349 from FY2019 to FY2020 to complete the scheduled roof replacements at the Department's East Providence Garage.
- **Train Station Maintenance:** The Budget decreases RICAP funds by \$247,463 based on historical expenditures. The Budget includes funding for repairs to three train stations: Woonsocket, Kingston, and Westerly.
- **Salt Storage Facilities:** The Budget shifts \$170,775 in RICAP funds from FY2019 to FY2021. These funds will be used to complete the Portsmouth Facility. Through a budget amendment, the Governor requested the funds be shifted to FY2020; however, the Budget shifts the funds to FY2021 based on historical expenditures.



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**SPECIAL REPORTS**

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## Municipal Aid

For FY2020 the Distressed Community Relief Aid is funded at the FY2019 Enacted level. The Budget level funds the Payment in Lieu of Taxes (PILOT) program, allowing for a reimbursement rate of 26.7 percent. Meal and Beverage Tax is projected to increase by a total of \$1.0 million for FY2020 and the Hotel Tax is projected to increase by \$ 154,381.

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

Program	FY2018	FY2019	FY2019			FY2020		
	Actual	Enacted	Revised	Change from Enacted	HFC	Change from Enacted	HFC	Change from Enacted
Payment in Lieu of Taxes	\$45.2	\$46.1	\$46.1	-	-	\$46.1	-	0.0%
Distressed Communities	12.4	12.4	12.4	-	-	12.4	-	-
Motor Vehicle Excise Tax	36.0	54.7	56.2	1.5	2.8%	94.2	39.5	72.2%
State Aid to Libraries								
Grant-in-Aid	9.4	8.6	9.3	0.7	8.1%	9.3	0.7	0.1
Library Construction	2.2	2.2	2.2	-	-	1.9	(0.3)	-13.6%
<b>Total Direct Aid</b>	<b>\$105.2</b>	<b>\$123.9</b>	<b>\$126.2</b>	<b>\$2.2</b>	<b>1.8%</b>	<b>\$163.9</b>	<b>\$39.9</b>	<b>32.2%</b>
Public Service Corporations Tax	\$13.6	\$13.3	\$13.3	-	-	\$13.3	-	-
Meals & Beverage Tax	28.9	31.4	28.8	(2.6)	-8.3%	29.8	(1.6)	-5.1%
Hotel Tax	10.7	11.4	10.4	(1.0)	-8.8%	10.5	(0.9)	-7.9%
<b>Total Indirect Aid</b>	<b>\$53.1</b>	<b>\$56.1</b>	<b>\$52.5</b>	<b>(\$3.6)</b>	<b>-6.4%</b>	<b>\$53.7</b>	<b>(\$2.5)</b>	<b>-4.5%</b>
<b>Total Aid</b>	<b>\$158.3</b>	<b>\$180.0</b>	<b>\$178.7</b>	<b>(\$1.4)</b>	<b>-0.8%</b>	<b>\$217.6</b>	<b>\$37.6</b>	<b>20.9%</b>

\$ 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 FY2020, PILOT is funded at the FY2019 Enacted level of \$46.1 million. This represents an increase of \$5.3 million over the Governor's recommended amount. 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. PILOT is funded at 26.7 percent in FY2020.

Fiscal Year	PILOT Funding Trends		
	Total Funding	% Change	% Reimbursed
2008	\$27.8	0.0%	27.0%
2009	27.6	-0.7%	25.2%
2010	27.6	-	23.9%
2011	27.6	-	21.1%
2012	33.1	20.0%	23.4%
2013	35.1	6.0%	22.7%
2014	35.1	-	22.0%
2015	40.1	14.2%	25.4%
2016	40.1	-	23.7%
2017	42.0	4.7%	27.0%
2018	45.2	7.7%	27.0%
2019	46.1	2.0%	27.0%
2020	46.1	0.0%	26.7%

\$ in millions.

*Analyst Note: Article 9 of the Governor's Budget provided municipalities with the authority to levy property taxes on non-mission related property owned by large non-profit hospitals and universities. This recommendation is not included in the Budget.*

**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 FY2019, \$12.4 million was appropriated and distributed to eight 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. For FY2020, the Distressed Community Relief Fund is maintained at the FY2019 level of \$12.4 million.

The distribution is proportional to the amount of qualifying communities. A community's eligibility to receive aid is based upon annually updated data related to the local tax levy and is certified by the Division of Municipal Finance.

When a community is determined to no longer be eligible for the State aid program, it is permitted to receive a transitional amount that is 50.0 percent of its proportional share. Based on the most recent certified data, the Town of Johnston is no longer qualified as a distressed community in FY2020 and therefore will receive \$532,972 less than it did in FY2019.

Municipality	FY2019	FY2020	Change
Central Falls	\$217,757	\$201,648	(\$16,109)
Cranston	1,233,378	2,547,805	1,314,427
Johnston	1,065,944	532,972	(532,972)
North Providence	1,000,937	914,169	(86,768)
Pawtucket	1,507,940	1,400,733	(107,207)
Providence	5,606,831	5,155,694	(451,137)
West Warwick	904,159	859,102	(45,057)
Woonsocket	847,512	772,334	(75,178)
<b>Total</b>	<b>\$12,384,458</b>	<b>\$12,384,458</b>	<b>-</b>

The Budget requires that any community classified as “distressed” be mandated to participate in the Division of Taxation’s income tax refund offset program, allowing the Division to recover unpaid State and local taxes and/or fines through an intercept of an individual’s income tax refund. The program assists communities with maximizing their collection of revenue thereby reducing or eliminating their distressed condition. All eight communities are currently participating.

**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, and the State-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500. These provisions remained in effect through FY2017.

Article 11 of the FY2018 Budget as Enacted decreased the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024. The tax is reduced over a seven-year period by decreasing tax rate caps and assessment ratios, while raising exemption floors and exempting vehicles that are more than 15 years old. Additionally, to ensure taxpayer relief, the article removed the motor vehicle excise tax from the levy calculation related to the 4.0 percent cap on municipal property tax levy increases.

Fiscal Year	Total Funding	% Change
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%
2018	34.5	245.0%
2019	56.3	63.2%
2020	94.3	67.5%

Additionally, the sales tax escalator calculation, which was in place from the 1998 motor vehicle excise tax phase-out language, was changed. The language previously rounded the changes so that it could significantly and negatively impact the levy reimbursements to cities and towns. Article 11 also changed 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. The authority to make this calculation shifted from the Director of Administration to the Director of Revenue.

*\$ in millions*

In FY2020, municipalities will lose an estimated \$84.3 million in forgone motor vehicle excise tax levies as a result of the motor vehicle excise tax phase-out. The Budget provides \$84.3 million in aid to municipalities to offset the lost tax revenue State Aid. This is \$38.0 million more than the FY2019 Enacted level and \$16.3 million more than the FY2020 Governor's proposed amount. By FY2024, the estimated cost of eliminating the motor vehicle tax is \$224.6 million.

*Analyst Note: The Governor's Budget included significant changes to the phase-out formula, including adjustments to the assessment ratio, exemption minimums, and excise rate caps. The adjustments did not change the timetable of the phase-out; however, it reduced anticipated state aid levels for FY2020 through FY2023 as compared to current law and increased aid in FY2024. The Budget does not include these changes.*

Fiscal Year	Assessment Ratio	Rate Cap	Exemption Floor	Drop After Age (years)	Total Levy	Aid	Taxed Car Count	Cars Dropped From Tax Roll
FY2018 Baseline	100.0%	N/A	\$500	25	\$224,550,737	N/A	753,308	-
FY2018	95.0%	\$60	1,000	15	199,470,594	25,080,142	602,385	150,923
FY2019	90.0%	50	2,000	15	178,267,505	46,283,232	593,702	8,683
FY2020	85.0%	35	3,000	15	140,281,399	84,269,338	568,413	25,289
FY2021	80.0%	35	4,000	15	119,243,092	105,307,644	514,521	53,892
FY2022	75.0%	30	5,000	15	91,640,633	132,910,104	451,273	63,248
FY2023	70.0%	20	6,000	15	57,432,928	167,117,809	389,426	61,848
FY2024	N/A	N/A	N/A	N/A	-	\$224,550,737	-	389,426

### 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 includes funding for FY2020 at the FY2019 level of \$8.6 million; however, distribution is based on qualifying data from the statutory reference year. Current law requires reimbursement of 25.0 percent of second prior year expenses, but allows for a ratable reduction if the appropriation is less than this amount. The FY2020 appropriation is funded at 22.3 percent.

**Construction Reimbursement:** Rhode Island law grants authority to the Office of Library and Information Services (OLIS) to award 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.

For FY2020, the Budget includes \$1.9 million for Library Construction Aid, \$239,241 less than FY2019. According to OLIS, these amounts reflect planned 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. In 2017, public library construction reimbursement was approved for Barrington Public Library (\$61.4 million); reimbursement began in FY2018.

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	8.8	2.7	11.5	4.5%
2017	9.4	2.2	11.6	0.7%
2018	9.4	2.2	11.5	-0.5%
2019	9.3	2.2	11.5	-
2020	9.3	1.9	11.2	-2.4%

\$ in millions.

**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. It is, however, 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. 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 FY2020 Budget provides \$13.3 million be distributed to municipalities on July 31, 2019. This is consistent with FY2019, but is subject to change based on receipt of final data in the spring.

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	13.6	4.2%
2018	13.2	-2.9%
2019	13.3	1.0%
2020	13.3	-

*\$ in millions.*

**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 FY2019, the Office of Revenue Analysis anticipates \$28.8 million in collections, increasing to \$29.8 million in FY2020.

Meals & Beverage Tax		
Fiscal Year	Total Funding	% Change
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	27.2	8.2%
2018	29.3	7.6%
2019	28.8	-1.7%
2020	29.8	3.6%

*\$ 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. 25.0 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.

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 total distribution to municipalities is estimated to be \$10.3 million for FY2019 and \$10.5 million for FY2020.

The Governor’s Budget included a proposal to raise the State’s hotel tax rate from 5.0 percent to 6.0 percent, with the revenue from the additional 1.0 percent being deposited as general revenue. The revenue was estimated to be \$4.5 million. The proposal also modified the distribution of the hotel tax in manner that essentially would provide entities with the same amount they would have received had the state hotel tax remained at 5.0 percent. The Budget does not include this proposal and, therefore, reduces general revenue by \$4.5 million.

The Budget also includes a modification to the distribution of 5.0 percent State hotel tax. Article 5 of Budget modifies how the portion of the State hotel tax that is collected from “residential units offered for tourist or transient use through a hosting platform” (such as AirBnB or VRBO) is distributed. Under current law this portion of the State hotel tax does not get distributed to local tourism districts and convention center authorities. Instead, 25.0 percent of this portion of the State hotel tax goes to the municipality that the property is located in and 75.0 percent is given to the Rhode Island Commerce Corporation (CommerceRI).

Article 5 aligns the distribution of the hosting platform portion of the State Hotel tax with the existing formula for the standard hotel room portion of the tax. There is no fiscal impact to municipalities, however, the CommerceRI allocation will be reduced slightly.

#### Hotel Tax Distribution

Fiscal Year	Total	
	Distribution	Change
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	10.5	8.7%
2018	10.1	-1.5%
2019	10.3	1.6%
2020	10.5	2.4%

*\$ in millions.*

## OTHER AID TO LOCAL GOVERNMENT

### **Warwick Rental Car Tax Revenue**

The RI Airport Corporation levies a customer service charge (CFC) of \$5.00 per rental vehicle, per day, 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 have been deposited into a restricted receipt account for the City of Warwick. The FY2019 and FY2020 Budgets include \$922,013 in CFCs for the benefit of the City.

### **Airport Impact Fees**

The Budget level-funds the State’s Airport Impact Aid program with \$1.0 million in general revenue. This is an increase of \$247,396 (24.5 percent) above the Governor’s proposed funding level for FY2020.

The Airport Impact Aid program provides State aid funds to municipalities which host airports. Under current law, the aid is distributed according to a statutory formula that provides 60.0 percent of the first \$1.0 million, or \$600,000 for communities with airports serving more than 1.0 million passengers per year. T.F. Green in Warwick 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. Under current law, no community that hosts an airport can receive less than \$25,000.

The following table shows the change in distribution of the Airport Impact Aid based on the new formula:

<b>Municipality</b>	<b>FY2020</b>
Warwick - T.F. Green	\$784,239
Block Island	35,701
Middletown-Newport Airport <sup>1</sup>	47,087
North Central - Smithfield	25,000
North Central - Lincoln	25,000
North Kingstown - Quonset	47,435
Westerly	45,434
<b>Total</b>	<b>\$1,009,896</b>

<sup>1</sup> Located in Middletown

### **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 \$668,856 for the Property Revaluation program in FY2020, a reduction of \$941,678 from the FY2019 Budget as Enacted, and is based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2020: Barrington, Cranston, East Greenwich, Foster, Middletown, Pawtucket, and Woonsocket. Full revaluations will occur in Exeter, Narragansett, Newport, and Tiverton.

<b>Property Revaluation Program</b>		
<b>Fiscal Year</b>	<b>State Reimbursement</b>	<b>% Change</b>
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%
2018	0.9	67.4%
2019	1.6	74.0%
2020	0.7	-59.0%

*\$ in millions.*

### **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) contributed \$3.5 million to the program from its board designated administrative fund in FY2015. The Budget does not include any additional funding for the Municipal Road and Bridge Fund in FY2019 or FY2020.

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.

<b>Municipal Road and Bridge Fund</b>					
<b>Borrower</b>	<b>Fiscal Year</b>	<b>Amount</b>			<b>Credit Limit Remaining</b>
		<b>Requested</b>	<b>Amount Borrowed</b>	<b>Loan Outstanding</b>	
East Providence	2014	\$1,215,000	\$1,215,000	\$761,000	-
Newport	2014	4,000,000	1,500,000	925,000	-
Warwick	2014	1,600,000	1,600,000	1,335,000	232,392
Burrillville	2014	680,000	680,000	476,000	264,226
New Shoreham	2014	255,000	255,000	193,000	65,531
Westerly	2014	625,000	225,000	-	-
Pawtucket	2014	7,000,000	3,500,000	2,936,000	-
Cumberland	2014	560,000	560,000	469,000	193,101
Coventry	2014	340,000	340,000	211,000	-
West Warwick	2015	150,515	150,515	102,515	-
Bristol	2015	500,000	500,000	418,000	-
Hopkinton	2015	253,000	253,000	171,000	67,896
Pawtucket	2015	5,000,000	5,000,000	4,359,000	-
East Greenwich	2015	2,000,000	2,000,000	1,363,000	-
Coventry	2015	900,000	900,000	726,000	12,424
Bristol	2016	1,175,000	1,175,000	1,051,000	-
Cranston	2016	1,755,000	1,755,000	1,597,000	-
New Shoreham	2016	296,000	296,000	269,000	4,500
Pawtucket	2016	3,000,000	3,000,000	2,737,000	-
East Greenwich	2017	5,000,000	5,000,000	4,778,000	1,226,803
Pawtucket	2017	3,000,000	3,000,000	2,869,000	-
New Shoreham	2018	449,000	449,000	430,000	103,526
Providence	2018	10,000,000	10,000,000	9,596,000	9,732,262
Pawtucket	2018	2,000,000	2,000,000	2,000,000	1,858,444
Middletown	2018	5,000,000	5,000,000	5,000,000	2,231,886
Barrington	2019	3,500,000	3,500,000	3,500,000	3,450,000
Warren	2019	2,500,000	2,000,000	2,000,000	2,000,000
<b>TOTAL</b>		<b>\$62,753,515</b>	<b>\$55,853,515</b>	<b>\$50,272,515</b>	<b>\$21,442,989</b>
<b>Loans to Close in May 2019</b>					
Westerly	2019	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Central Falls	2019	1,500,000	1,500,000	1,500,000	1,500,000
Pawtucket	2019	2,000,000	2,000,000	2,000,000	2,000,000
		<b>\$18,500,000</b>	<b>\$18,500,000</b>	<b>\$18,500,000</b>	<b>\$18,500,000</b>

### **Central Falls Support**

The Budget also includes \$600,000 in general revenue for the City of Central Falls. The General Assembly provides this funding to help support municipal operations in Central Falls.

The Budget also includes \$300,000 in FY2020 for Central Falls pensions. 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 included 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 originally by the City Receiver earlier in 2012. 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 a total of \$4.8 million through July 1, 2044. The Budget includes \$300,000 in FY2020 for Central Falls pensions.

