



SENATE FISCAL OFFICE
REPORT

**GOVERNOR'S FY2020
AND
FY2019 SUPPLEMENTAL
BUDGET**

2019-H-5151 AND 2019-H-5150

BUDGET ANALYSIS

APRIL 18, 2019

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EXECUTIVE SUMMARY

Executive Summary

The Governor's FY2020 Budget recommendation totals \$4,075.1 million in general revenue; \$166.9 million greater than the FY2019 Budget as Enacted. The recommendation includes \$9,930.0 million in all funds; an increase of \$357.3 million above the FY2019 Budget as Enacted. |

Expenditures by Source	FY2018 Final	FY2019 Enacted	FY2019 Governor	Change to Enacted	FY2020 Governor	Change to Enacted
General Revenue	\$3,798.7	\$3,908.2	\$3,947.1	\$38.8	\$4,075.1	\$166.9
Federal Funds	2,996.5	3,208.2	3,339.6	131.4	3,318.7	110.5
Restricted Receipts	258.6	281.8	294.3	12.5	301.5	19.6
Other Funds	1,978.5	2,174.5	2,227.8	53.2	2,234.8	60.3
Total	\$9,032.2	\$9,572.7	\$9,808.8	\$236.0	\$9,930.0	\$357.3

Expenditures by Function

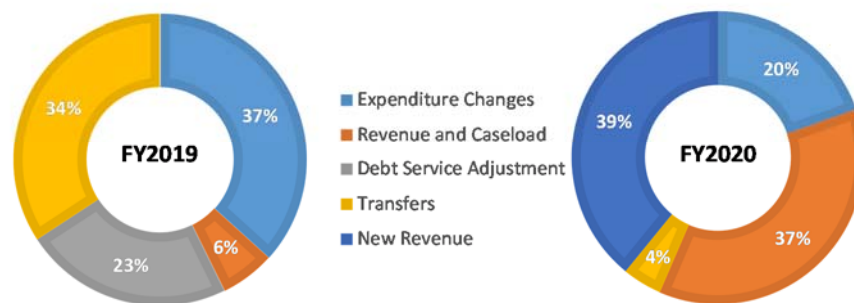
General Government	\$1,429.3	\$1,534.3	\$1,583.3	\$49.0	\$1,626.5	\$92.2
Human Services	3,934.3	4,068.1	4,175.6	107.5	4,200.6	132.4
Education	2,559.3	2,658.9	2,674.2	15.3	2,746.6	87.7
Public Safety	570.2	605.3	636.0	30.8	618.7	13.4
Natural Resources	85.7	115.2	107.3	(7.9)	108.2	(7.0)
Transportation	453.5	591.0	632.4	41.4	629.5	38.5
Total	\$9,032.2	\$9,572.7	\$9,808.8	\$236.0	\$9,930.0	\$357.3

FTE Authorization **15,186.2** **15,209.7** **15,230.7** **21.0** **15,413.7** **204.0**

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

The Governor submitted two budget bills this year - a separate FY2019 Supplemental Budget and the FY2020 proposal. The budgets close estimated deficits of \$45.1 million in the current year and \$157.8 in FY2020. In FY2019, the Governor relies heavily on transfers from agency reserves, or "scoops" to address the deficit, while in FY2020, new revenue and updated revenue estimates are most impactful.

DEFICIT SOLUTIONS



A more detailed look at the Governor's FY2020 solution is shown in the following table. November Revenue and Caseload Estimating Conference results were the largest contributor to the budget solution, followed by new proposed tax and fee changes, and then expenditure reductions in state agencies.

FY2020 Deficit Solution

Projected deficit (July)	(\$157.8)
Nov REC/CEC	60.6
FY2019 Carry Forward	2.9
Rainy Day Fund	(3.9)
Projected Deficit (January)	(\$98.1)

Budget Initiatives

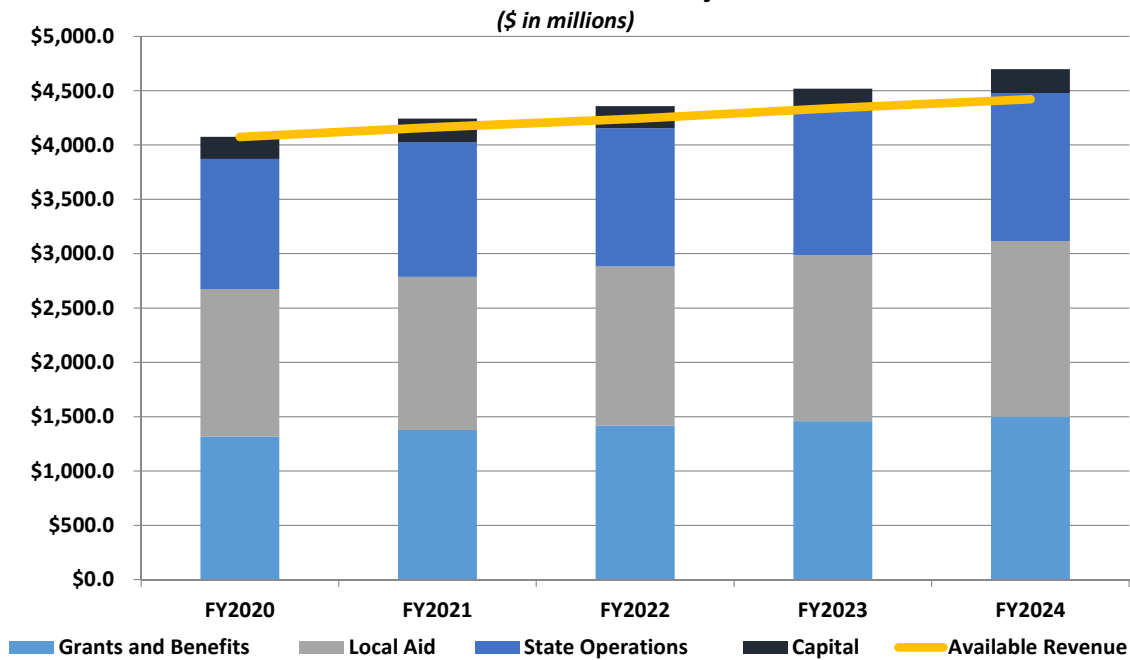
Expenditure Reductions	(\$31.0)
Transfers and Other Operational Changes	6.7
Tax and Fee Changes	61.2
Projected Ending Balance	\$0.7

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

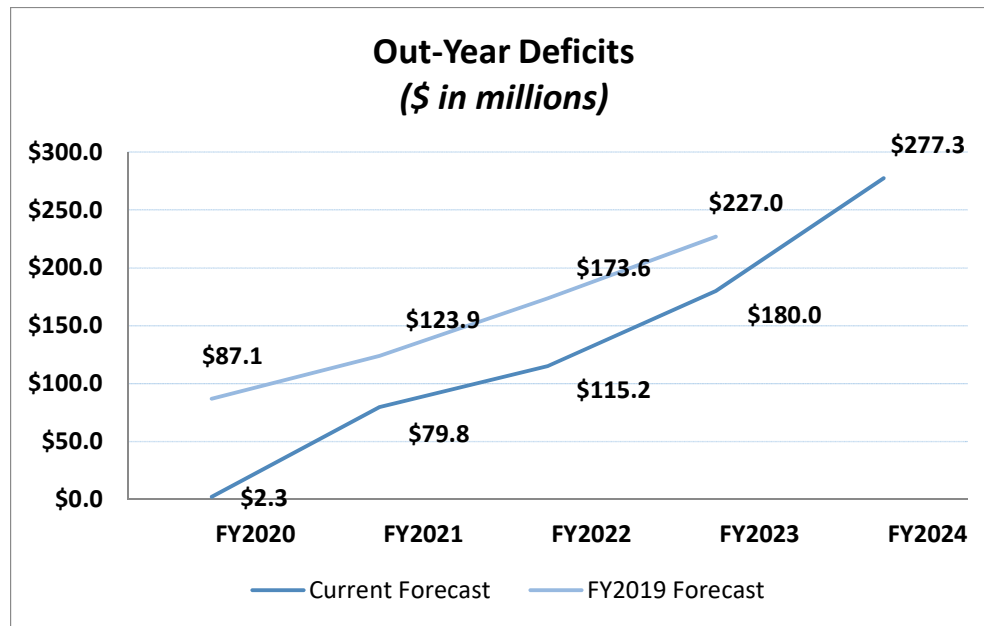
FIVE-YEAR FORECAST

The Budget projects out-year deficits increasing from \$79.8 million in FY2021 to \$277.3 million in FY2024 (5.9 percent of spending). Projected average annual revenue growth of 2.1 percent, coupled with a projected average annual increase in expenditures of 3.6 percent, creates the State’s projected deficit. Actual out-year performance could vary significantly if growth rates used for both revenue and expenditure forecasts are inaccurate. Drivers of the forecast include Medicaid and education inflation and increasing motor vehicle excise tax payments. The timing, location, and types of activity allowed at Massachusetts gaming facilities, the state of the Affordable Care Act at the federal level, and the timing of a potential economic recession all present risks.

FY2020-FY2024 Out Year Projections



Out-year deficit projections are lower than what was forecast one year ago. Increasing base revenue collections and assumed implementation of FY2020 expenditure reductions combine to reduce the FY2023 projected deficit by \$47.0 million.



RAINY DAY FUND

In 1990, the Budget Reserve and Cash Stabilization Account, or Rainy Day Fund, was created to establish a fiscal cushion for the State when actual revenues received are less than State expenditures (deficit). The account is funded by limiting annual State general revenue appropriations to a percentage (currently 97.0 percent) of available revenues. Excess funds are deposited to the Rainy Day Fund. The spending limitation, Rainy Day Fund, and disposition of excess funds are governed by provisions in the RI Constitution and General Laws.

RIGL 35-3-20 institutes a cap on the balance of the Rainy Day Fund, which gradually increased between FY2007 and FY2013. Since FY2013, the balance of the Fund has been capped at 5.0 percent of general revenues. When the limit is reached, excess funds are transferred to the Rhode Island Capital Plan (RICAP) fund for capital improvement projects.

FY2018 closed with \$198.5 million in the Rainy Day Fund. The Governor's proposal would see that increase to \$210.5 million in FY2020.

GENERAL REVENUE SURPLUS STATEMENT

	FY2017 Audited	FY2018 Audited	FY2019 Enacted	FY2019 Governor	FY2020 Governor
Opening Surplus					
Free Surplus	\$167,818,206	\$61,660,230	\$31,264,778	\$52,525,379	\$2,948,779
Reappropriated Surplus	7,848,853	10,338,899	-	10,057,409	-
Subtotal	\$175,667,059	\$71,999,129	\$31,264,778	\$62,582,788	\$2,948,779
Total Revenues	\$3,684,357,619	3,908,384,435	3,998,485,298	\$4,009,272,170	\$4,198,887,451
To Cash Stabilization Fund	(115,565,275)	(119,101,340)	(120,892,502)	(121,853,926)	(126,055,087)
From Cash Stabilization Fund					
Total Available Resources	\$3,744,459,404	\$3,861,282,224	\$3,908,857,574	\$3,950,001,032	\$4,075,781,143
Total Expenditures	\$3,672,460,275	3,798,699,436	\$3,908,207,061	\$3,947,052,253	4,075,093,139
Total Surplus	71,999,129	62,582,788	650,513	2,948,779	688,004
Free Surplus	\$71,999,129	\$62,582,788	\$650,513	\$2,948,779	\$688,004
Rainy Day Fund	\$192,608,792	\$198,502,233	\$201,487,504	\$203,089,877	\$210,157,877

Revenue Changes

The Governor's FY2020 Budget increases general revenue collections by an estimated \$67.8 million above the November 2018 revenue estimate, excluding the annually enacted hospital *license* fee. The Governor includes \$180.8 million for the fee. Revenue initiatives include an assessment on certain employers with Medicaid-eligible employees, elimination of loopholes in remote seller sales tax collection, transfers from quasi-public corporations, and the revenue activity associated with the legalization of the use of marijuana, and other changes.

Governor's Recommended Revenue Changes	FY2020
Hospital License Fee	\$180.8
Employer Medicaid Initiative	15.6
Sales Tax on Remotes Sellers	11.5
Sales Tax on Services	8.2
Transfers	7.0
Marijuana Changes	6.5
Cigarette & Other Tobacco Revenue Changes	4.6
Hotel Tax	4.4
Lottery Changes	2.8
Sales Tax on Digital Downloads	2.6
DEM Fees	2.5
Beverage Container Fee	2.1
DBR Fees	1.8
Enhanced R&D Credit	(1.3)
EOHHS Revenue Changes	(1.1)
DMV Revenue Changes	(0.9)
Guns and Ammo	0.8
DOR Revenue Enhancements	0.8
SARA Fees	(0.1)
Total	\$248.6

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

Hospital License Fee

\$180.8 million

Article 19 authorizes the State to collect the hospital license fee in FY2020, which will generate \$180.8 million in revenues. The license fee maintains the FY2019 rates of 3.78 percent for hospitals located in Washington County and 6.0 percent for all other non-psychiatric community hospitals.

Employer Medicaid Initiative

\$15.6 million

Article 16 creates an employer public assistance assessment, which would impose a fee on large, for-profit companies for each non-disabled employee enrolled in Medicaid. The article authorizes the state to assess employers on a quarterly basis, effective October 1, 2019, at a rate of 10.0 percent of wages, up to a maximum amount of \$1,500 per employee per year. Applicable employers may appeal the determination to the Department of Labor and Training. The assessment is expected to generate \$15.6 million in new revenues FY2020 and would require collaboration between the Departments of Administration, Revenue, Labor and Training, and Human Services as well as the Executive Office of Health and Human Services (EOHHS).

Sales Tax on Remote Sellers

\$11.5 million

Article 2 of the Supplemental budget adjusts the statutory framework underpinning the obligations of remote sellers (i.e. business not located in Rhode Island) and online retail sales facilitators (such as Amazon)

to collect from or otherwise notify in-state purchasers of their sales tax liabilities. A 2018 Supreme Court ruling explicitly permits states to collect sales tax from online commerce.

The Office of Revenue Analysis (ORA) estimates that these adjustments will generate \$11.5 million in FY2020. This estimate is based on a July 1, 2019, implementation date. To meet this requirement, OMB recommends an authorization timeframe beginning April 1, 2019.

Sales Tax on Services

\$8.2 million

The Budget expands the sales tax to apply several professional services including lobbying; interior design services provided in residential buildings; and hunting, trapping, and shooting range services. The Budget Office estimates a total of \$8.2 million in new general revenue from these initiatives.

Sales Tax on Services	
Building Services	\$6.2
Lobbying	0.9
Hunting, Trapping, & Shooting Ranges	0.6
Interior Design	0.5
Total	\$8.2

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

Transfers

\$7.0 million

The Governor transfers \$7.0 million in reserves from three quasi-public agencies to support the General Fund.

Agency	Amount
RI Infrastructure Bank	\$4.0
RI Student Loan Authority	\$1.5
RI Housing	\$1.5
Total	\$7.0

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

Marijuana Changes

\$6.5 million

The Governor includes \$6.5 million in revenue attributable to the legalization of recreational use of marijuana and changes to the medical marijuana program. The following table summarizes these changes:

Marijuana Revenue Impacts	
Marijuana Excise	1.4
Adult-Use Licensing Fee	1.2
Cultivator Weight-Based	1.2
Sales Tax Collections	1.0
New Compassion Center Sales Tax	0.5
Transfer of Excess MM restricted receipts to GR	0.3
Compassion Center - Retail Only License	0.3
Home Grow Sales Tax	0.3
Home Grow Surcharge	0.2
Hemp Derived CBD Products Wholesale Tax	0.1
Total	\$6.5

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

Cigarette and Other Tobacco Revenue Changes

\$4.6 million

The Budget make several changes to the taxes on cigarettes, cigars, and electronic cigarettes, summarized in the following table:

Cigarette and Other Tobacco Changes

Increase in Cigarette Tax	\$2.5
Increase in Floor Tax	\$0.7
Increase in OTP Cigar Max Tax	\$0.6
Tobacco Licensing Fees	\$0.5
Excise Tax on Electronic Cigarettes	\$0.4
Cigarette Sales Elasticity	(\$0.1)
Total	\$4.6

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

Hotel Tax**\$4.4 million**

The Budget increases the 5.0 percent state hotel tax to 6.0 percent. The hotel tax distribution formula is adjusted to hold local tourism districts and the Commerce Corporation harmless, with all additional revenue from the 1.0 percent increase going to the general fund. The proposal is estimated to generate \$4.4 million in general revenue.

Lottery Changes**\$2.8 million**

The Budget includes several significant changes to gaming in Rhode Island. These include the use of mobile applications within the state for sports betting and other lottery games.

Lottery Revenue Changes

Mobile App - Sports Betting	\$3.0
REC Correction	(1.1)
Mobile App - Traditional Lottery	0.9
Total	\$2.8

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

Sales Tax on Digital Downloads**\$2.6 million**

The Budget authorizes the State to levy sales tax on the digital downloading of video, music, and electronic book content from the internet.

Digital Downloads

Videos	\$1.5
Music	0.6
E-Books	0.5
Total	\$2.6

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

DEM Fees**\$2.5 million**

The Governor increases fees related to several Department of Environmental Management programs including state beach and campground fees.

DEM Fees

Hard to Dispose of Fees	\$1.0
Beach Fees	0.7
Campground Fees	0.7
Other Fees	0.1
Total	\$2.5

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

Beverage Container Fee**\$2.1 million**

The Budget increases the tax on beverage containers sold by wholesalers to a beverage retailer or consumer from four cents to eight cents. The estimated increase in revenue for FY2020 is \$2.1 million.

DBR Fees**\$1.8 million**

Article 5 increases licensing fees for several professions overseen by the Department of Business Regulation. Specifically, the Budget increases the mortgage loan originator certification fee from \$100 to \$400 and the debt collector license fee from \$100 to \$500.

DBR Fees	
Registration Mort. Loan Originators	\$1.2
Debt Collector License/Branch Certificate	0.6
Total	\$1.8

Enhanced R&D Credit**(\$1.3 million)**

Article 12 of the Budget establishes a new credit against personal income for early stage companies or those substantially increasing investment in research and development within Rhode Island. The credit may be up to 22.5 percent of all qualified research expenses. In FY2020, this new credit results in an estimated \$1.3 million loss in revenue.

EOHHS Revenue Changes**(\$1.1 million)**

The Governor reduces general revenue by \$1.1 million due to proposed reductions various health and human services initiatives.

EOHHS Revenue Changes	
HCP COLA	(\$0.3)
TC Hospice & NH	(\$0.3)
Rate Freeze	(\$0.3)
MCO Performance Goal Elim	(\$0.1)
Duel Eligible	(\$0.1)
MCO COLA	(\$0.0)
C-Section Reduction	(\$0.0)
Total	(\$1.1)

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

DMV Revenue Changes**(\$905,080)**

The Budget makes several changes to the revenue activity within the Department of Motor Vehicles. Article 5 authorizes the DMV to charge municipalities \$5.00 to block vehicle registrations of individuals who have outstanding property tax liabilities. It also eliminates the requirement to reissue license plates every ten years. Lastly, it increases the cost of permits for oversized vehicles. The following table summarizes the fiscal impact of the changes:

DMV Fees	
License Plate Reissuance Elimination	(\$1.8)
Overweight Fees	0.5
DMV Tax Blocks	0.4
Total	\$0.9

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

Guns and Ammunition**\$804,305**

The Governor recommends imposing a 10.0 percent surcharge on the first sale or use of firearms and ammunition in the state. The estimated revenue on this initiative in FY2020 is \$804,305.

DOR Revenue Enhancements**\$750,000**

The Budget include additional staff within the Department of Revenue's Collections Unit. The new revenue-generating staff include an additional 1.0 Attorney FTE position and 1.0 Case Management Systems FTE position.

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

Article 2 of the Budget creates a restricted receipt account in the Office of the Postsecondary Commissioner's budget in which all fees related to interstate reciprocity agreements regarding postsecondary distance education and learning programs will be deposited. State Authorization Reciprocity Agreement (SARA) fees had previously been deposited as general revenue.

FY2019 SUPPLEMENTAL CHANGES**Transfers from Quasi-Public Agencies** **\$16.4 million**

The Governor transfers approximately \$16.4 million in reserves from eight quasi-public sources to support the General Fund.

Agency	Amount
RI Resource Recovery	\$5.0
RI Housing	2.5
RI Health and Educational Building Corporation	2.0
Quonset Development Corporation	2.0
RI Student Loan Authority	1.5
Bond Funds - Unexpended Proceeds	1.4
Oil Spill Prevention, Administration, and Response (OSPAR)	1.0
Underground Storage Tank Trust	1.0
Total	\$16.4

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

Expenditure Changes by Agency

Administration: The Governor includes \$9.1 million in additional general revenue for debt service on new general obligation transportation and recreation bonds. There is a similar general revenue increase of \$2.9 million for certificates of participation debt service.

The Governor also includes general revenue increases of \$6.9 million for Historic Structures Tax Credits, \$520,000 on the I-195 Redevelopment Bonds (\$3.0 million total), and an increase of \$1.5 million for debt service related to the Garrahy Courthouse Garage construction (\$3.1 million total).

- **Water Resources Board:** The Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. This shifts approximately \$437,605 from general revenue to restricted receipts.
- **Litigation Oversight Unit:** The Governor adds \$105,537 in general revenue and \$105,537 in federal funds to establish a litigation oversight unit, with 2.0 FTE positions to track the number of hours invested on litigation for state agencies and to bill the appropriate federal funds. The Governor's proposal does not include general revenue savings.
- **2020 Census:** The Governor transfers \$123,717 in general revenue and a 1.0 Chief Program Development position from the Department of Revenue to create a Data Analyst I position. This position will assist in the collection, monitoring, and analysis of the State's 2020 census count. In addition, the Governor adds \$150,000 in general revenue for a Complete Count Initiative.
- **MPA 1.0 Percent Assessment:** The Budget includes a new 1.0 percent administrative fee assessment on all Master Price Agreement (MPA) expenditures including municipal MPA expenditures.
- **HealthSource - Individual Mandate:** The Governor adds \$400,000 in general revenue for software management agreements to fund HealthSourceRI's implementation of the "Shared Responsibility Payment Penalty."
- **New FTE positions:** The Governor adds 18.0 FTE positions to the department to expand or enhance work regarding the e-procurement system, employee benefits, IT, recruitment and training, and capital asset management. The increase is partially offset with the transfer of 3.0 FTE positions from the water Resource Board to the Public Utilities Commission.

Business Regulation: The Budget includes a \$1.1 million increase in general revenue (\$6.3 million all funds) and an additional 26.0 FTE positions in the Department of Business Regulation (DBR).

The major budget initiatives include the following:

- **Office of Cannabis Regulation:** The Governor establishes the Office of Cannabis Regulation (OCR) within DBR to regulate the current medical marijuana program and the proposed adult-use marijuana program. The office will be tasked with protecting public health, maintaining public safety, and preventing youth access. The OCR will process license applications, conduct inspections, and enforce regulations when necessary.

The implementation of the adult-use marijuana program is estimated to generate revenues of \$4.9 million, and an additional \$1.6 million in revenues is anticipated due to changes proposed to the medical marijuana program, for a total of \$6.5 million in new state revenue.

The Governor includes funding of \$5.6 million from restricted receipts and 17.0 FTE positions in the FY2020 budget for the new Office of Cannabis Regulation.

- **Fire Marshal – Identification Systems:** \$125,000 increase to finance an explosive identification system, a radioactive materials identification system, and a nano x-ray system to properly detect and identify explosives and/or nuclear materials.
- **Simplify and Streamline:** \$500,000 increase for a new initiative to improve the business experience in Rhode Island by creating a team shared with the Executive Office of Commerce that will work to simplify and streamline business regulations. In addition, 1.0 FTE position is recommended to be transferred from the Office of Regulatory Reform to act as a Small Business Ombudsman.

Labor and Training: The Governor’s Budget increases general revenue expenditures by \$1.3 million (all funds decrease by \$3.9 million) relative to the FY2019 Enacted level. The major changes include the following:

- **Real Jobs Rhode Island:** The Governor includes an additional \$1.2 million in funding from the Job Development Fund to continue growing the Real Jobs Rhode Island (RJRI) program.
- **Income Support Personnel:** The Budget includes a general revenue increase of \$452,664 to support current staffing levels in the Department’s Unemployment Insurance (UI) offices. As a result of the State’s decreasing unemployment rate the Department receives less federal funds that were previously used to support UI functions.
- **Statewide Adjustments:** The Governor includes statewide adjustments of \$162,510 that reflect savings achieved through lower medical rates for State employees, a lower assessed fringe benefit rate, and a redistribution of savings included in the enacted budget.
- **Employer Tax Division Transfer:** The Governor transfers the Employer Tax Division from the Department of Revenue to the Department of Labor and Training. A total of 42.0 FTE positions would be transferred, including 5.0 FTE positions that would be focused on the Governor’s proposed Medicaid Employer Assessment.

Revenue: The Budget includes a \$33.7 million increase in general revenue (\$59.0 million in all funds) for the Department of Revenue (DOR). The Governor recommends two organizational changes within DOR. These changes and other major budget initiatives include:

- **Employer Tax Division Transfer:** The Governor transfers the Employer Tax Division from the Department of Revenue to the Department of Labor and Training. A total of 42.0 FTE positions would be transferred, including 5.0 FTE positions that would be focused on the Governor’s proposed Medicaid Employer Assessment.
- **Municipal Finance Staff:** The Budget reduces personnel costs within the Division of Municipal Finance by \$447,619, reflecting the elimination of 5.0 FTE positions.
- **Municipal Tax Blocks:** The Budget authorizes the DMV to charge municipalities for placement of tax blocks on registrations. The initiative is estimated to yield \$406,250 in new revenue.
- **License Plate Reissuance:** The Governor eliminates the requirement that license plate be reissued every 10 years. The proposal represents a net \$600,000 reduction in general revenue for FY2020. The Budget also includes \$169,038 in funding for improved enforcement of existing license plate standards.
- **DMV Funding:** The Governor recommends that \$4.3 million in Highway Maintenance Account funds be used to pay for a portion of the DMV operations, thereby freeing up general revenues funds to offset front-facing personnel costs.
- **Adult-Use Marijuana:** The Budget includes \$800,000 in restricted receipt funding for Division of Taxation personnel that will support revenue activity associated with the Governor’s proposal to legalize marijuana.

- **State Aid:** The Budget includes \$132.8 million across all sources of funds for the State Aid program, including an increase of \$170.0 million in general revenue. This increase is attributable to:
 - **Motor Vehicle Excise Tax Payment:** \$21.9 million in additional general revenue budgeted for the actual reimbursements to towns and cities under the motor vehicle tax phase out. The proposal reduces FY2020 reimbursements by \$16.3 million.
 - **PILOT:** The Budget provides \$40.8 million in funding for the Payment in Lieu of Taxes (PILOT) program. This is a \$5.3 million (11.0 percent) reduction in aid to cities and towns and is \$6.0 million less than the statutory maximum of 27.0 percent of assessed property taxes on eligible exempt properties.
 - **Lottery:** The Governor recommends an increase of \$25.0 million across all funds for the Lottery. The increase consists primarily of a net \$22.0 million more in estimated lottery payments identified by the November 2018 Revenue Estimating Conference.

Secretary of State: The Budget adds \$300,000 in general revenue for a software security update to the Open Government and Corporations databases; adds \$145,000 to support operating costs associated with the 2020 presidential primary; and includes \$112,224 for a contracted senior application developer for on-going technical support to the Administrative Procedures Act database.

Board of Elections: The Budget adds \$312,000 in general revenue to support operating costs, associated with the 2020 presidential primary, and \$55,000 in general revenue for contract support of the e-polling book.

Office of the Governor: The Governor adds \$846,219 in general revenue personnel costs, reflecting expenses that were previously cost allocated to ten state agencies as a means to supplement the Governor's Office personnel budget. The Governor also requests an increase of \$50,000 to the discretionary contingency spending account.

Public Utilities Commission: The Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. This transfers the funding source for the Water Resources Board from general revenue to restricted receipts. In addition, the Governor adds 1.0 Consumer Agent to help ratepayers, 2.0 Engineers to increase inspection capacity of utility infrastructure, and 1.0 Public Utilities Analyst to support utility regulatory proceedings.

Executive Office of Commerce: The Governor includes \$35.4 million in general revenue to support new and existing initiatives designed to spur economic development. This includes \$21.3 million for Economic Development Initiatives and Commerce Programs, including:

- **Rebuild RI:** \$15.0 million to assist economic development projects through the Rebuild RI program (\$3.8 million more than enacted level).
- **Wavemaker:** \$1.6 million to help retain graduates through the Wavemaker Fellowship program (\$400,000 less than enacted level).
- **I-195 Fund:** \$1.0 million for the I-195 Redevelopment Fund (represents level funding).
- **Main Street RI:** The Budget does not include funding for the Main Street RI Streetscapes program in FY2020. This represents a \$500,000 reduction (compared to the enacted level) in funding for local economic enhancements.
- **Air Service Development:** The Budget does not include additional funds in FY2020 for the Air Service Development program that is used to develop new air service routes at T. F. Green Airport.

- **Airport Impact Aid:** The Budget reduces available state aid funding to communities that host airports. The Airport Impact Aid program is funded at \$762,500, \$300,000 less than the enacted level (26.0 percent reduction).
- **Supply RI:** \$300,000 to support connecting small suppliers with some the State's largest commercial purchasers through the SupplyRI initiative.
- **P-Tech:** \$200,000 to sustain P-Tech, the information technology workforce development initiative. The Budget directs \$100,000 of these funds to Davies to further the development of the Advanced Manufacturing Career Center.
- **Small Business Assistance:** \$750,000 to support the small business assistance program. According to Commerce, this funding will allow the agency to double the number of small business and micro-loans it facilitates.
- **Polaris Manufacturing Technical Assistance Program:** The Governor includes \$350,000 in general revenue for the Polaris Manufacturing Technical Assistance Program (Polaris), an intermediary and training provider that seeks to enhance the competitiveness of RI manufacturers.
- **Simplify and Streamline Initiative:** The Governor recommends \$262,724 in support of a new initiative co-administered by the Executive Office of Commerce and the Department of Business Regulation aimed at making it easier to do business in RI.
- **Manufacturing Site Readiness:** \$2.3 million to fund a new program to provide technical support to municipalities and investments in "pad-ready" locations for siting manufacturers looking to relocate.

Executive Office of Health and Human Services: The Governor proposes \$1,033.5 million in general revenue expenditures (\$2,745.1 million all funds) for the Executive Office of Health and Human Services (EOHHS) in FY2020, increasing general revenue expenditures by \$50.5 million (\$138.1 million all funds) compared to the FY2019 Budget as Enacted. Of this amount, \$34.3 million (\$62.4 million all funds) is related to the transfer of Elder and Veterans' Affairs from the Department of Human Services (DHS) to EOHHS. There is a concurrent reduction in DHS' budget. Other major changes include:

Central Management

- **Medicaid Management Information System (MMIS) Funding:** The Governor recommends that the MMIS be fully funded in order to adequately process Medicaid claims. This includes an additional \$1.2 million from general revenues (\$1.8 million all funds) compared to the FY2019 Budget as Enacted.
- **Medicaid Professional Services:** The Governor proposes an additional \$839,656 from general revenues to fund the Conduent replacement contracts, which support actuarial services for rate setting and caseload estimating as well as ad hoc strategic consulting work.
- **1115 Waiver Independent Evaluation:** The Governor includes \$35,000 from general revenues (\$70,000 all funds) to fund an independent evaluation of the 1115 waiver extension, which was approved by the Centers for Medicare and Medicaid Services (CMS) on December 20, 2018. Federal law requires that this evaluation be completed upon approval.
- **Independent Provider (IP) Model Implementation:** During the 2018 legislative session, the General Assembly directed the state to establish an independent provider model for the delivery of long term services and supports by October 1, 2019. The Governor recommends \$192,500 from general revenues (\$770,000 all funds) to cover implementation costs for the IP model.
- **Rhode Island Quality Institute (RIQI) Health Information Exchange (HIE):** The Governor adds \$235,310 from general revenues (\$2.4 million all funds) to support ongoing operations and expansion of the HIE as well as a major upgrade to its technical infrastructure. This upgrade has been delayed for

several years due to lack of funding. Without it, the state will not be able to complete several contracted projects without expensive workarounds which may violate federal requirements.

- **Adult-Use Marijuana:** The Governor recommends \$1.0 million in restricted receipt funding within EOHHS to facilitate the adult-use marijuana initiative. Of this funding, \$750,000 will allow EOHHS to direct grants to local substance abuse prevention, treatment, and recovery services, \$200,000 will enable EOHHS to manage grant programs and work collaboratively with state and municipal health and human service agencies, and the remaining \$50,000 will support operations costs associated with the legalization of the marijuana and hemp markets.

Elder Affairs

- **Transfer:** The Governor transfers the Division of Elderly Affairs from DHS and establishes it as the Office of Elder Affairs within EOHHS. This includes the shift of \$8.4 million in general revenues (\$22.1 million all funds) and 31.0 FTE positions.
- **Expansion of Home and Community Care Co-Pay Programs:** The Governor expands eligibility for the home and community care co-pay program for seniors by increasing the income limit from 200.0 to 250.0 percent of the federal poverty level (FPL).

Veterans' Affairs

- **Transfer:** The Governor transfers the Division of Veterans' Affairs from DHS and establishes it as the Office of Veterans' Affairs within EOHHS. This includes the shift of \$25.8 million in general revenues (\$40.3 million all funds) and 257.1 FTE positions.
- **RI Serves:** The Governor provides \$153,000 from general revenues to support RI Serves, a case management software designed to promote access to veterans' assistance programs.
- **Veterans at Risk:** The Governor includes \$400,000 from general revenues to support community service grants distributed by Veterans' Affairs, an increase of \$200,000 relative to the FY2019 Budget as Enacted. In previous years, the funds provided have not been sufficient to support initiatives to reduce homelessness and increase employment.
- **RI Veterans' Home:** The Governor recommends an additional \$1.4 million from general revenues (\$2.3 million all funds) to support operations at the RI Veterans' Home. Major drivers of this supplemental funding include increases for contracted medical and janitorial services as well as statewide adjustments. Total expenditures for these services are consistent with FY2018 actuals; however, the RI Veterans' Home was able to leverage restricted receipt revenues in lieu of general revenues to support the additional costs in FY2018, which will not be possible in FY2020.

Medical Assistance

- **Caseload Estimating Conference:** The Governor adds \$43.6 million in general revenue funds to support the Medicaid program, reflecting changes adopted in the November 2018 Caseload Estimating Conference.
- **Cortical Integrative Therapy:** The Governor eliminates the Cortical Integrative Therapy program, which is supported by general revenues and is not eligible for federal matching funds. This proposal would save \$1.0 million in general revenues.
- **Estate Recovery Optimization:** The Governor recommends augmenting existing policies around estate recovery in order to increase collections and achieve operational efficiencies. This initiative is estimated to save \$236,300 in general revenues (\$550,000 all funds) in FY2020.
- **J-Code Claiming Optimization:** The Governor recommends improvements to the claiming of pharmaceutical rebates, saving \$752,288 in general revenues (\$1.8 million all funds).

- **Nursing Home COLA:** The Governor adds a cost-of-living adjustment (COLA) of 1.0 percent to nursing home rates. This COLA will be provided in lieu of an annual inflation-based rate increase, thereby saving \$3.5 million in general revenues (\$7.5 million all funds).
- **Hospice in a Nursing Facility:** The Governor includes a technical correction to a rate increase provided in the FY2019 Budget as Enacted. As interpreted by EOHHS, the rate increase was applied to all providers of hospice care, including those providing services in skilled nursing facilities. This was not the legislative intent of the rate increase and resulted in a discrepancy between the rates paid for hospice care and non-hospice care in nursing facilities. The correction would save \$2.6 million in general revenues (\$5.5 million all funds).
- **Hospital Rate Freeze:** The Governor freezes rates for inpatient and outpatient hospital services. This would generate general revenue savings of \$5.3 million (\$15.1 million all funds).
- **Eliminate Inpatient Upper Payment Limit (UPL):** The Governor terminates the UPL policy in FY2020. These payments detract from efforts to promote value-based purchasing, as they are not linked to cost, quality, or outcome metrics. This proposal would save \$3.6 million in general revenue (\$9.4 million all funds).
- **Graduate Medical Education (GME):** The Governor eliminates the GME program in FY2020, as this is a state-only program which only benefits one hospital in Rhode Island. This would save \$1.0 million in general revenues.
- **Hepatitis C:** The Governor's recommendation recognizes general revenue savings of \$4.5 million (\$16.2 million all funds) based on the introduction of a generic drug for the treatment of Hepatitis C.
- **Dual-Eligible Utilization Management:** The Governor recommends implementing a set of techniques to enable a case-by-case approach to care for individuals who have both Medicare and Medicaid coverage, known as dual-eligibles. This proposal would generate general revenue savings of \$2.0 million (\$4.2 million all funds).
- **C-Section Births Reduction:** The Governor recommends that managed care organizations (MCOs) implement a multi-year strategy to reduce C-Section births from the current level of 30.0 percent to the national best practice of 20.0 percent. This effort would result in general revenue savings of \$134,350 (\$285,000 all funds).
- **MCO Performance Goal Program:** The Governor eliminates the performance goal program, which distributes additional resources to MCOs for specific achievements. This would generate \$890,828 in general revenue savings (\$5.1 million all funds).
- **Federally Qualified Health Center Payment (FQHC) In-Plan:** The Governor recommends that the full FQHC payment be built into managed care rates for general revenue savings of \$1.9 million (\$5.3 million all funds).

Children, Youth, and Families: The Governor increases general revenue expenditures by \$5.6 million relative to the FY2019 Budget as Enacted within the Department of Children, Youth, and Families (DCYF). Major changes include the following:

Child Welfare

- **Accelerate the Voluntary Extension of Care (VEC) Program:** This initiative involves a thorough review of all youth in placement, and aligning placements and services consistent with the implementation of the VEC program. This review is currently underway and the program is now accepting applications. This initiative is expected to generate general revenue savings of \$2.6 million (\$3.7 million all funds).
- **Home-Based Services Length of Delivery:** DCYF has changed the timeframe for reauthorization of home-based services to ensure alignment with best practices. This initiative reduces the length of

renewal time to 60 days, unless additional time is requested. This initiative is expected to generate general revenue savings of \$1.3 million (\$2.0 million all funds).

- **Pivot to Prevention:** DCYF and the Department of Health (DOH) are working collaboratively to recognize children who have been identified as victims of abuse or neglect and refer them to Early Intervention or other supportive services. This initiative aligns with DCYF's mission to promote prevention strategies in order to avoid involvement with the Department and requires an investment of \$73,600 from general revenues (\$136,600 all funds).
- **Title IV-E Claiming:** The Governor recommends maximizing federal funding through program improvement initiatives, including modifying foster care licensing requirements and permitting kinship families to obtain licensure more quickly. This initiative is expected to generate \$250,000 in general revenue savings.
- **Tiered Reimbursement for Pre-K:** Article 15 expands tiered reimbursement for child care to include Pre-K in addition to infant and toddler care. The majority of child care expenses are included within the Department of Human Services (DHS), although the expansion would require a general revenue investment of \$37,185 within DCYF.
- **Child Care Licensing Reorganization:** Article 15 also transfers the Child Care Facilities Licensing function from DCYF to DHS in order to centralize oversight and partnership with child care providers in Rhode Island.

Juvenile Corrections

- **Reconfiguration of Units:** The Department is planning a feasibility study of the current layout and physical structure of the Rhode Island Training School, which will be completed during FY2019. This study will examine how to best use the current facility given reduced caseloads. It is expected that the study will permit DCYF to reorganize the Training School, allowing the Department to leverage federal funding and maximize current staffing levels. It is anticipated that this reconfiguration will save \$500,000 in general revenues.
- **Training School Education Program:** As a result of declining census, the demand for classroom and vocational education within the Training School has responded in kind. There are approximately 60 youth supported by 14 full-time teachers. This initiative involves revisiting the educational program at the RITS to address the declining census, saving \$400,000 in general revenues.
- **Local Education Authorities (LEAs) Investment in Education of Youth Involved in Juvenile Justice:** Article 15 requires LEAs to contribute towards the educational costs of youth placed at the Training School and Ocean Tides. Currently, DCYF is responsible for bearing the full cost of educating the youth at both facilities. This initiative will place these youth in the funding formula, saving \$25,000 in general revenues (\$200,000 all funds).

Analyst Note: This initiative is expected to increase general revenue expenditures by \$1.3 million within the Department of Elementary and Secondary Education. It is unclear why the Governor's recommendation does not include the same level of savings within DCYF.

Office of the Child Advocate: The Governor proposes \$986,701 from general revenues for the Office of the Child Advocate, an increase of \$16,779 relative to the FY2019 Budget as Enacted. This includes additional expenditures for staff training and wages, offset by savings related to a reduction in centralized service charges and unutilized contracted services.

Health: The Governor recommends a total increase of \$3.3 million in general revenue (\$14.5 million all funds) and an increase of 6.0 FTE positions in the Department of Health in FY2020.

The major budget initiatives include the following:

- **Health Facility Regulation:** \$327,383 increase in restricted receipts to fund 3.0 FTE positions to increase the number of inspections of state-licensed healthcare facilities.
- **Prevention Funding:** \$650,000 increase in general revenue to provide additional funding for family home visiting programs and \$378,000 in general revenue to expand prenatal home visiting programs. The Governor also recommends an increase of \$190,000 to reduce the number of lead exposures and identify children with elevated blood lead levels as early as possible.
- **Adult-use Marijuana:** \$300,000 increase in restricted receipt funds in FY2020 to offset the operational costs associated with the proposed adult-use marijuana program.

Human Services: The Governor's Budget decreases general revenue expenditures by \$23.1 million (\$47.1 all funds) relative to the FY2019 Enacted level. The major changes include the following:

- **Transfer of Veteran's Affairs and Elderly Affairs:** The Budget reflects a general revenue decrease of \$31.4 million related to the transfer of Veteran's Affairs and Elderly Affairs from the Department of Human Services to the Executive Office of Health and Human Services. The transfer is intended to raise the profile of the programs.
- **Elderly Transportation:** The Governor includes an additional \$1.8 million in general revenue to support the Elderly Transportation Program. This program provides non-emergency transportation to seniors age 60 and older.
- **Child Care Facility Licensing Transfer:** The Governor includes the transfer of the Child Care Facilities Licensing Unit from the Department of Children, Youth and Families to the Department of Human Services. The transfer would include a total of 8.0 FTE positions and approximately \$800,000 in funding.
- **Pre-K Tiered Reimbursement:** The Budget includes an additional \$700,000 in federal funds to increase the reimbursement rate for pre-kindergarten aged children to the 75th percentile of the established market rate. The FY2019 Budget as Enacted included funds for increased tiered reimbursement for infant and toddlers as well as a small increase in reimbursement for pre-kindergarten aged children.

Behavioral Healthcare, Developmental Disabilities, and Hospitals: The Governor recommends an increase of \$7.2 million in general revenue (\$26.1 million all funds) for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The major adjustments and budgets initiatives in the Department include:

Developmental Disabilities

- **Residential Rebalancing:** \$1.5 million in savings from the continuation of the rebalancing initiative that supports clients to seek more community-based placements and aims to reduce the number of individuals in residential group homes.
- **Rate Increases:** \$3.0 million increase in general revenue funding for a wage increase for developmental disability private providers and self-directed consumer direct care service workers. An additional \$273,412 is proposed to finance an expected increase in the rates paid to licensed nurses.
- **Program Caseload:** \$3.3 million increase to finance the current caseload projections and to restore the "Health Home" mechanism to achieve conflict-free case management. This mechanism is eligible for a 90 percent federal match for the first eight quarters, which the Governor estimates would result in \$455,020 in general revenue savings.
- **RICLAS Consolidation:** \$91,909 reduction in general revenue related to overtime reductions and facility closures under the Rhode Island Community Living and Supports (RICLAS) program. An additional general revenue savings of \$202,721 is proposed that would be achieved by reassessing and reducing the staffing patterns at the RICLAS group homes.

Hospital and Community Rehabilitation Services

- **Eleanor Slater Hospital Medicare & Medicaid Utilization:** \$700,000 in total savings by maximizing Medicaid and Medicare Part B billing.
- **Eleanor Slater Hospital Staffing:** \$1.3 million in general revenue for additional personnel expenditures to avoid noncompliance with the Joint Commission on Accreditation of Hospitals (JCAHO) requirements.

Elementary and Secondary Education: The Governor increases funding in the Department by \$47.2 million in general revenue (\$44.5 million all funds). The major changes include the following:

- **Education Aid:** The Governor fully funds the ninth year of the education funding formula with an increase of \$30.0 million in general revenue. The Budget also includes a general revenue increase of \$9.3 million (\$15.6 million total) for Early Childhood Education, an additional \$2.3 million (\$5.0 million total) for English Learners, and a net decrease of \$377,673 in Group Home Aid. The School Resource Officers categorical is reduced by \$1.0 million and a new requirement for districts to contribute for the education of students at the Training School and Ocean Tides has a proposed savings of \$1.3 million. Net funding for Central Falls increases by \$334,712 relative to the enacted level, and general revenue funding for the School for the Deaf increases by \$230,959. The Budget also provides \$100,000 in Pathways in Technology Early College High School (P-Tech) initiative grant funds from the Commerce Corporation to Davies for the continued development of the Advanced Manufacturing Career Center.
- **Administration of the Comprehensive Strategy (ACES):** The Budget provides \$590,000 in general revenue to fund mental health/behavior health training, curricula, and materials to increase in-classroom and in-school training resources. The Department was awarded a \$9.0 million, five-year grant from the United States Department of Health and Human Services to support stronger mental and behavioral health services for Rhode Island students. The Governor recommends an additional \$250,000 to expand the Advanced Course Network, including \$50,000 in general revenue and \$200,000 from the Permanent School fund. The Budget also provides \$100,000 to promote the adoption of high-quality curriculum by all districts, \$55,000 in general revenue to expand the number of schools accessing the federal Community Eligibility Provision meal service option to offer school breakfast, and an additional \$50,000 in general revenue (\$260,000 total) to provide professional development for teachers and to increase the number of high school students earning post-secondary credentials related to computer science.
- **7.0 new FTE positions:** The Governor recommends 7.0 new FTE positions. 1.0 FTE position is for the School Building Authority; 4.0 FTE positions are to support the universal pre-K expansion initiative; 1.0 federally funded FTE position is part of a \$9.0 million, five-year grant from the United States Department of Health and Human Services to support stronger mental and behavioral health services for Rhode Island students; and, 1.0 federally funded FTE position is part of a Safe and Drug-Free Schools grant.
- **Teacher Retirement:** The Budget adds \$6.2 million in general revenue (\$112.3 million total) to fund the state's 40.0 percent share of the employer contribution for teacher retirement, reflecting a projected payroll increase of 2.0 percent.
- **School Housing Aid:** The Governor fully funds the school housing aid program, based on updated project completion projections, at \$79.0 million, and recommends \$1.0 million for the School Building Authority Capital Fund. This reflects a shift of about \$9.6 million, relative to the FY2019 Budget as Enacted, from the Capital Fund to the traditional housing aid program to meet projected reimbursement obligations.

Higher Education: The Governor increases funding over the FY2019 Budget as Enacted by \$14.2 million in general revenue for Public Higher Education. Changes in funding include the following:

- **Institutional Current Services:** The Budget includes an increase of \$4.4 million in general revenue for increased personnel costs related to cost of living adjustments (COLAs) and changes to personnel benefits. The recommendation includes \$1.6 million for the University of Rhode Island (URI), \$1.2 million for Rhode Island College (RIC), and \$1.5 million for the Community College of Rhode Island (CCRI).
- **Online Degree Programs at URI:** The Governor recommends \$1.8 million in general revenue to expand and support online degree programs at URI.
- **SNAP- Eligible Students at CCRI:** The Budget includes \$235,000 in general revenue for new scholarships and work study opportunities for SNAP-eligible adults enrolled at CCRI. This funding will leverage matching federal funds.
- **Rhode Island Promise Scholarship CCRI:** The Budget includes \$1.9 million in Division of Higher Education Assistance (DHEA) reserve funds (\$7.9 million total, including \$6.0 million in general revenue) to fund the third year of the Rhode Island Promise Scholarship program (RI Promise) for recently graduated high school seniors.
- **Adult Promise Expansion:** The Governor recommends the expansion of the RI Promise program at CCRI to include adults age 25 and older attending either part-time or full-time, and includes \$2.0 million from DHEA reserve funds for this program. To qualify, students must not have already received an award under the RI Promise program.
- **Expansion of RI Promise Scholarship Program to RIC:** The Governor recommends expanding the RI Promise Scholarship program to students attending RIC in their junior and senior years. The program would apply to students beginning with those who enrolled in the fall of 2017. The Budget provides \$3.3 million from the DHEA reserve funds for this program, including \$2.4 million for scholarships and \$1.0 million to increase program capacity at RIC. To qualify, students must not have already received an award under the RI Promise program.
- **Debt Service at URI and RIC:** Due to new issuance of general obligation bonds for capital projects at URI, the Budget increases general revenue debt service support by \$7.1 million. Debt service at RIC decreases by \$240,349 based on an updated schedule.
- **Statewide Adjustments:** The Budget decreases funding by \$1.1 million to reflect lower medical and assessed fringe benefit rates, a medical holiday, and the redistribution of savings included in the enacted budget.
- **2.0 New FTE Positions:** The Governor recommends an increase of 2.0 FTE positions across the higher education system. The increase includes a 3.0 new FTE positions (8.0 FTE positions total) at the Westerly Education Center and 1.0 new FTE position at the new Northern Rhode Island Higher Education Center, partially offset by a reduction of 2.0 FTE positions in the Commissioner's Office.

Historical Preservation and Heritage Commission: The Governor's Budget increases general revenue expenditures by \$278,239 relative to the FY2019 Enacted level. The major changes include the following:

- **Personnel Costs:** The Governor includes an additional \$234,345 for additional personnel costs, including an increase in the Departments new Executive Director's salary.

Attorney General: The Governor's Budget increases general revenue expenditures by \$716,011 (all funds decrease by \$8.3 million) relative to the FY2019 Enacted level. The major changes include the following:

- **Google Funds:** The Budget reflects a federal funds decrease of \$8.0 million relative to the expenditure of Google Funds. The majority of Google Funds were used for the design and construction of a new customer service center in the Pastore Complex that was completed in 2018.
- **Personnel:** The Governor includes an additional \$182,087 for new personnel positions within the Department's Criminal Division. The new funding includes \$71,328 in general revenue for a 1.0 FTE Intake Clerk position and \$110,760 in federal funds for a new 1.0 FTE Traffic Safety Resource Officer position.
- **Statewide Adjustments:** The Governor includes statewide adjustments of \$221,603 which reflect savings achieved through lower medical rates for State employees, a lower assessed fringe benefit rate, and a redistribution of savings included in the enacted budget.

Corrections: The Governor's Budget increases general revenue expenditures by \$1.0 million (\$1.3 million all funds) relative to the FY2019 Enacted level. The major general revenue changes include the following:

- **High Security Improvements:** The Budget includes \$5.1 million in savings associated with the temporary closure of the high security facility for capital improvements. The Department anticipates temporarily relocating inmates in starting in October 2019. Proposed facility improvements include increasing program space, improving energy efficiency, and increasing safety features for correctional officers and inmates.
- **Statewide Adjustments:** The Governor includes statewide adjustments of \$4.5 million throughout the Department, which reflect savings achieved through lower medical rates for State employees, a lower assessed fringe benefit rate, and a redistribution of savings included in the enacted budget.
- **Hepatitis C Funding:** The Governor includes an additional \$2.4 million in general revenue funding for the treatment of inmates with Hepatitis C. The additional funding supports the treatment of approximately 120 additional inmates.
- **Overtime:** There is an anticipated general revenue savings of \$1.5 million related to a reduction in overtime. These savings are partially achieved through the addition of 10.0 new Correctional Officer positions, as well as anticipated the closure of housing units at the Intake Center due to a projected decrease in population.
- **Clerical Services:** The Budget includes an additional \$204,397 in general revenue to continue funding the Department's contract clerical employees. The clerical employees assist with daily operations when full-time staff are on long-term leave.
- **Substance Abuse Screening:** The Governor includes an additional \$87,336 in general revenue to continue funding substance abuse screening for inmates. The Department estimates that between 70 and 90 percent of the inmate population has a history of substance abuse. Inmates serving between six months and three years are screened, last year over 1,400 inmates received counseling.
- **Cognitive Behavioral Therapy:** The Budget includes an additional \$75,000 in general revenue to expand Cognitive Behavioral Therapy Services to inmates with gang affiliations in Maximum-Security.

Judiciary: The Governor increases funding over the FY2019 Budget as Enacted by \$4.1 million in general revenue across the Department, including an increase of \$459,598 for the defense of indigents fund to better align with historical expenditures and \$459,508 for security services to address increased gang violence in and around the State courthouses. The Budget also includes statewide adjustments totaling \$915,803 to reflect lower medical and assessed fringe benefit rates, a medical holiday, and the redistribution of savings included in the enacted budget.

Military Staff: The Budget includes \$619,950 in federal funds for 6.0 FTE positions consisting of 2.0 Security Managers that will maintain the Electronic Security program; 2.0 Planning positions that will

provide environmental compliance on major capital projects and assist coordination of interdepartmental activities; and, 2.0 Program Management positions that will provide support in the control of the National Guard facilities.

Public Safety: The Governor recommends an additional \$7.9 million in general revenue to support the operations the Department of Public Safety (DPS). Major FY2020 budget initiatives include:

- **Personnel:** The Budget provides an additional \$5.8 million to support additional personnel expenses within the State Police. These costs are associated with enhanced staffing of the Gaming Enforcement Unit and the hiring of 30.0 State Trooper FTEs expected to graduate from the State Police Training Academy.
- **Radio Replacement:** The Budget includes \$624,512 to fund the start of a six-year replacement schedule of portable and vehicle-mounted radios for the State Police, Sheriffs, and Capitol Police.

Department of Environmental Management: The Governor increases funding over the FY2019 Budget as Enacted by \$3.3 million in general revenue, including \$1.5 million for 11.0 new FTE positions including additional maintenance workers, civil engineers, and a plumber in the Parks and Recreation Division. The Budget also includes \$87,599 in general revenue to fund the minimum wage increase recommended for January 1, 2020, and \$400,000 for the America's Cup to support the event, surrounding activities and infrastructure. The Governor recommends creating an Executive Business Office to conduct fundraising, hold events, and recruit sponsors for various natural resources and environmental protection efforts. The Budget also includes \$200,000 in restricted receipts to enhance compliance and monitoring of brownfields and storm water management and \$220,545 in statewide adjustments to reflect lower medical and assessed fringe benefit rates, a medical holiday, and the redistribution of savings included in the enacted budget. In addition, the Governor recommends increasing recreation fees, including beach parking and camping, to enable further investment in state parks. The fee increases are estimated to generate \$2.1 million, including \$200,000 to be distributed to municipalities. Since the fees are established through regulation, any proposed changes would go through a public review process.

Transportation: The Governor recommends \$629.5 million in total funding for the Department of Transportation (DOT). This includes \$327.0 million in federal funds, \$261.4 million in other funds, \$38.1 million from the Rhode Island Capital Plan Fund, and \$3.0 million in restricted receipts. All funds increase by \$38.5 million relative to the FY2019 Enacted level. This includes a \$27.5 million increase in federal funds, a \$14.7 million increase in other funds, and a \$3.7 million decrease in Rhode Island Capital Plan Funds. Major fund changes include the following:

- **Rhode Island Highway Maintenance Account:** The Governor includes an additional \$27.7 million in other funds related to the Rhode Island Highway Maintenance Account portion of the Intermodal Surface Transportation Fund.
- **RIPTA Free-Fare Program:** The Governor extends the appropriation, through FY2020, of \$5.0 million from the Highway Maintenance Account to the Rhode Island Public Transit Authority (RIPTA) to continue funding the free-fare program. The free-fare program provides transit services to low-income seniors and disabled residents. RIPTA was also allocated this funding in FY2018 and FY2019.
- **RIPTA Transfers:** The Governor includes an additional \$5.5 million in transfers to the Rhode Island Public Transit Authority (RIPTA). \$3.1 million of the transfer is from the Highway Maintenance Account to provide the match for federal funding to purchase new fixed-route buses. The remaining \$2.4 million is additional funding from the gas tax due to an anticipated increase of one cent. The one cent increase is to be split evenly between RIPTA and the Department of Transportation.
- **DMV Cost Share:** The Budget includes a transfer of \$4.3 million from the Highway Maintenance Account to the Department of Revenue (DOR). The transfer is intended to cover costs at the DOR's

Division of Motor Vehicles related to the collection of Highway Maintenance Account funds, such as license and registration fees.

- **Toll Revenue:** The Governor includes \$25.0 million of toll revenue, a decrease of \$16.0 million from the FY2019 Enacted level. Currently two toll gantries are operational, the Department anticipates constructing an additional 12.

State Aid and Education Aid

STATE AID TO CITIES AND TOWNS

Distressed Communities Relief Fund: The Distressed Community Relief Fund is maintained at the FY2019 enacted level of \$12.4 million in FY2020. In a year when a municipality no longer meets the criteria of a distressed community, it receives 50.0 percent of the amount it received in the last year it qualified. The Town of Johnston does not qualify for the program in FY2020, and therefore will receive the 50.0 percent rate.

Payment in Lieu of Taxes (PILOT): PILOT is funded at \$40.8 million; a \$5.3 million reduction from the FY2019 enacted level. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2020 represents a rate of 23.6 percent.

Motor Vehicle Excise Tax Reimbursement: The General Assembly enacted legislation in 2017 to phase out the motor vehicle excise tax by 2024. Municipalities are reimbursed annually for lost revenue. The Budget includes \$78.0 million in total reimbursement funding for cities and towns, an increase of \$21.7 million over the FY2019. It should be noted that this increase reflects proposed changes to the program as provided for in Article 9 of the Budget. Under current law, the estimated increase for FY2020 would be 38.0 million.

Library Grant-in-Aid: The Governor level funds State Aid to Libraries at the FY2019 enacted amount of \$9.4 million in both FY2020 and revised FY2019.

Library Construction Aid: The Governor recommends \$1.9 million in FY2020 to fund reimbursement to communities for up to 50.0 percent of eligible costs of approved library construction projects. A moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014.

Public Service Corporation Tax: The FY2020 Budget provides \$13.3 million to be distributed to municipalities on July 31, 2019. This estimate is subject to change upon the receipt of final (December 2018) data in the spring of 2019.

Meals & Beverage Tax: The 1.0 percent tax on gross receipts from the sale of food and beverages is estimated to generate \$28.8 million in FY2019 and \$29.8 million in FY2020 for distribution to cities and towns.

Hotel Tax: A 1.0 percent local hotel tax and 25.0 percent of the local share of the state 5.0 percent tax is expected to generate \$10.4 million in FY2019 and \$10.5 million in FY2020 for distribution to cities and towns.

Airport Impact Aid: The Budget reduces available state aid funding to communities that host airports. The Airport Impact Aid program is funded at \$762,500, \$300,000 less than enacted the enacted level (26.0 percent reduction). The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation.

Property Revaluation Reimbursement: The Governor includes \$688,856 to reimburse municipalities for a portion of the cost of conducting statistical property revaluations. This is \$941,678 less than the enacted level.

Other Municipal Aid

Main Street RI: The Budget does not include funding for the Main Street RI Streetscapes program in FY2020. This represents a \$500,000 reduction (compared to the enacted level) in funding for local economic enhancements.

EDUCATION AID

Formula and Categorical Aid

When the education funding formula was passed, categorical funds were identified that would not be distributed through the formula, but according to other methodology. The Governor includes an additional \$40.9 million in education aid, including an increase of \$30.0 million to fully fund the ninth year of the funding formula.

Ninth Year of Funding Formula: The Budget includes an increase of \$30.0 million to fully fund the education aid formula in the ninth year of the phase in. This increase brings total formula aid funding to \$958.7 million.