## 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 purpose of the program is to provide loans, matching grants, or other forms of financing, with recipients providing a 30.0 percent match, to upgrade streetscapes in local business districts (lighting, street furniture, medians).

The Budget does not fund the Main Street RI Streetscape Program (Main Street RI) in FY2020 for the first time since the program began in FY2016. This represents a \$500,000 reduction relative to the FY2019 Budget as Enacted.

<b>Main Street Streetscape</b>		
<b>Budget</b>	<b>Appropriation</b>	<b>Awarded</b>
2016 Enacted (Final)	\$1,000,000	\$915,400
2017 Enacted (Final)	1,000,000	1,000,000
2018 Enacted (Final)	500,000	-
2019 Enacted	500,000	1,037,968
<i>Subtotal - Activity to Date</i>	<i>\$3,000,000</i>	<i>\$2,953,368</i>
2019 Governor's Revised	500,000	-
2020 Governor's Proposed	-	-
<b>Total</b>	<b>\$3,000,000</b>	<b>\$2,953,368</b>

Twenty-five awards, totaling \$3.0 million, have been made to date and are listed in the following table:



<b>Project Name</b>	<b>Board</b>	
	<b>Approval Date</b>	<b>Funding</b>
Central Falls	3/28/2016	\$300,000
Pawtucket	3/28/2016	245,000
ONE Neighborhood Builders	3/28/2016	108,000
Bristol	3/28/2016	80,000
East Greenwich	3/28/2016	32,400
The Providence Foundation	3/28/2016	80,000
Woonsocket	3/28/2016	70,000
Bristol	5/22/2017	42,855
Jamestown	5/22/2017	65,000
North Kingstown	5/22/2017	204,400
Providence	5/22/2017	189,145
East Providence	5/22/2017	75,000
Smithfield	5/22/2017	11,075
Westerly	5/22/2017	140,210
Warren	5/22/2017	203,315
Warwick	5/22/2017	69,000
Barrington	11/19/2018	58,450
East Providence	11/19/2018	69,969
New Shoreham	11/19/2018	39,935
North Providence	11/19/2018	150,000
Pawtucket	11/19/2018	300,000
Providence	11/19/2018	47,114
Warren	11/19/2018	59,500
Westerly	11/19/2018	233,000
Woonsocket	11/19/2018	80,000
<b>Total</b>		<b>\$2,953,368</b>

### ***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 provides 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 of the property (original cost of the property reduced by depreciation deductions and increased by capital expenditures), 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 cease upon termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

Article 17 of the FY2017 Budget modified the Tax Stabilization Agreement incentive program to allow the Commerce Corporation to reimburse municipalities up to 50.0 percent of foregone revenue for up to five projects statewide in any given year. The current reimbursement rate is 10.0 percent. The city or town council of any qualifying community must pass a resolution designating a qualifying project as the most important project to the municipality's economic development for that fiscal year. Designated "Hope

Communities” may select two projects for potential qualification annually. The total amount of funding to be awarded is subject to appropriation.

Since FY2016, the Commerce Corporation has provided \$606,426 in tax stabilization incentives in support of three projects:

<b>Project</b>	<b>Municipality</b>	<b>Board Approval Date</b>	<b>Board Approval Amount</b>	<b>Total Investment Leveraged</b>
Residence Inn (Former Fogarty Building)	Providence	2/22/2016, 5/22/17	\$246,597	\$59,770,703
Immunex RI Corporation	West Greenwich	4/10/2018	179,829	165,135,000
Rubius Therapeutics	Smithfield	6/28/2018	180,000	188,000,000
<b>Total</b>			<b>\$606,426</b>	<b>\$412,905,703</b>

*Source: Commerce Corporation*

## FY2020 Direct Municipal Aid to Cities and Towns

Municipality	FY2019 Enacted	Payment In Lieu of Taxes	Distressed Communities Relief Fund	Motor Vehicle Excise Tax	Library Grant-in-Aid	Library Construction Aid	Total FY2020 Municipal Aid	Change from FY2019
Barrington	\$1,332,945	\$17,514	-	\$2,153,430	\$373,393	\$111,619	\$2,655,957	\$1,323,012
Bristol	2,325,010	1,335,274	-	883,335	190,040	291,806	2,700,456	375,446
Burrillville	1,637,087	98,273	-	2,049,928	169,792	246,621	2,564,614	927,527
Central Falls	804,818	895	201,648	1,126,792	31,384	-	1,360,719	555,900
Charlestown	294,798	-	-	335,999	51,294	-	387,293	92,495
Coventry	1,681,211	-	-	2,080,041	226,403	-	2,306,445	625,234
Cranston	13,262,326	5,403,870	2,547,805	10,636,043	608,335	-	19,196,053	5,933,727
Cumberland	1,864,309	-	-	1,985,458	276,601	31,952	2,294,011	429,702
East Greenwich	1,227,166	659,856	-	531,908	126,645	53,215	1,371,624	144,458
East Providence	2,376,689	244,237	-	3,065,776	411,056	57,953	3,779,021	1,402,332
Exeter	660,074	-	-	752,546	51,067	75,968	879,581	219,507
Foster	501,871	-	-	645,551	32,632	-	678,183	176,312
Glocester	661,264	-	-	798,968	77,756	-	876,725	215,460
Hopkinton	473,878	-	-	590,572	35,868	-	626,440	152,562
Jamestown	222,894	-	-	129,966	104,748	-	234,714	11,821
Johnston	3,758,235	-	532,972	4,609,636	116,724	-	5,259,331	1,501,097
Lincoln	1,045,460	-	-	1,094,910	204,936	-	1,299,846	254,386
Little Compton	97,257	-	-	82,117	34,958	-	117,075	19,817
Middletown	492,496	-	-	363,064	141,336	47,786	552,185	59,690
Narragansett	464,868	-	-	373,742	181,959	-	555,701	90,834
Newport	2,401,871	1,431,152	-	138,397	400,306	188,609	2,158,463	(243,408)
New Shoreham	189,620	-	-	402,331	89,742	62,532	554,604	364,984
North Kingstown	1,126,512	1,762	-	914,533	290,338	-	1,206,632	80,120
North Providence	3,763,834	0	914,169	4,669,761	193,727	-	5,777,657	2,013,824
North Smithfield	1,048,126	-	-	1,577,186	77,263	-	1,654,449	606,323
Pawtucket	7,491,237	575,928	1,400,733	9,478,819	406,135	-	11,861,615	4,370,379
Portsmouth	490,934	-	-	592,217	113,429	-	705,646	214,712
Providence	51,907,494	33,497,659	5,155,694	20,836,338	1,997,661	-	61,487,352	9,579,859
Richmond	385,256	-	-	496,496	24,428	-	520,925	135,668
Scituate	429,981	-	-	370,648	103,534	-	474,182	44,201
Smithfield	2,130,802	763,295	-	2,211,973	297,671	-	3,272,939	1,142,137
South Kingstown	1,043,579	207,011	-	785,804	219,988	-	1,212,804	169,225
Tiverton	732,859	-	-	377,613	122,228	309,052	808,893	76,034
Warren	591,467	-	-	738,124	56,214	-	794,337	202,871
Warwick	6,292,483	1,687,863	-	6,724,873	754,730	-	9,167,467	2,874,984
Westerly	2,035,087	164,915	-	566,150	309,803	296,482	1,337,350	(697,738)
West Greenwich	348,215	-	-	1,733,695	38,140	-	1,771,835	1,423,620
West Warwick	2,305,488	-	859,102	1,852,789	158,885	-	2,870,777	565,289
Woonsocket	4,028,795	-	772,334	5,416,280	198,313	163,636	6,550,562	2,521,767
<b>Total</b>	<b>\$123,928,296</b>	<b>\$46,089,504</b>	<b>\$12,384,458</b>	<b>\$94,173,809</b>	<b>\$9,299,463</b>	<b>\$1,937,229</b>	<b>\$163,884,464</b>	<b>\$39,956,168</b>

## FY2019 Revised Direct Municipal Aid to Cities and Towns

Municipality	FY2019 Enacted	Payment In Lieu of Taxes	Distressed		Library Grant-in-Aid	Library Construction Aid	Total FY2019 Municipal Aid	Change from FY2019 Enacted
			Communities Relief Fund	Motor Vehicle Excise Tax				
Barrington	\$1,332,945	\$17,514	-	\$876,133	\$377,408	\$113,653	\$1,384,708	\$51,763
Bristol	2,325,010	1,335,274	-	561,128	192,571	287,588	2,376,561	51,552
Burrillville	1,637,087	98,273	-	1,126,822	173,440	253,920	1,652,455	15,368
Central Falls	804,818	895	217,757	502,570	26,487	-	747,710	(57,108)
Charlestown	294,798	-	-	243,559	51,117	-	294,676	(122)
Coventry	1,681,211	-	-	1,513,027	232,971	-	1,745,997	64,786
Cranston	13,262,326	5,403,870	1,233,378	5,915,970	599,627	-	13,152,845	(109,481)
Cumberland	1,864,309	-	-	1,435,030	279,091	216,196	1,930,317	66,009
East Greenwich	1,227,166	659,856	-	436,065	131,335	55,227	1,282,483	55,317
East Providence	2,376,689	244,237	-	2,006,137	418,643	59,934	2,728,951	352,261
Exeter	660,074	-	-	564,536	49,367	75,968	689,870	29,797
Foster	501,871	-	-	439,626	33,624	-	473,250	(28,620)
Glocester	661,264	-	-	584,144	78,446	-	662,590	1,325
Hopkinton	473,878	-	-	440,403	34,850	-	475,253	1,374
Jamestown	222,894	-	-	104,445	123,716	-	228,161	5,268
Johnston	3,758,235	-	1,065,944	2,610,194	120,586	-	3,796,724	38,489
Lincoln	1,045,460	-	-	910,043	202,908	-	1,112,951	67,491
Little Compton	97,257	-	-	66,928	34,306	-	101,234	3,976
Middletown	492,496	-	-	297,982	145,601	50,092	493,675	1,180
Narragansett	464,868	-	-	303,733	187,492	-	491,225	26,358
Newport	2,401,871	1,431,152	-	382,434	412,478	196,034	2,422,099	20,227
New Shoreham	189,620	-	-	52,106	84,344	61,897	198,347	8,727
North Kingstown	1,126,512	1,762	-	731,692	278,709	26,684	1,038,847	(87,665)
North Providence	3,763,834	-	1,000,937	2,662,883	197,946	-	3,861,765	97,932
North Smithfield	1,048,126	-	-	965,888	77,887	-	1,043,775	(4,351)
Pawtucket	7,491,237	575,928	1,507,940	5,151,184	390,645	-	7,625,696	134,459
Portsmouth	490,934	-	-	361,091	114,736	-	475,827	(15,107)
Providence	51,907,494	33,497,659	5,606,831	11,661,930	1,983,098	-	52,749,518	842,025
Richmond	385,256	-	-	366,909	24,913	-	391,821	6,565
Scituate	429,981	-	-	285,902	104,590	-	390,492	(39,489)
Smithfield	2,130,802	763,295	-	974,786	295,708	-	2,033,789	(97,013)
South Kingstown	1,043,579	207,011	-	653,601	213,881	-	1,074,493	30,914
Tiverton	732,859	-	-	304,343	122,624	315,268	742,235	9,376
Warren	591,467	-	-	542,910	56,679	-	599,589	8,123
Warwick	6,292,483	1,687,863	-	4,263,178	737,667	-	6,688,708	396,225
Westerly	2,035,087	164,915	-	1,215,218	315,893	298,776	1,994,801	(40,286)
West Greenwich	348,215	-	-	283,021	36,772	-	319,793	(28,422)
West Warwick	2,305,488	-	904,159	1,345,609	160,224	-	2,409,992	104,504
Woonsocket	4,028,795	-	847,512	3,068,635	197,081	165,235	4,278,462	249,667
<b>Total</b>	<b>\$123,928,296</b>	<b>\$46,089,504</b>	<b>\$12,384,458</b>	<b>\$56,211,793</b>	<b>\$9,299,463</b>	<b>\$2,176,470</b>	<b>\$126,161,688</b>	<b>\$2,233,392</b>

## FY2020 Indirect Local Aid to Cities and Towns

<b>Municipality</b>	<b>FY2019 Enacted Indirect Aid</b>	<b>Public Service Corp. Tax</b>	<b>Meals and Beverage Tax</b>	<b>Hotel Tax</b>	<b>FY2020 Total Indirect Aid</b>	<b>Change from FY2019 Enacted</b>
Barrington	\$409,564	\$205,777	\$190,758	\$2,975	\$399,509	(\$10,055)
Bristol	823,274	282,413	466,280	64,150	812,842	(10,432)
Burrillville	443,500	204,641	221,429	67	426,136	(17,364)
Central Falls	410,813	244,423	147,641	130	392,194	(18,619)
Charlestown	374,156	98,143	193,354	69,478	360,975	(13,181)
Coventry	1,084,297	441,150	481,581	112,054	1,034,785	(49,513)
Cranston	3,232,028	1,020,830	2,039,852	25,981	3,086,663	(145,364)
Cumberland	1,033,778	432,719	557,466	834	991,019	(42,758)
East Greenwich	903,918	165,389	717,004	1,162	883,554	(20,363)
East Providence	1,831,732	596,479	1,111,312	49,189	1,756,981	(74,751)
Exeter	211,899	84,777	120,260	-	205,037	(6,862)
Foster	84,330	59,029	24,144	664	83,837	(492)
Glocester	212,439	125,379	77,911	3,192	206,482	(5,957)
Hopkinton	165,480	102,396	55,266	1,712	159,374	(6,106)
Jamestown	193,901	68,937	93,415	28,314	190,666	(3,235)
Johnston	1,162,331	367,606	732,276	7,740	1,107,621	(54,710)
Lincoln	1,309,860	271,180	838,279	116,886	1,226,345	(83,515)
Little Compton	143,981	44,099	67,232	20,193	131,523	(12,457)
Middletown	2,155,703	202,470	836,740	1,120,912	2,160,122	4,418
Narragansett	1,244,008	197,800	720,522	276,401	1,194,723	(49,285)
Newport	5,918,132	310,104	2,727,113	2,671,881	5,709,098	(209,034)
New Shoreham	1,059,410	11,170	388,621	662,610	1,062,400	2,990
North Kingstown	1,142,922	331,080	644,697	117,024	1,092,801	(50,120)
North Providence	843,024	408,082	410,047	551	818,680	(24,344)
North Smithfield	489,274	154,320	312,393	3,369	470,081	(19,193)
Pawtucket	1,930,894	901,017	976,310	94,076	1,971,403	40,509
Portsmouth	562,207	218,991	288,927	17,628	525,546	(36,661)
Providence	11,724,147	2,257,319	6,450,502	2,318,537	11,026,358	(697,788)
Richmond	256,518	96,149	150,304	6,848	253,301	(3,216)
Scituate	216,674	132,283	69,843	7,311	209,437	(7,237)
Smithfield	1,348,677	272,126	822,814	173,471	1,268,411	(80,267)
South Kingstown	1,583,955	386,853	941,492	203,608	1,531,953	(52,002)
Tiverton	464,055	199,352	261,415	3,667	464,435	380
Warren	483,287	133,129	329,920	832	463,880	(19,407)
Warwick	6,003,272	1,033,439	3,292,250	1,305,077	5,630,766	(372,506)
Westerly	2,095,907	285,934	961,234	714,619	1,961,787	(134,120)
West Greenwich	353,065	77,141	126,452	128,912	332,505	(20,560)
West Warwick	975,269	363,946	404,779	160,444	929,169	(46,100)
Woonsocket	1,218,788	520,903	586,388	54,410	1,161,701	(57,088)
<b>Total</b>	<b>\$56,100,468</b>	<b>\$13,308,972</b>	<b>\$29,838,224</b>	<b>\$10,546,907</b>	<b>\$53,694,103</b>	<b>(\$2,406,366)</b>