Central Falls Stabilization: Central Falls schools are currently 100.0 percent state funded. The State provides both the local and state contributions, as determined by the education funding formula. For FY2020, Central Falls' Stabilization funding is estimated to increase by \$100,000. The Budget provides a total of \$8.4 million to fund this category.

Transportation: This category provides funding for transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system, and for 50.0 percent of the local costs associated with transporting students within regional school districts. The Governor recommends level funding this category at \$7.4 million in FY2020.

Early Childhood Education: This category provides funding for early childhood education programs. The Governor funds this category at \$15.6 million in FY2020, an increase of \$9.3 million over the FY2019 Budget as Enacted; however, due to the expiration of federal funds, \$5.8 million of the increase will support the current number of seats and \$3.5 million in general revenue will support new seats.

High-Cost Special Education: The aid category provides funding to districts for high-cost special education students. The Governor level funds this category at \$4.5 million.

Career and Technical Education: This category provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. The Governor level funds this category at \$4.5 million.

Davies Stabilization: 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 Budget provides an additional \$636,326 (\$4.9 million total) in FY2020.

English Learners: Article 11 of the FY2017 Budget as Enacted established a category of aid that provides a 10.0 percentage point increase in the per-pupil core instruction amount for English learners. The Budget provides an additional \$2.3 million (\$5.0 million total) in FY2020. Sizeable changes in reported number of English Learner students by district results in significant funding swings in the FY2020 English Learner allotment.

Categorical	Governor's FY2020 Education Aid	
	Change from Enacted	Total Funding
Ninth Year of Formula	\$30.0	\$958.7
Central Falls Stabilization	0.1	8.4
Transportation	-	7.4
Early Childhood	9.3	15.6
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	(0.4)	3.2
School Resource Officer Support	(1.0)	1.0
Total	\$40.9	\$1,015.1

School Choice Density Aid: Article 11 of the FY2017 Budget as Enacted established a category of state aid for districts where 5.0 percent or more of the average daily membership attend charter schools, open enrollment schools, Davies, or the Met School. In FY2019, such districts received an additional \$50 per public school of choice student; however, pursuant to current law, this category is phased out in FY2020, reflecting a decrease of \$478,350 from the enacted level.

Met Stabilization: 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. An additional \$495,276 is recommended to provide a zero net impact on funding relative to FY2019. Total stabilization funding is \$1.9 million.

Regionalization Bonus: This category provides a bonus to regional districts and for 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 Governor provides no funding in FY2020, as no new regional districts have been formed.

Group Homes: The Governor's FY2020 Budget includes \$3.2 million to fund group home beds, \$377,673 less than the FY2019 Budget as Enacted. This decrease is based on shifts in bed counts and the statute requiring that the average daily membership of a district be decreased by the number of group home beds used in the group home calculation.

School Resource Officer Support: Article 9 of the FY2019 Budget as Enacted established a new 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 < 1,200 students, only one resource officer position is eligible for reimbursement. Schools with \geq 1,200 students may receive reimbursement for up to 2 positions. Each resource officer can only be assigned to one school. The Budget includes \$1.0 million for this category in FY2020, a decrease of \$1.0 million from the enacted level, reflecting projected utilization.

Other Aid to Local Education Agencies (LEAs)

In addition to the funding formula and categorical aid, the Budget includes the following aid to Local Education Agencies (LEAs).

Telecommunications Education Access Fund (E-Rate): The Governor recommends \$392,223 in general revenue for the Telecommunication Education Access Fund (E-Rate), a decrease of \$7,777 from the FY2019 Budget as Enacted. The purpose of the Rhode Island Telecommunications Education Access Fund (RITEAF or E-rate) is to fund a basic level of internet access for all qualified schools (kindergarten through grade 12) and libraries in the State.

Textbook Reimbursement: The Governor level funds the state Textbook Reimbursement Program (\$240,000) relative to the enacted budget. Currently, the State provides reimbursement to school districts for the cost of furnishing textbooks in the fields of English/language arts and history/social studies to resident students in grades K-12 attending non-public schools.

School Breakfast Program: The Governor fully funds the State's share of administrative costs for the school breakfast program (\$270,000). These administrative costs include hiring servers needed to effectively run the program and encourage participation.

School Housing Aid: The Governor fully funds the school housing aid program, based on updated project completion projections, at \$79.0 million, and recommends \$1.0 million for the School Building Authority Capital Fund.

Teacher Retirement: The Governor recommends \$112.3 million for the State's share of teacher retirement, an increase of \$6.2 million over the enacted budget.

Consolidations, Transfers, and Other Statewide Issues

Unless otherwise specified, dollar amounts refer to general revenue.

Water Resources Board: The Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. This transfers the funding source for the Water Resources Board from general revenue to restricted receipts.

Office of Federal Grants Management: The Budget eliminates the Office of Federal Grants Management 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.

Small Business Ombudsman: The Budget shifts the Small Business Regulatory Enforcement Ombudsman from the Office of Regulatory Reform to the Department of Business Regulation.

Statewide Efficiency Commission: The Budget includes a statewide savings of \$10.0 million in general revenues under the Department of Administration, reflecting assumed findings from a proposed Statewide Efficiency Commission. The Governor proposes to implement such Commission through executive order and require the Commission to present identified areas of cost savings in April 2019.

Injured on Duty: The Budget includes a statewide savings of \$1.7 million in general revenues and amends RIGL 45-19-1 that applies to state and municipal employees receiving Injured on Duty (IOD) benefits. The amendment requires an IOD recipient no later than 60 days from a treating doctor or independent medical examiner (IME) may certify maximum medical improvement permanent disability from an 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 benefits. Any person on IOD prior to July 1, 2019, shall have 90 days to apply for ordinary or accidental disability.

Office of Cannabis Regulation: The Governor establishes the Office of Cannabis Regulation within the Department of Business Regulation to regulate the current medical marijuana program and the proposed adult use marijuana program. The Governor's budget recommends \$5.6 million in restricted receipts and 17.0 FTE positions in the FY2020 budget for the new Office of Cannabis Regulation.

Employer Tax Division Transfer: The Governor includes the transfer of the Employer Tax Division from the Department of Revenue to the Department of Labor and Training. A total of 42.0 FTE positions would be transferred, including 5.0 FTE positions that would be focused on the Governor's proposed Medicaid Employer Assessment.

Division of Elderly Affairs and Division of Veterans' Affairs: The Governor removes the Divisions of Elderly and Veterans' Affairs from the Department of Human Services and establishes them as offices within the Executive Office of Health and Human Services.

Child Care Licensing: The Budget shifts the duties of licensing and monitoring day care facilities from the Department of Children, Youth, and Families to the Department of Human Services.

FY2019 Supplemental

FY2019 opened with a budgeted surplus of approximately \$31.3 million. The November 2018 Revenue Estimating Conference identified a \$5.4 million decrease in anticipated general revenue collections for FY2019.

The Governor's budget recommends a \$38.8 million increase in general revenue expenditures compared to the FY2019 Budget as Enacted.

EXPENDITURE CHANGES BY AGENCY

- **Administration:** The Governor includes \$59.9 million in general revenue to fund the costs of the State's general obligation debt service in FY2019, or \$12.3 million less than the FY2019 Budget as Enacted. This is largely attributable to delaying new bond issuance from FY2019 to FY2020. Offsetting the decrease are increases of \$2.9 million for DEM recreation bonds, \$2.1 million for the cultural and economic bonds, as well as several other smaller adjustments.
 - **Personnel and Operating Savings:** There is an increase of \$16.9 million in general revenue reflecting the disbursement of statewide personnel and operating savings. 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. The FY2019 Budget as Enacted included \$20.1 million in statewide general revenue savings to be identified in the current fiscal year. When the savings occur, the Budget Office distributes and accounts for the savings within the appropriate departmental budget accounts of the State agencies, and restores funding to the Department of Administration.
 - **Data Analytics:** The Budget maintains \$300,000 in general revenue 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.
 - **New FTE positions:** The Governor adds 2.0 FTE positions to the department to expand or enhance work regarding the e-procurement system and employee benefits. Funding for the two positions will be through the IT Internal Service Fund account and the Employee Benefits Internal Service Fund account.
 - **Purchasing:** the Governor adds \$500,000 in general revenue for unbudgeted management consultant services with Civic Initiatives of Austin, Texas, to improve procurement outcomes in reducing the State's operating costs.
- **Business Regulation:** The Governor includes a \$75,000 increase in restricted receipts to finance an online licensing system for the Contractor's Registration Board.
- **Labor and Training:** The Governor increases general revenue by \$1.4 million relative to the FY2019 Budget as Enacted. This increase is primarily due to an additional \$1.2 million in funding for the Workforce Regulation and Safety program. The additional funding supports current staffing levels, specifically within the professional license regulation division.
- **Revenue:** The Budget includes \$1.5 million of additional motor vehicle excise tax phase-out aid based on current available vehicle valuation data. The Budget includes \$2.3 million in statewide adjustments to reflect lower medical and assessed fringe benefit rates, a medical holiday, and the redistribution of savings included in the enacted budget.
- **Secretary of State:** The Budget maintains \$198,412 in general revenue to fund the Administrative Procedures Act website project. The additional funding will be used to provide training assistance to

staff. The Budget includes \$217,000 in general revenue for a software security update to the Open Government and Corporation databases.

- **General Treasury:** The Governor decreases \$481,221 from the Unclaimed Properties restricted receipt fund based on adjusted estimates of property payments from the November 2018 Revenue Estimating Conference.
- **Office of the Governor:** The Governor adds \$788,303 in general revenue personnel costs reflecting expenses that were previously cost allocated to ten state agencies as a means to supplement the Governor's Office personnel budget. The Governor also requests an increase of \$50,000 to the discretionary contingency spending account.
- **Commerce:** The Governor recommends that \$40,128 in personnel funds in the Executive Office of Commerce's Central Management program to support 3.0 FTE positions.
- **Executive Office of Health and Human Services:** The Governor increases general revenue expenditures by \$6.4 million over the FY2019 Budget as Enacted. This is related to \$11.9 million in additional expenditures which were adopted in the November 2018 Caseload Estimating Conference, partially offset by savings related to limiting hospice care rate increases and introducing generic drugs for Hepatitis C treatment.
- **Children, Youth, and Families:** The Governor includes a net general revenue increase of \$12.0 million, attributable to increased caseload-based expenditures incurred in the beginning of FY2019 which are partially offset by savings related to the acceleration of the Voluntary Extension of Care (VEC) program, realignment of foster care support services, and modification of the home-based services reauthorization timeframe.
- **Health:** The Governor's budget includes a \$122,520 increase of restricted receipt funds for 3.0 FTE positions to increase the number of inspections of state-licensed healthcare facilities.
- **Human Services:** The Budget provides an additional \$9.3 million in general revenue relative to the FY2019 Budget at Enacted. This increase is mainly attributable to a \$6.7 million increase within SNAP administration. The increase also includes an additional \$2.7 million in general revenues to support ongoing operations of the RI Veterans Home, and an additional \$1.1 million to support the State's elderly transportation program.
- **Behavioral Healthcare, Developmental Disabilities, and Hospitals:** The Governor recommends an increase of \$6.5 million in general revenue (\$19.7 million all funds) from the FY2019 enacted budget for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The major adjustments and budget initiatives in the Department include:
 - **Transfer Program Planner Positions from DHS:** 2.0 FTE positions transferred from the Department of Human services to BHDDH.
 - **RICARES Funding:** \$100,000 in general revenue to finance the costs of the Rhode Island Communities for Addiction Recovery Efforts (RICARES) to provide recovery houses and resources to field complaints, conduct investigations and follow up on complaints.
 - **Developmental Disabilities Program Caseload:** \$3.1 million total increase to finance the current caseload projections and to restore the "Health Home" mechanism to achieve conflict-free case management. This mechanism is eligible for a 90 percent federal match for the first eight quarters.
 - **Home Health Rate Changes:** \$276,718 is proposed to finance an increase in the rates paid to licensed practical nurses within the DD system.

- **Residential Rebalancing:** \$302,223 increase in general revenue from unachieved savings from the Residential Rebalancing Initiative that supports clients to seek more community-based placements and aims to reduce the number of individuals in residential group homes.
 - **Eleanor Slater Hospital Staffing:** \$3.6 million in general revenue for additional personnel expenditures to avoid noncompliance with Joint Commission on Accreditation of Hospitals (JCAHO) requirements.
- **Office of the Child Advocate:** The Governor reduces general revenue expenditures by \$73,111 primarily due to staff turnover. The FY2019 Budget as Enacted added 3.0 FTE positions to the Office, 2.0 of which were filled mid-year. The Office does not anticipate filling the third position in FY2019.
- **Elementary and Secondary Education:** The Budget decreases general revenue funding for the Department by \$1.2 million. The recommendation includes the reduction of general revenue funding for the School Resource Officer categorical fund by \$1.8 million to reflect actual utilization; an increase in education aid funding of \$124,045 for the New England Laborer’s charter school to reflect October 1, 2019, enrollments; and, an increase in Group Home Aid of \$119,000 to reflect new beds in Portsmouth and Exeter-West Greenwich. Teacher retirement is increased by \$635,098 in general revenue based on updated payroll projections; non-public textbook aid is reduced by \$151,424 in general revenue to reflect actual reimbursements in FY2019; and, general revenue funding for the School for the Deaf is increased by \$100,099. The Budget includes \$333,636 in statewide adjustments to reflect lower medical and assessed fringe benefit rates, a medical holiday, and the redistribution of savings included in the enacted budget. The Governor also recommends a \$100,000 P-Tech Grant from the Commerce Corporation to the Advanced Manufacturing Center program at Davies.
- **Higher Education:** The Budget increases general revenue by \$3.8 million across the system, including an increase of \$5.6 million in general obligation debt service at the University of Rhode Island, due primarily to a recent issuance for the Engineering Center, and a decrease of \$1.8 million across all the institutions for statewide adjustments to reflect lower medical and assessed fringe benefit rates, a medical holiday, and the redistribution of savings included in the enacted budget.
- **Attorney General:** The Budget includes a \$213,979 decrease in general revenue relative to the FY2019 Budget as Enacted. This decrease recognizes savings of \$213,979 from statewide adjustments. These include lower medical rates for State employees, a lower assessed fringe benefit rate, a medical holiday due to an FY2018 ending surplus in the Health Insurance Fund, and a redistribution of savings included in the enacted budget.
- **Corrections:** The Budget decreases general revenue by \$1.4 million relative to the FY2019 Budget as Enacted. This decrease is primarily associated with a decrease of \$5.4 million in statewide adjustments. These include lower medical rates for State employees, a lower assessed fringe benefit rate, a medical holiday due to an FY2018 ending surplus in the Health Insurance Fund, and a redistribution of savings included in the enacted budget. The decrease is partially offset by an increase in funding for Hepatitis C treatment (\$1.4 million), personnel adjustments (\$967,361), funding for per capita inmate expenses (714,822), funding for an additional two weeks of correctional officer training (314,060), and funding to extend contracts for clerical staff and database administration (\$291,939).
- **Judiciary:** The Budget includes a statutorily-required reappropriation from FY2018 of \$1.9 million. The Governor recommends using the reappropriation to provide \$571,557 for the defense of indigents fund to better align with historical expenditures, and \$451,420 for security services to address increased gang violence in and around the State courthouses. The remaining balance is carried forward into FY2020. The Budget also includes \$896,464 in statewide adjustments to reflect lower medical and assessed fringe benefit rates, a medical holiday, and the redistribution of savings included in the enacted budget.

- **Emergency Management:** The Budget increases general revenue funded personnel costs by \$262,994. The increase reflects improperly allocated personnel costs to a federal grant at 100.0 percent when the grant required the costs to be split 50/50 with a state match.
- **Public Safety:** The Governor includes an additional \$695,345 in general revenue for the Department of Public Safety in FY2019. This net increase is inclusive of the following initiatives:
 - **Statewide Adjustment:** \$2.3 million in statewide adjustments to reflect lower medical and assessed fringe benefit rates, a medical holiday, and the redistribution of savings included in the enacted budget.
 - **Gaming Enforcement Unit:** \$1.8 million for personnel costs associated with the expansion of gaming at the new Tiverton Casino.
 - **Radios Replacement:** \$250,000 to fund the start of a six-year replacement schedule of portable and vehicle-mounted radios for the State Police, Sheriffs, and Capitol Police.
 - **Adult Use Marijuana:** \$850,000 in restricted receipt funds to support new public safety initiatives around the use of marijuana.
- **Transportation:** Relative to the FY2019 Enacted level, the Budget increases federal funds by \$24.7 million, Rhode Island Capital Plan (RICAP) Fund financing by \$8.3 million, and other funds by \$8.1 million, while decreasing restricted receipts by \$27,681. The Budget adds \$33.7 million in Highway Maintenance Account funding for various projects, including the ongoing construction of the Route 6/10 interchange. The Governor increases operating transfers to the Rhode Island Public Transit Authority (RIPTA) and the Rhode Island Turnpike and Bridge Authority (RITBA) by \$2.7 million and \$1.0 million, respectively, based on revised estimates to the per-penny gas tax yield. The Governor includes an additional \$8.1 million in RICAP funding to support ongoing statewide projects including the highway improvement program, and construction of the Pawtucket bus hub.



DEPARTMENTAL SUMMARIES

Department of Administration

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Governor	Enacted	Enacted
Accounts and Control	\$5.1	\$5.6	\$5.0	(\$0.6)	-10.2%	\$5.6	(\$0.0)	-0.1%
Office of Management and Budget	9.1	10.5	9.7	(0.9)	-8.2%	9.8	(0.7)	-6.5%
Capital Asset Management and Maintenance	8.4	10.6	9.7	(0.9)	-	9.8	(0.8)	100.0%
Construction Permitting, Approvals and Licensing	3.2	-	-	-	-	-	-	-
Central Management	2.8	2.7	2.8	0.0	1.3%	2.7	(0.1)	-2.2%
Debt Service Payments	179.6	182.7	165.7	(17.0)	-9.3%	202.0	19.3	10.6%
Energy Resources	5.1	8.7	9.4	0.7	7.8%	8.6	(0.1)	-1.1%
Facilities Management	1.0	-	-	-	-	-	-	-
General	53.9	45.4	73.3	27.9	61.3%	66.2	20.8	45.7%
Human Resources	1.2	1.3	0.8	(0.5)	-37.9%	0.8	(0.5)	-37.9%
Information Technology	22.8	11.9	18.4	6.5	54.9%	8.4	(3.5)	-29.6%
Legal Services	1.9	2.4	2.2	(0.2)	-7.4%	2.5	0.1	3.5%
Library and Information Services	2.5	2.7	2.5	(0.1)	(0.1)	2.6	(0.0)	-1.7%
Personnel Appeal Board	0.1	0.1	0.1	-	-	0.2	-	-
Personnel and Operational Reforms	-	(20.1)	(3.2)	16.9	-84.1%	(16.9)	3.2	-16.1%
Planning	3.5	5.8	5.7	(0.1)	-2.4%	5.7	(0.2)	-2.9%
Purchasing	3.6	3.9	4.4	0.5	13.4%	4.4	0.5	13.3%
Rhode Island Health Benefits Exchange (HealthSource RI)	9.7	8.9	10.6	1.7	18.8%	10.2	1.3	14.4%
The Office of Diversity, Equity and Opportunity	1.1	1.4	1.3	(0.1)	(0.1)	1.4	0.0	2.6%
Total	\$314.5	\$284.6	\$318.5	\$33.8	11.9%	\$324.0	\$39.3	13.8%

Expenditures By Source								
General Revenue	\$189.9	\$177.1	\$174.3	(\$2.8)	-1.6%	\$199.5	\$22.4	12.6%
Federal Funds	7.7	3.9	4.7	0.8	20.4%	4.0	0.2	4.6%
Restricted Receipts	30.7	26.6	35.3	8.7	32.6%	23.5	(3.1)	-11.6%
Other Funds	86.3	77.1	104.3	27.2	35.3%	96.9	19.8	25.7%
Total	\$314.5	\$284.6	\$318.5	\$33.8	11.9%	\$324.0	\$39.3	13.8%

Authorized FTE Levels	697.7	655.7	657.7	2.0	0.3%	670.7	15.0	2.3%
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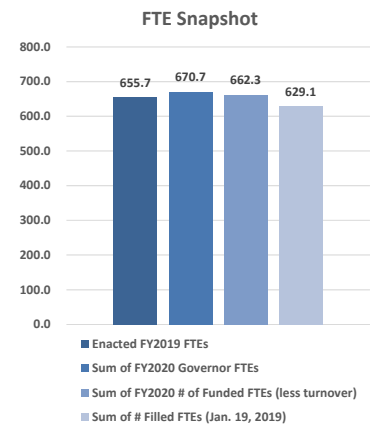
\$ in millions. Totals may vary due to rounding.

The Department of Administration's primary function is to provide support services to state departments and agencies. The Department of Administration was created to consolidate the finance, purchasing, and management functions of the State. There are 17 sub-programs with specific functions within the Department of Administration.

MAJOR ISSUES AND TRENDS

The Budget includes an all funds appropriation of \$324.0 million in FY2020, reflecting a net increase of \$39.3 million from the FY2019 Budget as Enacted. General revenues total \$199.5 million and comprise 61.6 percent of the Department's total appropriation. For FY2020, general revenues increase by \$22.4 million from the previous fiscal year, primarily due to increased debt service requirements.

The Budget adds 18.0 FTE positions for the Human Resource, Information Technology, and Capital Asset Management service centers that will be funded from the various centralized internal service funds, adds 2.0 FTE positions to operate the proposed Litigation Oversight Unit under the Legal Services program, and a Data Analyst I position to assist with the Census 2020 program in Planning. The increase is offset by the transfer of the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers, the elimination of 2.0 FTE positions related to cybersecurity in Central Management, and the transfer of the Small Business



Ombudsman position from the Office of Management and Budget to the Department of Business Regulation.

ACCOUNTS AND CONTROL

Accounts and Control promotes the financial integrity and accountability of State government through administrative, accounting controls, and procedures. The program administers a comprehensive accounting and recording system which classifies department and agency transactions in accordance with the budget plan; maintains control accounts of assets for all departments and agencies; and operates financial, accounting and cost systems for all departments and agencies.

The program also prepares several publications, including the Comprehensive Annual Financial Report, Condensed State Financial Report, State Payroll Manual, Procedural Handbook of the Department of Administration, and the Consolidated Statewide Cost Allocation Plan.

Accounts and Control	General Revenue
FY2019 Enacted	\$5,345,087
<i>Target and Other Adjustments</i>	<i>7,844</i>
Federal Grants Management Office	328,293
Information Technology Charges	(269,181)
FY2020 Governor	\$5,412,043

Accounts and Control	Other Fund Changes
OPEB Administrative Expenses	(\$75,329)

Federal Grants Management Office **\$328,293**

The Budget eliminates the Office of Federal Grants Management within the Office of Management and Budget (OMB) and transfers the responsibility of federal grants management to the State Controller under the Accounts and Control program. Currently, there is 1.0 FTE position in the Office of Federal Grants Management. According to the Department, the FTE position and funding will internally transfer between the two offices. The transfer eliminates a potential conflict of interest because the Office of Federal Grants Management reported administratively to the Office of Internal Audits, thereby prohibiting the audit of the program. Generally accepted audit standards require the auditor to be independent and objective. Since Office of Internal Audit is responsible for oversight of the federal grants, there is no independence. By moving the responsibility for federal grants management to Accounts and Control, the conflict is avoided.

Information Technology Charges **(\$269,181)**

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$1.1 million for this expense, which is reduced by \$269,181 to \$867,879 in the FY2020 proposed budget.

OPEB Administrative Expenses (restricted receipts) **(\$75,329)**

The Budget funds personnel and contract service costs associated with the administration of the Other Post Employment Benefit (OPEB) Trust Fund. This includes \$149,966, of which \$49,966 is salary and benefit expenses and \$100,000 is actuarial expenses. This is a decrease of \$75,329 in restricted receipts from the FY2019 Budget as Enacted. RIGL 36-12.1-15 authorizes the disbursement of funds from the OPEB Trust Fund into a restricted receipt account for the sole purpose of maintaining the trust fund.

OFFICE OF MANAGEMENT AND BUDGET

The Office of Management and Budget (OMB) serves as the principal agency for budget, performance management, and federal grants management. OMB includes the following functions:

- **Budget Office:** Provides advice to the Governor relating to the financial management of state government, evaluating necessary resources, analyzing state programs, priorities and alternatives, and suggesting the optimum allocation of resources to meet policy and management goals. The Budget Office also prepares fiscal notes on legislation, participates in the Revenue and Caseload Estimating Conferences, and prepares presentations to bond rating agencies.
- **Director:** Assists departments and agencies with strategic planning and continuous improvement processes to enhance management.
- **Performance Management:** Develops and monitors performance measures for each state agency.
- **Federal Grants Administration:** Monitors and reports on federal grants and maximizes the use of federal funds for eligible programs and functions.
- **Regulatory Reform:** Evaluates and reforms state and local regulatory environments.
- **Office of Internal Audit:** Conducts audits on any state agency, state entity, or private entity receiving state funding or grants. The OIA evaluates the efficiency of an agency's operations and internal controls, and prevents or detects fraud and mismanagement.

Office of Management and Budget	General Revenue
FY2019 Enacted	\$9,011,679
<i>Target and Other Adjustments</i>	
Federal Grants Management Office	295,016
Data Analytics Pilot - DCYF	(386,268)
Software Maintenance Agreements	(300,000)
Special Legal Counsel - Regulatory Reform	(229,581)
FY2020 Governor	\$8,220,142

Federal Grants Management Office **(\$386,268)**

The Budget transfers the Office of Federal Grants Management within the Office of Management and Budget (OMB) to the State Controller under the Accounts and Control program. Currently, there is 1.0 FTE position in the Office of Federal Grants Management. The FTE position and general revenue funding will internally transfer between the two offices. According to the Office of Internal Audits, the transfer eliminates a potential conflict of interest because the Office of Federal Grants Management reported administratively to the Office of Internal Audits, thereby prohibiting the audit of the program. By moving the responsibility for federal grants management to Accounts and Control, the conflict is avoided.

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

The Budget eliminates \$300,000 in general revenue used 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.

Software Maintenance Agreements **(\$229,581)**

The Budget decreases general revenue expenditures to billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs

associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$708,531 for this expense, which is reduced by \$229,581 to \$478,950 in the FY2020 proposed budget.

Special Legal Counsel – Regulatory Reform **(\$170,704)**

The Budget decreases contract services by \$170,704 in general revenue reflecting a shift in funding appropriated in the FY2019 Budget as Enacted to support legal service assistance to state agencies working to revise and update rules and regulations as part of a regulatory reform initiative. Funding for this issue is now listed under the personnel category.

CAPITAL ASSET MANAGEMENT AND MAINTENANCE

The Division of Capital Asset Management and Maintenance (DCAMM) centralizes capital assets, capital projects, and state facilities maintenance functions. The division was established under the FY2017 Budget as Enacted. The division consists of the following subprograms: Capital Asset Management and Maintenance Administration, Office of Facilities Management and Maintenance, and the Office of Planning, Design and Construction, and has oversight of the following areas:

- Office of Planning, Design and Construction (PDC) manages new construction and rehabilitation projects.
- Office of Facilities Management and Maintenance (OFMM) maintains the state facilities.
- Office of Risk Management
- Office of State Fleet Operations administers the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

Capital Asset Management and Maintenance	General Revenue
FY2019 Enacted	\$10,621,701
<hr/>	
<i>Target and Other Adjustments</i>	-
Centralized Services Adjustment	(956,140)
Personnel Adjustments	95,244
Contracted Services	31,500
New Computers	25,000
FY2020 Governor	\$9,817,305

Centralized Services Adjustment **(\$956,140)**

The Budget decreases general revenue expenditures by \$956,140 to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$8.6 million for these expenses, which is reduced by \$956,140 to \$7.7 million in the FY2020 proposed budget.

Personnel Adjustments **\$95,244**

The Budget increases general revenue expenditures by \$95,244 that includes implementing the last step of the contracted cost of living (COLA) to state employees offset by other statewide planning value adjustments set by the Budget Office.

Contracted Service Charges **\$31,500**

The Budget increases general revenue expenditures by \$31,500 for contracted services, including \$20,000 for temporary office assistance from the vendor ADIL.

Contracted Services	FY2019 Enacted	FY2019 Revised	Change	FY2020 Governor	Change
Appraisers/Title Examiners	\$0	\$7,000	\$7,000	\$7,000	\$7,000
Engineering Services	6,500	6,500	-	6,500	-
Lecturers and Training Cons.	-	2,000	2,000	2,000	2,000
Legal Services	-	70,000	70,000	-	-
Other Temporary Services	-	20,000	20,000	20,000	20,000
Training and Education Services	-	2,500	2,500	2,500	2,500
Total	\$6,500	\$108,000	\$101,500	\$38,000	\$31,500

New Computers**\$25,000**

The Budget increases general revenue expenditures \$25,000 for the purchase of new computers.

CENTRAL MANAGEMENT

Central Management is comprised of four major functions: the Director's Office, the Central Business Office, the Judicial Nominating Commission, and Cybersecurity.

- The Director's Office provides for the overall operation of the department and provides assistance to all Executive branch agencies and to the Office of the Governor.
- The Central Business Office provides financial management assistance to the program areas within the Department of Administration and the Department of Revenue to ensure maximum use of state and federal resources.
- The Judicial Nominating Commission recommends candidates to the Governor to fill vacancies in the Rhode Island Judiciary. The Commission is required by statute to advertise for each judicial vacancy and to actively seek and encourage applications from qualified individuals.
- Cybersecurity is charged with developing and implementing comprehensive statewide cybersecurity strategy in collaboration with other state agencies.

Central Management	General Revenue
FY2019 Enacted	\$2,735,330
<i>Target and Other Adjustments</i>	<i>(126,320)</i>
Cybersecurity Office Elimination	(427,986)
Disparity Study	280,000
CBO Personnel	156,987
Information Technology Charges	51,221
FY2020 Governor	\$2,669,232

Cybersecurity Office Elimination**(\$427,986)**

The Budget includes a net decrease of \$427,986 in general revenue, reflecting the elimination of the Cybersecurity Office and two positions within the Central Management program and a net portion of operating expenses. The positions eliminated are the 1.0 Cybersecurity Officer and 1.0 Programming Service Officer. The functions of the Cybersecurity Unit will be performed by the Division of Information Technology (DoIT).

The Budget shifts \$249,000 for IT General Services and \$100,000 for Staff Training to the Director of Administration's office and will be used to pay for the DoIT services provided for the cybersecurity functions.

Disparity Study**\$280,000**

The Budget includes \$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. Although 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 of Oakland, CA to perform the study on May 30, 2018, and the Department approved the contract on July 3, 2018, and July 6, 2018. To fund the ongoing study, the Budget adds \$219,029 to the FY2019 Revised Budget and \$280,000 for FY2020.

CBO Personnel**\$156,987**

The Governor includes a net increase of \$156,987 in general revenue, including \$100,000 to implement the last step of the contracted cost of living (COLA) to state employees and other statewide planning value adjustments set by the Budget Office. In addition, \$56,886 of this increase reflects the correction of an employee's allocation. One employee's allocation was split between the Central Business Office (CBO) and the Office of Management and Budget. The budget system over calculated the personnel cost. After the correction was made 100.0 percent of the employee's cost was properly allocated to the CBO.

Information Technology Charges**\$51,221**

The Budget increases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$57,060 for this expense, which is increased by \$51,221 to \$108,281 in the FY2020 proposed budget.

DEBT SERVICE

The Debt Service Payments program funds expenditures for both long- and short-term tax supported debt obligations of the State. This includes debt service on general obligation bonds as well as lease payments securing certificates of participation issued by the State. The program encompasses leases or trust agreements securing revenue bonds issued by the Rhode Island Convention Center Authority, Rhode Island Refunding Bond Authority, Rhode Island Commerce Corporation, or other obligations that are part of the State's net tax supported debt.

Debt Service Payments	General Revenue
FY2019 Enacted	\$140,686,161
<i>Target and Other Adjustments</i>	-
Other Debt Service Changes	11,038,505
General Obligation Bond Changes	9,051,972
Certificates of Participation (COPs)	2,911,224
FY2020 Governor	\$163,687,862

Other Debt Service Changes**\$11.0 million**

The Budget includes \$52.1 million in general revenue for debt service expenses on six items, reflecting an increase of \$11.0 million from various adjustments from the FY2019 Budget as Enacted. The adjustments include higher projected debt service for the Rhode Island Convention Center debt as a result of refunding \$64.8 million of 2009 Series A tax exempt bonds, an increase of \$6.9 million for the Historic Structures Tax Credit debt, an increase of \$520,000 for the I-195 Land Acquisition, and \$1.5 million for the 38 Studios Debt Service.

Other Debt Service	FY2019 Enacted	FY2020 Governor	Change
Historic Structures Tax Credit	\$12.9	\$19.8	\$6.9
Convention Center Authority	18.7	21.2	2.5
38 Studios Debt Service	-	1.5	1.5
I-195 Land Acquisition	2.5	3.0	0.5
EDC - Fidelity Job Rent Credits	3.4	3.0	(0.4)
EDC - Providence Place Mall Sales Tax	3.6	3.6	-
Total	\$41.1	\$52.1	\$11.0

\$ in millions

Totals may vary due to rounding.

Historic Structures Tax Credit: 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. Based on projections by the Office of Revenue Analysis, a new debt issuance was not required in FY2019. Therefore the debt service cost for FY2019 is \$9.5 million and reflects outstanding debt service payments. The Budget Office anticipates the new issuance will occur in March 2019 requiring new debt service in FY2020. For FY2020, the Budget includes \$19.8 million, \$6.9 million more than the FY2019 Budget as Enacted. This includes \$10.3 million for the projected principal and interest payment on the new debt issuance and \$9.5 million on outstanding debt service on previously issued debt.

Convention Center Authority Debt Service: The Authority refunded revenue bonds on December 20, 2017, covering \$64.8 million of 2009 Series A tax exempt bonds. The previous interest rate on these bonds ranged from 4.25 percent to 5.5 percent. The refunding reduced the interest rates to 2.283 percent to 3.265 percent resulting in a total debt service savings of \$6.0 million. The savings includes \$2.2 million in FY2018. The FY2019 Budget as Enacted included appropriation of \$18.7 million included \$2.7 million in savings and a reduction of \$250,000 in projected energy savings. The FY2020 Budget includes \$21.4 million reflecting the restoration of the refunding savings less the projected energy savings, resulting in an appropriation that is \$2.5 million more than appropriated in FY2019.

38 Studios Debt Service: The Budget includes \$1.5 million in general revenue for the 38 Studios Debt service. On March 6, 2017, the Rhode Island Commerce Corporation lawsuit settled with all of the named defendants resulting in a net collection of \$50.5 million in settlement payments and earned interest. The net collections are used to offset the annual debt service requirements and at the present the State will need to appropriate \$1.5 million in FY2020 and a final debt service payment of \$12.3 million in FY2021. The total debt service cost to the state less settlement collections is projected at \$37.5 million.

Rhode Island Commerce Corporation (formerly RIEDC) Job Creation Guaranty Program

FY	Principal	Interest	Total Debt Service	Source of Debt Payment				Cumulative Paid Debt Service	Outstanding Debt Service
				Capitalized Interest	State Appropriation	Interest Earned	Settlements and Other Sources		
2011	-	\$2,639,958	\$2,639,958	\$2,639,958	-	-	-	\$2,639,958	\$109,947,129
2012	-	5,309,412	5,309,412	5,309,412	-	-	-	7,949,370	104,637,717
2013	-	5,309,412	5,309,412	5,309,412	-	-	-	13,258,782	99,328,305
2014	7,440,000	5,086,212	12,526,212	10,094,708	2,500,000	170,000	-	25,784,994	86,802,093
2015	7,885,000	4,626,462	12,511,462	-	8,635,000	889,163	3,196,770	38,296,456	74,290,631
2016	8,360,000	4,139,112	12,499,112	-	12,499,113	1,958	9,926,027	50,795,568	61,791,519
2017	8,860,000	3,589,287	12,449,287	-	-	-	36,274,385	63,244,855	49,342,232
2018	9,455,000	2,923,881	12,378,881	-	-	-	-	75,623,736	36,963,351
2019	10,190,000	2,162,638	12,352,638	-	-	-	-	87,976,374	24,610,713
2020	10,980,000	1,342,300	12,322,300	-	1,527,968	-	-	100,298,674	12,288,413
2021	11,830,000	458,413	12,288,413	-	12,288,413	-	-	112,587,087	-
Total	\$75,000,000	\$37,587,087	\$112,587,087	\$23,353,490	\$37,450,494	1,061,121	\$49,397,182	\$112,587,087	

Source: State Budget Office

Analyst Note: On March 20, 2019, a federal judge approved an agreement that Wells Fargo Securities will pay an \$800,000 civil penalty to end a lawsuit brought by the U. S. Securities and Exchange Commission (SEC). According to Thomas Carlotto, legal counsel to the Commerce Corporation of Rhode Island (Commerce RI), "there is a possibility that the penalty payment could impact the State's 38 Studios debt service payments, depending on how the SEC decides to use the funds. Under the Fair Funds Doctrine, the SEC could use the penalty to "pay bondholders", which would in fact pay debt service and reduce the amounts payable by the state."

I-195 Land Acquisition Debt Service: Total principal issued on the I-195 Land Acquisition is \$38.4 million, and for the first 5-years, the debt service reflected interest only payments. Beginning in FY2019, the debt service included a principal payment of \$1.4 million and interest of \$3.0 million. In FY2020, the total debt service is \$4.4 million, projected to be offset by \$1.3 million in land sale proceeds, resulting in a state general revenue appropriation of \$3.0 million, reflecting an increase of \$520,000. The following table illustrates the projected payments to FY2023.

Fiscal Year	Principal	Interest	Total Debt Service	Estimated Offset	Projected State Appropriation
2019	\$1.4	\$3.0	\$4.4	(\$1.8)	\$2.6
2020	1.5	2.8	4.4	(1.3)	3.0
2021	1.7	2.7	4.4	(1.4)	3.0
2022	1.8	2.6	4.4	(1.2)	3.2
2023	32.0	2.4	34.4	(32.0)	2.4
Total	\$38.4	\$13.5	\$51.9	(\$37.7)	\$14.2

\$ in millions

Presently, the capital plan assumes that net proceeds from the I-195 District land sales will not be available, as previously planned, to offset the principle and interest payments of the debt service through to FY2022. The Budget Office projects that debt will be issued to make the scheduled balloon payment of \$34.4 million in FY2023. The State will exercise an option to extend the loan and amortize the balloon payment, less any proceeds, over an additional 10 years.

General Obligation Bond Changes

\$9.1 million

The Budget includes \$81.3 million in general revenue to fund the costs of the State's general obligation debt service in FY2020, or \$9.1 million more than FY2019 Budget as Enacted.

General Obligation Debt	FY2019 Enacted	FY2020 Governor	Change
G.O. Bond New Bond Issue Projected Costs	17.8	15.0	(2.8)
Garrahy Courthouse Garage	1.6	3.1	1.5
All Other G.O. Bond Adjustments	52.8	63.2	10.4
Total	\$72.2	\$81.3	\$9.1

\$ in millions

Totals may vary due to rounding.

New General Obligation Bond Debt: The debt service projected for FY2020 decreases costs by \$2.8 million in general revenue and is based on the planned issuance of \$187.2 million in bonds in the spring of 2019. The projected debt service is based on a 5.0 percent interest rate.

Analyst Note: It is difficult to compare new bond issuance costs year over year, since issuances are really independent numbers. As an example, the FY2019 enacted number for new issuance of GO bonds is removed in the proposed FY2019 Revised Budget, therefore the increase is \$15.0 million as compared to the revised budget.

Garrahy Courthouse Garage: The Budget includes \$3.1 million in general revenue reflecting debt service for the new Garrahy Courthouse Parking Garage. This is an increase of \$1.5 million from the previous year. 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 revenues from the garage in later years, will fully cover the debt service costs. The current projection has a construction completion date of January 2020, reflecting a 3-month delay from the original September 2019 completion date.

Certificates of Participation (COPs)

\$2.9 million

The Budget includes \$30.3 million in general revenue to cover the debt service on nine projects financed through certificates of participation (COPs). This reflects an increase of \$2.9 million from the FY2019 Budget as Enacted. The largest adjustment is related to the High Security Renovation project.

Certificates of Participation	FY2019 Enacted	FY2020 Governor	Change
BHDDH - Power Plant	\$2.2	\$2.2	\$0.0
COPS - DCYF Training School	4.2	4.2	-
COPS - Energy Conservation	7.1	7.1	-
COPS - Kent County Courthouse	4.6	4.6	-
COPS - Pastore Hospital Consolidation	1.1	1.9	0.8
COPS - School for the Deaf	1.5	2.5	1.0
COPS - Technology	5.0	5.0	-
COPS - Traffic Tribunal - Debt Service	1.7	1.7	-
High Security Center Renovation	-	1.1	1.1
Total	\$27.4	\$30.3	\$2.9

\$ in millions

Totals may vary due to rounding.

High Security Renovation: The Budget includes a proposed issuance of \$45.0 million in Certificates of Participation to finance renovations to the High Security Center at the Department of Corrections, including infrastructure upgrades, new housing units, provide energy efficiencies, and increase safety for correctional officers. The FY2020 budget assumes an interest only payment of \$1.1 million. The projected debt service is based on a 5.0 percent interest rate.

OFFICE OF ENERGY RESOURCES

The Office of Energy Resources (OER) and the Energy Efficiency and Resource Management Council (EERMC) were established statutorily in 2006 to replace the former State Energy Office. The OER provides comprehensive integrated development, administration, and oversight of ongoing energy policies, plans, and programs to meet state and federal requirements and to provide policy guidance to executive leadership.

Energy Resources	Other Fund Changes
Stimulus State Energy Plan	\$449,498
Regional Greenhouse Gas Initiative	(187,821)
Energy Efficiency and Resources Management Council	(154,445)
2016 Energy Metrics Grant	(140,550)

Stimulus State Energy Plan (federal)

\$449,498

The Budget includes \$449,498 in federal funds for personnel costs related to the State Energy Plan. The U. S. Department of Energy repurposed remaining federal American Recovery and Reinvestment Act (ARRA) energy funds to which the state Office of Energy Resources is a grant recipient. The State Energy Program sets energy related goals, including:

- Increase energy efficiency to reduce energy costs and consumption for consumers, businesses and government.

- Reduce reliance on imported energy.
- Improve the reliability of electricity and fuel supply and the delivery of energy services.
- Reduce the impacts of energy production and use on the environment.

Analyst Note: The American Recovery and Reinvestment Act (ARRA) was enacted to preserve and create jobs and promote economic recovery; to assist those most impacted by the recession; to provide investments needed to increase economic efficiency by spurring technological advances in science and health; to invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and, to stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

Regional Greenhouse Gas Initiative (restricted receipts) (\$187,821)

The Budget includes \$6.8 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects a decrease of \$187,821 from the FY2019 Budget as Enacted. The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Northeastern and Mid-Atlantic states that requires member states to reduce carbon dioxide (CO₂) emissions from large fossil fuel-fired electric power plants to help address climate change. Central to this initiative is the implementation of a multi-state “cap-and-trade” program with a market-based emissions trading system. The reduction in funds were a result of the regional carbon market auctions. The annual RGGI proceeds fluctuate based upon the pricing from the quarterly competitive auctions with regulated energy users within New England and Mid-Atlantic States. OER received less revenues than in past RGGI auction program years.

Energy Efficiency and Resources Management Council (restricted receipts) (\$154,445)

The Budget includes \$730,187 in restricted receipts for grant awards as part of the Energy Efficiency and Resource Management Council. This is a decrease of \$154,445 from the FY2019 Budget as Enacted, reflecting a decrease from ratepayers from the prior year.

2016 Energy Metrics Grant (federal funds) (\$140,550)

This item reflects the elimination of federal funds previously received through a Department of Energy (DOE) grant to address two key barriers that are impeding the adoption of residential energy ratings and labels. The project will facilitate collaboration between states, DOE, and Residential Energy Services Network (RESNET) aimed at defining common elements of a market-facing label that can be populated by data flowing from either Home Energy Rating System (HERS) or Home Energy Score (HEScore). It will build on the activities in Missouri and Oregon, as well as the work of the New York State Energy Research and Development Authority (NYSERDA) National Labeling Group, which is seeking to harmonize scores for multifamily and commercial buildings. By coordinating efforts, states can develop common standards that reduce market confusion and streamline information-sharing with the real estate system, while still allowing states to incorporate unique elements that are important in their region. The federal grant started in January 2017. Funding for federal energy metric grant funds ended in FY2019 and no funds are recommended for FY2020.

GENERAL

The General program reflects funds appropriated to finance expenditures not allocated to other State departments or agencies and not specific to any one program within the Department of Administration. Grants and benefits reflect grants made to certain organizations, which are appropriated by the General Assembly. The General program has no FTE positions.

General	General Revenue
FY2019 Enacted	\$14,389,600
<i>Target and Other Adjustments</i>	
Teacher Retiree Health Subsidy	(2,321,057)
Library Construction Aid	(239,241)
FY2020 Governor	\$11,829,302

General	Other Fund Changes
RICAP Project Changes	\$23,309,572

Teacher Retiree Health Subsidy ***(\$2.3 million)***

The Budget is reduced by \$2.3 million in general revenue for the Teacher Retiree Health Subsidy as compared to the FY20129 Budget as Enacted. According to the State's actuary, GRS, based on previous contribution payments, the Teacher Retiree Health Subsidy plan reached full funding by June 30, 2019. Beginning with FY2020, future appropriations are no longer required for the health subsidy.

The subsidy began when the State agreed, after losing a lawsuit, to allow teacher retirees, drawing funds from the state retirement system, to purchase health insurance at the same active employee rate being paid by the state. This required the State to appropriate an annual fixed-dollar amount for the portion of post-retirement health care charged for retired teachers and any dependents above the active group rate.

Library Construction Aid ***(\$239,241)***

Rhode Island law grants authority to the Office of Library and Information Services to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community's debt service requirement, for a period of up to 20 years. For FY2020, the Budget includes \$1.9 million, a decrease of \$239,241 from the FY2019 Budget as Enacted.

RICAP Project Adjustments (other funds) ***\$23.3 million***

The Budget includes \$53.7 million in RICAP funds for various capital projects in FY2020 reflecting an increase of \$23.3 million from the previous fiscal year. Significant project changes include:

- **Hospital Consolidation:** Adds \$12.4 million to fund the Hospital Reorganization and Consolidation project to improve the quality of care and obtain operational efficiencies. The total project cost is \$43.4 million (\$21.4 million RICAP funds and \$22.0 million from Certificates of Participation (COPs)).
- **Pastore Center Campus Projects:** Adds \$7.6 million to fund various major maintenance and repairs to 35 structures at the Pastore Government Center.
- **Rhode Island Convention Center Authority Venues:** Includes \$7.1 million in RICAP funds for continued asset protection, upgrades, renovations, and funding of the renewal and replacement bond covenant for the Dunkin Donuts Center.
- **Capital Hill Campus Projects:** Adds \$4.1 million to fund various infrastructure upgrades to structures listed as the Capital Hill Campus, including the Cannon Building, Old State House, Chapin Health Lab, State Office Building (DOT), and the William Powers Building.
- **Accessibility Facility Renovations:** Provides \$1.0 million to various accessibility projects at State-owned facilities for project commitments such as elevator repairs at Bliss Hall on the University of Rhode Island campus.
- **Cranston Street Armory:** Includes \$500,000 for continued structural stabilization work on the facility.

- **Springfield Expo Center:** Adds \$250,000 to remodel the Rhode Island exhibit at the Big E fairground in Springfield, MA.
- **McCoy Stadium:** Includes \$200,000 for continued structural repairs and water penetration remediation work.

HUMAN RESOURCES

The Division of Human Resources is composed of eight subprograms: Administrative Services, Classification and Examinations, Equal Employment Opportunity, Outreach and Diversity, Employee Benefits, Training and Development, Employee Services, and Human Resource Service Centers. Its primary mission is to provide cost-effective human resource services to employees, labor, and management to assist them in carrying out the functions and responsibilities of state government.

Human Resources	General Revenue
FY2019 Enacted	\$1,274,257
<i>Target and Other Adjustments</i>	<i>(25,396)</i>
Centralized Service Charges	(460,320)
FY2020 Governor	\$788,541

Centralized Service Charges **(\$460,320)**

The Budget includes \$804,177 in general revenue expenditures for Human Resource Service Center projected costs in FY2020. This is a reduction of \$460,320 from the FY2019 Budget as Enacted amount of \$1.3 million. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget reduces these costs for FY2020.

INFORMATION TECHNOLOGY

The Division of Information Technology (DoIT) program oversees, coordinates, and develops all information technology (IT) resources within the executive branch. All hiring and spending decisions involving IT may only be made with the advice and approval of the Chief Information Officer. Information Technology defines and maintains the architectural standards for hardware, software, networks, and services that guide state investments in IT.

The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Information Technology	General Revenue
FY2019 Enacted	\$1,470,255
<i>Target and Other Adjustments</i>	<i>-</i>
Operating	177,163
FY2020 Governor	\$1,647,418

Information Technology	Other Fund Changes
Information Technology Investment Fund	(3,606,151)

Centralized Service Charges **\$177,163**

The Budget increases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for

information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$1.5 million for this expense, which is increased by \$171,163 to \$1.6 million in the FY2020 proposed budget.

Information Technology Investment Fund (restricted receipts) (\$3.6 million)

The Budget includes \$6.6 million in restricted receipts for the Information Technology Investment Fund (ITIF), reflecting a decrease of \$3.6 million in restricted receipts from the FY2019 Budget as Enacted, and a decrease of \$11.0 million from the Governor's FY2019 Revised Budget recommendation. The Fund is a restricted receipt account for the State's technology initiatives and improvement projects.

The ITIF derives funding through the sale of state property as well as from two additional sources. The FY2015 Budget as Enacted authorized the Tobacco Settlement Financing Trust to transfer an estimated \$10.0 million to the ITIF from proceeds of the recent issuance of bonds by the Tobacco Settlement Financing Corporation. Beginning July 1, 2015, 10.0 percent of the \$1.00 surcharge levied on each residence and business telephone line collected to support the E-911 Uniform Emergency Telephone System is deposited into the ITIF. The surcharge revenues are projected to generate an additional \$1.4 million annually for the ITIF.

Article 4 of the FY2018 Budget as Enacted established a new technology surcharge fee of \$1.50 per Division of Motor Vehicle (DMV) transaction. The fee funds the technology investment fund (RIGL 42-11-2.5) and is dedicated to the Division's computer system, Rhode Island Modernization System (RIMS). The surcharge increases the technology investment fund annually by \$2.2 million. The fee sunsets on June 30, 2022.

Analyst Note: Article 7 of the proposed FY2020 Budget includes language to remove the 2022 sunset provision and instead shift the \$1.50 technology fee to a new Division of Motor Vehicle restricted receipt account within the Department of Revenue.

Article 7 of the FY2019 Budget as Enacted authorized a tiered set of fees for individuals to obtain copies of certain vital records. The fees established are \$5 for mail-in certified records, \$3 for duplicate certified records, and \$2 for walk-in requests for certified records requests. The revenue generated from these fees will be deposited into the Information Technology Infrastructure Fund for purposes of supporting the Electronic Statewide Registration System (ESRS) at the Department of Health. The proposal projects to generate \$350,351 annually.

Each year the Department establishes a list of proposed and approved projects. For FY2019, this list consists of \$17.6 million in approved projects. All projects listed by the Department are subject to availability of funds in the ITIF. The ITIF available cash balance is \$8.5 million excluding obligations, approved projects, and approximately \$11.5 million in projected revenues. The projected revenue includes \$7.5 million in property sales from selling the Pryce Building and Ace Building. Including the proposed project costs, the Fund would have a balance of \$2.4 million at the end of FY2019. However, if the proposed property sales do not materialize, the ending balance would be in deficit by \$5.1 million.

For FY2020, the Department's list of proposed and approved projects totals \$6.6 million. The ITIF available cash balance is \$2.4 million (assuming the property sales occur in FY2019) and approximately \$4.2 million in projected revenues. Total available resources will be \$6.6 million. Including the proposed project costs, the Fund would have a balance of \$0 at the end of FY2020. It appears that in order for the Fund to continue forward funding IT projects, the Fund will require additional revenue resources or appropriations.

Between FY2020 and FY2024, there are \$22.7 million in project requests. The projected revenue over the same period totals \$15.8 million, illustrating that the need is greater than the revenues dedicated to the Fund. The Department provides this information as a method to demonstrate the entirety of the Department's IT project requests. The information provided by the Department in the capital request

signals more work is necessary to find additional revenue sources to fund these initiatives in timely matter. The following table illustrates the proposed and approved ITIF projects, funding balance and requested project costs:

Information Technology Fund	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Total Approved Projects	(\$17,567,903)	(\$6,622,092)	(\$4,050,000)	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)
Projected FY Beginning Balance	8,488,974	2,422,092	-	50,000	(350,000)	(2,950,000)
Estimated Sale of Property	7,501,021	-	-	-	-	-
E-911 Fees	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
DMV \$1.50 Surcharge	2,300,000	2,400,000	2,300,000	2,200,000	-	-
Vital Records Surcharge	300,000	400,000	400,000	400,000	400,000	400,000
Projected FY Ending Balance	\$2,422,092	\$0	\$50,000	(\$350,000)	(\$2,950,000)	(\$5,550,000)
Variance Capital Request to Approved Projects	(\$15,849,820)	(\$4,295,500)	(\$6,394,592)	(1,448,592)	1,346,700	1,390,000
Capital Budget Requests	\$33,417,723	\$10,917,592	\$6,444,592	\$5,448,592	\$453,300	\$410,000
Projected Cash Availability	19,989,995	6,622,092				

Source: Department of Administration

Analyst Note: According to the Department as of March 30, 2019, it is unlikely that the State will sell the Price and Ace properties in the current fiscal year. This will reduce revenue into the ITIF by \$7.5 million, resulting in a deficit of \$5.1 million in the current year. Without additional resources, the IT projects will be reduced from the \$17.6 million amount.

LEGAL SERVICES

Legal Services is responsible for establishing, managing and maintaining legal resources to support all departments and agencies within the executive branch. Legal Services manages and assists attorneys within the departments and agencies that provide legal services in programmatic areas.

Legal Services	General Revenue
FY2019 Enacted	\$2,424,062
<i>Target and Other Adjustments</i>	70,277
Outside Legal Contracted Services	(200,000)
Litigation Oversight Unit	105,537
FY2020 Governor	\$2,399,876

Legal Services	Other Fund Changes
Litigation Oversight Unit	\$105,536

Outside Legal Contract Services **(\$200,000)**

The Budget shifts \$200,000 in general revenue from contracted professional services to internal service fund expense under the Human Resources Service Center. According to the Department, this legal expense relates to labor relations which is a human resource function. The outside legal services cover the negotiation and arbitration of various collective bargaining unit contracts.

Litigation Oversight Unit **\$105,537**

The Budget adds \$105,537 in general revenue to establish a new litigation oversight unit to oversee litigation amongst all state agencies. The unit will consist of 1.0 Senior Legal Counsel and a 1.0 Paralegal and will be funded by general revenue and federal funds. According to the Budget Office, the unit will track hours worked on litigation cases and bill appropriate federal sources. The Budget also adds \$105,536 in federal funds.

LIBRARY AND INFORMATION SERVICES

The Office of Library and Information Services (OLIS) coordinates inter-library cooperation, maintains and develops the Rhode Island Library Network, operates the Regional Library for the Blind and Physically Handicapped, and promotes overall library development through various grant-in-aid programs for public and institutional libraries.

Library and Information Services	General Revenue
FY2019 Enacted	\$1,442,726
<i>Target and Other Adjustments</i>	<i>(71,219)</i>
Interlibrary Delivery System	85,994
FY2020 Governor	\$1,457,501

Interlibrary Delivery System **\$85,994**

The Budget increases \$85,994 in general revenue to reflect historical spending trends. RIGL 29-6-9 requires that the Office of Library and Information Services fund the Interlibrary Delivery System in its entirety.

PERSONNEL APPEAL BOARD

The Personnel Appeal Board hears appeals by any person with provisional, probationary, or permanent status in a position in the classified service aggrieved by an action of the Administrator of Adjudication for the Department of Administration on matters of personnel administration. The Board administers the Merit System Law governing appeals, maintenance of records, reviews, appeals from decisions rendered, and records of cases adjudicated prior to scheduling a public hearing. The Personnel Appeal Board consists of five members, not more than three of whom are members of the same political party. The Board has no FTE positions specifically assigned to the program.

Personnel Appeal Board	General Revenue
FY2019 Enacted	\$149,477
<i>Target and Other Adjustments</i>	<i>2,044</i>
FY2020 Governor	\$151,521

PERSONNEL AND OPERATIONAL REFORMS

The Department of Administration has a centralized account for the statewide 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.

Personnel and Operational Reforms	General Revenue
FY2019 Enacted	(\$20,084,559)
<i>Target and Other Adjustments</i>	<i>0</i>
Personnel and Operating Savings	3,227,559
FY2020 Governor	(\$16,857,000)

Personnel and Operating Savings **\$3.2 million**

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.

The FY2019 Budget as Enacted included \$20.1 million in statewide general revenue savings to be identified in the current fiscal year.

The Budget includes FY2020 statewide savings of \$16.9 million in general revenue, reflecting increased statewide savings of \$3.2 million (reflected as a positive number) as compared to the FY2019 Budget as Enacted. The savings are stated under the Department of Administration to be distributed to State agencies as part of the future FY2020 Revised Budget.

Personnel and Operating Reforms	FY2019 Enacted Savings	FY2020 Projected Savings	Change
RICAP Administrative Indirect Cost Recovery	(\$3,700,000)	\$0	\$3,700,000
Waste and Fraud Detection System	(9,634,559)	(4,200,000)	5,434,559
Contract Savings	(3,000,000)	-	3,000,000
Workers Compensation Privatization Savings (State Share)	(1,500,000)	-	1,500,000
Insurance Cost Savings	(1,000,000)	-	1,000,000
Carry-over of FY2018 \$25.0 m Savings	(900,000)	-	900,000
Prompt Payment Discounts	(350,000)	-	350,000
Injured on Duty Savings	-	(1,657,000)	(1,657,000)
Overtime Savings	-	(1,000,000)	(1,000,000)
Statewide Efficiency Savings	-	(10,000,000)	(10,000,000)
Total	(\$20,084,559)	(\$16,857,000)	\$3,227,559

PLANNING

The Division of Planning is responsible for preparing, adopting, and amending strategic plans for the physical, economic, and social development of the state. The Division is comprised of three subprograms: Statewide Planning, Strategic Planning and Economic Development, and the Water Resources Board.

- Statewide Planning staffs the State Planning Council, which is comprised of state and local government officials, public members, and federal officials in an advisory capacity. The State Planning Council serves as the State's Metropolitan Planning Organization, responsible for planning and prioritizing state and federal transportation funding.
- Strategic Planning and Economic Development uses policy analysis and the planning process to prepare issue briefs and draft strategic plans that address current topics of special interest.
- The Water Resources Board (WRB) manages the planning and development of twenty-nine major water supply systems and the Big River Management Area. As part of the FY2019 budget, the Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers.

Planning	General Revenue
FY2019 Enacted	\$1,081,887
<i>Target and Other Adjustments</i>	<i>(4,282)</i>
Water Resources Board	(573,905)
Complete Count Initiative	144,485
Census 2020 Position	123,717
Information Technology Charges	(35,196)
FY2020 Governor	\$736,706

Water Resources Board Operating Transfer **(\$573,905)**

The Budget transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. Article 4, Sections 13, 17, 18, and 30 authorizes the transfer, as well as to amend general law to transfer the responsibilities of administering the Big River Management Area from the Water Resources Board to the Department of Administration. The transfer of

the Board also transfers the funding source of the Water Resources Board from general revenue to restricted receipts.