## FY2019 Revised Indirect Local Aid to Cities and Towns

Municipality	FY2019 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2020 Total Indirect Aid	Change from FY2019 Enacted
Barrington	\$409,564	\$205,777	\$184,231	\$2,975	\$392,983	(\$16,581)
Bristol	823,274	282,413	450,327	63,193	795,933	(27,341)
Burrillville	443,500	204,641	213,853	67	418,561	(24,939)
Central Falls	410,813	244,423	142,590	130	387,143	(23,670)
Charlestown	374,156	98,143	186,738	69,167	354,048	(20,108)
Coventry	1,084,297	441,150	465,105	110,264	1,016,519	(67,778)
Cranston	3,232,028	1,020,830	1,970,063	25,623	3,016,517	(215,511)
Cumberland	1,033,778	432,719	538,394	834	971,947	(61,831)
East Greenwich	903,918	165,389	692,473	1,149	859,011	(44,907)
East Providence	1,831,732	596,479	1,073,291	48,439	1,718,210	(113,522)
Exeter	211,899	84,777	116,146	-	200,923	(10,977)
Foster	84,330	59,029	23,318	654	83,002	(1,328)
Glocester	212,439	125,379	75,246	3,142	203,767	(8,673)
Hopkinton	165,480	102,396	53,375	1,699	157,470	(8,010)
Jamestown	193,901	68,937	90,219	28,190	187,346	(6,555)
Johnston	1,162,331	367,606	707,222	7,618	1,082,446	(79,885)
Lincoln	1,309,860	271,180	809,600	115,002	1,195,781	(114,079)
Little Compton	143,981	44,099	64,932	20,094	129,125	(14,856)
Middletown	2,155,703	202,470	808,113	1,103,395	2,113,978	(41,726)
Narragansett	1,244,008	197,800	695,871	274,149	1,167,821	(76,187)
Newport	5,918,132	310,104	2,633,811	2,631,649	5,575,564	(342,567)
New Shoreham	1,059,410	11,170	375,325	657,333	1,043,827	(15,583)
North Kingstown	1,142,922	331,080	622,641	115,196	1,068,916	(74,005)
North Providence	843,024	408,082	396,018	551	804,651	(38,373)
North Smithfield	489,274	154,320	301,705	3,315	459,340	(29,934)
Pawtucket	1,930,894	901,017	942,907	92,605	1,936,529	5,635
Portsmouth	562,207	218,991	279,042	17,453	515,486	(46,721)
Providence	11,724,147	2,257,319	6,229,813	2,282,315	10,769,447	(954,700)
Richmond	256,518	96,149	145,162	6,783	248,093	(8,424)
Scituate	216,674	132,283	67,453	7,197	206,933	(9,741)
Smithfield	1,348,677	272,126	794,663	170,688	1,237,478	(111,200)
South Kingstown	1,583,955	386,853	909,281	200,769	1,496,903	(87,052)
Tiverton	464,055	199,352	252,472	3,667	455,491	(8,564)
Warren	483,287	133,129	318,633	832	452,593	(30,694)
Warwick	6,003,272	1,033,439	3,179,613	1,284,365	5,497,416	(505,856)
Westerly	2,095,907	285,934	928,347	703,752	1,918,034	(177,873)
West Greenwich	353,065	77,141	122,126	126,859	326,126	(26,940)
West Warwick	975,269	363,946	390,931	157,869	912,745	(62,524)
Woonsocket	1,218,788	520,903	566,326	53,543	1,140,773	(78,016)
<b>Total</b>	<b>\$56,100,468</b>	<b>\$13,308,972</b>	<b>\$28,817,377</b>	<b>\$10,392,526</b>	<b>\$52,518,875</b>	<b>(\$3,581,594)</b>

## Education Aid

The FY2019 Budget adds \$31.2 million in general revenue to fully fund the ninth year of the education funding formula, and an additional \$10.1 million to fund categorical aid (\$55.6 million total), relative to the FY2019 Budget as Enacted. The increase relative to the Governor's recommended budget includes \$724,202 for the March 2019 data update; \$1.8 million to hold districts harmless for an error in the FY2019 education aid calculation, \$1.3 million to restore the proposed DCYF withholding, and \$250,000 in regional transportation aid.

### 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 FY2020 general revenue funding by \$724,202 to adjust the ninth-year formula calculation based on March 2019 student enrollment and free and reduced price lunch data. This adjustment brings the total increase for the ninth year of the funding formula to \$31.2 million in general revenue.

**Categorical Funds:** When the education funding formula was passed in 2010, six 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 Budget added new categories including English Learners, Density Aid, Davies Stabilization, and Met School Stabilization. The FY2019 Budget added a category to reimburse districts for one half the salary and benefits costs associated with new school resource officers in middle and high schools.

Categorical	FY2020 Education Aid - Updated	
	Change from Enacted	Total Funding
Ninth Year of Formula	\$31.2	\$960.0
Central Falls Stabilization	(0.3)	8.0
Transportation	0.3	7.7
Early Childhood	8.6	14.9
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
Davies Stabilization	0.6	4.9
English Learners	2.3	5.0
Public School Choice Density	(0.5)	0.0
Met School Stabilization	0.5	1.9
Regionalization Bonus	-	-
Group Home Aid	(0.3)	3.2
School Resource Officer Support	(1.0)	1.0
<b>Total</b>	<b>\$41.3</b>	<b>\$1,015.6</b>

- 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 \$8.0 million in FY2020, a decrease of \$286,531 from the FY2019 enacted level.
- 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 \$7.7 million in FY2020, an increase of \$250,000 over the FY2019 enacted level for regional transportation.

- **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 \$14.9 million in FY2020, an increase of \$8.6 million in general revenue over the FY2019 Budget as Enacted. Of the increase, \$5.8 million replaces federal funding needed to support current seats. The remaining \$2.9 million will expand the program by an additional 270 seats.
- **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 \$69,100 for FY2020). 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 FY2020, level with the previous year.
- **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 FY2020, level with the previous year.
- **Davies Stabilization Fund:** Article 11 of the FY2017 Budget as Enacted established 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 \$4.9 million provided in FY2020 will offset decreases in aid through the phase-in of the formula, increases in state retirement expenses, since the teachers at Davies are part of the state system, and the loss in revenues associated with the reduction in local tuition rates.
- **English Learners:** Article 11 of the FY2017 Budget as Enacted established a new categorical fund for English Learners (EL). The fund provides additional aid of 10.0 percent of the per-pupil core instruction amount for each qualified EL student. This additional aid is then multiplied by the state share. When the article was originally enacted, the additional per-pupil weight was \$898 for each identified English learner. In FY2020, the per-pupil weight increases to \$987, to reflect 10.0 percent of the \$9,871 core instruction amount. This amount is then multiplied by the state share ratio. The formula is provided below.

*(Per-pupil core instruction amount x number of EL students) x 10.0 percent x state share ratio = additional state support per EL student*

This support is then ratably reduced based on the total amount appropriated.

The Article restricted the funds to provide new services to EL students and required that the funds be managed in accordance with requirements enumerated by the Commissioner. The Article also required the Department to collect performance reports and approve the use of funds prior to expenditure to ensure the funded activities align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$5.0 million in FY2020, an increase of \$2.3 million over the previous fiscal year.

- **Public School of Choice Density Aid:** Article 11 of the FY2017 Budget as Enacted established 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 administration. 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. In FY2020, due to the phase-down of the aid category, the Budget does not include density aid previously distributed to Central Falls, Charlestown, Cumberland, Lincoln, Pawtucket, Providence, or Woonsocket. This represents a decrease of \$478,350 from the FY2019 Budget as Enacted.

- **Met School Stabilization Fund:** Article 11 of the FY2017 Budget as Enacted established 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 \$398,101 increase over the enacted budget (\$1.8 million total) provided in FY2020 is to offset the loss in revenues caused by the per-pupil reduction in local tuition rates and provide a zero net impact on formula funding relative to FY2019.
- **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 FY2020, the seventh year of funding for the regionalized districts, as no new regional districts have been formed. This represents level funding from the FY2014 Budget as Enacted.
- **School Resource Officer Reimbursement:** In Article 9 of the FY2019 Budget as Enacted established a new categorical fund. The article creates a reimbursement for, but does not mandate, School Resource Officers at public middle and high schools. For FY2019 through FY2021, the State will reimburse one half the cost of salaries and benefits for qualifying positions created after July 1, 2018. For schools with < 1,200 students, one resource officer position is eligible for reimbursement, while schools with  $\geq$  1,200 students may receive reimbursement for up to 2 positions. Each resource officer can only be assigned to one school. In FY2020, the Budget provides \$1.0 million in state support for new school resource officers, a reduction of \$1.0 million, relative to the FY2019 Budget as Enacted to reflect current projections.

**Group Homes:** The Budget includes \$3.2 million to fund group home beds in FY2020. This is a decrease of \$342,593 due primarily to an adjustment required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. The FY2017 Budget as Enacted increased 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 increased 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.

FY2020 Education Aid<sup>1</sup>

	FY2019 Enacted (excludes group home and categoricals)		FY2020 (Year 9)		High-cost Special Education (>\$69,100)		Group Home Aid <sup>2</sup>		English Learners		Public School Choice Density		Stabilization Funding		FY2019 Audit Adjustment		FY2020 Aid	
		Formula Change	Transportation	Formula Change	Group Home Aid <sup>2</sup>	English Learners	Public School Choice Density	Stabilization Funding	FY2019 Audit Adjustment	FY2020 Aid								
Barrington	\$5,290,812	\$402,909	\$89,901	\$86,831	\$0	\$2,490	\$0	\$0	\$0	\$5,872,943								
Burrillville	12,310,750	556,032	57,537	99,609	80,022	892	-	-	59,789	13,164,631								
Charlestown	1,598,581	(55,393)	-	-	-	320	-	-	-	1,543,508								
Coventry	22,643,353	1,567,541	9,887	31,586	83,543	5,293	-	-	121,803	24,463,006								
Cranston	60,596,918	3,722,804	767,021	358,443	37,602	141,104	-	-	0	65,623,892								
Cumberland	20,634,323	699,016	64,197	52,066	-	23,118	-	-	214,114	21,686,833								
East Greenwich	2,950,351	(418,821)	65,132	127,445	-	640	-	-	0	2,724,746								
East Providence	34,957,824	449,541	2,056	240,520	509,554	57,735	-	-	65,480	36,282,709								
Foster	1,101,212	44,900	16,679	48,539	-	-	-	-	3,628	1,214,958								
Glocester	2,294,441	(134,932)	18,702	89,319	-	-	-	-	4,829	2,272,359								
Hopkinton	5,222,822	(65,280)	-	-	-	250	-	-	12,319	5,170,111								
Jamestown	464,161	(38,262)	-	-	-	-	-	-	-	465,975								
Johnston	17,985,420	(189,191)	210,445	154,382	-	30,507	-	-	97,428	18,288,992								
Lincoln	12,031,312	2,122,861	-	53,230	89,418	6,432	-	-	115,567	14,418,821								
Little Compton	355,487	48,043	-	-	-	65	-	-	-	403,595								
Middletown	7,718,262	(185,069)	-	46,830	-	12,439	-	-	-	7,592,462								
Narragansett	2,280,362	(62,445)	-	37,420	-	498	-	-	-	2,255,836								
Newport	12,234,060	143,193	-	4,318	145,520	53,888	-	-	-	12,580,979								
New Shoreham	156,532	(26,070)	-	1,875	-	493	-	-	-	132,830								
North Kingstown	10,044,602	(27,428)	-	68,817	-	6,541	-	-	400,298	10,492,830								
North Providence	22,862,888	(36,547)	145,220	162,128	148,781	30,103	-	-	69,666	23,382,239								
North Smithfield	6,040,807	(368,848)	10,923	54,110	100,435	2,456	-	-	44,340	5,884,223								
Pawtucket	87,472,187	2,094,879	187,773	906,355	126,901	461,947	-	-	56,353	91,306,395								
Portsmouth	3,637,712	(229,795)	-	62,428	557,258	463	-	-	20,834	4,048,901								
Providence	250,190,833	9,121,236	314,329	731,507	476,104	2,984,872	-	-	0	263,818,881								
Richmond	4,596,330	31,653	-	-	-	226	-	-	12,602	4,640,812								
Situate	3,238,501	(492,376)	25,059	31,792	-	-	-	-	21,334	2,824,310								
Smithfield	7,537,638	(1,518,839)	85,863	70,005	219,137	1,263	-	-	62,464	6,457,532								
South Kingstown	5,840,706	(746,407)	112,448	97,103	118,333	3,092	-	-	8,042	5,433,317								
Tiverton	6,667,683	456,679	-	71,478	-	1,527	-	-	42,408	7,239,774								
Warwick	36,725,883	1,201,310	4,249	275,420	279,648	22,495	-	-	252,111	38,761,117								
Westerly	8,566,631	(16,365)	-	100,789	-	5,534	-	-	-	8,656,588								
West Warwick	26,108,923	831,399	64,184	-	-	20,833	-	-	68,793	27,094,133								
Woonsocket	62,092,562	1,514,438	12,488	61,743	44,244	255,356	-	-	-	63,980,831								
Bristol-Warren <sup>3</sup>	13,259,906	(237,393)	1,580,023	95,476	90,976	8,461	-	-	24,269	14,821,717								
Exeter-West Greenwich <sup>3</sup>	4,728,793	309,620	1,211,871	42,047	125,677	1,473	-	-	-	6,419,481								
Charlton	76,641	(38,321)	2,029,365	80,119	-	-	-	-	-	2,147,804								
Foster-Glocester	4,576,385	86,681	533,798	58,113	-	-	-	-	13,083	5,268,059								
Central Falls	32,468,650	1,010,242	42,211	54,570	-	425,097	-	-	7,997,758	41,998,527								
<b>District Total</b>	<b>\$819,561,244</b>	<b>\$21,527,195</b>	<b>\$7,661,362</b>	<b>\$4,496,488</b>	<b>\$3,233,153</b>	<b>\$4,567,904</b>	<b>\$0</b>	<b>\$7,997,758</b>	<b>\$1,791,554</b>	<b>\$870,836,658</b>								
Charter School Total	90,493,299	10,486,027	-	3,511	-	413,195	-	-	58,511	101,454,544								
Davies	9,393,120	(578,950)	-	-	-	2,853	-	-	4,880,811	13,697,834								
Met School	7,942,855	(398,101)	-	-	-	11,093	-	-	1,797,253	9,353,100								
Urban Collaborative	1,423,688	116,225	-	-	-	4,955	-	-	-	1,544,868								
<b>Total</b>	<b>928,814,206</b>	<b>\$31,152,397</b>	<b>\$7,661,362</b>	<b>\$4,500,000</b>	<b>\$3,233,153</b>	<b>\$5,000,000</b>	<b>\$0</b>	<b>\$14,675,822</b>	<b>\$1,850,065</b>	<b>\$996,887,005</b>								

<sup>1</sup> Based on March 2019 enrollment.  
<sup>2</sup> Based on final 12/31/2018 report from Rhode Island Department of Education with the additional 7 beds in Providence reported subsequent. The FY2019 Revised Budget includes an increase of \$102,000 for Portsmouth, for an increase of 6 beds, and \$17,000 to Exeter-West Greenwich, for one additional bed.  
<sup>3</sup> 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.  
Source: Rhode Island Department of Education