Complete Count Initiative

\$144,485

The Budget includes a net general revenue expenditure of \$144,485 to fund a Complete Count Initiative to ensure the state maximizes outreach and individual count for the 2020 Census. This reflects an appropriation of \$150,000 less a reduction of \$5,515 for statewide adjustments. 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.

Census 2020 Position

\$123,717

The Budget includes \$123,717 in general revenue to fund a 1.0 Data Analyst I position to administer and provide support towards the 2020 federal census. To fund the position, the Budget eliminates a 1.0 Chief Program Development position within the Division of Municipal Finance in the Department of Revenue. The position will assist with the previously stated Complete Count Initiative.

Information Technology Charges

(\$35,196)

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$112,993 for this expense, which is reduced by \$35,196 to \$77,797 in the FY2020 proposed budget.

PURCHASING

The Purchasing division includes procurement, operational support services, standards and specifications development and management, vendor information, and minority business enterprises. The Procurement division solicits bids or requests for proposal for services and supplies, negotiates prices with vendors, and carries out affirmative action programs. Operational support services include purchase order production and record keeping, bid preparation and opening, requisition tracking, and vendor files. The standards and specifications staff works with agency representatives to develop statewide standards for goods and services to be solicited. The Rhode Island Vendor Information Program (RIVIP) is an electronic system for registering potential bidders and providing bid and other information to vendors and the general public.

Purchasing	General Revenue
FY2019 Enacted	\$2,888,826
<i>Target and Other Adjustments</i>	<i>(15,042)</i>
Unachieved savings	338,251
Personnel Adjustments	146,168
Information Technology Charges	85,744
FY2020 Governor	\$3,443,947

Purchasing	Other Fund Changes
Miscellaneous Expenses	(\$540,000)
Software Management Agreements	162,500
Interdepartmental Project Manager	153,943
Programmer Analyst Manager	142,946

Unachieved Savings **\$338,251**

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. The FY2019 Budget as Enacted included \$20.1 million in statewide general revenue savings to be identified in the current fiscal year. This included a savings of \$350,000 for prompt payment discounts. These savings were not achieved, thereby requiring the restoration of operating costs funding in the purchasing program.

Personnel Adjustments **\$146,168**

The Budget increases general revenue personnel expenditures that includes implementing the last step of the contracted cost of living (COLA) to state employees offset by other statewide planning value adjustments set by the Budget Office.

Information Technology Charges **\$85,744**

The Budget increases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$239,715 for this expense, which is increased by \$85,744 to \$325,459 in the FY2020 proposed budget.

Miscellaneous Expense (restricted receipts) **(\$540,000)**

The Budget eliminates \$540,000 in restricted receipts reflecting the loss of funds derived from the MPA 1.0 percent administrative fee. The FY2019 Budget as Enacted includes a restricted receipt appropriation of \$540,000 derived from the MPA Fund established under Article 7, Section 11 of the FY2018 Budget as Enacted.

Article 7 authorized the state Chief Purchasing Officer to collect from contractors listed on the master price agreement, an administrative fee not to exceed 1.0 percent of the total value of the annual expense against a contract awarded to a state contractor. The fee collected shall be deposited into a restricted receipt account, of which the proceeds of this fee shall be used to implement and support a new online e-procurement system. The Budget Office assumed that the fee would be collected beginning in FY2018.

Analyst Note: The Department decided not to implement the fee after the Governor's FY2019 Budget recommendation was submitted to the General Assembly. The FY2019 Budget as Enacted included the \$540,000 restricted receipt expense raised through the imposition of the enacted fee. The Governor chose to implement the fee in the third quarter of FY2020, thereby requiring the elimination of the \$540,000 appropriation from the Revised FY2019 Budget. No funding is included in the FY2020 Budget as well.

Software Management Agreement (restricted receipts) \$162,500

The Budget adds \$162,500 in restricted receipt expenditures to reflect the annual cost for the software maintenance of the E-Procurement system. The E-Procurement software is constantly updated by software developers. This expense is to ensure that there are no service interruptions of the purchasing system.

Analyst note: E-procurement (electronic procurement, sometimes also known as supplier exchange) is the business-to-business or business-to-consumer or business-to-government purchase and sale of supplies, work, and services through the Internet.

Interdepartmental Project Manager (restricted receipts) \$153,943

The Budget adds \$153,943 in restricted receipt expenditures to fund the salary and benefit costs of a new 1.0 Interdepartmental Project Manager position dedicated to the operation of the E-Procurement system.

Programmer Analyst Project Manager (restricted receipts) \$142,946

The Budget adds \$142,946 in restricted receipt information technology chargers to fund the salary and benefit costs of a new 1.0 Programmer Analyst Manager position dedicated to manage the testing of upgrades to the E-Procurement system.

RHODE ISLAND HEALTH BENEFITS EXCHANGE

As part of the national health care reform and the Affordable Care Act (ACA), the Rhode Island Health Benefits Exchange was created by Executive Order in 2011 as a federally-funded program within the Office of the Governor. The FY2014 Budget as Enacted transferred the program to the Department of Administration. Rhode Island's health benefits exchange (HealthSource RI) became operational in October 2013 and is an online marketplace for individuals, families, and small businesses to compare and purchase health insurance coverage and gain access to tax credits, reduced cost sharing and public programs such as Medicaid.

Rhode Island Health Benefits Exchange (HealthSource RI)	General Revenue
FY2019 Enacted	\$2,363,841
<i>Target and Other Adjustments</i>	<i>(8,000)</i>
Software Maintenance Agreements - Individual Mandate	400,000
FY2020 Governor	\$2,755,841

Rhode Island Health Benefits Exchange (HealthSource RI)	Other Fund Changes
Rhode Island Health Benefits Exchange - restricted receipts	\$1,028,141
Rhode Island Health Benefits Exchange - federal	Informational

Software Maintenance Agreements - Individual Mandate \$400,000

Article 14 of the FY2020 proposed budget establishes a state Shared Responsibility Payment Penalty (SRPP), or individual mandate, to assess a penalty on applicable taxpayers who fail to maintain minimum essential coverage. The Budget includes \$400,000 in general revenue for software maintenance agreements to implement the state individual mandate/market stabilization of health insurance.

Analyst Note: Although the funding for the implementation of the Shared Responsibility Payment Penalty (SRPP) is categorized solely as software maintenance agreements, the funding will be used for the software upgrades necessary to collect the penalty, outreach to decrease the uninsured rate, actuarial support and implementation of the SRPP and the state's proposed reinsurance program.

Rhode Island Health Benefits Exchange (restricted receipts)

\$1.0 million

The Budget includes \$7.4 million in restricted receipts for personnel and operating costs for 16.0 FTE positions. This reflects a net increase of \$1.0 million from the FY2019 Budget as Enacted, and includes increases of \$762,352 for personnel costs, \$197,870 for contracted services, and \$67,919 for operating and computer costs. The assessment is used to fund the operational costs of HealthSource RI, the state-based health benefits marketplace for individual and small group health insurance and the avenue through which Rhode Islanders access federal health insurance subsidies.

Rhode Island Health Benefits Exchange (federal)

Informational

The Budget includes no federal funds for Rhode Island Health Benefits Exchange for FY2020, reflecting a decrease of \$138,089 from the FY2019 Budget as Enacted. The use of federal funds for the Exchange declined after FY2015. From FY2016 through FY2019, federal funds were primarily used for contract services and personnel. This reflected the shift from federal funding that was provided for the establishment of an ACA-compliant health benefits exchange, over to a state operated system. The federal funds provided in FY2019 fund only personnel costs for one FTE position. Through to the FY2018 Budget as Enacted, the design, development, and implementation of HealthSource RI has been funded with \$140.8 million in federal grants.

HealthSource RI	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Enacted	FY2019 Revised	FY2020 Governor	Total
Federal Funds	\$21.8	\$47.3	\$48.5	\$17.6	\$3.7	\$1.8	\$0.1	\$0.1	\$0.0	\$140.8
Restricted Receipts	-	-	-	2.8	5.5	5.3	6.4	8.1	7.4	\$29.1
Total	\$21.8	\$47.3	\$48.5	\$20.4	\$9.2	\$7.1	\$6.5	\$8.2	\$7.4	\$169.9

\$ in millions

OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY

The mission of the Office of Diversity, Equity, and Opportunity is to create and support a diverse and inclusive state government culture that values and reflects the changing demographics of Rhode Island by advancing equitable and fair opportunities for all Rhode Island citizens to be employed by or doing business with the State of Rhode Island.

The Office of Diversity, Equity, and Opportunity, consists of the following: Director of Diversity, the State Equal Opportunity Office, Minority Business Enterprise Compliance Office, the Outreach and Diversity Office, and an Office of Supplier Diversity.

- Director of Diversity to administer the office.
- The State Equal Opportunity Office ensures federal and State equal opportunity compliance for all units of state government.
- The Minority Business Enterprise Compliance Office is responsible for supporting State laws and policies to ensure full participation of Minority Business Enterprises (MBEs) and Disadvantaged Business Enterprises (DBEs) in state and federally-funded construction programs and projects, and State purchases of goods and services.
- The Outreach and Diversity Office is responsible for creating a culture that values a diverse workforce through diversity training to state employees and assists in recruiting and retaining a diverse workforce.

- Office of Supplier Diversity will complement the work of the Minority Business Enterprise Compliance Office.

The Office of Diversity, Equity, and Opportunity	General Revenue
FY2019 Enacted	\$1,280,050
<i>Target and Other Adjustments</i>	<i>60,802</i>
Information Technology Charges	(36,655)
FY2020 Governor	\$1,304,197

Information Technology Charges **(\$36,655)**

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$58,250 for this expense, which is reduced by \$36,655 to \$21,595 in the FY2020 proposed budget.

CAPITAL PROJECTS

The Budget includes \$53.7 million in RICAP funds for various capital projects in FY2020. Significant projects include:

- \$24.0 million in RICAP funds for various projects at the Pastore Center in Cranston, including \$12.4 million for the consolidation of hospitals and \$11.6 million in RICAP funds to renovate various structures at the Center.
- \$6.0 million in RICAP fund to renovate 50 Branch Avenue in Providence. The structure is presently occupied by the Board of Elections. The Governor proposes to renovate the structure and move in the State Medical Examiner's Office.
- \$7.1 million in RICAP funds to renovate the Rhode Island Convention Center and Dunkin Donuts Center for the Renewal and Replacement Fund in accordance with the bond covenants of the 2006 Series A bonds and asset protection at the Rhode Island Convention Center, and Veterans' Memorial Auditorium.
- \$500,000 in FY2019 and in FY2020 for the Cranston Street Armory stabilization project.
- \$4.1 million in RICAP funds for various renovations and repairs to the state owned structures on or around capitol hill, including the Cannon Building, the Powers Building, the Chapin Health Laboratory, and the State Office Building housing the Department of Transportation.

Department of Business Regulation

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from		
	Actual	Enacted	Governor	Enacted		Governor	Enacted		
Central Management	\$2.3	\$2.4	\$2.4	\$0.0	\$0.0	\$2.5	\$0.1	5.5%	
Banking Regulation	1.4	1.8	1.6	(0.2)	-10.9%	1.7	(0.1)	-5.5%	
Board of Accountancy	0.0	0.0	0.0	(0.0)	-1.9%	0.0	(0.0)	-2.0%	
Commercial Licensing and Gaming and Athletics Licensing	2.0	2.9	2.9	0.1	2.3%	1.9	(1.0)	-33.1%	
Division of Building, Design and Fire Professionals	0.3	8.0	8.4	0.5	5.8%	9.4	1.4	17.5%	
Insurance Regulation	5.1	6.0	5.7	(0.3)	-4.6%	5.9	(0.0)	-0.6%	
Office of Cannabis Regulation	-	-	-	-	-	5.6	5.6	-	
Office of Health Insurance Commissioner	2.6	2.4	3.0	0.5	22.6%	2.6	0.2	8.0%	
Securities Regulation	1.0	1.0	1.1	0.0	3.1%	1.1	0.1	6.6%	
Total	\$14.7	\$24.5	\$25.1	\$0.6	2.6%	\$30.8	\$6.3	25.5%	
Expenditures By Source									
General Revenue	\$10.5	\$17.4	\$16.9	(\$0.6)	-3.2%	\$18.5	\$1.1	6.2%	
Federal Funds	1.0	0.9	1.3	0.5	0.5	0.8	(0.1)	-14.2%	
Restricted Receipts	3.1	6.1	6.4	0.3	4.2%	11.1	5.0	81.6%	
Other Funds	-	0.1	0.6	0.5	7.4	0.4	0.3	473.3%	
Total	\$14.7	\$24.5	\$25.1	\$0.6	2.6%	\$30.8	\$6.3	25.5%	
Authorized FTE Levels	106.0	161.0	162.0	1.0	0.6%	187.0	26.0	16.1%	

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

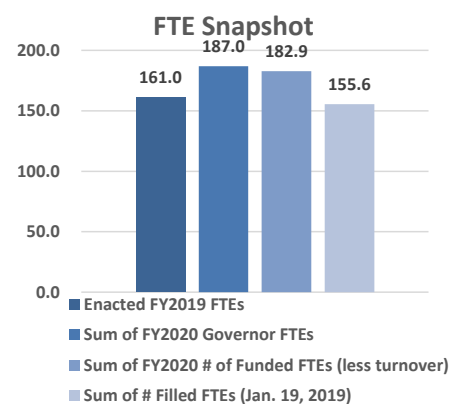
The Department of Business Regulation (DBR) implements state laws mandating the regulation and licensing of designated businesses, professions, occupations, and other specified activities. The Department is composed of nine programs: Central Management, Banking Regulation, Board of Accountancy, Commercial Licensing and Gaming and Athletics Licensing, Division of Building, Design and Fire Professionals, Insurance, Office of the Health Insurance Commissioner, Securities Regulation, and the proposed Cannabis Regulation. Other commissions housed within the Department are the Board of Accountancy, Real Estate Commission, Real Estate Appraisal Board, and the Racing and Athletics Hearing Board.

MAJOR ISSUES AND TRENDS

The FY2020 Budget includes an all funds increase of \$6.3 million, or 25.5 percent from the FY2019 Budget as Enacted. The Budget also includes a \$1.1 million increase in general revenue expenditures as compared to the enacted level. The increases are primarily related to personnel expenditures and the establishing of two new programs.

The Budget proposes the Simplify and Streamline Initiative, a joint initiative with the Executive Office of Commerce, to ease business ownership in the state. The initiative would be charged with encouraging business ownership by providing help navigating regulatory processes. Article 3 of the Budget proposes the transfer of the Small Business Ombudsman to DBR but does not transfer the funding associated with the FTE position. The Budget authorizes 7.0 new FTE positions for the Simplify and Streamline initiative within the Division of Building, Design, and Fire Professionals.

Article 20 of the Budget legalizes adult use marijuana for those over the age of twenty-one and amends the current medical marijuana program. The Budget includes the new Office of Cannabis Regulation (OCR) to regulate and oversee both the adult use and medical marijuana markets. The new division will be staffed with 22.0 FTE positions, of which 5.0 FTE positions are transferred from the Division of Commercial



Licensing and Gaming and Athletics Licensing and the remaining 17.0 FTE positions will be new positions. Funding for the OCR is \$5.6 million in restricted receipts.

CENTRAL MANAGEMENT

Central Management is composed of the Director's office, budget, regulatory standards, compliance, and enforcement. The specific functions include conducting administrative and rate hearings; providing legal services to the Director and Deputy Directors; compiling, submitting, and monitoring the budgets of the respective divisions; approving vouchers and contracts; and providing management services.

The Budget includes a staffing level of 11.0 FTE in FY2019 and FY2020.

Central Management	General Revenue
FY2019 Enacted	\$2,396,826
<i>Target and Other Adjustments</i>	<i>132,760</i>
FY2020 Governor	\$2,529,586

BANKING REGULATION

Banking Regulation provides regulatory oversight of state-chartered financial institutions, credit unions, Rhode Island bank holdings companies, and licensees through financial examinations and reviews to determine compliance with state banking laws, financial solvency, and safety and soundness operations.

The Budget includes a staffing level of 14.0 FTE in FY2019 and FY2020.

Banking Regulation	General Revenue
FY2019 Enacted	\$1,760,317
<i>Target and Other Adjustments</i>	<i>(44,862)</i>
Personnel	(55,636)
FY2020 Governor	\$1,659,819
Personnel	(\$55,636)

Despite cost-of-living adjustments (COLA), the Budget includes a decrease in direct wages within the Banking Regulation program. This is the result of senior FTE positions leaving the Department, and being replaced with personnel without longevity pay and at the first step of the pay grades.

BOARD OF ACCOUNTANCY

The Board of Accountancy is an autonomous board that is responsible for the licensing of certified public accountants, public accountants, partnerships, corporations, and sole proprietorships. It processes applications and fees and issues initial certificates and permits to regulated businesses, occupations, and professions. The Board of Accountancy is 100.0 percent funded by general revenues. The FY2015 Budget as Enacted eliminated the sole Administrative Aide position for the program. Administrative responsibilities are assigned to other staff as needed. The remaining funds in the program support operating costs, such as national Certified Public Accountant (CPA) Society dues, legal expenses, and printing and mailings.

Board of Accountancy	General Revenue
FY2019 Enacted	\$6,000
<i>Target and Other Adjustments</i>	<i>(117)</i>
FY2020 Governor	\$5,883

COMMERCIAL LICENSING AND GAMING AND ATHLETICS LICENSING

Commercial Licensing and Gaming and Athletics Licensing is responsible for the licensing and regulation of auto body and auto glass repair shops, auto salvage yards, constables, health clubs, mobile food establishments, liquor enforcement, mobile and manufactured homes, real estate appraisers and agents, and other occupational licenses to protect the health, safety, and welfare of the public.

The Budget includes a staffing level of 20.0 FTE in FY2019 and 15.0 FTE in FY2020.

Commercial Licensing and Gaming and Athletics Licensing	General Revenue
FY2019 Enacted	\$955,251

<i>Target and Other Adjustments</i>	21,268
Transfer of Fuel Advertising Oversight	Informational
FY2020 Governor	\$976,519

Commercial Licensing and Gaming and Athletics Licensing	Other Fund Changes
Transfer of Medical Marijuana Program Personnel (restricted receipts)	(\$464,162)
Software Management Agreements (restricted receipts)	(245,000)

Transfer of Fuel Advertising Oversight***Informational***

Article 3 of the Budget 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. DLT has agreed to handle the regulatory responsibility since it already inspects the gas pumps. The transfer of oversight has no fiscal impact.

Transfer of Medical Marijuana Program Personnel (restricted receipts)***(\$464,162)***

The Budget decreases restricted receipt expenditures within the Division of Commercial Licensing and Gaming and Athletics Licensing by \$464,162. This is due to the transfer of 5.0 FTE positions from the Division to the proposed Office of Cannabis Regulation (OCR) within DBR. The new division will be responsible for oversight of the new adult-use marijuana program, the current medical marijuana program, and industrial hemp products.

Software Management Agreements (restricted receipts)***(\$245,000)***

The software management agreements that currently exist within the Division of Commercial Licensing and Gaming and Athletics Licensing are for the medical marijuana program. The Budget shifts the full appropriation for software management agreements from the Division to OCR.

DIVISION OF BUILDING, DESIGN AND FIRE PROFESSIONALS

The FY2019 Budget as Enacted established the Division of Building, Design, and Fire Professionals to consolidate the Office of the State Fire Marshal, the Fire Safety Code Board of Review and Appeal, the Office of the State Building Commissioner, the Board of Registration for Professional Engineers, Board of Registration for Professional Land Surveyors, Board of Examination and Registration of Architects, the Board of Examiners of Landscape Architects and the Contractors' Registration and Licensing Board. The

Division provides a single point of contact for building and construction professionals seeking state approvals.

The Budget includes a staffing level of 61.0 FTE in FY2019 and 69.0 FTE in FY2020.

Division of Building, Design and Fire Professionals	General Revenue
FY2019 Enacted	\$5,655,015
<i>Target and Other Adjustments</i>	191,871
Simplify and Streamline Initiative	614,520
Identification Systems	125,000
Transfer of Small Business Ombudsman	Informational
FY2020 Governor	\$6,586,406

Simplify and Streamline Initiative **\$614,520**

The Governor proposes the “Simplify and Streamline Initiative” that will focus on maintaining and accelerating a business-friendly environment in Rhode Island. The initiative will address the problems that prospective and current business owners face in the State. The new staff would be dedicated to performing business outreach and coordinating with local municipalities to ease business processes in the State. The Budget includes \$614,520 in general revenue expenditures for personnel expenditures, office supplies and equipment, and facility lease payments. The Budget adds 7.0 FTE positions for 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. The Simplify and Streamline Initiative is a combined initiative with the Executive Office of Commerce and the Department of Business Regulation.

Identification Systems **\$125,000**

The Budget includes \$125,000 of general revenue funds for three identification systems for the State Fire Marshal to have the proper capability to detect and identify dangerous objects that such as explosives, chemicals, or nuclear materials. The Department of Homeland Security has notified the Division that they are lacking the proper capabilities to detect and identify these dangerous materials. The identification systems include an Explosives Identification System for \$62,000, a Radioactive Identification System for \$22,000, and a Nano X-Ray System for \$41,000.

Transfer of Small Business Ombudsman **Informational**

Article 3 of the Budget transfers the Small Business Ombudsman from the Office of Regulatory Reform within the Office of Management and Budget to 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 would formally transfer 1.0 FTE position to move the Ombudsman to DBR but does not transfer any funding associated with the position.

INSURANCE REGULATION

Insurance Regulation conducts financial examinations of domestic insurance companies to ensure compliance with state and federal insurance statutes and regulations. The division also issues licenses for insurance companies, producers, adjusters and appraisers, and reviews rate and form filings of the life, accident and health, and property and casualty lines of business for compliance with state statutes and regulations. The division monitors and introduces legislation in order to maintain accreditation by the National Association of Insurance Commissioners.

The Budget includes a staffing level of 34.0 FTE in FY2019 and FY2020.

Insurance Regulation	General Revenue
FY2019 Enacted	\$3,971,607
<i>Target and Other Adjustments</i>	<i>(33,905)</i>
Information Technology Charges	(18,360)
FY2020 Governor	\$3,919,342

Information Technology Charges **(\$18,360)**

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$18,360, which is eliminated in the FY2020 Budget.

OFFICE OF CANNABIS REGULATION

The Governor's Budget establishes an Office of Cannabis Regulation within the Department of Business Regulation funded by \$5.6 million in restricted receipts. The new division would be responsible for oversight of the new adult-use marijuana program, the current medical marijuana program, and industrial hemp products. The Division would be charged with the licensing of marijuana cultivators, processors and retailers with the mission of safeguarding public safety and preventing youth access. The new division would be entirely funded by restricted receipts. The Budget includes 17.0 new FTE positions and the transfer of 5.0 FTE positions from the Division of Commercial Licensing and Gaming and Athletics Licensing for a total of 22.0 FTE positions in FY2020.

Office of Cannabis Regulation	Other Fund Changes
Adult Use Marijuana Program (restricted receipts)	\$4,380,515
Medical Marijuana Program (restricted receipts)	1,182,386

Adult Use Marijuana Program (restricted receipts) **\$4.4 million**

Article 20 of the Budget would legalize the adult-use of marijuana for those aged twenty-one and older, and establishes the Office of Cannabis Regulation (OCR) within the Department of Business Regulation (DBR) to oversee the new adult-use market. The Article would allow for the purchase of one ounce, and storage of up to five ounces of marijuana for those aged twenty-one or older. OCR would be responsible for licensing marijuana retailers, processors, cultivators, and employees who work in the industry.

The Budget includes \$4.4 million for the adult use marijuana program, including \$1.9 million for the personnel expenses of 17.0 new FTE positions. The new positions include 1.0 Senior Legal Counsel, 3.0 Licensing Aides, 1.0 Associate Director, 8.0 Chief Public Protection Inspectors, 1.0 Interdepartmental Project Manager, 1.0 Economic and Policy Analyst, 1.0 Administrative Officer, and 1.0 Chief of Inspections.

The Budget dedicates \$1.2 million of the restricted receipts for the purchasing and maintenance of marijuana tracking software. The software would assist the Division with regulation and enforcement by tracking marijuana from cultivation to sale and is known as "seed to sale" software. The software would also track licenses for the Division. The Budget also includes \$250,000 for assistance and grants, and \$205,000 for the purchases of equipment.

Medical Marijuana Program (restricted receipts) **\$1.2 million**

Article 20 of the Governor's Budget proposes the transfer of the Medical Marijuana Program from the Department of Health to OCR. In addition to the transfer, the Budget proposes three changes to the medical marijuana program, including the opening of six new compassion centers, new restrictions on home growing, and establishes new licensing categories. Under the current law, compassion centers are not

required to obtain cultivator licenses. The Article would require that compassion centers obtain licenses for all activities in which they partake. The changes intend to align the program with the new adult-use program, to establish market stability within the medical marijuana program, and to shift the medical marijuana supply away from the less regulated system of home growers.

The Budget includes \$610,785 for the personnel costs of 5.0 FTE positions that are transferred from the Department of Health, including 2.0 Chief Public Protection Inspectors, 1.0 Implementation Director, 1.0 Administrative Officer, and 1.0 Legal Counsel. The Budget also includes \$245,000 for software maintenance agreements to track licensing and sales, and \$55,000 for the purchase of computer equipment.

OFFICE OF HEALTH INSURANCE COMMISSIONER

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the State of Rhode Island. Through FY2011, this sub-program was contained in the Insurance Regulation program; however, it became a stand-alone program in the FY2012 Budget as Enacted.

The Health Insurance Commissioner is appointed by the Governor with the advice and consent of the Senate. OHIC regulates health insurers and hospital/medical service corporations, including company licensure, form and rate filing for regulatory compliance, and financial and market condition examinations. The Office is also engaged in policy and legislative development, rate hearing administration, regulatory development and promulgation, consumer affairs, and provider affairs.

The Budget includes a staffing level of 13.0 FTE in FY2019 and FY2020.

Office of the Health Insurance Commissioner	General Revenue
FY2019 Enacted	\$1,669,562
<i>Target and Other Adjustments</i>	<i>77,544</i>
FY2020 Governor	\$1,747,106

Office of the Health Insurance Commissioner	Other Fund Changes
State Innovation Models Initiative	(\$306,883)
State Flexibility Grant	116,685

State Innovation Models Initiative (federal funds) (\$306,883)

The Budget includes a decrease of federal funds in the amount of \$306,883, decreasing funding towards salary and benefits, reflecting the scheduled expiration of the State Innovation Models Initiative grant in July of 2019. The grant provided funding to move the state towards a more value-based health insurance system through investments in the healthcare delivery system, health information technology, infrastructure, and population health. The state has applied for an extension, which if granted, could continue some of the current funding.

State Flexibility Grant (federal funds) \$116,685

The Budget includes an increase of \$116,685 in federal funds for the State Flexibility Grant to implement market reforms and consumer protections, including guaranteed availability of coverage, guaranteed renewability of coverage, and essential health benefits to allow the state to effectively regulate the health insurance market. Rhode Island has been granted a total of \$276,715 to be budgeted over 24 months.

SECURITIES REGULATION

Securities Regulation is responsible for the registration of certain securities, and the licensing and regulation of broker-dealers, sales representatives, certain investment advisers, and certain investment adviser representatives.

The Budget includes a staffing level of 9.0 FTE in FY2019 and FY2020.

Securities Regulation	General Revenue
FY2019 Enacted	\$1,030,879
<i>Target and Other Adjustments</i>	<i>67,616</i>
FY2020 Governor	\$1,098,495

CAPITAL PROJECTS

The Budget includes \$310,000 in RICAP funds for capital projects in FY2020 to fund the construction of a cold storage building at the Fire Training Academy for equipment that is currently stored outside.

Department of Labor and Training

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$5.2	\$2.1	\$1.0	(\$1.1)	-51.5%	\$1.0	(\$1.1)	-52.6%
Income Support	364.6	388.3	375.5	(12.9)	-3.3%	389.6	1.2	0.3%
Injured Workers Services	9.1	9.0	10.1	1.1	12.8%	10.6	1.6	18.1%
Labor Relations Board	0.4	0.4	0.5	0.1	14.0%	0.4	0.0	6.6%
Workforce Development Services	43.3	55.3	54.8	(0.4)	-0.8%	49.5	(5.8)	-10.5%
Workforce Regulation and Safety	2.9	3.1	4.4	1.3	40.7%	3.2	0.1	3.9%
Total	\$425.5	\$458.2	\$446.3	(\$11.9)	-2.6%	\$454.3	(\$3.9)	-0.9%
Expenditures By Source								
General Revenue	\$12.9	\$14.5	\$15.8	\$1.4	9.6%	\$15.8	\$1.3	9.3%
Federal Funds	37.9	40.8	45.4	4.7	11.5%	40.0	(0.8)	-1.9%
Restricted Receipts	29.5	39.0	30.3	(8.7)	-22.3%	32.5	(6.5)	-16.7%
Other Funds	345.2	364.0	354.7	(9.3)	-2.6%	366.0	2.0	0.6%
Total	\$425.5	\$458.2	\$446.3	(\$11.9)	-2.6%	\$454.3	(\$3.9)	-0.9%
Authorized FTE Levels	428.7	409.7	409.7	-	0.0%	451.7	42.0	10.3%

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

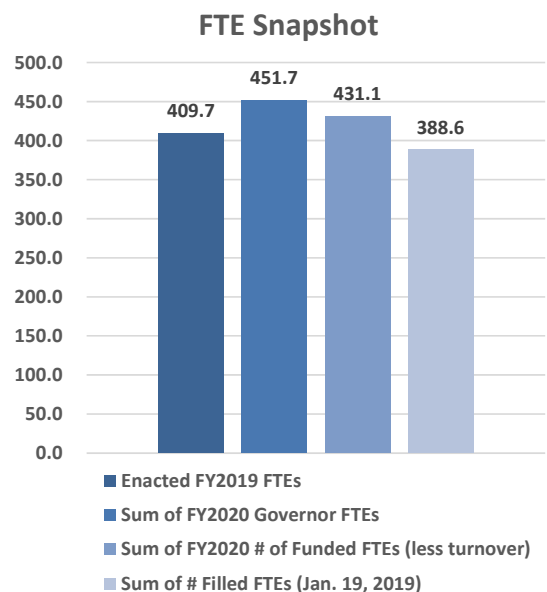
The Department of Labor and Training is charged with providing an array of employment and training services to Rhode Islanders and administering the laws pertaining to workforce regulation, safety and labor law enforcement. The Department consists of six divisions: Central Management, Income Support, Injured Workers Services, the Labor Relations Board, Workforce Development Services and Workforce Regulation and Safety.

MAJOR ISSUES AND TRENDS

The Budget includes \$454.3 million in total expenditures for FY2020, including \$15.8 million in general revenue, an increase of \$1.3 million over the FY2019 enacted level. The increase in general revenue is mainly associated with an additional \$913,588 for implementation of the Governor's Medicaid Employer Assessment.

The \$6.5 million decrease in restricted receipts is mainly associated with the reallocation of funding from the Governor's Workforce Board to the Real Jobs RI program. The Department has also included funds in the FY2019 Budget that were not awarded, leading to the additional decrease.

The Budget authorizes 451.7 positions in FY2020, an increase of 42.0 positions from the FY2019 Enacted levels. The positions include 37.0 FTE positions related to the transfer of the Employer Tax Unit from the Department of Revenue to the Department of Labor and Training, and 5.0 FTE positions that will work on the implementation of the Governor's Medicaid Employer Assessment proposal.



CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities.

Central Management	General Revenue
FY2019 Enacted	\$722,892
<i>Targets and Other Adjustments</i>	
Centralized Service Charges	102,393
Personnel	(16,042)
FY2020 Governor	\$797,120

Centralized Service Charges**\$102,393**

The Budget includes \$723,699 in general revenue expenditures for Information Technology, Capital Assets Management, and Human Resource Service Center projected costs in FY2020. This is an increase of \$102,393 from the FY2019 Budget as Enacted amount of \$621,306. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget increases these costs for FY2020.

	FY2019 Enacted	FY2020 Governor	Change from Enacted	
Information Technology	\$191,839	\$294,232	\$102,393	53.4%
Capital Asset and Management	305,844	305,844	-	0.0%
Human Resources	123,623	123,623	-	0.0%
Total	\$621,306	\$723,699	\$102,393	16.5%

Personnel**(\$16,042)**

The Budget includes a decrease of \$16,042 for personnel costs. The Department included a reduction of \$15,663 related to a change in the cost allocations for personnel. The Governor's Budget includes an additional reduction of \$379 related to statewide adjustments in medical insurance and fringe benefits.

INCOME SUPPORT

The Income Support program encompasses all functions and activities related to the Unemployment Insurance program, which provides temporary income support to workers who have lost employment through no fault of their own; Temporary Disability Insurance (TDI), which provides benefits to individuals who are unable to work due to non-work related illness or injury; and, the Police and Firefighters' Relief Funds, which provide financial compensation to police officers, firefighters, or their families for death or disabling injuries.

Income Support	General Revenue
FY2019 Enacted	\$3,939,754
<i>Targets and Other Adjustments</i>	
Medicaid Employer Assessment	3,072
Centralized Service Charges	913,588
Police and Firefighters' Relief Fund	210,267
Unemployment Insurance Benefit Statistics	Informational
Unemployment Insurance Administration Deficit	Informational
FY2020 Governor	\$5,066,681
Income Support	Other Funds
Employer Tax Unit (federal funds/restricted receipts)	\$3,450,789

Medicaid Employer Assessment**\$913,588**

The Budget includes an additional \$913,588 in general revenue to support the implementation of the Medicaid Employer Assessment. The increase includes \$463,588 in salary and benefits to support an additional 5.0 FTE positions, and an additional \$450,000 to support necessary operating expenses including office supplies and software maintenance.

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. Employers would be assessed quarterly beginning in October 2019.

Analyst Note: The Office of Management and Budget anticipates the Medicaid Employer Assessment will generate an additional \$15.6 million in general revenues in FY2020. The Governor includes these additional funds in the FY2020 Revenue Estimate.

Centralized Service Charges**\$210,267**

The Budget includes \$212,402 in general revenue expenditures (\$2.6 million all funds) for Information Technology, Capital Assets Management, and Human Resource Service Center projected costs in FY2020. This is a general revenue increase of \$210,267 from the FY2019 Budget as Enacted amount of \$2,135. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget increases these costs for FY2020.

General Revenue	FY2019	FY2020		
Centralized Service Charges	Enacted	Governor	Change from Enacted	
Information Technology	\$2,135	\$152,135	\$150,000	7025.8%
Capital Asset and Management	-	30,267	30,267	-
Human Resources	-	30,000	30,000	-
Total	\$2,135	\$212,402	\$210,267	9848.6%

Federal Funds	FY2019	FY2020		
Centralized Service Charges	Enacted	Governor	Change from Enacted	
Information Technology	\$2,839,341	\$796,977	(\$2,042,364)	-71.9%
Capital Asset and Management	2,243,004	546,299	(1,696,705)	-75.6%
Human Resources	490,944	208,927	(282,017)	-57.4%
Total	\$5,573,289	\$1,552,203	(\$4,021,086)	-72.1%

Other Funds	FY2019	FY2020		
Centralized Service Charges	Enacted	Governor	Change from Enacted	
Information Technology	\$0	\$420,664	\$420,664	-
Capital Asset and Management	-	321,204	321,204	-
Human Resources	-	107,072	107,072	-
Total	\$0	\$848,940	\$848,940	-

Police and Firefighters' Relief Fund**Informational**

The Governor includes level funding of \$3.8 million in general revenue for Police and Firefighters' annuity and tuition benefits.

	FY2019	FY2020	<i>Change</i>
	Enacted	Governor	
Police Officers' Relief Fund			
Police Officer Annuities	\$774,000	\$774,000	\$0
Tuition Benefits	180,000	180,000	-
Supplemental Pension	-	-	-
Total	\$954,000	\$954,000	\$0
Firefighters' Relief Fund			
Firefighter Annuities	\$2,466,000	\$2,466,000	\$0
Tuition Benefits	408,983	408,983	-
Supplemental Pension	-	-	-
Total	\$2,874,983	\$2,874,983	\$0
Grand Total	\$3,828,983	\$3,828,983	\$0

Under RIGL 45-19, the spouse of a deceased police officer or firefighter receives an annual annuity of \$3,600 per year for as long as they remain unmarried, or if there is no spouse a total sum not exceeding \$10,000 is payable to the parent(s) of the deceased police officer or firefighter. In addition, an annuity of \$1,200 per year is paid to each widow or widower for each child of a deceased firefighter or police officer who is under the age of 18. Also under current law, children of deceased firefighters or police officers are eligible to receive up to four years of free tuition at the University of Rhode Island, Rhode Island College, or the Community College of Rhode Island. This tuition benefit is also available to any firefighter or police officer that is permanently disabled in the line of duty.

Unemployment Insurance Benefit Statistics

Informational

Rhode Island currently ranks among the top 21 highest UI benefits paid nationally, and has the third highest average UI benefits paid in New England.

12 Months Ending 3rd Quarter 2018

Average UI Benefits Paid

State	Amount	New England	National
Massachusetts	\$8,750	1	1
Connecticut	6,300	2	8
Rhode Island	5,212	3	21
Vermont	4,512	4	30
Maine	4,179	5	33
New Hampshire	4,038	6	35

Source: US Dept. of Labor/UI Data Summary

12 Months Ending 3rd Quarter 2018

Average Weekly UI Benefits Paid

State	Amount	New England	National
Massachusetts	\$512.78	1	1
Connecticut	371.29	2	13
Vermont	347.27	3	22
Maine	337.40	4	27
Rhode Island	337.28	5	28
New Hampshire	332.72	6	30

Source: US Dept. of Labor/UI Data Summary

As of January 1, 2019

Maximum Weekly UI Benefit

State	Amount	New England	National
Massachusetts	\$795	1	1
Connecticut	631	2	4
Rhode Island	576	3	8
Vermont	498	4	15
Maine	431	5	29
New Hampshire	427	6	31

Source: US Dept. of Labor

As of January 1, 2019

Maximum Weekly UI Benefit with Dependents

State	Rate	New England	National
Massachusetts	\$1,192	1	1
Rhode Island	720	2	3
Connecticut	706	3	5
Maine	646	4	8
Vermont*	498	5	20
New Hampshire*	427	6	32

* No dependent's benefit provision

Source: US Dept. of Labor

Unemployment Insurance Administration Deficit**Informational**

The Department of Labor and Training closed FY2018 with a general revenue deficit of \$4.0 million within the Central Management program. This is a two-year deficit relating to Unemployment Insurance (UI) Administration that began in FY2017.

The FY2017 Supplemental Budget included \$8.0 million in federal funds for Unemployment Insurance (UI) Administration within the Department's Income Support program. Actuals show that the Department ended FY2017 having spent \$12.1 million for UI Administration resulting in a \$4.1 million funding gap. The Department anticipated covering the funding gap by re-appropriating federal funds to Reed Act Status. This re-appropriation required approval by the U.S. Department of Labor. The re-appropriation was denied and the Department was left with a federal funds deficit of \$4.1 million in FY2017.

Analyst Note: The Reed Act allowed for the redistribution of federal unemployment tax funds to state UI programs when the federal government collected excess unemployment taxes. The Department's Budget last included Reed Act funds in FY2009.

In early FY2018, the Department received its yearly federal UI grant and was able to continue funding UI Administration. The Department also worked to decrease costs within the UI program that were under their control. This included cross training staff to be able to work on UI Administration and Temporary Disability Insurance (TDI) Administration, and implementing a hiring freeze on new hires within UI Administration. While these efforts helped to contain costs, they were not enough to decrease the deficit. In FY2018, the Department still had a federal funds deficit of \$4.0 million for UI Administration. The Department did not have a valid account for these expenditures within the Income Support Program so the deficit was transferred to general revenues within the Central Management program. The transfer of these funds led the Department to close FY2018 with a \$4.0 million general revenue deficit.

The Department's FY2019 Revised Budget request and FY2020 Request both include \$1.3 million within a new general revenue account to support any further deficits within UI Administration. The Department's requests also included an increase in general revenue funding for the Workforce Regulation and Safety (WRS) program. This program was previously funded by both general revenues and Tardy and Interest restricted receipts. Fully funding this program with general revenue would allow all Tardy and Interest restricted receipt funding to support UI Administration. The Tardy and Interest restricted receipt account is funded via penalties and interest on employers' taxes (i.e. Unemployment Insurance, Temporary Disability Insurance, and Job Development Fund) when paid late.

The Governor's FY2019 Revised Budget does not include any funding within the new general revenue account that was intended to support deficits within UI Administration. The Revised Budget does include an additional \$1.3 million in general revenue funding for the Workforce Regulation and Safety program. This will allow additional Tardy and Interest restricted receipt funding to support UI Administration.

The FY2020 Budget includes \$121,746 within the new general revenue account. This includes an additional \$944,398 for salary and benefits which is partially offset by a turnover savings of \$822,642. The FY2020 Budget only includes \$120,596 in additional general revenue funding for the Workforce Regulation and Safety (WRS) program.

Analyst Note: The additional funding included in the FY2020 Budget for WRS may not be enough funding to allow Tardy and Interest restricted receipts to be used to support UI Administration. In addition, the Governor's FY2019 Revised and FY2020 Budget both exclude the additional \$1.3 million in general revenue, included in the Department's requests, which would be used to cover further deficits within the UI program. Without additional funding from general revenue or additional Tardy and Interest restricted receipts, it is possible the Department will incur another deficit within the UI Program.

Employer Tax Unit (federal funds/restricted receipts)**\$3.5 million**

The Budget includes 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 includes 37.0 FTE positions. The Employer Tax Unit administers the unemployment tax, the temporary disability tax, and the job development assessment tax. These taxes are used to fund Unemployment Insurance (UI) benefits and Temporary Disability Insurance (TDI) benefits. Although the Employer Tax Unit has been housed in DOR, the funding they collect is used for DLT benefit programs. The transfer is intended to centralize the unit's efforts related to UI and TDI benefits.

INJURED WORKERS SERVICES

The Injured Workers Services program operates the State's Workers' Compensation System. The Donley Rehabilitation Center provides evaluations, therapy, and counseling for workers injured on the job. A Workers' Compensation Education Unit provides information to workers and employers regarding workers' compensation laws and regulations. This program has no general revenue funding.

LABOR RELATIONS BOARD

The Labor Relations Board is a semi-autonomous body that makes public sector bargaining unit determinations, oversees collective bargaining elections, and investigates charges of unfair labor practices. The Board is comprised of seven members, one of which is designated as the chairperson. The board members are compensated, but do not participate in the State Retirement System and are not considered State employees.

Labor Relations Board	General Revenue
FY2019 Enacted	\$414,147
<i>Targets and Other Adjustments</i>	<i>1,243</i>
Personnel	26,279
FY2020 Governor	\$441,669

Personnel**\$26,279**

The Department included an additional \$28,387 in personnel costs due to the addition of one more board member. The additional board member was appointed in FY2019 but the associated costs were not included in the FY2019 Budget as Enacted. The Budget reduces the Department's request by \$2,108 for statewide adjustments such as medical insurance and fringe benefits.

WORKFORCE DEVELOPMENT SERVICES

The Workforce Development Services program works to administer employment and training programs to match job-seekers with suitable employment. The Employment Services subprogram provides a variety of services including, employment counseling, occupational exploration, career guidance, and referrals to training programs. The Workforce Innovation and Opportunity Act subprogram provides employment and training programs to prepare youth, unskilled adults, and dislocated workers for re-entry into the labor force. The Trade Adjustment Assistance (TAA) subprogram provides benefits and educational assistance to workers who have lost their jobs or whose hours have been reduced due to increased imports or a shift in production out of the United States. The Department works with the U.S. Department of Labor to file petitions on behalf of affected workers. The Alternative Trade Adjustment Assistance program provides support services to individuals who are 50 years or age and older. The RI Works program provides services to beneficiaries of Temporary Assistance for Needy Families (TANF). The Workforce Development Services program also includes the Governor's Workforce Board who administers the Department's workforce development efforts.

Workforce Development Services	General Revenue
FY2019 Enacted	\$6,277,198
<i>Targets and Other Adjustments</i>	
JDA Expansion to Nonprofits	(441)
Governor's Workforce Board	Informational
Real Jobs Rhode Island	Informational
FY2020 Governor	\$6,276,757

Workforce Development Services	
Federal Assistance and Grants (federal funds)	\$4,742,474

JDA Expansion to Nonprofits**Informational**

Article 5 would require nonprofit organizations, with 1,000 or more employees, to pay the Job Development Assessment (JDA). Under current law nonprofit organizations are not required to pay this assessment. Funds from the JDA are used to support workforce development activities and are collected with the State's payroll and unemployment insurance taxes. Nonprofit organizations have been able to utilize workforce development services, including the Governor's Workforce Board's training programs, even though they do not pay the JDA.

Analyst Note: Expanding the JDA to nonprofits was originally anticipated to generate an additional \$1.2 million in restricted receipts. This estimate was decreased to about \$650,000 as Article 5 would not become effective until January 2020. While this expansion is anticipated to generate revenue, the funds are not included in the Budget.

Governor's Workforce Board**Informational**

The Governor's Workforce Board (GWB) was created by the General Assembly in 2011 to be the lead coordinator for all workforce development efforts in the State. The GWB manages partnerships with workforce partners with the goal of investing in impactful workforce development. The GWB manages multiple programs including:

- **Real Jobs Rhode Island:** The RJRI program invests in sector-based intermediaries who serve as RJRI Partners and enables them to design and implement their own initiatives to serve their industry's needs.
- **Real Pathways RI:** The Real Pathways program supports partnerships between public, private, and nonprofit agencies and focuses on populations with barriers to employments, such as veterans and homeless. The program also focuses on areas in the state with above average concentrations of poverty and unemployment.
- **Real Skills for Youth:** The Real Skills for Youth program was developed in 2018 and focuses on preparing youth for success in college and careers through career exposure, skill-building, and work-based learning.

In 2015 the Governor created the Real Jobs Rhode Island (RJRI) program, through which employers partner with the GWB to create their own workforce development programs based on their specific needs.

Article 11 of the FY2019 Budget included an adjustment to the Job Development Assessment, for tax year 2019 only, the adjusted JDA allows the Department to divert an amount, up to 75.0 percent of the Employment Security Fund's investment earnings for 2018, to the Job Development Fund (JDF) during 2019. Since 1989 Rhode Island employers have paid a Job Development Assessment (JDA) to support workforce development activities. The JDA is collected with the State's payroll and unemployment insurance taxes.

The FY2019 adjustment holds both employers and employees harmless as it does not increase an employer's total unemployment tax liability but alters where the funds are deposited. For tax year 2019 only, less money will be deposited into the Employment Security Trust Fund and more will be directed

towards the Job Development Fund. If this adjustment is extended the amount of revenues deposited into the JDF will vary each year based on the amount of interest earned by the UI Trust Fund.

Real Jobs Rhode Island

Informational

The Budget includes \$5.5 million in general revenue for the Real Jobs Rhode Island (RJRI) program, level funding with the FY2019 Budget as Enacted. The program, now in its fifth year of operating, has served over 789 employers and 5,200 people by investing in sector-based intermediaries who serve as RJRI Partners, enabling employers to design and implement tailored initiatives to serve their industry's needs. The FY2019 Budget as Enacted repealed the Jobs Training Tax Credit and redirected the \$450,000 of associated general revenue funding to RJRI.

Federal Assistance and Grants (federal funds)

\$4.7 million

The Budget includes \$25.7 million, an increase of \$4.7 million from FY2019 enacted levels, in federal funds for workforce development programs. Some of these grants include:

- **America's Promise:** Provides funding to assist workers in gaining experience and skills that would allow the worker to upgrade their position in high-growth employment sectors of the economy. The FY2020 Budget includes \$507,892, an increase of \$468,126 above FY2019 enacted levels.
- **National Health Emergency Opioid Crisis Grant:** This grant provides support through the Governor's Recovery Through Opportunity (RTO) program, which provides training and services to workers impacted by the opioid crisis. The program also works to build a skilled workforce in professions necessary to impact the cause and treatment of the opioid crisis. This is a new grant which provides \$1.9 million in funding in FY2020.
- **Trade Adjustment Assistance (TAA):** TAA is a federal program to help workers impacted by foreign trade. The program provides affected workers with support, resources, and skills to return to the workforce. The Budget includes \$1.5 million, an increase of \$483,551 from FY2019 enacted levels.
- **Dislocated Worker Grants:** This grant provides funding for significant dislocation events. DLT's Rapid Response team provides services for closing businesses and dislocated workers. This is a new grant, with \$2.9 million in funding in the FY2020 Budget.

WORKFORCE REGULATION AND SAFETY

The Workforce Regulation and Safety Program is comprised of multiple units that work to enforce laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Labor Standards unit enforces labor laws and provides worker protections. The Occupational Safety unit enforces laws relating to safety compliance, elevators, boilers, hazardous substances, and weights and measures. The Trade Licensing Unit licenses technical professions and monitors and enforces trade laws pertaining to electricians, hoisting engineers, pipefitters, refrigeration technicians, sprinkler fitters, plumbers, sheet metal workers, and telecommunications technicians. The Registered Apprenticeship unit registers apprenticeship training programs. The Prevailing Wage unit works to prevent unfair compensation and worker exploitation.

Workforce Regulation and Safety	General Revenue
FY2019 Enacted	\$3,110,964
<i>Targets and Other Adjustments</i>	<i>(7,177)</i>
Personnel	69,075
Centralized Service Charges	58,698
FY2020 Governor	\$3,231,560

Personnel**\$69,075**

The Budget includes an additional \$69,075 in general revenue for personnel expenditures. The Department requested an additional \$1.6 million to fully fund this program with general revenues. In the past this program was supported by general revenue and Tardy and Interest restricted receipts. The Tardy and Interest restricted receipt account is funded via penalties and interest on employers' taxes (i.e. Unemployment Insurance, Temporary Disability Insurance, and Job Development Fund) when paid late. The Governor reduced the Department's request by \$1.5 million, including a reduction of \$90,947 for statewide adjustments such as medical insurance and fringe benefits and \$1.0 million in unidentified turnover savings.

Centralized Service Charges**\$58,698**

The Budget includes \$261,338 in general revenue expenditures for Information Technology, Capital Assets Management, and Human Resource Service Center projected costs in FY2020. This is an increase of \$58,698 from the FY2019 Budget as Enacted amount of \$202,640. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget increases these costs for FY2020.

Centralized Service Charges	FY2019	FY2020	Change from Enacted	
	Enacted	Governor		
Information Technology	\$202,640	\$261,338	\$58,698	29.0%
Capital Asset and Management		-	-	-
Human Resources		-	-	-
Total	\$202,640	\$261,338	\$58,698	29.0%

CAPITAL PROJECTS

The Budget includes no RICAP funding in FY2020, a decrease of \$1.3 million from the FY2019 Enacted Budget. Starting in FY2020, the Department of Administration will be overseeing all of the Department of Labor and Training's facilities.

Department of Revenue

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Director of Revenue	\$2.0	\$2.1	\$2.1	(\$0.0)	-1.3%	\$2.1	\$0.0	0.9%
Division of Collections	-	0.6	0.6	(0.0)	-4.3%	0.9	0.3	49.5%
Lottery Division	359.3	400.2	419.5	19.3	4.8%	420.1	20.0	5.0%
Municipal Finance	2.6	2.8	2.7	(0.1)	-3.4%	1.7	(1.1)	-38.8%
Office of Revenue Analysis	0.7	0.9	0.8	(0.1)	-14.3%	0.8	(0.1)	-7.0%
Division of Motor Vehicles	26.0	30.7	27.5	(3.2)	-10.5%	32.7	2.0	6.6%
State Aid	93.8	115.8	117.3	1.5	1.3%	132.8	17.0	14.7%
Taxation	28.2	30.9	32.3	1.4	4.4%	32.4	1.5	4.8%
Total	\$512.6	\$584.0	\$602.7	\$18.7	3.2%	\$623.7	\$39.7	6.8%
Expenditures By Source								
General Revenue	\$148.4	\$178.8	\$178.3	(\$0.6)	-0.3%	\$193.8	\$14.9	8.4%
Federal Funds	1.6	2.1	1.9	(0.2)	-8.7%	0.5	(1.6)	-74.2%
Restricted Receipts	2.1	2.1	1.9	(0.2)	-9.1%	4.5	2.5	120.3%
Other Funds	360.4	401.0	420.6	19.6	4.9%	424.9	23.8	5.9%
Total	\$512.6	\$584.0	\$602.7	\$18.7	3.2%	\$623.7	\$39.7	6.8%
Authorized FTE Levels	529.5	604.5	604.5	-	-	587.5	(17.0)	-2.8%

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

The Department of Revenue (DOR) was created as a separate department within the executive branch of government as part of the FY2007 Budget as Enacted. The Department is headed by a Director who is appointed by the Governor subject to the advice and consent of the Senate. The Department has eight program functions consisting of the Director's Office, the Division of Collections, the Lottery Division, Municipal Finance (formerly property valuation), the Office of Revenue Analysis (ORA), the Division of Motor Vehicles (DMV), the State Aid program, and the Division of Taxation.

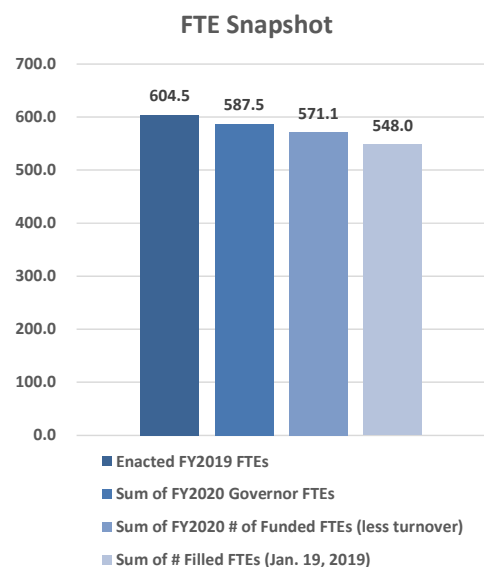
MAJOR ISSUES AND TRENDS

The Budget includes total funding of \$623.7 million for the Department of Revenue, an increase of \$39.7 million (6.8 percent) over the FY2019 Budget as Enacted, including a general revenue increase of \$14.9 million. The net increase is primarily attributable to scheduled increases in Motor Vehicle Tax Phase-out State Aid for FY2020.

The Governor recommends two organizational changes within DOR. These changes and other major budget initiatives include:

Employer Tax Division Transfer: The Governor transfers the Employer Tax Division from the Department of Revenue to the Department of Labor and Training. A total of 37.0 FTE positions would be transferred.

Municipal Finance Staff: The Budget eliminates 5.0 FTE positions from Division of Municipal Finance, reducing personnel costs within the Division by \$447,619. According to the Office of Management and Budget (OMB), this 35.7 percent reduction aligns the staff with the current workload of the Division and is presented as a savings.



Municipal Tax Blocks: The Budget authorizes the DMV to charge municipalities for placing of tax blocks on registrations. The initiative is estimated to yield \$406,250 in new revenue.

License Plate Reissuance: The Governor eliminates the requirement that license plates be reissued every ten years. The proposal represents a net \$600,000 reduction in general revenue for FY2020. The Budget also includes \$169,038 from general revenues for improved enforcement of existing license plate standards.

DMV Funding: The Governor recommends that \$4.3 million in Highway Maintenance Account funds be used to pay for a portion of the DMV's operations, thereby freeing up general revenues to offset front-facing personnel costs.

Adult-Use Marijuana: The Budget includes \$800,000 in restricted receipt funding for 4.0 FTE positions in the Division of Taxation. The new personnel will support revenue activity associated with the Governor's proposal to legalize marijuana.

State Aid: The Budget includes \$132.8 million across all sources of funds for the State Aid program, including an increase of \$17.0 million in general revenue. This increase is attributable to:

- **Motor Vehicle Excise Tax Payment:** \$23.2 million in additional general revenue budgeted for the actual reimbursements to cities and towns under the motor vehicle tax phase out based on current law.
- **PILOT:** The Budget provides \$40.8 million in funding for the Payment in Lieu of Taxes (PILOT) program. This is a \$5.3 million (11.0 percent) reduction in aid to cities and towns and is \$6.0 million less than the statutory maximum of 27.0 percent of assessed property taxes on eligible exempt properties.

Lottery: The Governor recommends an increase of \$25.0 million across all funds for the Lottery. The increase consists primarily of a net \$22.0 million more in estimated lottery payments identified by the November 2018 Revenue Estimating Conference.

DIRECTOR OF REVENUE

The Office of the Director is responsible for the administration of the Department. Functions include personnel management and legal support for the Department of Revenue.

Director of Revenue	General Revenue
FY2019 Enacted	\$2,122,802
<i>Target and Other Adjustments</i>	<i>18,818</i>
FY2020 Governor	\$2,141,620

DIVISION OF COLLECTIONS

Article 4 of the FY2019 Budget as Enacted established a new Division within the Department of Revenue for the purpose of assisting State agencies in the collection of delinquent debt. This new Division of Collections enters into agreements with willing State agencies to transfer the debts to the Division, which are remitted back to the appropriate agency once successfully recovered.

Division of Collections	General Revenue
FY2019 Enacted	\$601,755
<i>Target and Other Adjustments</i>	<i>71,071</i>
Legal Counsel	115,823
Case Management System	111,000
FY2020 Governor	\$899,649

Legal Counsel**\$115,823**

The Budget includes \$115,823 from general revenues to fund the personnel costs of a new 1.0 Legal Counsel FTE position within the Division of Collections.

Article 4 of the Governor's original FY2019 Budget proposal provided the Division of Collections with the authority to enter into external contingency contracts. The ability to enlist outside professionals was a tool to enhance debt collection. The General Assembly did not provide this authorization in the FY2019 Budget as Enacted. Department officials argue that this prevents the unit from contracting legal services of any type. Based on this argument, DOR requested, and the Governor recommends, adding an attorney to the Division.

The Division was established with 7.0 FTE positions in FY2019. A Chief of Legal Services runs the unit. The other staff include an Administrative Officer, a Billing Specialist, 2.0 Accountants and 2.0 Senior Accountants. According to the Department, the unit had not generated additional revenue through November 2018 but is expected to meet its budgeted revenue target of \$1.3 million in FY2019.

Case Management System**\$111,000**

The Budget includes \$101,000 from general revenues to fund a new custom case management IT system. Currently, the unit uses general cloud-based services to address their casework and workflow. The Department argues that a tailored system would increase productivity and efficiency. The funds are split between computer/software equipment costs (\$51,000) and IT programming costs (\$60,000).

LOTTERY DIVISION

The Rhode Island Lottery was created in 1974 and was transferred into the Department of Revenue in 2006. The Lottery is responsible for promoting and selling games, including Daily Numbers, Keno, instant games (scratch tickets), multi-state pool games (PowerBall and MegaMillions), and Lucky 4 Life regional game, as well as the authorization and licensing of video lottery terminals (VLTs), table games, and sports betting at Twin River Lincoln and Tiverton. No general revenues support the Division; it is entirely funded with other funds derived from Lottery sales.

Lottery Division	Other Fund Changes
FY2019 Enacted	\$400,184,045
<i>Target and Other Adjustments</i>	<i>1,051,689</i>
Commissions and Prize Payments	21,526,022
Gaming Enforcement Unit	(2,612,342)
FY2020 Governor	\$420,149,414

Commissions and Prize Payments (other funds)**\$21.5 million**

The net increase of \$21.5 million in Commissions and Prize Payments is based on the November 2018 Revenue Estimating Conference (REC) estimates of video lottery terminal (VLT) income, table game revenue, traditional lottery games (scratch tickets, etc.), and the newly authorized sports betting.

Net revenue from VLTs is estimated to total \$320.0 million. Traditional lottery games are estimated to yield \$60.0 million. Table games are budgeted at \$19.8 million and sports betting is estimated to yield \$27.3 million in FY2020.