## Changes to the Governor's FY2020 Education Aid

## Changes to the Formula Aid

LEA	Governor's Submission	March 2019 Data Update	Difference	Audit			Total Difference
				Restore DCYF Withholding	Adjustment Hold Harmless	Regional Transportation	
Barrington	\$443,088	\$402,909	(\$40,179)	\$0	\$110,642	\$0	\$70,463
Burrillville	335,121	556,032	220,910	-	-	-	220,910
Charlestown	8,683	(55,393)	(64,076)	-	-	-	(64,076)
Coventry	1,861,676	1,567,541	(294,135)	-	-	-	(294,135)
Cranston	3,566,469	3,722,804	156,335	164,402	454,600	-	775,337
Cumberland	391,521	699,016	307,495	29,021	-	-	336,516
East Greenwich	(462,822)	(418,821)	44,001	-	143,710	-	187,711
East Providence	1,616,575	449,541	(1,167,035)	-	-	-	(1,167,035)
Foster	122,933	44,900	(78,033)	-	-	-	(78,033)
Glocester	(113,667)	(134,932)	(21,265)	-	-	-	(21,265)
Hopkinton	(85,053)	(65,280)	19,773	-	-	-	19,773
Jamestown	(43,977)	(38,262)	5,715	-	-	-	5,715
Johnston	(226,155)	(189,191)	36,964	28,531	-	-	65,495
Lincoln	1,887,457	2,122,861	235,404	-	-	-	235,404
Little Compton	64,376	48,043	(16,333)	-	-	-	(16,333)
Middletown	(142,034)	(185,069)	(43,035)	-	13,793	-	(29,242)
Narragansett	22,319	(62,445)	(84,763)	-	-	-	(84,763)
Newport	545,198	143,193	(402,006)	85,183	-	-	(316,823)
New Shoreham	(39,522)	(26,070)	13,452	-	-	-	13,452
North Kingstown	(73,613)	(27,428)	46,185	63,158	-	-	109,343
North Providence	201,090	(36,547)	(237,637)	-	-	-	(237,637)
North Smithfield	(224,048)	(368,848)	(144,800)	-	-	-	(144,800)
Pawtucket	2,313,096	2,094,879	(218,218)	47,536	-	-	(170,681)
Portsmouth	(222,006)	(229,795)	(7,790)	-	-	-	(7,790)
Providence <sup>2</sup>	6,381,035	9,121,236	2,740,201	713,360	857,236	-	4,310,797
Richmond	(2,442)	31,653	34,095	-	-	-	34,095
Scituate	(474,543)	(492,376)	(17,832)	-	-	-	(17,832)
Smithfield	(1,574,061)	(1,518,839)	55,223	-	-	-	55,223
South Kingstown	(660,899)	(746,407)	(85,508)	-	-	-	(85,508)
Tiverton	772,747	456,679	(316,068)	-	-	-	(316,068)
Warwick	1,963,017	1,201,310	(761,707)	29,652	-	-	(732,055)
Westerly	194,366	(16,365)	(210,731)	-	-	-	(210,731)
West Warwick	912,703	831,399	(81,304)	52,488	-	-	(28,815)
Woonsocket	220,014	1,514,438	1,294,424	117,652	76,354	-	1,488,430
Bristol-Warren	(223,412)	(237,393)	(13,982)	-	-	69,077	55,095
Exeter-West Greenwich	362,025	309,620	(52,405)	-	11,313	58,909	17,816
Chariho	(38,321)	(38,321)	-	-	-	93,146	93,146
Foster-Glocester	186,319	86,681	(99,638)	-	-	28,868	(70,770)
Central Falls <sup>3</sup>	234,712	623,711	388,998	-	-	-	388,998
<b>Subtotal District Aid</b>	<b>\$19,999,968</b>	<b>\$21,140,664</b>	<b>\$1,140,696</b>	<b>\$1,330,984</b>	<b>\$1,667,648</b>	<b>\$250,000</b>	<b>\$4,389,328</b>
Charter School Total	10,907,680	10,486,027	(421,653)	-	158,789	-	(262,864)
Davies <sup>1</sup>	36,894	36,894	-	-	-	-	-
Met School <sup>1</sup>	-	-	-	-	-	-	-
Urban Collaborative	111,066	116,225	5,159	-	4,681	-	9,840
<b>Total</b>	<b>\$31,055,608</b>	<b>\$31,779,811</b>	<b>\$724,202</b>	<b>\$1,330,984</b>	<b>\$1,831,118</b>	<b>\$250,000</b>	<b>\$4,136,305</b>

<sup>1</sup> Changes in the funding formula distribution for the data update are completely offset by adjustments to the stabilization fund.

<sup>2</sup> Since Wangari Charter School did not open as scheduled, Providence receives an additional \$1.4 million in formula aid for the increased enrollment.

<sup>3</sup> This reflects a \$386,531 reduction to the stabilization fund.

Source: Rhode Island Department of Education

FY2020 Education Aid - Change to FY2019 Budget as Enacted<sup>1</sup>

Districts	FY2019 Enacted (includes group home and categorical)	FY2020 (Year 9) Formula Change	High-cost			English Learners	Public School Choice Density	Stabilization Funding	FY2019 Audit Adjustment	Total Change	FY2020 Education Aid
			Transportation	Education	Special						
Barrington	\$5,481,236	\$402,909	(\$6,100)	(\$6,605)	\$0	\$1,503	\$0	\$0	\$391,707	\$5,872,943	
Burrillville	12,467,771	556,032	17,872	64,874	(1,826)	119	-	59,789	696,860	13,164,631	
Charlestown	1,598,581	(55,393)	-	-	-	320	-	-	(55,073)	1,543,508	
Coventry	22,790,523	1,567,541	1,152	(17,477)	(3,985)	3,449	-	121,803	1,672,483	24,463,006	
Cranton	61,904,927	3,722,804	(12,860)	(42,932)	(1,773)	53,728	-	-	3,718,966	65,623,893	
Cumberland	20,796,258	699,016	(29,822)	23,956	-	8,712	-	-	890,576	21,686,834	
East Greenwich	3,167,384	(418,821)	(10,134)	(13,520)	-	(163)	-	214,114	(442,639)	2,724,746	
East Providence	35,710,484	449,541	374	49,208	(13,943)	21,566	-	65,480	572,225	36,282,709	
Foster	1,164,308	44,900	(1,966)	4,089	-	-	-	4,829	(50,995)	2,272,359	
Glocester	2,323,354	(134,932)	12,099	67,009	-	-	-	12,319	(52,711)	5,170,111	
Hopkinton	5,222,822	(65,280)	-	-	-	250	-	-	(56,259)	465,975	
Jamestown	522,234	(38,262)	-	(17,851)	-	(146)	-	-	(109,587)	18,288,992	
Johnston	18,398,579	(189,191)	(42,316)	19,143	(18,448)	5,349	-	97,428	2,093,557	14,418,821	
Lincoln	12,325,265	2,122,861	-	(116,358)	(18,448)	4,334	(14,400)	115,567	2,093,557	14,418,821	
Little Compton	355,524	48,043	-	-	-	27	-	-	48,070	403,595	
Middletown	7,979,347	(185,069)	-	(26,636)	(183,909)	8,729	-	-	(386,885)	7,592,462	
Narragansett	2,313,574	(62,445)	-	4,208	(3,945)	498	-	-	(57,738)	2,255,836	
Newport	12,433,122	143,193	-	(21,466)	(3,945)	30,074	-	-	147,856	12,580,978	
New Shoreham	156,926	(26,070)	-	1,875	-	99	-	-	(24,096)	132,830	
North Kingstown	10,127,666	(27,428)	-	(11,494)	-	3,788	-	400,298	365,164	10,492,830	
North Providence	23,428,293	(36,547)	(21,480)	(66,817)	(1,608)	10,733	-	69,666	(46,053)	23,382,240	
North Smithfield	6,219,135	(368,848)	(4,308)	(3,558)	(3,774)	1,235	-	44,340	(334,913)	5,884,222	
Pawtucket	88,331,184	2,094,879	43,163	774,869	(118,239)	218,384	(94,200)	56,353	2,975,210	91,306,394	
Portsmouth	4,178,680	(229,795)	-	(12,097)	91,311	(32)	-	20,834	(129,779)	4,048,901	
Providence	253,712,259	9,121,236	24,854	(57,092)	(92,857)	1,353,182	(242,700)	-	10,106,623	263,818,882	
Richmond	4,596,330	31,653	-	-	-	226	-	12,602	44,482	4,640,812	
Scituate	3,369,504	(492,376)	(9,189)	(64,963)	-	-	-	21,334	(545,194)	2,824,310	
Smithfield	7,854,976	(1,518,839)	10,638	34,189	13,953	151	-	62,464	(1,397,444)	6,457,532	
South Kingstown	6,293,429	(746,407)	(26,075)	(99,930)	2,344	1,914	-	8,042	(860,112)	5,433,317	
Tiverton	6,779,517	456,679	(772)	(72,937)	(6,604)	127	-	42,408	460,257	7,239,774	
Warwick	37,379,213	1,201,310	-	(38,957)	-	8,795	-	252,111	1,381,903	38,761,117	
Westerly	8,766,881	(16,365)	-	(97,248)	-	3,320	-	-	(110,293)	8,656,588	
West Warwick	26,186,038	831,399	22,289	(21,705)	(999)	7,318	-	68,793	908,094	27,094,133	
Woonsocket	62,454,134	1,514,438	(2,232)	(74,622)	(999)	111,662	(21,550)	-	1,526,698	63,980,831	
Bristol-Warren <sup>3</sup>	14,912,238	(237,393)	118,114	12,444	(10,442)	2,487	-	24,269	(90,521)	14,821,717	
Exeter-West Greenwich <sup>3</sup>	6,071,143	309,620	127,661	(101,528)	12,151	434	-	-	348,338	6,419,481	
Charlton	2,130,668	(38,321)	56,720	3,147	-	(511)	(3,900)	-	17,136	2,147,804	
Foster-Glocester	5,199,951	86,681	2,908	(34,183)	-	(381)	-	13,083	68,108	5,268,059	
Central Falls	41,173,119	1,010,242	(20,590)	(42,546)	-	241,034	(286,531)	-	825,408	41,998,527	
<b>District Total</b>	<b>\$846,276,577</b>	<b>\$21,527,195</b>	<b>\$250,000</b>	<b>(\$3,511)</b>	<b>(\$342,593)</b>	<b>\$2,102,315</b>	<b>(\$478,350)</b>	<b>\$1,791,554</b>	<b>\$24,560,080</b>	<b>\$870,836,658</b>	
Charter School Total	90,741,599	10,486,027	-	3,511	-	164,896	-	58,511	10,712,945	101,454,544	
Davies	13,667,655	(578,950)	-	-	-	(6,714)	615,843	-	30,180	13,697,834	
Met School	9,355,134	(398,101)	-	-	-	(2,034)	398,101	-	(2,034)	9,353,100	
Urban Collaborative	1,432,045	116,225	-	-	-	(3,402)	-	-	112,823	1,544,869	
<b>Total</b>	<b>\$961,473,011</b>	<b>\$31,152,398</b>	<b>\$250,000</b>	<b>\$0</b>	<b>(\$342,593)</b>	<b>\$2,255,063</b>	<b>\$727,413</b>	<b>\$1,850,065</b>	<b>\$35,413,995</b>	<b>\$996,887,003</b>	

<sup>1</sup> Based on March 2019 data updates.  
<sup>2</sup> Based on final 12/31/2018 report from the Department of Children, Youth and Families. The FY2019 Revised Budget includes an increase of \$102,000 for Portsmouth, for an increase of 6 beds, and \$17,000 to Exeter-West Greenwich, for one additional bed.  
<sup>3</sup> 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.  
 Source: Rhode Island Department of Education

## 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.

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.

**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

<b>School Bond Refinancing Incentive Estimated Savings Summary</b>			
<b>Municipality</b>	<b>Local Savings</b>	<b>State Savings</b>	<b>Total Savings</b>
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
<b>Total Savings</b>	<b>\$12,489,103</b>	<b>\$3,122,350</b>	<b>\$15,611,453</b>

(SBA) 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). Proceeds from the bond will be used to capitalize both the traditional school construction program and the School Building Capital Fund as determined by the School Building Authority.

In FY2020, the Budget provides \$1.0 million in general revenue to capitalize the Capital Fund, a decrease of \$9.5 million from the FY2019 Budget as Enacted. Through Article 9, the FY2019 Budget as Enacted shifted the 3.0 FTE positions responsible for the administration of the school construction program from general revenue to a new school construction services restricted receipt account, and added 1.0 FTE Director of School Construction Services. The restricted receipt account, named the “School Construction Services”, is funded by the Rhode Island Health and Education Building Corporation (RIHEBC) from the School Building Authority Capital Fund, fees generated from the origination of municipal bonds and other financing vehicles used for school construction, and its own reserves. In FY2020, the Governor recommended another 1.0 FTE position to help with the anticipated increase in school housing applications due to the recent release of the statewide facilities study and voter approval of the \$250.0 million bond authorization; however, the new position was not included in the Budget.



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**ARTICLES**

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## Articles

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### **Article 1: Relating to Making Appropriations in Support of FY2020**

This article makes appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department.

<b>Expenditures by Source</b>	<b>FY2018 Final</b>	<b>FY2019 Enacted</b>	<b>FY2020 Governor</b>	<b>FY2020 Budget</b>	<b>Change to Governor</b>
General Revenue	\$3,798.7	\$3,908.2	\$4,075.1	\$4,075.1	\$0.0
Federal Funds	2,996.5	3,208.2	3,318.7	3,323.7	5.0
Other Funds	1,978.4	2,174.5	2,234.8	2,256.0	21.2
Restricted Receipts	258.6	281.8	301.4	311.4	10.0
<b>Total</b>	<b>\$9,032.2</b>	<b>\$9,572.7</b>	<b>\$9,930.0</b>	<b>\$9,966.2</b>	<b>\$36.2</b>
<b>FTE Authorization</b>	<b>15,187.2</b>	<b>15,209.7</b>	<b>15,413.7</b>	<b>15,069.7</b>	<b>(344.0)</b>

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

Article 1 also makes the following changes:

- Authorizes debt payments for the I-195 Redevelopment District Commission loan.
- Sets the airport impact aid formula at \$1.0 million.
- Limits the amount the Judiciary may charge 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 \$1.4 million. It requires Judiciary to provide \$230,000 to Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and requires \$90,000 be provided to the Rhode Island Legal Services to provide housing and eviction defense to indigent individuals.
- Requires that Rhode Island Housing continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The article requires that a report 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 on the number of housing units produced and funding.
- Delineates line-item grant awards in department and agency budgets.
- Article 1 requires transfers from several quasi-public and governmental units be made to the State Controller by June 30, 2020, to support the General Fund, including an increase of \$1.2 million from Quonset Development Corporation and \$1.5 million from the Rhode Island Commerce Corporation:

Agency	FY2019	FY2019	FY2019	Change	FY2020	FY2020	Change
	Enacted	Governor	Budget	from Governor	Governor	Budget	from Governor
Electric and Gas Distribution Company	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Health and Educational Building	-	2.0	-	(2.0)	-	-	-
Infrastructure Bank	4.0	4.0	4.0	-	4.0	4.0	-
RI Housing	-	2.5	-	(2.5)	1.5	1.5	-
Quonset Development Corporation	-	2.0	-	(2.0)	-	1.2	1.2
RI Resource Recovery	-	5.0	-	(5.0)	-	-	-
RI Student Loan Authority	-	1.5	1.5	-	1.5	1.5	-
DEM - Oil Spill Prevention, Administration Response Fund	-	1.0	-	(1.0)	-	-	-
DEM - Underground Storage Tank Trust Fund	-	1.0	-	(1.0)	-	-	-
DEM - Government Entities - Inceptors Bond Funds	-	1.1	1.1	-	-	-	-
DEM - Government Water Pollution Control Bond Funds	-	0.1	0.1	-	-	-	-
DEM - Private Water Pollution Control Facility Bond Funds	-	0.0	0.0	-	-	-	-
DEM - State Recreational Facilities Development Renovation Bond	-	0.0	0.0	-	-	-	-
DEM - Local Recreational Facilities Distressed Bond Fund	-	0.0	0.0	-	-	-	-
DEM - 25 India Street (Shooter's) Bond Fund	-	0.2	0.2	-	-	-	-
Commerce Corporation - Anchor Institution Tax Credit	0.8	0.8	0.8	-	-	-	-
Commerce Corporation - First Wave Closing Fund	-	-	-	-	-	1.5	1.5
<b>Total</b>	<b>\$4.8</b>	<b>\$21.2</b>	<b>\$7.7</b>	<b>(\$13.5)</b>	<b>\$7.0</b>	<b>\$9.7</b>	<b>\$2.7</b>

*\$ in millions*

### Article 2: Relating to State Funds

This article adjusts or establishes new restricted receipt accounts as follows:

- Amends RIGL 5-20.7-15 regarding the Real Estate Appraisers Registration – CLRA to create a restricted receipt account. The Department of Business Regulation collects and uses funds from this account.
- Amends RIGL 5-20.9-7 to codify the Appraisal Management Company – Registration restricted receipt account. The Department of Business Regulation collects and remits these funds to the federal government.
- Adds language authorizing the State Auditor General to establish a performance investigation division for the purpose of preventing and detecting waste, fraud, abuse, and mismanagement of State funds.
- Removes language that proposed amending RIGL 16-59-6 to create the State Authorization Reciprocity Agreement (SARA) restricted receipt account. All fees related interstate reciprocity agreements regarding post-secondary distance education would have been deposited into this account.
- Removes language that proposed amending RIGL 23-1-20 to codify the Health Systems Monitoring and Compliance restricted receipt account. The Department of Health has collected and used funds from this uncodified account.
- Creates a new restricted receipt account for the Healthcare Information Technology and Infrastructure Development Fund to support the development of healthcare technologies designed to improve the quality of healthcare services and provide patient data security.
- Adds language to control state spending with state departments and agencies that demonstrate in a quarterly financial report, that the entity's obligations, encumbrances, and expenditures will exceed amounts appropriated to the entity. In such event, the state entity shall provide monthly budget reports to the chairpersons of the Senate and House Finance Committees stating the corrective actions taken to control spending to meet the appropriation. The State Controller will be prohibited to authorize payments for new personnel, purchases, or contracts for any agency unable to stay within the appropriated amounts, unless there is emergency which must be documented and reported to the chairpersons of the Senate and House Finance Committees. The Director of the Department of Administration shall report to the chairpersons of the Senate and House Finance Committees that when such expenditure excesses occur, if any disciplinary actions or penalty actions are taken, and if not an explanation of why it did not occur.

- Removes language pertaining to exemptions from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27 for the proposed restricted receipt accounts applying to the Medical Marijuana Licensing, Adult Use Marijuana Licensing, Industrial Hemp Licensing restricted receipt accounts within the Executive Office of Health and Human Services, Department of Public Safety, Department of Health, Department of Revenue, and the Department of Business Regulation. In addition, language is removed pertaining to the same exemptions for the Medical Marijuana Patient Licenses, Marijuana Cash Surcharge, and the State Authorization Reciprocity Agreement (SARA) restricted receipt accounts.
- Exempts five restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27. The proposed exemptions would apply to three accounts proposed by the Governor, the Health System Transformation Project, Healthcare Information Technology, the De Coppet Estate Fund; and to two new accounts the E-911 Uniform Emergency Telephone System, and the Health Insurance Market Integrity Fund restricted receipt accounts. The Health Insurance Market Integrity Fund (HIMIF) is funded by taxpayer penalty payments for not maintaining minimum essential health insurance coverage. The fund supports the State’s reinsurance program.
- Establishes a new Health System Transformation Project restricted receipt account to record federal financial participation associated with healthcare workforce development activities at the State’s institutions of higher education.
- Repeals in its entirety, RIGL 39-1-62 that authorizes the Geographic Information System (GIS) and technology fund.
- Reconfigures the telecommunication surcharges that support emergency services and first response programs, including the E-911 program. These changes include:
  - E-911 Surcharge and Fund: Article 2 establishes a new E-911 \$0.50 surcharge to support the E-911 program. Revenue from the surcharge will be deposited into a new dedicated restricted receipt account within the Department of Public Safety (DPS) explicitly reserved for the purposes of supporting the E-911 system.
  - First Response Surcharge: Article 2 also establishes a new first response surcharge to support first responder services across the state. The surcharge amount varies by telecommunication type and is summarized in the tables below.
  - Repeal of the GIS/Tech Fund/Surcharge: Article 2 repeals the Geographic Information System (GIS) and Technology Fund and \$0.26 surcharge.
  - The changes made to the telecommunication surcharges are further summarized in the following tables:

Surcharge - Wireline	Current	
	Amount	Deposited
Emergency Services and First Response Surcharge	\$1.00	General Fund (90%) / ITIF* (10%)
E-911 Surcharge	N/A	N/A
First Response Surcharge	N/A	N/A
<b>Total</b>	<b>\$1.00</b>	

Article 2	
Amount	Deposited
Repealed	Repealed
\$0.50	E-911 Fund (RR)
0.50	General Fund (90%) / ITIF* (10%)
<b>\$1.00</b>	

Surcharge - Wireless	Current	
	Amount	Deposited
Emergency Services and First Response Surcharge	\$1.00	General Fund (90%) / ITIF* (10%)
E-911 Surcharge	N/A	N/A
First Response Surcharge	N/A	N/A
GIS/Technology Surcharge	0.26	GIS/Tech Fund (RR)
<b>Total</b>	<b>\$1.26</b>	

Article 2	
Amount	Deposited
Repealed	Repealed
\$0.50	E-911 Fund (RR)
0.75	General Fund (90%) / ITIF* (10%)
Repealed	Repealed
<b>\$1.25</b>	

Surcharge - Prepaid	Current		Article 2	
	Amount	Deposited	Amount	Deposited
Emergency Services and First Response Surcharge	2.5% of retail transaction	General Fund	N/A	N/A
E-911 Surcharge	N/A	N/A	2.5% of retail transaction	E-911 Fund (RR)
First Response Surcharge	N/A	N/A	N/A	N/A
GIS/Technology Surcharge	N/A	N/A	N/A	N/A

**Total**

\*Information Technology Investment Fund

- Amends RIGL 49-9-19 to change how the Department of the Attorney General handles multi-state initiatives and settlement funds. The article:
  - Authorizes the Attorney General to recover attorney fees and costs associated with prosecuting multi-state settlements and consider the recovered funds settlement proceeds.
  - Creates a new Attorney General multi-state initiative restricted receipt account for the deposit of settlement funds. The restricted receipt account can be used to fund staff, operational, and litigation costs associated with multi-state initiatives.
  - A Governor’s Budget Amendment (GBA) dated May 17, 2019, increased the amount of settlement proceeds the Department of the Attorney General is allowed to retain from 10.0 percent to 30.0 percent. The GBA also allowed the Department to retain \$1.5 million within the restricted receipt account at the end of each fiscal year. Article 2 lowers the amount of funds the Department may retain back down to the current law of 10.0 percent, up to \$65,000, in any fiscal year.

*Analyst Note: The additional funds the Department was allowed to retain in the GBA were intended to help fund an additional 5.0 FTE positions. The additional funding and positions would have allowed the Department to create a self-sustaining Multi-State Litigation unit to pursue more multi-state initiatives with the intent of recouping more settlement funding. These are not included in the budget.*

- Requires that all settlement proceeds accepted by the Attorney General, as part of the terms of the relevant master settlement agreement, will be subject to the annual appropriation process by the General Assembly.

**Article 3: Relating to Government Reform**

The article makes several changes regarding permits and licenses, regulatory authority, background checks, and tax administration. Specifically, the article:

- Eliminates fees associated with the permit required to offer parking in a lot, garage, or other parking facility located within the Warwick Airport Parking District. Previously this fee was \$10 per space, with a maximum of \$250 per permit. Although there is no longer a fee, the permit is still be required.
- Transfers regulatory authority for the display of gasoline prices and advertising from the Department of Business Regulation (DBR) to the Department of Labor and Training (DLT). Currently, DLT is responsible for inspecting gas pumps, while DBR is responsible for inspecting listed prices and advertisements.
- Eliminates two fees associated with gasoline permits including a \$10 license fee for a motor carrier fuel license, temporary license, or decal and a \$5 license fee for the retail sale of gasoline.
- Provides the Division of Personnel Administration with the authority to facilitate and/or coordinate state and national background checks for state employees to be repeated at least every ten years. The Budget also requires vendors, and their employees and subcontractors who may have access to federal tax information, to have state and national background checks.
- Authorizes the Director of the Department of Corrections (DOC) to utilize an online application system for Correctional Officer applicants and establish an application fee associated with the system. The online application system must leverage other law enforcement entity recruiting. The article also

requires that, in addition to the online application system, the DOC continue to provide an application that is free of charge pursuant to RIGL 28-6.3-1.

- Provides the Tax Administrator with authority to prepare a list of entities licensed to collect taxes and to publish the list on the Division of Taxation website.
- Repeals language requiring compliance monitoring of the Coventry Fire Department by the Division of Municipal Finance. The language was repetitive, as RIGL 44-5-69 requires that all fire districts that are authorized to assess and collect property taxes must submit annual financial statements that are audited by the auditor general.

The article amends RIGL 40-13.2 regarding criminal records checks and qualifications for childcare employment. Specifically the article requires the following obtain criminal background checks:

- Employees of facilities that are required to be licensed or registered with the Department of Human Services (DHS). Employees must also obtain an employment background check and a child abuse and neglect tracking system (CANTS) check. The Director of DHS can regulate which positions require the background checks.
- Persons seeking to operate a facility that is required to be licensed or registered with DHS.
- Those with supervisory or disciplinary power over children.
- Individuals seeking to volunteer at the Training School for Youth.
- Adult household members and volunteers of an operator of a family day-care home, group family day-care home.
- Individuals seeking employment in a child placing agency, child caring agency, children's behavioral health program or in foster and adoptive home.

This article amends RIGL 45-19-1 regarding state and municipal employees receiving Injured on Duty (IOD) benefits. Specifically, this article:

- Requires state employees receiving IOD benefits to apply for accidental disability benefits within 60 days after the treating doctor or independent medical examiner certifies that the patient has reached maximum medical improvement or permanent disability from injury and in any event not later than 18-months after the date of the person's injury. Either finding will require such recipient to apply for accidental disability pension benefit. Any person on IOD prior to July 1, 2019, shall have 90 days to apply for ordinary or accidental disability.
- Specifies that the proposed changes are to only impact state employees who are currently receiving IOD benefits and future state employees who are entitled to receive IOD benefits.
- Requires state employees receiving IOD benefits to apply for accidental disability benefits within 60 days after the treating doctor or independent medical examiner certifies that the patient has reached maximum medical improvement or permanent disability from injury and in any event not later than 18-months after the date of the person's injury.
- Requires state employees receiving IOD benefits with static or incapacitating permanent injuries to apply for accidental disability within 60 days after physician certification of the permanent injury.
- State employees on IOD prior to July 1, 2019, shall have 90 days to apply for an accidental disability benefit.
- State employee who fail to comply with these changes within the specified timeframe shall have their IOD benefits terminated.

**Article 4: Relating to Government Reorganization**

This article makes several changes to the State's general laws regarding the organization of state government. Specifically, this article:

- Consolidates the Contractor's Registration and Licensing Board and the Building Code Commission into a new State Building Office. The FY2019 Budget as Enacted established the Division of Building, Design and Fire Professionals within the Department of Business Regulation (DBR), consolidating the Building Code Commission, Contractors' Registration and Licensing Board, the Design Professionals Group, the Office of the State Fire Marshal, and the Fire Safety Code Board of Appeal and Review. The fragmentation of the building and design functions has resulted in redundancies in personnel. These changes will take effect on January 1, 2020.
- Eliminates the requirement that applicants to the Contractors' Registration and Licensing Board complete a written affidavit subject to perjury, and instead requires a signed statement that they are aware of the provisions and implications of the law.
- Maintains the Office of Veterans' Affairs within the Department of Human Services. This reverses the Governor's proposal to transfer the program to the Executive Office of Health and Human Services. The article also changes the name of the Office of Veterans' Affairs to the "Office of Veterans Services" and the Director of Veterans' Affairs to the "Director of Veterans Services" effective July 1, 2019.
- Repeals RIGL 30-27-1 that authorizes the General Assembly to appropriate funds in support of the annual encampment of the United Spanish War Veterans. This statute is removed from general law because it is outdated, as there are no surviving veterans from this organization.
- Maintains the Division of Elderly Affairs within the Department of Human Services. This reverses the Governor's proposal to transfer the program to the Executive Office of Health and Human Services. The article also changes the name of the Division of Elderly Affairs to the "Office of Healthy Aging" effective July 1, 2019, and specifies that all references in General Law to the former Department of Elderly Affairs or Division of Elderly Affairs shall be deemed to refer to the Office of Healthy Aging.
- Requires that the director of elderly affairs be appointed by the Governor with the advice and consent of the Senate. The Governor's Budget had removed the advice and consent requirement.
- Maintains a technical correction by eliminating the former Department of Elderly Affairs from the list of enumerated departments in state government. The Department of Elderly Affairs was removed as a department and consolidated as a division within Department of Human Services in 2011.
- Removes language that was proposed to clarify that whenever the Tax Administrator, Division of Taxation, Department of Administration, or the Department of Revenue is referenced concerning the collection of Temporary Disability Insurance, employee security taxes, or Job Development Fund it shall be construed to refer to the Director of the Department of Labor and Training.
- Eliminates the Motor Vehicle Inspection Commission. Under current law, the Motor Vehicle Inspection Commission functions as a division within the Department of Revenue. The seven-member commission is appointed by the Governor and is subject to Senate Advice and Consent. One or more members may be a garage keeper or inspection station owner. The commission shares a role with the Director of the Department of Revenue in overseeing State's motor vehicle inspection system and may conduct hearings. Article 4 eliminates the commission.
- Eliminates the Office of Federal Grants Management from within the Office of Management and Budget (OMB) and transfers the responsibility for federal grants management to the State Controller under the Accounts and Control program. It also establishes the Office of Regulatory Reform in the Office of Management and Budget.

- Adds language to broaden the reporting requirements for the inter-agency transfer of any state employee by amending RIGL 36-4-34.1. This change requires the Director of the Department of Administration or the State Personnel Administrator to file a written report to the President of the Senate, Speaker of the House, and to the chairpersons of the Senate and House Finance Committees within seven days of making a transfer of any state employee. The report shall contain the employee's name, work position and location, purpose and duration of the transfer, and the specific tasks to be assigned to the transferred employee.
- Establishes the Statewide Planning Program within the Department of Administration "to prepare, adopt, and amend strategic plans for the physical, economic, and social development of the state." The article changes the composition of the Statewide Planning Council to ensure a broader participation by communities and organizations, and codifies the Transportation Advisory Committee as one of the three principal advisory committees of the Metropolitan Planning Organization (MPO).
- Transfers the Small Business Ombudsman from the Office of Regulatory Reform within the Office of Management and Budget to the Department of Business Regulation (DBR). DBR is currently operating under a memorandum of understanding with the Office of Regulatory Reform that allows the Ombudsman to work within DBR, and the article formally transfers the Ombudsman to DBR.
- Transfers the licensing of child care providers from the Department of Children, Youth, and Families (DCYF) to the Department of Human Services. However, the article includes a new section that retains DCYF's responsibility to investigate complaints of abuse or neglect at a child care facility and maintains jurisdiction of the Rhode Island Family Court over such complaints. All other matters involving child care licensing shall be appealed to the Superior Court.
- Eliminates language proposed by the Governor to transfer the powers and duties of the Water Resources Board to the Division of Public Utilities and Carriers and eliminates language that transfers the administration of the Big River Reservoir from the Water Resources Board to the Department of Administration.

**Article 5: Relating to Taxes, Revenues, and Fees**

This article expands the sales tax to include digitally downloaded content, raises certain professional licensing fees, and makes other changes to revenues.

**PERSONAL INCOME / BUSINESS TAXES**

**Tax Administration:** Article 5 makes several changes to improve the administration of the Division of Taxation and bring Rhode Island personal income and business tax statutes into conformity with new federal law and Internal Revenue Service practices. Specifically, the article:

- Enables the Director of Lottery to withhold income tax from casino gambling and sports betting winnings, subject to regulations prescribed by the Tax Administrator.
- Amends Business Corporation Tax legislation to be in compliance with federal IRS changes and establishes the authority of the Tax Administrator to assess audited partnerships, direct partners, or indirect partners for owed taxes.

There is no fiscal impact related to these changes.

**Historic Preservation Tax Credit:** Article 5 extends the term for existing tax credits awarded under the State's Historic Preservation Tax Credit program from December 31, 2019, to December 31, 2022. The program provides credits between 20.0 and 25.0 percent of certain qualified rehabilitation expenditures on redevelopment projects involving historic structures. Use of credits issued since 2013 is contingent upon funding levels within the State's Historic Preservation Tax Credit Trust Fund. The program is currently unfunded and there is a queue of 37 projects with approximately \$67.1 million in potential credits.

**SALES / EXCISE TAXES**

**Sales Tax Changes:** The article makes several changes to the sales tax statutes, including:

- **Digital Downloads:** Expanding the State’s 7.0 percent sales tax to digitally downloaded content. This content includes:

- **Digital Audio-Visual:** Applies to the purchase or rental of, or subscription to, streamed movies and video. Examples include Netflix movies and YouTube channels.
- **Digital Audio:** Applies to podcasts and music, including streaming services such as Spotify and Sirius XM radio.
- **Digital Books:** Applies to e-books.

<b>FY2020 Revenue - Digital Content</b>	
Video	\$1.5
Music	0.6
Books	0.5
<b>Total</b>	<b>\$2.6</b>
<i>\$ in millions</i>	

The Budget includes \$2.6 million in sales tax collection as a result of this initiative. It is based on an October 1, 2019, start date.