Gaming Enforcement Unit (other funds)**(\$2.6 million)**

The Budget reduces Lottery Fund expenditures for security services by \$2.6 million relative to the FY2019 Budget as Enacted. The personnel and operating costs of the State Police's Gaming Enforcement Unit (GEU) have historically been paid by the Lottery as part of its operating costs. The Lottery budgeted \$2.6 million for security services in FY2019 and spent \$1.3 million in FY2018. The Lottery's operating costs are deducted from the total amount of lottery revenue transferred to the State. Because of this, the

cost of manning and operating the GEU does not appear as an expenditure, but rather as a reduction in revenue.

The way this cost is budgeted was revised at the November 2018 Revenue Estimating Conference. The principals agreed not to reduce revenue, but rather budget the cost as an expenditure in the State Police. The Budget includes \$1.9 million from general revenues for the State Police’s Gaming Enforcement Unit in FY2020.

DIVISION OF MUNICIPAL FINANCE

The Division of Municipal Finance assists municipalities by providing data analysis and technical assistance as well as training on financial reporting, tax levy, and property valuation issues. The Division calculates the equalized property valuation information and State aid distributions. The Motor Vehicle Value Commission is staffed by the Division and sets vehicle values that are subject to the motor vehicle excise tax. The Division plays an important role in administering the State’s fiscal stability statutes. These laws provide a tiered set of interventions, from budget commissions to receiverships, when a municipality experiences financial distress.

Municipal Finance	General Revenue
FY2019 Enacted	\$2,815,457
<hr/>	
<i>Target and Other Adjustments</i>	<i>(45,165)</i>
Central Falls Operating Support	(600,000)
Personnel Reduction	(447,619)
FY2020 Governor	\$1,722,673

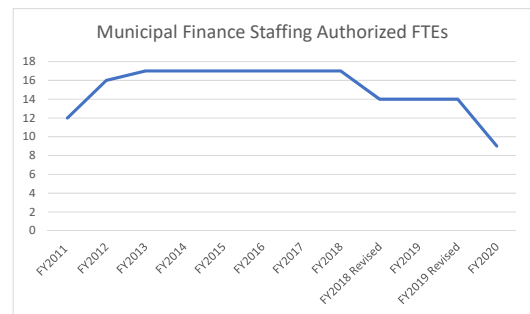
Central Falls Operating Support (\$600,000)

The Budget eliminates the \$600,000 operating grant that the General Assembly has funded since FY2017. The grant assists the City of Central Falls with operating and personnel costs as part of the State’s ongoing financial partnership with the city following its emergence from bankruptcy in 2012.

Personnel Reduction (\$447,619)

The Budget reduces the Division’s personnel budget by \$447,619, or 26.5 percent, and eliminates 5.0 of its 14.0 FTE positions. The Division averaged 3.0 vacancies during the first half of FY2019 and had 13.0 filled positions through December 2018. According to the Department, the reduction will be met through attrition.

The following chart shows recent authorized FTE levels by fiscal year:



Analyst Note: OMB indicates that the Division’s human resources could be “better distributed to reflect workloads and policy objectives” and in doing so “will improve the efficient use of taxpayer dollars”.

OFFICE OF REVENUE ANALYSIS

The Office of Revenue Analysis (ORA) analyzes the State’s tax systems and revenue streams. The Office prepares the biennial Tax Expenditures Report, cost-benefit analyses of tax proposals, and fiscal notes for revenue-related legislation. The Office houses, and is the primary operator, of the State’s sales tax and personal income tax models.

Office of Revenue Analysis	General Revenue
FY2019 Enacted	\$905,219
<i>Target and Other Adjustments</i>	
Personnel	(2,362)
Software Maintenance Agreements	(91,450)
FY2020 Governor	30,000

Personnel **(\$91,450)**

The Budget reduces personnel costs within ORA by \$91,450. According to the Department, this reduction, spread across most of the salary and benefits natural accounts, reflects statewide benefit changes, planned step increases, and other updated planning values. The Budget includes the existing 6.0 FTE positions and \$19,167 in turnover.

Software Maintenance Agreements **\$30,000**

The Budget includes an additional \$30,000 in general revenue to upkeep ORA's economic modeling software. The Office uses the software to produce economic and fiscal impact analyses on State revenue. The software must be renewed on a biennial basis.

DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles (DMV) is responsible for issuing, suspending, and revoking all motor vehicle licenses and registrations and for the motor vehicle inspection program. The Division operates a main branch in Cranston, with satellite branches in Middletown, Wakefield, Warren, Westerly, and Woonsocket. Additionally, AAA offers some DMV services at select branch locations.

Division of Motor Vehicles	General Revenue
FY2019 Enacted	\$30,009,103
<i>Target and Other Adjustments</i>	
Customer Service Cost-Sharing with HMA	312,036
License Plate Reissuance Requirement Eliminated	(4,255,693)
Real ID	(1,230,962)
FY2020 Governor	Informational

Division of Motor Vehicles	Other Fund Changes
DMV IT System Funding (restricted receipts)	\$2,870,000

Customer Service Cost-Sharing with HMA **(\$4.3 million)**

The Budget reduces general revenue by \$4.3 million as a result of the Governor's recommendation 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.

Article 8 of the Budget requires the RI Department of Transportation to reimburse the DMV for personnel costs associated with customer service representatives who collect the fees that are deposited into the HMA. There are a total of 62.5 FTE customer service representative positions at the DMV performing this work. The total salary and benefit cost for these positions is \$4.3 million.

Analyst Note: The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account as a way to provide predictable and sustainable funding for highway maintenance projects. The fund is capitalized via surcharges associated with licenses, vehicle registrations, inspection stickers, titles, and

other related transactional fees collected by the DMV. Funds from the HMA are authorized for projects that appear in the State's transportation improvement program.

The revenue from the fee transactions was originally deposited into the general fund. The fees were to be transferred into the HMA in phases. The schedule of this phase-in has been adjusted in each of the last two fiscal years, resulting in the HMA receiving less resources than planned under the original schedule, and conversely, the general fund receiving more. Shifting personnel costs to the HMA creates additional pressure on the original planned funding for the account and lowers the amount available for roadwork.

License Plate Reissuance Requirement Eliminated

(\$1.2 million)

The Budget reflects a net \$1.2 million reduction in expenditures by eliminating the statutory requirement to reissue license plates every ten years. The net decrease consists of a reduction of \$1.4 million in DMV operating expenses, offset by \$169,036 in new personnel costs to pay for 2.0 FTEs to help in license plate inspection enforcement. The initiative, however, also results in a \$1.8 million loss in FY2020 revenue. The overall fiscal impact of the proposal is a \$582,478 net loss to the Budget.

Pursuant to RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every ten years. Enacted in 2009, the law required the first reissuance in 2011. This requirement has been delayed six times. In the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted delayed the reissuance until September 1, 2015; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; the FY2017 Budget as Enacted delayed the reissuance until April 1, 2017; the FY2018 Budget as Enacted delayed it until January 1, 2019; and the FY2019 Budget as Enacted delayed it until January 1, 2020. Article 7 of the Budget eliminates the reissuance requirement altogether.

Session	Date	Delay Date	Reason
2011	9/2011	9/2013	\$3.3 million savings initiative
2013	9/2013	9/2015	Budget reduction target initiative
2015	9/2015	7/2016	Need to align plate design w/ state tourism campaign
2016	7/2016	4/2017	RIMS - Staff would have to be taken away from implementation
2017	4/2017	1/2019	Launch of RIMS System/Reprogramming legacy IT system
2018	1/2019	1/2020	Real ID - Staff would have to be taken away from implementation
2019	1/2020	Eliminated	Condition of license plate will be addressed at the time of a vehicle's inspection

The purpose of the reissuance includes the reduction in motor vehicle registration fraud, revenue generation, and improving law enforcement's ability to identify vehicles. Each of the delays, however, has been accompanied by a different, overriding rationalization (see table).

According to DMV officials, enforcing license plate visibility/reflectivity standards and the accuracy of registrations will primarily be accomplished through the vehicle inspection process. The Budget includes \$169,036 in general revenue funding and 2.0 new FTE Control Inspector positions at the DMV to support enhanced inspection enforcement.

Real ID

Informational

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 (DHS). Congress enacted the Real ID Act in 2005 which prohibits federal agencies from accepting, for official purposes, licenses or ID cards from states that do not meet these standards. Rhode Island is currently among the 25 states that have a waiver from complying with the law. This waiver is set to end in October 2020.

The DMV began issuing Real ID driver's licenses and identification cards beginning in December 2018. Individuals are not required to have a Real ID - it is only necessary when interacting with federal

agencies, and even then there are others forms of ID, such as passports, that are accepted. Because of this, the DMV estimates that just over half of current license/ID holders will need a Real ID. Real IDs will be issued as part of a standard driver's license renewal (\$61.50 renewal fee) or may be obtained sooner by purchasing a duplicate license (\$25.00 duplicate fee).

The DMV projects approximately 500 additional customers per day from December 2018 to October 2020. In addition to the increased volume, processing Real IDs involves more work, requiring more document verification and customer interaction.

DMV IT System Funding (restricted receipts)

\$2.9 million

The Budget includes \$2.9 million in restricted receipt expenditures to support new maintenance and operational support for the DMV's Rhode Island Modernization System (RIMS).

RIMS is a database designed to provide real-time and customer-centric computer system. RIMS provides efficient processing, tracking, payment, and security upgrades. The replacement of the legacy system was required due to outdated technology which could not respond to legislative changes, federal mandates, nor incorporate the hundreds of interfaces with outside entities. The project began in FY2007 and went live in July 2017.

The project has been funded by 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.

Article 7 of the Budget makes several changes related to the technology surcharge. The surcharge is increased by \$1.00, for a total of \$2.50 per DMV fee transaction. Revenue from the additional \$1.00 is to be deposited in a new restricted receipt within the DMV make RIMS-related payments and/or for ongoing maintenance of and enhancements to the DMV's computer system. The article removes the existing sunset and shifts the existing \$1.50 from the ITIF to the DMV account beginning on July 1, 2022.

Analyst Note: The RIMS vendor contract is set to expire June 30, 2020, and will have to be renegotiated. Hewlett Packard Prospecta is the current sole source vendor. According to DMV officials, the ongoing maintenance of RIMS, including upgrading to new releases, is typically more expensive than the costs of the initial system implementation. DOR indicates that the additional resources (represented by the \$1.00 surcharge increase) will help pay for what it anticipates will be a more expensive contract going forward.

Based on DOR projections \$4.2 million in surcharge revenue, inclusive of the fee increase, will be generated in FY2020. The ITIF would receive \$2.5 million of this revenue and \$1.7 million would be deposited into the DMV restricted receipt account.

Analyst Note: The estimated revenue from the surcharge increase is \$1.2 million less than the budgeted expenditures. The Budget Office has indicated that these expenditures are overstated.

STATE AID

The Budget funds a number of State Aid payments. State aid is administered by staff in the Division of Municipal Finance.

(Additional information on the aid programs can be found in the Municipal Aid section of this report.)

State Aid	General Revenue
FY2019 Enacted	\$114,853,444
<i>Target and Other Adjustments</i>	
Motor Vehicle Excise Tax	23,240,446
PILOT	(5,259,095)
Property Revaluation Program	(941,678)
Distressed Communities Aid	Informational
Fiscal Stability Act	Informational
FY2020 Governor	\$131,893,117

Motor Vehicle Excise Tax **\$23.2 million**

The Budget includes a \$23.2 million increase in local aid for the Motor Vehicle Excise Tax phase-out program. This is \$16.3 million less than what is anticipated under current law.

The variance is related to the Governor's proposal to alter the phase-out formula, included in Article 9 of the Budget. The article modifies the assessment ratio utilized by the State's Vehicle Valuation Commission and local tax assessors when valuing motor vehicles in relation to levying the motor vehicle excise tax. It also make changes to the minimum required exemption amounts and the maximum allowable tax rates used in the phase-out formula. Changing these levers generates \$16.3 million in general revenue savings in FY2020 with an equivalent reduction in State aid to municipalities.

The following table compares current law phase-out estimates to Article 9 changes:

Comparison Between Current Law and Governor's Proposed Motor Vehicle Tax Phase-out							
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Current Law							
State Assessment Ratio	95.0%	90.0%	85.0%	80.0%	75.0%	70.0%	-
Rate Cap	\$60	\$50	\$35	\$35	\$30	\$20	-
Exemption Amount	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	-
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$84,275,463	\$105,314,412	\$132,917,367	\$167,127,304	\$224,421,893
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$37,993,163	\$21,038,949	\$27,602,955	\$34,209,936	\$57,294,589
Taxed Car Count	602,385	593,702	568,413	514,521	451,273	389,426	-
Cars Dropped from Tax Roll	150,923	8,683	25,289	53,892	63,248	61,848	389,426
Governor's Proposal							
State Assessment Ratio	95.0%	90.0%	87.5%	84.0%	79.0%	67.5%	-
Rate Cap	\$60	\$50	\$40	\$35	\$30	\$25	-
Exemption Amount	\$1,000	\$2,000	\$2,800	\$3,800	\$4,800	\$6,000	-
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$67,989,394	\$93,708,856	\$122,751,500	\$161,506,088	\$224,421,893
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$21,707,094	\$25,719,462	\$29,042,644	\$38,754,588	\$62,915,805
<i>Statewide Aid Variance</i>			<i>(\$16,286,069)</i>	<i>(\$11,605,556)</i>	<i>(\$10,165,867)</i>	<i>(\$5,621,216)</i>	-
Taxed Car Count	602,385	593,953	578,408	537,996	478,892	384,023	-
<i>Variance from Current</i>	-	251	9,995	23,475	27,619	(5,403)	-
Cars Dropped from Tax Roll	150,923	8,432	15,545	40,412	59,105	94,869	384,023
<i>Variance from Current</i>	-	(251)	(9,744)	(13,480)	(4,143)	33,021	(5,403)

PILOT **(\$5.3 million)**

The Governor reduces the Payment in Lieu of Taxes (PILOT) program by \$5.3 million (11.4 percent) 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. According to the Budget Office, the PILOT program has not been funded at the 27.0 percent level in 12 of the last 20 budgets.

Article 9 of the Budget permits municipalities to levy property taxes on the portion of property of a tax-exempt, nonprofit hospital or institution of higher education that is not used for mission-related purposes. The magnitude of new revenue for municipalities under this proposal is not clear. Municipalities do not currently keep an inventory of non-mission related property owned by hospitals and universities.

The \$5.3 million reduction is not related to any specific, corresponding estimate of reduced property tax revenue related to non-mission, nonprofit higher education or hospital property.

PILOT			
Municipality	FY2019 Enacted	FY2020 Governor	Change
Barrington	\$17,514	\$14,447	(\$3,067)
Bristol	1,335,274	1,330,772	(4,502)
Burrillville	98,273	88,867	(9,406)
Central Falls	895	687	(208)
Cranston	5,403,870	4,771,444	(632,426)
East Greenwich	659,856	572,247	(87,609)
East Providence	244,237	217,998	(26,239)
Newport	1,431,152	1,408,819	(22,333)
North Kingstown	1,762	1,006	(756)
Pawtucket	575,928	513,532	(62,396)
Providence	33,497,659	29,400,443	(4,097,216)
Smithfield	763,295	666,009	(97,286)
South Kingstown	207,011	184,978	(22,033)
Warwick	1,687,863	1,510,326	(177,537)
Westerly	164,915	148,835	(16,080)
Total	\$46,089,504	\$40,830,409	(\$5,259,095)

Property Revaluation Program

(\$941,678)

The Budget includes \$668,856 for the Property Revaluation program in FY2020, a decrease of \$941,678 from the FY2019 Enacted level, based on anticipated reimbursements, which are required by law. 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.

Distressed Communities Aid

Informational

The Distressed Community Relief program is level-funded in FY2020 as compared to FY2019 Budget as Enacted. Total aid from this program goes to cities and towns that have relatively high property taxes as compared to their citizens' ability to pay. Funding for the program in FY2020 will be \$12.4 million.

Distressed Community Relief Fund Distribution

Municipality	FY2019 Enacted	FY2020 Governor	Change
Central Falls	\$217,756	\$201,648	(\$16,108)
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)
Total	\$12,384,458	\$12,384,458	-

Fiscal Stability Act**Informational**

The 2013 General Assembly created the Fiscal Stability Act (FSA). Under the FSA, upon determination by the Director of Revenue that a Fiscal Overseer, Receiver, or Budget Commission is no longer required in a municipality or fire district, the Director must appoint a finance advisor (or in a community where a bankruptcy petition has been filed, an Administration and Finance Officer) for a period of 5 years. These positions ensure that a municipality or fire district exiting oversight remains on a path of fiscal stability and sound financial management practices. RIGL 45-9-10.1 requires the State to reimburse communities 50.0 percent of the costs of ongoing State oversight. Woonsocket is the only community currently experiencing State oversight. A fiscal advisor will be in place through the end of FY2020.

DIVISION OF TAXATION

The Division of Taxation assesses and collects taxes while also enforcing the State's tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and enforcing non-compliance through collections, audits and liens.

Taxation	General Revenue
FY2019 Enacted	\$27,523,727
<i>Target and Other Adjustments</i>	<i>1,374,768</i>
Maintenance and Operations for Taxation IT System	1,300,000
Sales and Excise Tax Expansion Support	1,239,505
Employer Tax Unit Transfer	Informational
FY2020 Governor	\$31,438,000

Taxation	Other Funds Changes
Adult Use Marijuana Program (restricted receipts)	\$790,184

Maintenance and Operations for Taxation IT System**\$1.3 million**

The Budget includes an additional \$1.3 million from general revenues to support the maintenance and operations of the Division's IT system, known as the State Tax Administration and Revenue System (STAARS).

In December 2017, Taxation went live with STAARS in December 2017, after five years of phased-in development. The system centralizes all taxpayer information in one computer system across and assists in the administration of 57 different taxes and fees amounting to nearly \$3.0 billion annually. STAARS was originally paid for using Certificates of Participation (COPs), which were authorized up to \$25.0 million. The \$1.3 million will be used to pay the estimated costs for licenses and support needs of the system in FY2020.

Sales and Excise Tax Expansion Support**\$1.2 million**

The Budget includes \$1.2 million in additional general revenue to +fund the personnel and operating costs necessary to support the sales and excise tax expansion initiatives proposed in the FY2020 Budget.

Article 5 of the Budget expands the sales tax to an array of new services. These include digital downloads of videos, music, and electronic books; hunting, trapping, and shooting services; lobbying services; commercial building services; and interior design services. The article also adjusts the statutory framework underpinning the obligations of remote sellers and online retail sales facilitators, essentially requiring these entities to collect and remit sales tax. The Budget includes \$22.3 million in estimated revenue from these initiatives in FY2020.

Article 5 of the Budget also subjects e-cigarettes and related products to the excise tax on tobacco products other than cigarettes (OTP) at the rate of 40.0 percent of the wholesale cost. This is half the rate applied to the other categories of OTP. ORA estimates that excise taxes associated with e-cigarettes will generate \$353,746 in general revenue in FY2020. Article 5 also raises the fees around various cigarette and OTP licenses. These changes are estimated to yield \$535,000 in revenue.

The Budget includes authorization and \$989,505 in funding for 10.0 new FTEs to support the additional work that is anticipated around these initiatives. These FTEs include 1.0 Senior Legal Counsel, 2.0 Legal Counsels, 1.0 Tax Investigator, 3.0 Revenue Agents, 1.0 Taxpayer Specialist, and 1.0 Tax Aide. The Budget also includes \$250,000 in operating funds relating to the sales tax expansion initiatives.

Employer Tax Unit Transfer

Informational

Article 4 of the Budget transfers 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. Although the Employer Tax Unit has been housed in DOR, the funding they collect is used for DLT benefit programs. The transfer is intended to centralize the unit's efforts related to UI and TDI benefits. The transfer includes 37.0 FTE positions. There is no funding associated with the transfer as the Employer Tax Unit is already funded by DLT.

Adult Use Marijuana Program (restricted receipts)

\$790,184

The Budget includes \$790,184 in new restricted receipt funding to support the personnel and operating costs within Taxation associated with the Governor's proposed Adult Use Marijuana program.

Article 20 of the Budget provides the detailed framework of the Governor's proposed Adult Use Marijuana initiative. Oversight and regulation of the program is centered in a new Office of Cannabis Regulation within the Department of Business Regulation, with multi-agency cooperation from law enforcement, health, and revenue agencies.

For the Department of Revenue and the Division of Taxation, the work will primarily consist of increased administration over new revenue collections and enforcement, communication with partner agencies and licensees, and other functions.

Section 7 of Article 20 creates a new adult use marijuana licensing program restricted receipt account, known as the Adult Use Marijuana Trust Fund. The account is established across several agencies, including the Department of Revenue. It is out of this fund that the \$790,184 for the Taxation is appropriated. The Budget provides \$340,184 and 4.0 FTEs within Taxation, including 2.0 Tax Investigators and 2.0 Revenue Agents. The Budget also provides \$450,000 other unspecified operational costs associated with the program.

Legislature

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Assembly	\$5.7	\$6.8	\$10.3	\$3.5	52.0%	\$6.3	(\$0.5)	-6.8%
Fiscal Advisory Staff	1.5	1.9	1.9	(0.0)	-0.7%	2.0	0.1	3.5%
Legislative Council	4.1	5.3	5.1	(0.3)	-5.3%	5.2	-0.1	-2.4%
Joint Comm. on Legislative Services	23.0	25.5	27.7	2.1	8.3%	27.0	1.4	5.7%
Auditor General	5.1	5.8	5.9	0.0	0.3%	6.1	0.2	4.3%
Special Legislative Commissions	0.0	0.0	0.0	(0.0)	-1.9%	0.0	0.0	-1.9%
Total	\$39.3	\$45.4	\$50.8	\$5.4	10.6%	\$46.6	\$1.2	2.5%
Expenditures By Source								
General Revenue	\$37.8	\$43.7	\$49.0	\$5.3	12.2%	\$44.8	\$1.1	2.4%
Restricted Receipts	1.5	1.7	1.8	0.0	2.8%	1.8	0.1	6.5%
Total	\$39.3	\$45.4	\$50.8	\$5.4	10.6%	\$46.6	\$1.2	2.5%
Authorized FTE Levels	298.5	298.5	298.5	-	-	298.5	-	-

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

The Rhode Island General Assembly enacts laws, develops state policy, and evaluates programs through the appropriation process. The General Assembly consists of six programs which assist in executing its constitutional role:

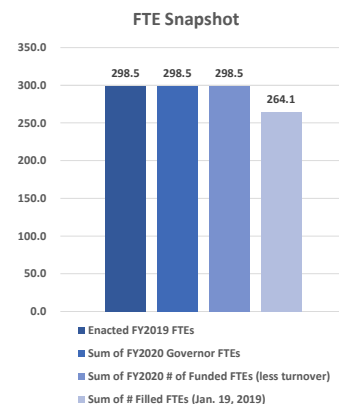
- The General Assembly consists of two chambers, with the Senate composed of 38 members and the House of Representatives with 75 members. The General Assembly meets annually.
- The House Fiscal Advisory Staff provides fiscal research support to the House membership and the House Finance Committee.
- The Legislative Council develops legislation and researches various issues for Senate and House members.
- The Joint Committee on Legislative Services is the administrative arm of the General Assembly.
- The Office of the Auditor General conducts financial reviews and evaluations of state programs and completes annual post-audits for the State.
- Special Legislative Commissions include study commissions and task forces established by the General Assembly to analyze various public policy issues.

MAJOR ISSUES AND TRENDS

The Governor includes \$46.6 million for the Legislature in FY2020, including \$44.8 million in general revenue. Restricted receipts total \$1.8 million and are dedicated to the Auditor General's office. These funds are derived from a 0.5 percent audit fee that is assessed on all federal grants in State departments for each major federal program and are used to finance personnel costs associated with the Auditor General's Single Audit Report.

The Governor increases the general revenue appropriation in the FY2019 Revised Budget by \$5.3 million. This includes a FY2018 reappropriation of \$7.9 million, less other reductions.

The Budget provides for 298.5 FTE positions for FY2019 and FY2020, consistent with the FY2019 Budget as Enacted.



Lieutenant Governor

Expenditures By Program	FY2018 Actual	FY2019 Enacted	FY2019 Revised	Change from Enacted	FY2020 Governor	Change from Enacted
Lieutenant Governor	\$1.0	\$1.1	\$1.1	(\$0.0) -0.6%	\$1.1	0.03 3.0%
Expenditures By Source						
General Revenue	\$1.0	\$1.1	\$1.1	(\$0.0) -0.6%	\$1.1	0.03 3.0%
Authorized FTE Levels	8.0	8.0	8.0	-	8.0	-

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

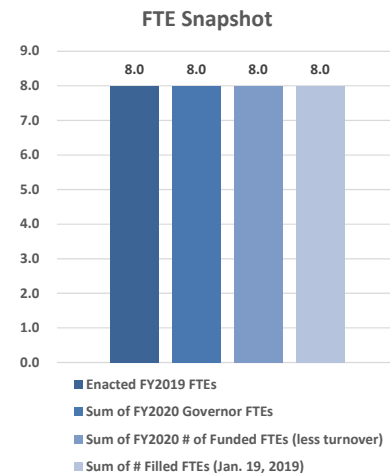
The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant Governor serves on the Rhode Island Emergency Management Advisory Council (Chair); the Small Business Advocacy Council (Chair); and the Long-Term Care Coordinating Council (Chair), and the Office initiates legislation and assumes advocacy and leadership roles in a number of policy areas such as emergency management, veterans affairs, education, economic development, the environment, long-term care, health care and elderly affairs. The Office also serves as a liaison between citizens and state agencies.

MAJOR ISSUES AND TRENDS

The Office of the Lieutenant Governor's budget is entirely financed by general revenue. The Office's revised budget request for FY2019 included a decrease of \$35,624 in personnel and an increase of \$50,000 for contracted legal services. The request included \$26,000 for legal representation for the Office of the Lieutenant Governor purpose of advocating on behalf of Rhode Island citizens at public hearings before the Public Utilities Commission, and \$24,000 for general legal services. However, the Governor recommends a revised appropriation of \$1.1 million in general revenue and no appropriation for legal services.

For FY2020, the Office of the Lieutenant Governor requested \$1.2 million, including \$88,000 for legal services consisting of both special counsel and contracts. This reflects \$40,000 for legal representation for the purpose of public hearings related to the Public Utilities Commission and advocating on behalf of Rhode Island citizens and \$48,000 for general contracted legal services. The Budget includes \$1.1 million and no appropriation for legal services.

The Budget includes 8.0 FTE positions for FY2019 and FY2020, consistent with the enacted budget.



Lieutenant Governor	General Revenue
FY2019 Enacted	\$1,114,597
<i>Target and Other Adjustments</i>	<i>33,219</i>
FY2020 Governor	\$1,147,816

Office of the Secretary of State

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
Administration	\$3.3	\$3.3	\$3.4	\$0.1	1.5%	\$3.7	\$0.4	10.5%
Corporations	2.2	2.3	2.3	(0.01)	-0.4%	2.2	(0.1)	-5.2%
State Archives	0.6	0.5	0.5	0.0	5.3%	0.5	0.0	6.3%
Elections and Civics	2.1	4.9	4.9	(0.0)	-0.2%	3.1	(1.7)	-35.7%
State Library	0.6	0.6	0.7	0.1	14.1%	0.7	0.1	9.6%
Office of Public Information	0.6	0.6	0.5	(0.2)	-27.5%	0.5	(0.2)	-26.3%
Total	\$9.4	\$12.3	\$12.2	(\$0.0)	-0.1%	\$10.7	(\$1.6)	-12.7%

Expenditures By Source								
	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
General Revenue	\$8.8	\$9.9	\$9.8	(\$0.1)	-0.7%	\$9.2	(\$0.6)	-6.5%
Federal Funds	0.0	1.98	2.0	-	-	1.0	(1.0)	-48.7%
Restricted Receipts	0.4	0.4	0.5	0.1	15.0%	0.5	0.1	12.8%
Operating Transfers from Other Funds	0.1	-	-	-	-	-	-	-
Grand Total	\$9.4	\$12.3	\$12.2	(\$0.0)	-0.1%	\$10.7	(\$1.6)	-12.7%

Authorized FTE Levels	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
Authorized FTE Levels	59.0	59.0	59.0	-	-	59.0	-	-

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

The Secretary of State is one of five general officers subject to voter election under the Constitution of Rhode Island. The Office of the Secretary of State prepares for state and local elections, manages the State's records, and provides public information about state government. The Office's budget consists of six divisions including Administration, Corporations, State Archives, State Library, Elections and Civics, the Office of Public Information, and one internal service funded section (Record Center).

MAJOR ISSUES AND TRENDS

The Budget includes 59.0 FTE positions in FY2019 and in FY2020, consistent with the enacted level. General revenue decreases by \$642,479, primarily for election expenses as compared to the FY2019 Budget as Enacted, because in FY2020 there is no general election. These expenses increase in odd-numbered fiscal years when there is a statewide general election.

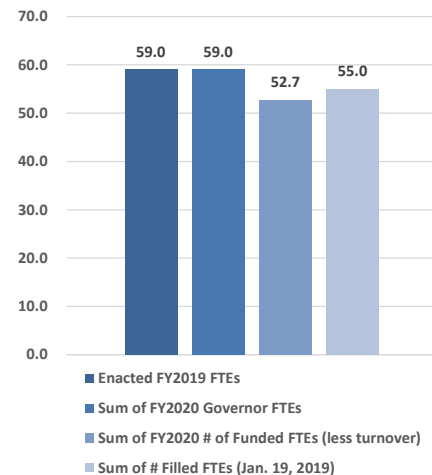
The Budget includes turnover savings of \$675,412, equivalent to 6.3 FTE positions. This may become an issue because the Office of the Secretary of State averaged only 2.9 vacancies over FY2019. In addition, the FY2019 Revised Budget includes turnover savings of \$79,714.

The Office of the Secretary of State requested \$52.6 million in RICAP funds spread from FY2020 to FY2024 (\$5.0 million in FY2020) for the construction of a State Archives structure. The Governor did not concur and instead recommends \$100,000 in RICAP funding in FY2022 to commence site development of the new archive facility.

ADMINISTRATION

The Administration program provides operational support for the Office, including personnel management; fiscal management and budget preparation; information technology support; constituent affairs response; communications and media relations; and policy development and legislative affairs.