- **New Exemptions:** Adding two new categories of products to the list of those items exempted from the State’s sales tax.
  - **Feminine Hygiene Products:** Article 5 exempts feminine hygiene products from the sales and use tax. The Budget assumes a revenue loss of \$617,211 in FY2020 based on an October 1, 2019 effective date.
  - **Urns:** Article 5 also exempts funeral urns and shrouds from the sales and use tax. The Budget assumes a revenue loss of \$75,000 in FY2020 based on an October 1, 2019, start date.
- **Sales Tax Reduction Trigger:** Article 5 repeals provisions in current law that would automatically reduce the sales tax by one-half percent in the event that the federal government was to enact the Marketplace Fairness Act.

The federal Marketplace Fairness Act of 2013 (MFA) was federal legislation that would grant states the authority to compel online and catalog retailers, known as “remote sellers,” no matter where they are located, to collect use tax at the time of a transaction. Local brick and mortar retailers are already required to collect sales tax on these same transactions. The federal legislation derived from the need to simplify sales and use tax rates across all states and enable states to increase collection and enforcement efforts based upon their existing sales and use tax laws.

The MFA would require remote sellers to collect the use tax on behalf of states when completing a taxable transaction with the resident of that state provided that the state has simplified their local sales and use tax laws. States may meet this requirement by implementing the simplification mandates as listed in the federal legislation, or voluntarily adopt the simplification measures of the Streamlined Sales and Use Tax Agreement (SSUTA). Any state which is in compliance with the SSUTA and that has achieved Full Member status as a SSUTA-implementing state will have collection authority beginning 180 days after the State publishes notice of the State’s intent to exercise the authority under this Act.

In anticipation of the passage of the Agreement, the 2011 General Assembly enacted a sales tax rate reduction that is only **triggered** upon change in the federal law. In the event that the MFA is enacted, the State sales and use tax would drop from the current 7.0 percent to 6.5 percent; the 1.0 percent local meals and beverage tax would increase to 1.5 percent; and, the 1.0 percent local hotel tax would increase to 1.5 percent.

The MFA has yet to be enacted; however, in June 2018, the Supreme Court of the United States upheld a South Dakota law that required a remote seller to collect and remit sales tax as long as certain



conditions were met. In the wake of the South Dakota vs. Wayfair decision, the 2019 Rhode Island General Assembly enacted a new remote sellers sales tax structure to compel online sales tax collection and remittance.

Because the federal **trigger** has not occurred, the State has not reduced the 7.0 percent sales tax. Based upon the May 2019 Revenue Estimating Conference sales tax estimate of \$1.2 billion in collections, the fiscal impact of a one-half percent decrease in the sales tax equates to an \$83.8 million revenue loss.

- **Hotel Tax Distribution:** Article 5 changes the distribution of 5.0 percent State hotel tax. Specifically, the article modifies how the portion of the State hotel tax that is collected from “residential units offered for tourist or transient use through a hosting platform” (such as AirBnB or VRBO) is distributed. Under current law this portion of the State hotel tax does not get distributed to local tourism districts and convention center authorities. Instead, 25.0 percent of this portion of the State hotel tax goes to the municipality that the property is located in and 75.0 percent is given to the Rhode Island Commerce Corporation (CommerceRI).

Article 5 aligns the distribution of the hosting platform portion of the State Hotel tax with the existing formula for the standard hotel room portion of the tax. There is no fiscal impact to municipalities, however, the CommerceRI allocation will be reduced slightly.

## DEPARTMENTAL FEES

**DEM Parking Fees:** Article 5 freezes the parking fees charged at State beaches through October 1, 2021. The Governor’s Budget originally included a proposal to raise parking fees by \$2.00/day or \$10.00/season for residents. These fees are double for non-residents. By eliminating this proposal, the Budget assumes a revenue loss relative to the Governor’s proposal of \$737,801. The following table shows the fees through October 1, 2021, based on Article 5:

Beach Parking Fees		
	Resident	Non-Resident
<b>Weekday</b>	\$6.00	\$12.00
<b>Weekend</b>	7.00	14.00
<b>Season Pass</b>	30.00	60.00

*Note: Seniors pay half price.*

**DBR Professional Fees:** Article 5 increases existing regulatory certifications and licensing fees administered by the Department of Business Regulation. Specifically, Article 5 increases the mortgage loan originator certification fee from \$100 to \$400 and the debt collector license fee from \$100 to \$500. The Budget assumes \$1.3 million and \$577,850 in revenue, respectively from each of these fee increases.

**Hospital License Fee:** Article 5 maintains the FY2020 hospital license fee at 6.0 percent, consistent with the Governor’s Budget, and reduces the FY2021 hospital license fee to 5.0 percent. The article grants a 37.0 percent discount for hospitals located in Washington County (South County and Westerly hospitals), amounting to a fee of 3.78 percent in FY2020 and 3.15 percent in FY2021. The Budget assumes \$193.8 million in revenue from the hospital fee in FY2020, \$13.0 million in more than the Governor’s Budget.

**DOR Collections Unit:** Article 5 adjusts the interest which the Collections Unit at the Department of Revenue may place upon a delinquent debt referred to it by a State agency. The current rate is 2.0 percent added to the prime rate in effect on October 1 of the preceding year of the referral date. Article 5 establishes a new calculation that is either 13.0 percent or the annual rate established by statute. There is no specific fiscal impact of changing the interest rates, however, to the extent that it is effective in incentivizing the payment of delinquent debt, the change should have a positive fiscal impact on revenue.

**Article 6: Relating to Debt Management Act Joint Resolution**

This article serves as a joint resolution for the issuance of up to \$330.5 million in debt required pursuant to RIGL 35-18-1, commonly known as the Kushner Act, to finance an array of projects across state government. The projects, total costs, financing instruments, annual amounts, and total debt are summarized below.

<b>Proposed Debt Authorizations</b>					<b>Annual Debt</b>	<b>Term of</b>
<b>Revenue Bonds</b>	<b>Department</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt</b>	<b>Service</b>	<b>Loan (years)</b>
Memorial Union	URI	\$51.5	\$60.8	\$112.3	\$3.7	30.0
Fraternity Circle Master Plan	URI	2.1	1.6	3.7	0.2	20.0
Combined Health & Counseling	URI	26.9	31.8	58.7	2.0	30.0
RITBA Project	RITBA	50.0	59.3	109.3	3.6	30.0
Issuance of Garvee Bonds	DOT	200.0	75.0	275.0	n/a	15.0
<b>Total</b>		<b>\$330.5</b>	<b>\$228.5</b>	<b>\$559.0</b>		

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

**URI Memorial Union (\$51.5 million)**

The article provides for the issuance of \$51.5 million in revenue bonds issued through the Rhode Island Health and Educational Building Corporation (RIHEBC) for the renovation and expansion of the Memorial Union. URI has completed an advanced planning study for this renovation. Total debt service is not expected to exceed \$112.3 million over 30 years, with an assumed interest rate of 6.0 percent. Annual payments are anticipated to be \$3.7 million. Debt service will be financed through auxiliary revenue.

**URI Fraternity Circle Master Plan (\$2.1 million)**

The article provides for the issuance of \$2.1 million in revenue bonds issued through the Rhode Island Health and Educational Building Corporation (RIHEBC) for utility and infrastructure improvements to the Fraternity Circle district of URI. While the first phase of this project (\$5.4 million) focused on utility improvements, the second phase will address streets and pedestrian networks. Fraternity Circle currently accommodates 13 Greek fraternities and sororities, providing housing to over 800 undergraduate students, and it is growing. Total debt service is not expected to exceed \$3.7 million over 20 years, with an assumed interest rate of 6.0 percent. Annual payments are anticipated to be \$183,088. Debt service will be financed through the University's unrestricted general fund.

**URI Combined Health & Counseling Center (\$26.9 million)**

The article provides for the issuance of \$26.9 million in revenue bonds issued through the Rhode Island Health and Educational Building Corporation (RIHEBC) for the design and construction of a new Combined Health & Counseling Center. This project will create a one-stop center to address the physical, emotional, and mental health needs of URI students. URI has completed an advanced planning study for the new facility. Total debt service is not expected to exceed \$58.7 million over 30 years, with an assumed interest rate of 6.0 percent. Annual payments are anticipated to be \$2.0 million. Debt service will be financed through auxiliary revenue.

**Rhode Island Turnpike and Bridge Authority (\$50.0 million)**

The article provides for the issuance of \$50.0 million in revenue bonds issued through the Rhode Island Turnpike and Bridge Authority (RITBA) for the renovation, renewal, repair, rehabilitation, upgrading and improvement of the Pell Bridge, Jamestown Verrazzano Bridge, Sakonnet River Bridge, and Mount Hope Bridge. The maintenance and improvement of these bridges is essential to the State's transportation infrastructure. Total debt service is not expected to exceed \$109.3 million over 30 years, with an assumed interest rate of 6.0 percent. Annual payments are anticipated to be \$3.6 million. Debt service will be financed through toll revenues, transfer of motor fuel tax, and other revenues.

**GARVEE Bonds (\$200.0 million)**

The article provides for the issuance of \$200.0 million in Grant Anticipation Revenue Vehicle (GARVEE) bonds issued through the Rhode Island Commerce Corporation to fund the bridge replacement, reconstruction, and maintenance of the Department of Transportation's (DOT) RhodeWorks program. Total debt service is not expected to exceed \$275.0 million over 15 years. Debt service will be financed through future Federal Highway Administration appropriations.

**Article 7: Relating to Motor Vehicles**

Article 7 makes a number of changes affecting the Division of Motor Vehicles (DMV).

- **Technology Surcharge Fee Increase:** The DMV currently collects a \$1.50 surcharge on every fee transaction. The revenue is deposited in the State's Information Technology Investment Fund with the provision that it be used to support the DMV's computer systems. The article raises the surcharge by an additional \$1.00 per transaction (to \$2.50 total) and eliminates the surcharge's June 30, 2022, sunset. The article prohibits the surcharge from being applied to transactions related to vehicle inspections.

The revenue collected from the additional \$1.00 surcharge is to be deposited into a restricted receipt account within the DMV for the purposes of supporting the Division's information technology system. All revenue from full the \$2.50 surcharge will shift to DMV restricted receipt account beginning July, 1, 2022.

- **License Plate Changes:** Article 7 delays the reissuance of license plates and increases the fee on reissued plates. It also adds a new DMV reporting requirement.
  - **Reissuance Delay:** The article delays the statutorily-mandated license plate reissuance by five months, from January 1, 2020, to June 1, 2020. This is the seventh time it has been delayed. Under RIGL 33-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every ten years.

*The Governor's Budget eliminated the plate reissuance requirement and substituted it with an enhanced vehicle inspection program. The proposed program would have used the inspection process to identify plates in need of being replaced. The Budget does not include this proposal.*

- **Fee Increase:** A fee for new plates required by a statutorily-mandated reissuance was first established in 1995. At that time, the General Assembly set the fee for a set of reissued license plates at \$6.00. This price has remained unchanged for 24 years. The Budget increases the fee for the first time by \$2.00, to \$8.00 total for a set of plates.
- **Reporting Requirement:** Beginning August 15, 2019, the article requires the DMV to provide a monthly report to the General Assembly outlining the previous month's activity and progress towards the implementation of the license plate reissuance. The reporting is required through August 15, 2020.
- **Certificate of Title Required to Register Vehicles over 20 Years Old:** Under current law, a certificate of title is not required to register vehicles that are 20 years or older. The article eliminates this exemption for all vehicles models from 2001 and after, effectively requiring all vehicle models 2001 and after to have a title.

**Article 8: Relating to Transportation**

This article makes a number of changes to transit oriented departments, including the Department of Transportation and the Rhode Island Public Transit Authority. Specifically, this article:

- Amends RIGL 38-18.1-4 to decrease the amount of the funds collected that are deposited into the Highway Maintenance Account (HMA) from 100.0 percent to 95.0 percent. The remaining 5.0 percent

will be retained by the Division of Motor Vehicles as general revenues and be used to partially offset the costs of fee collections.

- Extends RIPTA's \$5.0 million annual appropriation, from the HMA, to support the Free-Fare program indefinitely.
- Increases the per-trip fee for overweight and oversize vehicle permits (OOVP). The fee for non-divisible loads exceeding 80,000 lbs. increases from \$20 to \$40, and the fee for non-divisible loads exceeding 130,000 lbs. increases from \$20 to \$300. The increase in fees is estimated to generate an additional \$489,540 which will be payable to the DMV and deposited as general revenue.
- Increases the annual OOVP fee for non-divisible loads up to 130,000 lbs. from \$300 to \$400. The increased fees is estimated to generate an additional \$12,300 which will be payable to the DMV and deposited as general revenue.

### **Article 9: Relating to Education**

**Errors in Determination of State Education Aid Share Ratio:** The article provides that the Commissioner of Elementary and Secondary Education (Commissioner) shall notify affected local education agencies (LEAs), the Senate President, and the Speaker of the House within 15 days of the determination of any errors in the computation of the state's share of education aid for any local education agency discovered after the enactment of the state budget for that fiscal year. Realignment of aid payments will occur in the following fiscal year with any aid owed to the LEA paid in equal monthly installments.

If the LEA was overpaid, the amount to be withheld will be prorated to the number of full months remaining in the fiscal year when the LEA was notified of the error. Consequently, some of the overpayment will be recaptured.

If an error is found in the certified assessed valuations from a city or town, the Division of Property Valuation and the Commissioner must inform the LEA, the Senate President, and the Speaker of the House of the error within 5 days of determination.

**University of Rhode Island (URI) Board of Trustees:** The article shifts oversight of the University of Rhode Island (URI) from the Board of Education, Council of Postsecondary Education (Council), and the Commissioner of Postsecondary Education to the newly established Board of Trustees (Board). The article transfers all the duties and responsibilities pertaining to employees, debt service, and property from the Council to the Board.

Initially, the Board consists of following:

- 17 members appointed by the Governor, with the advice and consent of the Senate, for terms varying from one to three years.
  - In making the appointments, the Governor will give due consideration to recommendations from the President of URI.
  - At least three of these members must be residents of Rhode Island.
  - At least one shall be selected from a list of at least five names submitted by the Speaker of the House.
  - At least one shall be selected from a list of at least five names submitted by the President of the Senate.
  - Six members will serve a three-year term; seven members a two-year term, including the members from the lists provided by the Speaker and the President of the Senate; and, four will serve a one-year term.

- 13 voting members shall constitute a quorum, and the vote of a majority of those present and voting is required for action.
- One faculty member appointed by the president of URI, in a non-voting, ex officio capacity for a single two-year term.
- One full-time student appointed by the president of URI, in a non-voting, ex officio capacity for a single two-year term.
- The Chair of the Board of Education and the Chair of the Council on Postsecondary Education, in a non-voting, ex officio capacity.

After the initial terms of appointment have expired,

- Nine members will be appointed by the Governor, with the advice and consent of the Senate, including one member from each list submitted by the Speaker of the House and the President of the Senate.
  - Two members will serve a three-year term, and two members a two-year term, including the members from the lists provided by the Speaker and the President of the Senate; and, two will serve a one-year term.
  - Three of these members must be residents of the State.
- Eight voting members will be self-perpetuating members appointed by the Board pursuant to rules adopted by the Board, with due consideration to recommendation from the President of URI.

The chair of the Board shall be elected by a majority of the voting members of the Board, and public members of the Board may only be removed by the appointing authority of the member for cause. This section of the article will take effect on February 1, 2010.

*Analyst Note: An amendment is expected to change the effective date to 2020.*

**Need-Based Grants:** The article reduces the allocation of the need-based scholarships and grants to private, non-profit institutions in Rhode Island from \$2.0 million to \$1.5 million, or 20.0 percent of the total amount appropriated, whichever is less. Furthermore, the article expands the use of Collegebound revenues to include the dual/concurrent enrollment program, which allows high school students to take courses for college and high school credit at the URI, Rhode Island College, or the Community College of Rhode Island.

*Analyst Note: Historically, the need-based grants are funded from Collegebound revenues (\$6.0 million) and Guaranty Agency Reserves (\$4.0 million); however, as revenues from the Collegebound fund are projected to decline and the reserves are being depleted, the resources may be diverted to the dual/concurrent enrollment program, which is not need based, at the expense of the need-based scholarship program.*

**School Building Authority (SBA):** The article provides that the expenditure of restricted receipts provided by the Rhode Island Health and Educational Building Corporation (RIHEBC) to support personnel expenses for the SBA are subject to annual appropriation and approval by the General Assembly. Furthermore while current law allows RIHEBC to levy an administration fee of cities, towns, and local education agencies in an amount not to exceed one tenth of one percent (0.001) of the principal amount, the article clarifies that the limit is based on the original principal amount.

**Article 10: Relating to Making Revised Appropriations in Support of FY2019**

This article makes revised appropriations for general revenues, and includes revisions to authorized expenditures from federal, restricted and other funds as well as authorized FTE levels for each agency and department for FY2019.

<b>Expenditures by Source</b>	<b>FY2018 Final</b>	<b>FY2019 Enacted</b>	<b>FY2019 Governor</b>	<b>FY2019 Budget</b>	<b>Change to Governor</b>
General Revenue	\$3,798.7	\$3,908.2	\$3,947.0	\$3,933.8	(\$13.2)
Federal Funds	2,996.5	3,208.2	3,339.6	3,334.5	(5.1)
Other Funds	1,978.4	2,174.5	2,227.8	2,191.0	(36.8)
Restricted Receipts	258.6	281.8	294.3	287.1	(7.2)
<b>Total</b>	<b>\$9,032.2</b>	<b>\$9,572.7</b>	<b>\$9,808.7</b>	<b>\$9,746.4</b>	<b>(\$62.3)</b>
<b>FTE Authorization</b>	<b>15,187.2</b>	<b>15,209.7</b>	<b>15,230.7</b>	<b>15,221.7</b>	<b>(9.0)</b>

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

Article 10 outlines the appropriation amounts from all fund sources for the FY2019 Revised Budget. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article outline the use of contingency funds; expenditure limits for internal service funds; and, disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds.

- This article makes appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department. Article 1 also makes the following changes:
- Maintains the airport impact aid formula at \$1.0 million.
- Authorizes 15,221.7 FTE positions reflecting a decrease of 9.0 FTE positions as compared to the requested authorized level set in the Governor's FY2019 Revised Budget.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2020. In addition, the University of Rhode Island shall allocate \$350,000 to the Small Business Development Center and shall allocate \$50,000 to Special Olympics Rhode Island. Also the Office of the Postsecondary Commissioner shall allocate \$5.6 million to the Rhode Island Promise Scholarship program, \$355,000 to the Rhode Island College Crusade, \$147,000 to be used for the State's membership in the New England Board of Higher Education, and \$60,000 shall be allocated to Best Buddies Rhode Island.
- Limits the amount the Judiciary may charge 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 \$1.3 million. It requires Judiciary to provide \$230,000 to Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and requires \$90,000 be provided to the Rhode Island Legal Services to provide housing and eviction defense to indigent individuals.
- Decreases transfers from several quasi-public agencies and from unexpended bond proceeds by \$13.5 million from the Governor's recommendation, to the State Controller by June 30, 2019, to support the General Fund.

Agency	FY2018 Final	FY2019 Enacted	FY2019 Governor	Change	FY2019 Budget	Change
Electric and Gas Distribution Company	\$12.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Health and Educational Building	6.0	-	2.0	2.0	-	(2.0)
Narragansett Bay Commission	5.0	-	-	-	-	-
Infrastructure Bank	3.5	4.0	4.0	-	4.0	-
RI Housing	1.0	-	2.5	2.5	-	(2.5)
Quonset Development Corporation	1.0	-	2.0	2.0	-	(2.0)
Public Utilities Commission	0.3	-	-	-	-	-
RI Resource Recovery	-	-	5.0	5.0	-	(5.0)
RI Student Loan Authority	-	-	1.5	1.5	1.5	-
DEM - Oil Spill Prevention, Administration Response Fund	-	-	1.0	1.0	-	(1.0)
DEM - Underground Storage Tank Trust Fund	-	-	1.0	1.0	-	(1.0)
DEM - Government Entities - Inceptors Bond Funds	-	-	1.1	1.1	1.1	-
DEM - Government Water Pollution Control Bond Funds	-	-	0.1	0.1	0.1	-
DEM - Private Water Pollution Control Facility Bond Funds	-	-	0.0	0.0	0.0	-
DEM - State Recreational Facilities Development Renovation Bo	-	-	0.0	0.0	0.0	-
DEM - Local Recreational Facilities Distressed Bond Fund	-	-	0.0	0.0	0.0	-
DEM - 25 India Street (Shooter's) Bond Fund	-	-	0.2	0.2	0.2	-
DBR - Insurance Companies Assessment for Actuaries	0.8	-	-	-	-	-
DBR - Commercial Licensing Restricted Receipts	0.8	-	-	-	-	-
Water Resources Board Corporate Account	1.1	-	-	-	-	-
Commerce Corporation - Anchor Institution Tax Credit	-	0.8	0.8	-	0.8	-
<b>Total</b>	<b>\$32.0</b>	<b>\$4.8</b>	<b>\$21.2</b>	<b>\$16.4</b>	<b>\$7.7</b>	<b>(\$13.5)</b>

\$ in millions

### **Article 11: Relating to Healthcare Market Stability**

The article promotes stability in the health insurance market by making several changes to state statute. Specifically, the article:

- Amends the definition of health insurance coverage within the Individual Health Insurance Coverage Act to include short-term limited duration (STLD) policies, requiring the plans to meet the same standards of coverage as other policies sold in the state. California, Massachusetts, New Jersey, and New York currently prohibit the underwriting of STLD plans.
- Eliminates language in state statute that restricts Healthsource RI from collecting assessment fees on health insurance plans sold in the marketplace at a rate higher than the rate set by the federal government and sets the current assessment rate of 3.5 percent into law. This allows Rhode Island to separate the State's assessment from the federal assessment, which can impact revenues for Healthsource RI.
- Establishes a state-level Shared Responsibility Payment Penalty for failure to maintain minimum essential health insurance coverage. Penalty payments will be assessed beginning in the 2020 tax filing season and deposited as restricted receipts into the Health Insurance Market Integrity Fund. The Shared Responsibility Payment Penalty is designed to keep the State's uninsured rate low and will fund the Health Insurance Market Integrity Fund. Taxpayer penalty amounts are equal to a taxpayer's federal shared responsibility payment for the taxable year as of December 15, 2017. Exceptions may be made or financial hardship or religious reasons and no penalty is to exceed the statewide average premium for bronze-level plans.
- Removes the requirement that the Tax Administrator share data with Healthsource RI. The requirement, which was included in the original article submission, would have allowed the disclosure of names, ages, mailing addresses, incomes, and penalty amounts of individuals who did not maintain minimum essential coverage. The change limits outreach possibilities, but provides a safeguard on taxpayer personal information.
- Establishes the Health Insurance Market Integrity Fund (HIMIF), funded through restricted receipts gained from the shared responsibility penalty and federal funds through a Medicaid Innovation Waiver, to act as a reinsurance program for health insurance carriers in the state. The revised article prohibits the use of general revenues for reinsurance payments to health insurance carriers.

**Article 12: Relating to Economic Development**

Article 12 modifies several economic development tax credit incentives, including adjusting the maximum limits on the Rebuild RI, Qualified Jobs, and Motion Picture tax credits. A new incentive encouraging investment in federally-approved opportunity zones is established. The article also creates a new type of economic development district that facilitates expedited permitting and alleviates other local impediments to development. Lastly, Article 12 establishes a new small business assistance fund.

**Rebuild RI:** Article 12 makes several significant changes to Rebuild RI tax credit program.

- **Program Limits:** When the Rebuild RI tax credit program was first established by the General Assembly in 2016, several limits were instituted on the program to prevent awarded credits from outpacing general revenues and to ensure program performance. These checks included a \$150.0 million cap on the total amount of credits permitted to be issued, a \$15.0 million per-project limit, and an initial sunset date of December 31, 2018. These limits ensured that the General Assembly had an opportunity to evaluate the effectiveness of the program over time and, based on its analysis, either reauthorize the program or curtail it. In 2018, the General Assembly chose to extend the sunset date to June 30, 2020; however, it did not change the cap. To date, the RI Commerce Corporation (CommerceRI) has awarded \$111.0 million, or 74.0 percent of the total amount of the cap.

- **Sales Tax Exemption Limit:** The Rebuild RI tax credit program allows CommerceRI to provide sales tax exemptions to Rebuild RI projects on certain qualifying, project-related purchases. Of the 35 current Rebuild RI-awarded projects, 28 have also received sales tax exemption approvals, ranging in value from \$100,000 to \$2.7 million. Electric Boat is an outlier having received approval for an estimated \$18.0 million in sales tax exemptions. CommerceRI has approved \$41.9 million in sales tax exemptions in total.

Under current law, there is no limit (per project or in the aggregate) on the amount of sales tax exemptions that CommerceRI may approve. Article 12 establishes both a per project and an aggregate limit by folding the total amount of sales tax exemptions under the same program caps that the Rebuild RI tax credits are subjected to. The combined value of tax credits and sales tax exemptions is calculated retroactively to the beginning of the program.

- **New Cap:** Article 12 increases the maximum number of aggregate Rebuild RI tax credits and sales tax exemptions permitted to be awarded to a total of \$200.0 million. The original limit was \$150.0 million and pertained only to the tax credits. CommerceRI has approved \$111.0 million in tax credits and \$41.9 million in sales tax exemptions across 35 projects, for a total of \$152.0 million, or 76.0 percent of the total cap authorized by the article.
- **Sunset Extension:** Article 12 extends the sunset for the Rebuild RI tax credit program from June 30, 2020, to December 31, 2020.

*Analyst Note: The Governor's Budget extended the sunset of the Rebuild RI tax credit program and 11 other economic development incentives to December 2023. The Budget does not include the extension for any other incentives.*

- **Historic Structure Rebuild Projects:** Article 12 charges CommerceRI with developing streamlined application processes for the issuance of Rebuild RI tax credits for projects involving certified or recognized historic structures, manufacturers, or affordable or workforce housing. The article further requires the Division of Taxation to contact, at CommerceRI's expense, the developers who are currently in the queue to receive Historic Preservation tax credits should the program be recapitalized and extended. There are currently 37 projects in the queue with approximately \$67.1 million in potential credits under the historic preservation program.



**Rhode Island Opportunity Zone Incentive:** The federal Tax Cuts and Jobs Act of 2018 (TCJA) provided a federal tax incentive for private investors to direct capital gains into equity investments in development projects located in certain low-income communities, or “opportunity zones”. Rhode Island has 25 census tract-designated opportunity zones. Article 12 provides for an additional incentive to those taxpayers who choose to invest in Rhode Island opportunity zones.

- **TCJA Tax Incentive:** Under the existing federal program, taxpayers may defer, reduce, or potentially eliminate tax liability on capital gains by making timely investments in opportunity funds which, in turn, invest in opportunity zone projects. There are three levels of the incentive. The first is immediate tax deferral on eligible capital gains invested in an opportunity fund. The second is a 10.0 percent reduction in the capital gain liability if the deferred-gain investment is held in the fund for five years or a 15.0 percent reduction if held for seven years. The third is, for investments made by the fund in qualifying opportunity zone projects, the elimination of any tax liability on gains related to the project if the investment in the project is held for ten years.
- **Rhode Island Incentive:** Rhode Island, like many states, conforms its State tax laws to the federal law. The State, therefore, treats capital gains invested in Rhode Island opportunity zones similarly to the TCJA for purposes of State tax liability. Article 12 accelerates the time period in which the entire capital gains liability is eliminated, from ten years down to seven. There is no fiscal impact of the incentive until at least FY2026.

**Qualified Jobs:** Article 12 establishes a new limit on the State’s New Qualified Jobs Incentive program. The program allows CommerceRI to award tax credits to companies that grow their workforce in Rhode Island. The base amount of the credit is up to \$2,500 annually per job created. The amount of the credit can be increased up to \$7,500 depending on whether the company meets certain criteria. In addition to these base limits, the amount of credits per company cannot exceed the value of the reasonable W2 withholding received by the State for each new full-time job. Article 12 tightens this latter limit by setting the cap at 75.0 percent of the reasonable W2 withholding.

**Motion Picture and Musical/Theatrical Production Tax Credits:** Rhode Island offers a tax credit to motion picture and theatrical production companies equal to 30.0 percent of qualified production costs attributable to expenditures from activity within the State. Article 12 extends the sunset on the State Motion Picture tax credit program from July 1, 2024, to July 1, 2027. It also increases the aggregate limit on the value of annually-issued tax credits from \$15.0 million to \$20.0 million

**Special Economic Development Districts:** Article 12 provides for the creation of special economic districts.

- **Authorization:** Article 12 authorizes the General Assembly to establish “Special Economic Development Districts” (SEDD) for contiguous parcels of state-owned land over 20 acres, which are developable or blighted state-owned tracts or parcels of land. Properties owned or controlled by the Department of Environmental Management cannot be part of a SEDD.
- **Commissions:** The article also authorizes the creation of a separate commission for each established district to adopt, implement, and administer a plan for development. Each district commission shall consist of seven voting members. Members are to be appointed by the Governor with the advice and consent of the Senate.
- **Planning:** Districts shall adopt plans of development which regulate and restrict the construction, reconstruction, alterations, repair, or use of buildings, structures or land in a uniform, consistent, and non-discriminatory manner that is rationally related to the purpose of these districts.
  - The plan can only be adopted or amended after a public hearing before the commission, at which all interested parties have an opportunity to be heard. All abutting owners of property within 200 feet of the perimeter of the district will be notified at least seven days before the date of the hearing.

The notice will also be in the newspaper at least once a week for three consecutive weeks before the hearing.

- Before any structure can be touched, the person proposing construction has to file an application with the commission, together with all plans and specifications and all that may be required by the regulations of the commission.
- Each commission has the authority to grant variations from the district plan where the use granted by special exception is reasonably necessary for the convenience or welfare of the public and does not substantially or permanently injure the value of the neighboring property or where a variance will not be contrary to the public interest and the spirit of the plan will be observed.
- **I-195 Redevelopment District:** Article 12 specifically designates the I-195 Redevelopment District Commission as a SEDD and conveys to it all the powers of a special economic development district. The I-195 Redevelopment District will, therefore, be exempt from much of the City of Providence’s development oversight and checks.

**Small Business Development Funds:** Article 12 authorizes a new economic development tool specifically aimed at providing financing to small businesses Rhode Island. Specifically, the article authorizes the creation of multiple private capital funds designed to invest in small, Rhode Island-based businesses. The funding is targeted at the gap in financing that exists for many small businesses and start-ups. The program is to be administered by CommerceRI.

- **Program Model:** The Small Business Development Funds program model includes the following features:
  - **Fund Approval:** Investment companies apply to CommerceRI for authorization to form a Rhode Island Small Business Development Fund (SBDF). Applicants would have to meet certain federal and State criteria in order to qualify.
  - **Raising Capital:** Once approved, fund managers are awarded authority to raise money for their designated SBDF. Private investors provide capital to the funds in exchange for investment returns. A portion of these returns come from delayed, at-risk State tax credits. Article 12 requires that at least 45.0 percent of the capital raised comes from sources other than the investor awarded the tax credit. SBDF fund managers must provide at least 10.0 percent.
  - **Capital Investment:** CommerceRI is permitted to authorize up to \$65.0 million in capital investments, with no more than \$20.0 million to any one SBDF. These funds must be invested in small, Rhode Island-based businesses within three years.
    - Small businesses are defined as those with less than 250 employees and less than \$15.0 million in net income.
    - The businesses must be within one of the State’s target growth sectors.
    - Investments may take the form of debt or equity.

**Tax Credit Incentive:** Upon making an investment in a SBDF, an investor earns a vested right to a non-transferable credit against the investor’s State insurance premium tax liability. The credit is equal to the applicable percentage for the credit allowance date multiplied by the purchase price paid to the small business fund for the capital investment. The credit may not be taken within the first three years or prior to the deployment of 100.0 percent of a fund’s capital. The aggregate number of credits that can be claimed per year is capped at approximately \$14.0 million per year.

### ***Article 13: Relating to Human Services***

This article makes several changes to the financing and delivery of human services programs. The article combines elements of Articles 15, 16, 17, and 18 of the Governor’s Budget. Specifically, the article:

**Supplemental Security Income:** Modifies language regarding the State Supplemental Security Income (SSI) Category F payment. Category F is an enhanced SSI payment available to dual-eligible individuals (those eligible for Medicare and Medicaid) in assisted living facilities. Current law limits the Category F payment to individuals who receive long-term services and supports through a managed care arrangement. However, the State transitioned some dual-eligibles from managed care to fee-for-service on October 1, 2019, as part of a program redesign. Article 13 expands eligibility for Category F to include “alternative, successor, or substitute programs” to ensure that those individuals in assisted living facilities who were transitioned from managed care to fee-for-service do not lose the Category F benefit they were entitled to prior to the transition. The article also requires that the Department of Human Services (DHS) provide monthly data to the members of the caseload estimating conference regarding individuals receiving the Category F payment in both managed care and fee-for-service.

**Child Care Assistance:** Concurs with the Governor’s proposal to alter the child care reimbursement rate structure for licensed family child care providers providing care for infants and toddlers. The tiered reimbursement increase will be the result of two sets of standards: steps, as outlined in the collective bargaining agreement, and star ratings, as determined by BrightStars. Each provider will receive an initial increase based on their step level plus an additional increase based on their star rating; the sum determines the provider’s total reimbursement increase.

**Family Child Care Provider Reimbursement Rates - Infant/Toddler**

Star Rating	Step 1	Rate	Step 2	Rate	Step 3	Rate	Step 4	Rate	Total Percent Increase
	1%	\$180.34	2%	\$182.12	3%	\$183.91	4%	\$185.69	
	+		+		+		+		
1 Star	1%	\$182.14	0%	\$182.12	0%	\$183.91	0%	\$185.69	2%
2 Stars	4%	\$187.55	3%	\$187.58	2%	\$187.58	1%	\$187.55	5%
3 Stars	10%	\$198.37	9%	\$198.51	8%	\$198.62	7%	\$198.69	11%
4 Stars	13%	\$203.78	12%	\$203.98	11%	\$204.14	10%	\$204.26	14%
5 Stars	22%	\$220.01	21%	\$220.37	20%	\$220.69	19%	\$220.97	23%

Note: Based on a base rate of \$178.55

*Analyst Note: The Governor’s Budget increased reimbursement rates for family child care providers caring for infants, toddlers, and preschool-aged children. The Budget does not include an increase in reimbursement rates for preschool-aged children. The Budget also does not include the Governor’s proposal to expand child care assistance eligibility to include families who require child care in order to pursue an educational degree or professional certificate.*

The article also accepts the Governor’s proposal to increase the amount of liquid resources a family may have while still qualifying for the child care assistance program from \$10,000 to \$1.0 million. Liquid resources include any financial instruments or accounts that are easily converted into cash such as stocks, bonds, mutual funds, or savings accounts. The increase in allowable liquid resources corresponds to the limits set by the federal Office of Child Care in the Child Care and Development Fund Plan. Furthermore, Article 13 concurs with the Governor’s proposal to amend the child support conditions for child care assistance. Under current law, the parent or guardian of a child receiving child care assistance is required to work with DHS to establish paternity and work to enforce child and medical support for all children in the family, regardless of whether all children receive child care assistance. The Budget amends this condition to only apply to children who receive child care through the child care assistance program.

**Developmental Disabilities:** Modifies language to promote compliance with the Home and Community Based Services (HCBS) final rule to expand certain rights of individuals with developmental disabilities. These include access, at any time, to visitors, telephone communication, personal finances, newspapers, and other media. Current law grants “reasonable” access to these items.

**Patient-Centered Medical Home:** Repeals the sunset provision for the State’s patient-centered medical home (PCMH) program, which is a care delivery model coordinated through an individual’s primary care

provider. The article also allows the Secretary of the Executive Office of Health and Human Services (EOHHS) and the Health Insurance Commissioner to seek alternatives to the current fee-for-service payment model for the PCMH program, including partial or full capitation. Capitation is a payment arrangement which provides a fixed rate per patient per unit of time (typically per member per month) to cover a specific list of services.

**Section 1115 Waiver:** Alters the way in which EOHHS may amend its Section 1115 Demonstration Waiver. The Rhode Island Medicaid program operates almost entirely under this federal waiver, which was extended on December 20, 2018. Previous iterations of the waiver categorized any modifications to the waiver as Category I, II, or III, and required EOHHS to notify the General Assembly for any Category II or III changes. The new waiver eliminates these categories and reclassifies Category II changes as “state plan amendments” and Category III changes as “formal waiver amendments”. The article requires General Assembly approval for both formal waiver amendments and state plan amendments, maintaining the legislature’s oversight over the same types of changes to the 1115 waiver.

**Medicaid Populations:** Requires the Secretary of EOHHS to report Medicaid expenditures for both mandatory and optional coverage populations, reported separately, for each State agency that expends Medicaid funds. The article also requires reporting of administrative costs.

**RIte Share:** Directs EOHHS to develop a plan to improve participation in the RIte Share program. RIte Share is Rhode Island’s premium assistance program for Medicaid-eligible individuals who have access to employer-sponsored health insurance. The program pays all or a portion of a beneficiary’s premium on the employer-sponsored plan, rather than enrolling the individual in Medicaid, if it is more cost-effective for the State to do so. The Budget assumes \$1.1 million in general revenue savings (\$2.4 million all funds) by shifting 2,000 individuals from Medicaid to RIte Share. The article requires EOHHS to provide monthly RIte Share enrollment and expenditure data to the members of the caseload estimating conference. The data shall include the number of Medicaid recipients with access to employer-sponsored insurance as well as the number of employer-sponsored plans that do not meet the cost-effectiveness criteria for RIte Share.

*Analyst Note: The article does not include the Governor’s proposed Medicaid Employer Assessment, which would have assessed a fee against large employers for each employee enrolled in Medicaid. It appears that increasing utilization of RIte Share is an alternative to the Governor’s proposal.*

**Medicaid Provider Payments:** Modifies Medicaid payments to hospital and long-term care providers. Specifically, the article:

- **Hospital Rates:** Increases FY2020 rates for inpatient and outpatient hospital services by 7.2 percent compared to FY2019 rates. The article also states that FY2020 hospital rates shall serve as the baseline for future increases. This applies to hospital services financed both through fee-for-service Medicaid and through the managed care plans. This reverses the Governor’s proposal to freeze hospital rates and also provides a supplemental rate increase to adjust for prior year rate freezes, increasing general revenue expenditures by \$14.3 million (\$40.4 million all funds) relative to the Governor’s Budget.
- **Hospital Upper Payment Limit:** Concurs with the Governor’s proposal to eliminate the inpatient upper payment limit (UPL). This is a supplemental payment made to hospitals on a quarterly basis to reconcile the difference between Medicaid and Medicare payment rates.
- **Hospital Uncompensated Care:** Increases the FY2020 Disproportionate Share Hospital (DSH) payment from \$139.7 million to \$142.4 million. The article also sets the FY2021 payment at a maximum of \$142.4 million. The DSH payment reimburses hospitals for uncompensated care incurred on behalf of uninsured/underinsured patients or a disproportionately high number of Medicaid beneficiaries. The article also repeals RIGL 40-8.3-3(f) which allows the State to redistribute DSH funds among community hospitals after they have been allocated.

- **Nursing Home Rates:** Concurs with the Governor’s proposal to provide a 1.0 percent cost-of-living adjustment (COLA) increase to nursing home rates effective October 1, 2019.
- **Hospice Rates:** Concurs with the Governor’s proposal to limit the FY2019 rate increase to hospice providers delivering care in skilled nursing facilities, but modifies the language such that the room and board component is explicitly exempt from the annual inflation-based rate increase. This is because the room and board portion is passed through to the skilled nursing facility and is not retained by the providers targeted by the rate increase. The language ensures that nursing facilities receive the same room and board rate for both hospice and non-hospice patients.
- **Home Care Rates:** Continues the annual inflation-based rate increase for home care and home nursing care providers which was included in the FY2019 Budget as Enacted. This applies to fee-for-service providers contracting with the Executive Office of Health and Human Services (EOHHS), the Department of Human Services (DHS) Division of Elderly Affairs, and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH).

**Medicaid Resolution:** Includes a joint resolution authorizing the Executive Office of Health and Human Services (EOHHS) to undertake various reforms within the Medical Assistance (Medicaid) program. Specifically, the resolution:

- Increases hospital rates by 7.2 percent.
- Increases nursing home rates by 1.0 percent.
- Limits the FY2019 hospice rate increase by excluding the room and board component.
- Allows EOHHS to reduce Medicaid managed care organization (MCO) rates.
- Provides for a wage increase for direct support professionals (DSPs) who care for and support individuals with intellectual or developmental disabilities.

**Opioid Stewardship:** Establishes an opioid stewardship payment program requiring opioid manufacturers, distributors, and wholesalers to pay an amount, based on the amount of opioids manufactured or distributed in the State, into an Opioid Stewardship Fund. The first quarterly payment would be due on January 1, 2020. The Opioid Stewardship Fund would be used to support opioid treatment, recovery, prevention, and education programs operated by the State. The total amount of the fund is \$5.0 million annually, housed in a restricted receipt account within the Department of Health (DOH). A manufacturer, distributor, or wholesaler’s annual fee is based on that licensee’s in-State market share of opioid sales, excluding buprenorphine and methadone. Appropriations are subject to the approval of the directors of both DOH and BHDDH and must be reported annually to the Governor, the Speaker of the House, and the Senate President. Annual reports must specify which programs are funded using the Stewardship Funds and the amount expended within each program.

#### **Article 14: Relating to Lease Agreements**

This article reports new lease or rental provisions as required by RIGL 37-6-2(d), which provides legislative oversight on State lease or rental agreements. Specifically, the resolution authorizes four lease agreements:

<b>State Agency</b>	<b>New Location</b>	<b>Lease Term</b>	<b>Aggregate Rent</b>	<b>Max. Annualized</b>
Transportation	288 Allens Avenue, Providence	5-years	\$2,988,288 - \$3,000,000	\$600,000
Corrections	249 Roosevelt Avenue, Pawtucket	5-years	\$515,000 - \$520,000	104,000
Human Services	249 Roosevelt Avenue, Pawtucket	5-years	\$2,375,000 - \$2,700,000	540,000
Elections	2000 Plainfield Pike, Cranston	10-years	\$6,000,000 - \$6,500,000	650,000
<b>Total</b>				<b>\$1,894,000</b>

- Seeks General Assembly approval to authorize the Department of Transportation (DOT) to renew a lease agreement with 288 Allens Avenue, LLC, for a five-year period. The DOT currently holds a lease agreement with 288 Allens Avenue, LLC, for 33,000 square feet of garage and maintenance space. The article provides that the aggregate rent for a five-year lease term in the lease agreement will be \$3.0 million.
- Seeks General Assembly approval to authorize the Department of Corrections (DOC) to renew a lease agreement with PUI O, Inc., for a five-year period. The DOC currently holds a lease agreement with PUI O, Inc., for a 4,200 square foot space located at 249 Roosevelt Ave in Pawtucket. The DOC uses this space as a regional Adult Probation and Parole location to provide probation and parole services to Pawtucket and the surrounding communities. Annual all-inclusive rent for the property in FY2019 is \$99,734. The article provides that the aggregate all-inclusive rent for a five-year lease term in the lease agreement will be \$515,000 to \$520,000.
- Seeks General Assembly approval to authorize the Department of Human Services to renew the lease with PUI O, Inc., for a five-year period. DHS currently holds a lease agreement with PUI O, Inc., for a 24,400 square foot space located at 249 Roosevelt Ave in Pawtucket. DHS uses this space as a regional location to provide services to Pawtucket and the surrounding communities. The article provides that the aggregate rent for a five-year lease term to be \$2.4 million to \$2.7 million.
- Seeks General Assembly approval to authorize the Board of Elections to sign a lease with Dean Warehouse Services, Incorporated, and Berkeley Acquisition, Incorporated, for office and warehouse space located at 2000 Plainfield Pike in the City of Cranston. The article provides that the aggregate rent for a ten-year lease term will be within the range of \$6.0 million to \$6.5 million.
- Removes the request by the Office of the Post-Secondary Commissioner for a lease for the purpose of developing and operating a northern Rhode Island and Woonsocket Education & Industry Center (Center). The item was withdrawn at the request of the Department of Administration because the article did not provide any information on the proposed term of the lease; the location; or, owner of the property as required by RIGL 37-6-2(d).
- Removes the request by the Department of Human Services to enter into a ten-year lease agreement for a facility located in Providence. The item was withdrawn at the request of the Department of Administration because the article did not provide any information on the proposed term of the lease; the location; or, owner of the property as required by RIGL 37-6-2(d).

#### ***Article 15: Relating to Marijuana***

The budget makes changes to laws relating to medical marijuana and cannabidiol (CBD) products. Specifically the article:

- Establishes the Office of Cannabis Regulation (OCR) to provide oversight of the medical marijuana program and the growth and sale of CBD products. The Budget limits the sale of consumable products to adults over the age of twenty-one.
- Permits the retail sale of cannabidiol products, so long as all production, distribution and retail sales are consistent with applicable state or local food processing and safety regulations.
- Requires a license fee of \$500 to obtain a distributor and/or retail license that must be renewed annually. The fee is waived for those who maintain an active grower/handler license. All CBD fees are to be deposited into the Industrial Hemp Licensing restricted account to finance the costs of administering the licensing, inspections, and enforcement of CBD growth and sales.
- Increases the number of compassion centers from three to nine, and allows for multiple compassion centers in a city or town. The Budget increases the compassion center application fee from \$250 to \$10,000, and the license fee from \$250,000 to \$500,000. The Budget does not require

compassion centers to obtain cultivator licenses and processor licenses in addition to the compassion center license as proposed in the Governor's Budget.

- Maintains the current home-grow plant restriction at twelve mature plants and twelve immature plants. The Governor's Budget had proposed decreasing the number of allowed plants to six mature plants and six immature plants.
- Eliminates physicians licensed in Massachusetts and Connecticut as practitioners as physicians who can provide written certification of a medical condition. The physician must certify the medical condition, but is no longer required to supply medical records to provide evidence of a medical condition.
- Requires a caregiver registration card in order to obtain medical marijuana plant tags. The article requires that primary caregivers register with OCR. Medical marijuana patients can be issued caregiver cards as long as they qualify to serve as their own caregiver. The Budget does not require that medical marijuana patients prove hardship to serve as their own caregiver and does not limit caregivers to one patient as proposed in the Governor's Budget.
- Prohibits an employer from penalizing or refusing to employ someone solely based on their status as a cardholder, except in cases that violate employment conditions under collective bargaining agreements, when federal law demands otherwise, or in cases that would jeopardize safety.
- Removes the Governor's proposal to legalize the adult-use of marijuana and the associated Marijuana Trust Fund. The Budget also excludes the proposed 80.0 percent tax on cannabidiol products.

## Senate Fiscal Office

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Administration  
Board of Elections  
Commission on Disabilities  
Convention Center Authority  
Ethics Commission  
General Treasurer  
Governor  
Human Rights Commission  
I-195 Redevelopment Commission  
Lieutenant Governor  
Military Staff  
Public Defender  
Public Utilities Commission  
Quonset Development Corporation  
RI Emergency Management Agency  
Secretary of State

**Kelly M. Carpenter**  
*Legislative Fiscal Analyst II*

Arts Council  
Atomic Energy Commission  
Coastal Resources Management Council  
Elementary and Secondary Education  
Environmental Management  
Health & Educational Building Corporation  
Higher Education  
Judiciary  
Narragansett Bay Commission  
Resource Recovery Corporation  
RI Infrastructure Bank  
Student Loan Authority

**David Tremblay**  
*Deputy Senate Fiscal Advisor*

Executive Office of Commerce  
Legislature  
Public Safety  
Revenue  
RI Commerce Corporation  
RIHMFC (RI Housing)

**Emily W. Tumber**  
*Legislative Fiscal Analyst I*

Executive Office of Health and Human Services  
Child Advocate  
Children, Youth, and Families

**Shanna Vecchio-Schubert**  
*Legislative Fiscal Analyst I*

Attorney General  
Corrections  
Historic Preservation and Heritage Commission  
Human Services  
Labor and Training  
RI Airport Corporation  
RI Public Transit Authority  
RI Turnpike & Bridge Authority  
Transportation

**Brittany A. Williams**  
*Legislative Fiscal Analyst I*

Behavioral Health, Developmental Disabilities,  
and Hospitals  
Business Regulation  
Commission on Deaf and Hard of Hearing  
Health  
HealthSource RI  
Mental Health Advocate