FTE Snapshot



Administration	General Revenue
FY2019 Enacted	\$3,326,174
<i>Target and Other Adjustments</i>	
Operating Expenses	109,997
Turnover	321,106
Contracted Services	(274,993)
Computer Equipment	108,244
FY2020 Governor	\$3,675,528

Operating Expenses **\$321,106**

The Budget includes \$788,792 in general revenue for operating expenses, reflecting a net increase of \$321,106 from the FY2019 Budget as Enacted. The increase primarily reflects a vendor payment for work on the open government and corporation database to address security and vulnerability concerns regarding that database. Computer supplies decrease of \$44,505 and a net increase of \$34,930 in all other operating adjustments.

In addition, information technology charges increase \$20,587 to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$21,354 for this expense, which is increased by \$20,587 to \$41,941 in the FY2020 proposed budget.

Operating Expenses	FY2018 Actual	FY2019 Enacted	FY2020 Governor	Change
Maintenance/Repairs: Computer Equipment	\$132,514	\$51,906	\$362,000	\$310,094
Computer Supplies/Software and Equipment	27,320	90,555	46,050	(44,505)
Information Technology Charges	-	21,354	41,941	20,587
All Other Operating Expenses	268,001	303,871	338,801	34,930
Total	\$427,835	\$467,686	\$788,792	\$321,106

Turnover **(\$274,993)**

The Budget decreases general revenue by \$274,933 for personnel savings. The Office of the Secretary of State averaged 2.9 vacancies over FY2019. The reduction is equivalent to 2.6 FTE positions in the Administration program and 6.3 FTE positions agency wide.

Analyst Note: The Office of the Secretary of State does not concur that the turnover savings number is realistic because the Office will reach or be near the authorized FTE position level.

Contracted Services **\$108,244**

The Budget adds \$108,244 in general revenue for contracted services, reflecting an increase of \$89,044 for IT Design consultants and an increase of \$19,200 for contracted professional services. The increase is to continue funding to support the redesign of several applications related to the Administrative Procedure Act, including: the Lobby Tracker, a searchable database of registered lobbyists and firms in Rhode Island; the Open Meetings site, which houses agendas, meeting minutes, and calendars for State and local public meetings; and, the Boards and Commissions database, which provides information on public board member appointments. Funding will also continue financing of a Senior Application Developer for the on-going work.

Computer Equipment **\$85,000**

The Budget includes \$124,750 in general revenue to purchase computer equipment. This reflects an increase of \$85,000 from the FY2019 Budget as Enacted. The Office of the Secretary of State requests the additional funding to replace the current server infrastructure that was purchased ten years ago. The

Office was notified by the server manufacturer that due to the age of the equipment, the manufacturer could no longer provide support to maintain the equipment.

CORPORATIONS

The Corporations Division is the official State repository for business and commercial records, and maintains a searchable database that includes articles of incorporation and entity annual reports. The Division also houses the First Stop Information Center, a referral service for existing and potential small business owners; the Uniform Commercial Code Unit for tangible property lien tracking; and a Notary and Trademark application program. The Division also manages an online master permit application system (Quick Start) for small business start-ups.

Corporations	General Revenue
FY2019 Enacted	\$2,318,968
<i>Target and Other Adjustments</i>	<i>14,894</i>
Turnover	(161,024)
Records Scanning Project	19,060
FY2020 Governor	\$2,191,898
Turnover	(\$161,024)

The Budget decreases general revenue by \$161,024 for personnel savings. The Office of the Secretary of State averaged 2.9 vacancies over FY2019. The reduction is equivalent to 1.5 FTE positions in the Corporations program and 6.3 FTE positions agency wide.

Analyst Note: The Office of the Secretary of State does not concur that the turnover savings number is realistic because the Office will reach or be near the authorized FTE position level.

Records Scanning Project **\$19,060**

The Budget adds \$19,060 in general revenue to continue funding for a contract vendor for the business records scanning project. Pursuant to Chapters 7-1 through 7-6 of the Rhode Island General Laws, the Department stores records that document the existence of various business entities, including some that date back to 1741. The imaging and matching of approximately 38,000 active files, each containing up to 1,000 pages, will enable the viewing of those files online and provide for greater transparency of businesses in Rhode Island.

The Office estimated it would take more than twenty years to complete the project utilizing only existing staff and scanning hardware; an unacceptable timeline to gain efficiencies and expand services to the public. To expedite the project, the FY2019 Budget as Enacted included \$30,940 to lease two scanners and hire two temporary staff. For FY2020, the Budget includes \$50,000, a \$19,060 increase to maintain the temporary staff so that the project can be completed within the next five years.

STATE ARCHIVES

The State Archives Division is the official repository for preserving and maintaining the permanent records of State government. The Division sets regulations for state document retention, and assists state agencies with records management. Since 1992, the Division has also operated the Local Government Records Program, which is now largely funded with the Historical Records Trust restricted receipt account.

State Archives	General Revenue
FY2019 Enacted	\$91,577

Target and Other Adjustments 21,093

FY2020 Governor **\$112,670**

State Archives	Other Fund Changes
Historical Records Trust	<i>Informational</i>

Historical Records Trust

Informational

The Budget uses the Historical Records Trust (restricted receipts) to fund certain personnel and operating costs in the State Archives program. The Historical Records Trust account is funded by collecting a \$4 fee per instrument for recording (for example, contracts for sale of land or letters of attorney) from municipalities to assist local governments with preservation of public records in their custody or care. Revenue generated from the Trust helps to fund operating costs in the State Archives program.

Historic Records Trust	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Collections	\$466,886	\$379,423	\$415,273	\$431,942	\$444,712	\$426,672
Expenditures	470,308	378,549	409,008	413,839	444,712	426,672

Source: Office of the Secretary of State

Collections for FY2019 and FY2020 are agency projections.

ELECTIONS AND CIVICS

The Elections Division promotes voter registration and turnout; maintains the State's central voter registration system; publishes guides and handbooks; explains how to run for office and how to register and vote; and provides descriptions of state referenda questions. The Division is charged with developing, printing, and distributing ballots, including candidate certification. Increases in operating supplies and expenses, primarily printing, postage and postal services, are expected during a general election year.

Elections and Civics	General Revenue
FY2019 Enacted	\$2,893,047

Target and Other Adjustments 53,282

Election Costs (673,000)

Turnover (156,228)

FY2020 Governor **\$2,117,101**

Elections and Civics	Other Fund Changes
Federal HAVA Grant	(\$967,540)

Election Costs

(\$673,000)

The Budget includes \$250,000 in general revenue for election expenses, a decrease of \$673,000 as compared to the FY2019 Budget as Enacted, because FY2020 is an "off-year" in the general election cycle. This is slightly higher than the last "off-year" elect cycle in FY2018 because the funds are added for the presidential primary scheduled for early 2020. Printing, mailing of ballots and referenda materials, and advertising expenses increase in odd-numbered fiscal years when there is a statewide election or on the general election cycle which will occur again in FY2023.

Election Costs	FY2017	FY2018	FY2019 Enacted	FY2019 Revised	FY2020 Enacted	Change
Ballot Printing	\$619,323	\$33,484	\$630,000	\$582,964	\$150,000	(\$480,000)
Election/Referenda Mailing	87,513	10,108	120,000	80,000	50,000	(70,000)
Referenda Printing/Legal	78,849	32	90,000	78,493	-	(90,000)
Legal/Advertising	79,059	96,769	83,000	97,500	50,000	(33,000)
Total	\$864,744	\$140,393	\$923,000	\$838,957	\$250,000	(\$673,000)

Turnover**(\$156,228)**

The Budget decreases general revenue by \$156,228 for personnel savings. The Office of the Secretary of State averaged 2.9 vacancies over FY2019. The reduction is equivalent to 1.5 FTE positions in the Election and Civics program and 6.3 FTE positions agency wide.

Analyst Note: The Office of the Secretary of State does not concur that the turnover savings number is realistic because the Office will reach or be near the authorized FTE position level.

Federal HAVA Grant (federal funds)**(\$967,540)**

During FY2019, the Office of the Secretary of State received a \$3.0 million federal fund award as a continuation of the Help America Vote Act (HAVA) to increase security of elections. The FY2019 Budget as Enacted appropriated \$2.0 million of the grant award. The Budget includes \$1.0 million reflecting the remainder of the federal award, which is \$967,540 less than the amount appropriated in the FY2019 Budget as Enacted. As of March 25, 2018, the Office of the Secretary of State has expended \$641,676 of the FY2019 appropriation.

STATE LIBRARY

The State Library provides reference and research services about law, legislation, rules and regulations, government reports, and state history. The Library is an official Federal Government Publications Depository and State Publications Clearinghouse.

State Library	General Revenue
FY2019 Enacted	\$623,911
<i>Target and Other Adjustments</i>	<i>109,614</i>
Turnover	(50,035)
FY2020 Governor	\$683,490

Turnover**(\$50,035)**

The Budget decreases general revenue by \$50,035 for personnel savings. The Office of the Secretary of State averaged 2.9 vacancies over FY2019. The reduction is equivalent to 0.5 FTE position in the State Library program and 6.3 FTE positions agency wide.

Analyst Note: The Office of the Secretary of State does not concur that the turnover savings number is realistic because the Office will reach or be near the authorized FTE position level.

OFFICE OF PUBLIC INFORMATION

The Office of Public Information is designed to make government more open and accessible. State law requires many documents to be filed with the Office, including lobbying disclosures, public meeting notices and minutes, disclosure of state government consultants, and appointments to boards and commissions.

Office of Public Information	General Revenue
FY2019 Enacted	\$622,057
<i>Target and Other Adjustments</i>	
Turnover	(125,357)
Rhode Island Government Owner's Manual	(33,132)
State House Tours	(16,000)
FY2020 Governor	\$452,568
Turnover	(\$33,132)

The Budget decreases general revenue by \$33,132 for personnel savings. The Office of the Secretary of State averaged 2.9 vacancies over FY2019. The reduction is equivalent to 0.3 FTE position in the Office of Public Information program and 6.3 FTE positions agency wide.

Analyst Note: The Office of the Secretary of State does not concur that the turnover savings number is realistic because the Office will reach or be near the authorized FTE position level.

Rhode Island Government Owner's Manual **(\$16,000)**

The Budget removes \$16,000 in general revenue for printing services for the Rhode Island Government Owner's Manual in FY2020. The 300-page directory is published every two years to reflect the results of the November election. It includes contact information for hundreds of officials, including Congressional delegates, general officers, members of the General Assembly, as well as city and town councils. The FY2019 Budget as Enacted included the funding for the printing requirement for the 2018 election.

State House Tours **\$5,000**

The Budget includes \$30,000 in general revenue for State House tours. This is an increase of \$5,000 from the previous fiscal year. The increase funding will allow for additional unspecified exhibitions in the State House library.

RECORDS CENTER

The Records Center is an internal service program funded with internal service funds: no general revenues fund program activities. Inactive records of state agencies are stored at the State Records Center, administered by the Public Records Administration. Inactive records are records that departments and agencies no longer require immediate access to, but that are not yet eligible for disposal because of administrative, fiscal or legal requirements. Access to these records is provided only through the expressed permission of the originating state agency.

CAPITAL PROJECTS

The Office of the Secretary of State recommends establishing a permanent facility for the Rhode Island State Archives. Millions of historically significant documents, images, and past records dating back to 1638 are currently housed in leased office space in downtown Providence that is susceptible to severe flooding. The project received prior Rhode Island Capital Plan (RICAP) funding of \$146,065 for a feasibility study to identify and recommend options for a permanent facility. The aim of this study was to provide information (type of structure to be built, location, and costs) to construct a new, permanent facility. Architectural and engineering costs of a new facility are also included in this project.

The Office of the Secretary of State's FY2020 Capital Budget Request asked for a total of \$52.6 million in RICAP funds spread from FY2020 to FY2024 (\$5.0 million in FY2020) for the construction of a new State Archives. The Governor does not fund the request and instead recommends \$100,000 in RICAP funding in FY2022 to commence site development of the new archive facility.

Office of the General Treasurer

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
General Treasurer	\$3.5	\$3.6	\$3.5	(\$0.1)	-3.3%	\$3.6	(\$0.1)	-1.4%
Employees' Retirement System	9.3	11.4	11.5	0.1	1.2%	12.0	0.6	5.4%
Unclaimed Property	28.4	26.0	25.7	(0.4)	-1.3%	24.9	(1.1)	-4.3%
Crime Victim Compensation Program	1.8	2.1	1.7	(0.4)	-17.8%	1.7	(0.3)	-16.3%
Total	\$43.1	\$43.1	\$42.4	(\$0.7)	-1.6%	\$42.2	(\$0.9)	-2.1%
Expenditures By Source								
General Revenue	\$2.8	\$3.0	\$3.0	\$0.0	0.0%	\$3.0	\$0.0	1.0%
Federal Funds	0.9	1.1	1.0	(0.10)	-9.1%	1.0	(0.1)	-9.3%
Restricted Receipts	38.7	38.4	37.8	(0.6)	-1.6%	37.5	(0.9)	-2.3%
Other Funds	0.6	0.6	0.6	-	-	0.7	0.1	10.0%
Grand Total	\$43.1	\$43.1	\$42.4	(\$0.7)	-1.6%	\$42.2	(\$0.9)	-2.1%
Authorized FTE Levels	89.0	89.0	89.0	-	-	89.0	-	-

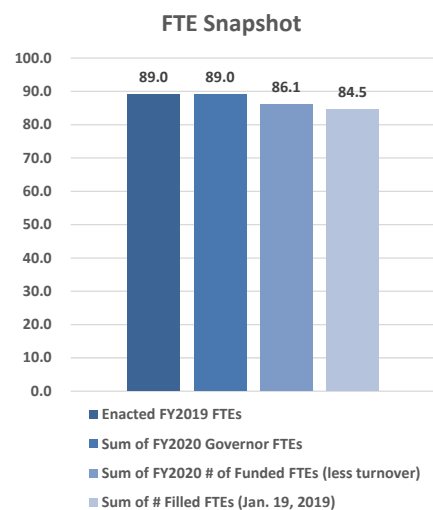
\$ in millions. Totals may vary due to rounding.

The Rhode Island Constitution establishes the Office of the General Treasurer, one of five general offices subject to voter election. The General Treasurer is charged with the safe and prudent management of the State's finances. The Treasury budget includes Treasury operations, the Employees' Retirement System of Rhode Island, the Unclaimed Property program, and the Crime Victims Compensation program. Treasury also manages the Abraham Touro Fund and the Childhood Disease Fund. The General Treasurer's operations, excluding the State House office, are located at the state-owned building at 50 Service Road, Warwick.

MAJOR ISSUES AND TRENDS

The Budget includes \$42.4 million in FY2019, of which \$3.0 million (7.1 percent) is general revenue. This reflects an all fund decrease of \$704,766 from the FY2019 Budget as Enacted. The decrease includes \$19,854 in general revenue, \$611,338 in restricted receipts, \$58,233 in federal funds, and \$15,341 in other funds.

The Budget for FY2020 includes \$42.2 million, of which \$3.0 million (7.2 percent) is general revenue. This reflects an all funds decrease of \$904,195 from the FY2019 Budget as Enacted. The decrease includes \$901,245 in restricted receipts and a decrease of \$75,900 in federal funds. Offsetting these changes are increases of \$63,775 in general revenue and \$9,175 in other funds. The Budget provides 89.0 FTE positions in FY2019 and in FY2020, consistent with the enacted level.



GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity.

General Treasurer	General Revenue
FY2019 Enacted	\$2,684,367
<i>Target and Other Adjustments</i>	<i>(3,260)</i>
Operating Adjustments	(47,922)
Centralized Service Charges	10,348
FY2020 Governor	\$2,643,533

Operating Adjustments **(\$47,922)**

The Budget includes \$368,487 in general revenue for operating expenses, a reduction of \$47,922 from the FY2019 Budget as Enacted. This includes a reduction of \$20,000 in bank analysis charges reflecting the State's improved cash position and enhanced cash management. In addition, there is an \$11,396 reduction in miscellaneous expenses, a \$10,826 decrease for insurance costs, a decrease of \$10,900 in outside printing costs, and a net increase of \$5,200 in all other operating adjustments.

	FY2018	FY2019	FY2019		FY2020	
Operating Expenses	Actuals	Enacted	Revised	Change	Governor	Change
Fees - Bank Analysis Charges	\$134,762	\$170,000	\$150,000	(\$20,000)	\$150,000	(\$20,000)
Miscellaneous Expenses	5,914	7,200	(4,318)	(11,518)	(4,196)	(11,396)
Printing - Outside Vendors	28,772	39,900	29,000	(10,900)	29,000	(10,900)
Insurance	-	16,000	5,175	(10,825)	5,174	(10,826)
All Other Operating Expenses	366,361	183,309	188,810	5,501	188,509	5,200
Total	\$535,809	\$416,409	\$368,667	(\$47,742)	\$368,487	(\$47,922)

Centralized Service Charges **\$10,348**

The Budget increases restricted receipt expenditures by \$10,348 to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$224,184 for these expenses, which is reduced by \$10,348 to \$234,532 in the FY2020 proposed budget.

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System of Rhode Island (ERSRI) administers retirement, disability, survivor, and death benefits to eligible state employees and public school teachers. Participating municipal employees are covered under the Municipal Employees' Retirement System (MERS). ERSRI also administers the judicial and state police retirement plans, and the Teachers' Survivor Benefit program for teachers who are not covered under Social Security. Personnel and operating expenses of ERSRI are funded through a restricted receipt account pursuant to RIGL 36-8-10.1 for administrative and operating expenses of the retirement system.

Employees' Retirement System	Other Fund Changes
Turnover	(\$190,562)
Centralized Service Adjustment	156,178
Contract Services	85,050

Turnover (restricted receipts) (\$190,562)

The Budget decreases restricted receipts by \$190,562 for personnel savings. The Office of the General Treasurer averaged 4.9 vacancies over FY2019. The reduction is equivalent to 1.6 FTE positions.

Centralized Service Adjustment (restricted receipts) \$156,178

The Budget increases restricted receipt expenditures by \$156,178 to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$104,992 for these expenses, which is reduced by \$156,178 to \$261,170 in the FY2020 proposed budget.

Contract Services (restricted receipts) \$85,050

The Budget includes \$4.0 million in restricted receipt expenditures for various contracted professional services, of which the largest expenditure is for IT systems support for the Ariel computer system. There is a net \$50,000 decrease for IT Systems support and general services based on projected needs. Other adjustments include a reduction of \$80,000 for Special Legal Counsel due to the expected completion of the Qualification Status letter to the Internal Revenue Service, an increase of \$76,000 to the State's Actuary, GRS, to perform an experience study and for valuation services, an increase of \$75,000 for legal service needs in anticipation of a court decision regarding public safety employees appealing their disability decisions in the Workers' Compensation Court, and an increase of \$50,000 for a temporary data technician for an IT security assessment and audit of the state and municipal retirement systems. The adjustments result in an increase of \$85,050 from the FY2019 Budget as Enacted.

	FY2018	FY2019	FY2019		FY2020	
Contract Services	Actual	Enacted	Revised	Change	Governor	Change
IT System Support	\$171,933	\$2,523,892	\$2,323,892	(\$200,000)	\$2,273,892	(\$250,000)
IT General Services	1,440,491	-	200,000	200,000	200,000	200,000
Legal - Special Counsel	88,675	210,000	205,000	(5,000)	130,000	(80,000)
Actuary	329,389	353,200	353,200	-	429,200	76,000
Legal Services	284,860	295,000	295,000	-	370,000	75,000
Temporary Data Tech	11,500	150,000	150,000	-	200,000	50,000
All Other Contract Services	106,469	386,500	411,500	25,000	400,550	14,050
Total	\$2,433,317	\$3,918,592	\$3,938,592	\$20,000	\$4,003,642	\$85,050

UNCLAIMED PROPERTY

The Unclaimed Property program is responsible for collecting abandoned property and acts as custodian for both tangible and intangible property. The mission of the program is to return the abandoned property to its rightful owners.

Unclaimed Property	Other Fund Changes
Revenue Collections and Expenditures	(\$1,299,221)
Contracted Services	77,000
Turnover	(36,156)

Revenue Collections and Expenditures (restricted receipts) (\$1.3 million)

The Budget adjusts 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. The transfer to the General Fund decreases \$1.3 million, based on the calculations included in the Budget. There is no change in the projected claim payouts. The change in liability (the amount required by general accounting rules that the fund must carry forward to the next fiscal year for claim payouts), decreases

\$399,221 and the surplus transfer to the general fund decreases by \$900,000, resulting in a net decrease of \$1,299,221. [$\$0 + (\$399,221) + (\$900,000) = (\$1,299,221)$].

Analyst Note: The Budget does not reflect the unclaimed property transfer adopted by the November Revenue Estimating Conference of \$9.5 million. Instead the Budget has the transfer as \$8.8 million, \$900,000 less than the FY2019 Budget as Enacted estimate of \$9.7 million and \$700,000 less than the Conference estimate. According to the Budget Office, Treasury revised the transfer estimate after Treasury submitted its budget, and inadvertently the numbers were not updated in the revised budget request submission.

Contracted Services (restricted receipts) \$77,000

The Budget includes a net increase of \$77,000 in restricted receipts for contracted service expenditures, reflecting an increase of \$100,000 unclaimed property audit services offset by decreases of \$14,000 in auctioneer fees and \$9,000 in security services.

Contracted Services	FY2018 Actual	FY2019 Enacted	FY2020 Governor	Change
Accounting/Auditing	\$627,099	\$400,000	\$500,000	\$100,000
IT System Support	47,238	170,000	170,000	-
Appraisers/Title Examiners	-	14,000	-	(14,000)
Security Services	-	9,000	-	(9,000)
All Other Contracted Services	7,100	-	-	-
Total	\$681,437	\$593,000	\$670,000	\$77,000

Turnover (restricted receipts) (\$36,156)

The Budget decreases restricted receipts by \$36,156 for personnel savings. The Office of the General Treasurer averaged 4.9 vacancies over FY2019. The reduction is equivalent to 0.3 FTE position.

CRIME VICTIM COMPENSATION PROGRAM

The Crime Victims Compensation program compensates innocent victims of violent crimes for certain expenses that are attributable to the crime. Compensation may be used to cover funeral, medical, and counseling expenses incurred by victims or their family members. The maximum award for each criminal incident is capped at \$25,000.

Crime Victim Compensation Program	General Revenue
FY2019 Enacted	\$289,409
<i>Target and Other Adjustments</i>	<i>74,609</i>
Crime Victims Claim Payments	30,000
FY2020 Governor	\$394,018

Crime Victim Compensation Program	Other Fund Changes
Crime Victims Claim Payments	(\$350,000)

Crime Victims Claim Payments \$30,000

The Budget adds \$30,000 in general revenue for claims and settlement payouts in FY2020. The increase reflects Treasury's estimate of what is the most likely expenditure for claims payments in consideration of declining revenue from court imposed fees. In response of the declining court revenue (\$350,000 in restricted receipts), the Office of the General Treasurer requested general revenue appropriations of \$200,000 in FY2019 and for FY2020. However, the Governor only recommends appropriations of \$32,000 in FY2019 and \$30,000 in FY2020. Restricted receipts for claim payments decrease \$350,000.

Court Revenue	Amount
FY2018	\$536,217
FY2017	584,405
FY2016	838,621
FY2015	785,967
FY2014	809,288
FY2013	858,955
FY2012	1,079,792

Board of Elections

Expenditures By Program	FY2018 Actual	FY2019 Enacted	FY2019 Revised	Change from Enacted		FY2020 Governor	Change from Enacted	
Board of Elections	\$1.5	\$5.3	\$4.7	(\$0.6)	-11.3%	\$2.5	(\$2.8)	-52.8%
Expenditures By Source								
General Revenue	\$1.5	\$5.3	\$4.7	(\$0.6)	-11.3%	\$2.5	(\$2.8)	-52.8%
Authorized FTE Levels	12.0	13.0	13.0	-	-	13.0	-	-

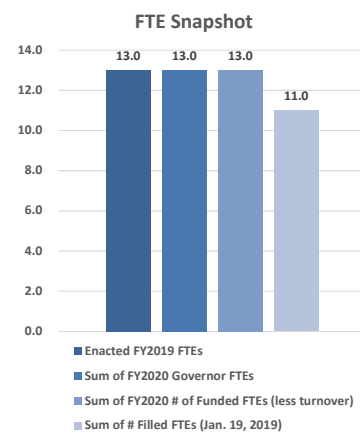
\$ in millions. Totals may vary due to rounding.

The Board of Elections supervises all elections and state and local referenda. The Board oversees voter registration and public education activities and provides all registration materials used in the State. The Board supervises and monitors the campaign finance activities of candidates, political action committees, and state vendors.

MAJOR ISSUES AND TRENDS

The Budget includes \$4.7 million in FY2019, reflecting a net reduction of \$597,989 in general revenue, largely due to lower than anticipated for the public financing of elections in the 2018 General Election, offset by statewide adjustments in personnel and operating costs.

For FY2020, the Budget includes \$2.5 million, which is \$2.8 million less than the FY2019 Budget as Enacted. The decrease is largely attributable to temporary employees, voting equipment transportation, printing, and postage expenses not required in a non-General Election year. The Budget includes 13.0 FTE positions in FY2019 and in FY2020 consistent with the enacted level.



Central Management	General Revenue
FY2019 Enacted	\$5,252,516
<i>Target and Other Adjustments</i>	<i>(34,118)</i>
General Election Adjustments	(3,165,464)
Centralized Services	171,308
Personnel Adjustments	165,441
(e-Poll)	55,000
Contracted Services	17,900
FY2020 Governor	\$2,462,583

General Election Adjustments **(\$3.2 million)**

The Budget decreases general revenue expenditures by \$3.2 million to reflect personnel, purchased services, and operating expenditures for voter operating supplies and expenses that will not be incurred in a non-General Election year. These expenses increase in odd-numbered fiscal years when there is a statewide general election; more so every 4th year when the constitutional offices are up for election.

Election Costs	FY2019 Enacted	FY2019 Revised	FY2020 Governor	Change
Public Finance of Elections	\$2,620,856	\$1,830,998	\$0	(\$2,620,856)
Operating	166,601	194,121	72,589	(94,012)
Seasonal Staff	335,596	360,000	175,000	(160,596)
Printing	175,000	175,000	50,000	(125,000)
Equipment Delivery	215,000	215,000	50,000	(165,000)
Total	\$3,513,053	\$2,775,119	\$347,589	(\$3,165,464)

Centralized Service Charges**\$171,308**

The Budget increases general revenue expenditures to reflect billed amounts for information technology and facilities management services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$129,229 for these expenses, which is increased by \$171,308 to \$300,536 in the FY2020 proposed budget.

Personnel Adjustments**\$165,441**

The Budget increases general revenue expenditures to reflecting implementing the last step of the contracted cost of living (COLA) to state employees and other statewide planning value adjustments set by the Budget Office.

ePoll Books**\$55,000**

The Budget adds \$55,000 in general revenue for contract support services with LHS Associates for support of the ePoll Books purchased in FY2019. In FY2019, the ePoll Books were purchased using a federal grant provided under the Help America Vote Act (HAVA) and it was funded within the Office of the Secretary of State's budget.

For FY2019, the Budget provides \$50,000 in federal funds within the Office of the Secretary of State's budget for the support services. However, the federal funds for the ePoll Books is exhausted and the Governor includes \$5,000 in general revenue in the proposed FY2019 Revised Budget to fully cover the support costs in the current fiscal year. The Budget includes \$55,000 in FY2020 for support services to the ePoll Books under the Board of Election budget.

Contracted Services**\$17,900**

The Budget includes \$153,688 in general revenue for contracted services. This is a net increase of \$17,900, reflecting \$30,000 more for legal expenses to reflect historical expenditures and to cover continuing litigation costs involving a former agency director. The increase is offset by the reduction in information technology and a reduction in interpreter/stenographic services.

Ethics Commission

Expenditures By Program	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted	FY2019 Governor	Change from Enacted
RI Ethics Commission	\$1.6	\$1.8	\$1.7	(\$0.1) -5.6%	\$1.8	0.1 0.6%
Expenditures By Source						
General Revenue	\$1.6	\$1.8	\$1.7	(\$0.1) -5.6%	\$1.8	0.1 0.6%
Authorized FTE Levels	12.0	12.0	12.0	-	12.0	-

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

The Rhode Island Ethics Commission is responsible for adopting and disseminating the Rhode Island Code of Ethics, issuing advisory opinions to public officials and employees, enforcing financial disclosure policies and maintaining financial disclosure records, investigating and adjudicating complaints alleging violation of the Code of Ethics, and educating the general public as to the requirements of the Code of Ethics. The Commission is headed by an Executive Director/Chief Prosecutor.

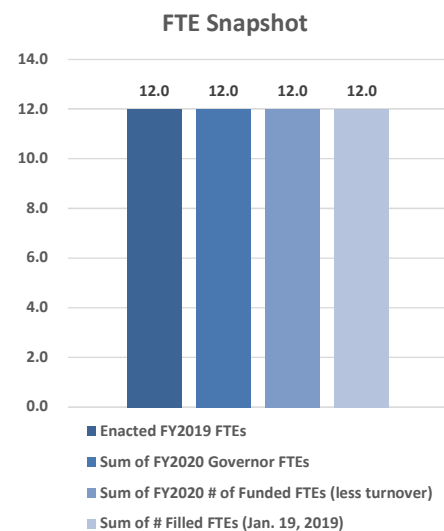
MAJOR ISSUES AND TRENDS

The revised budget includes \$1.7 million for FY2019, reflecting a decrease of \$64,198 as compared to the FY2019 Budget as Enacted. This includes a decrease of \$61,486 in personnel costs reflecting the hiring of an employee at a lower salary, the correction of employee benefits, and statewide planning value adjustments.

The Budget includes \$1.8 million for FY2020, which provides an increase of \$33,061 (0.6 percent) over the FY2019 Budget as Enacted. This includes an increase of \$39,235 in personnel costs, reflecting statewide planning value adjustments set by the Budget Office, a decrease of \$9,726 for contracted legal services, and a net increase of \$3,552 for target and other adjustments.

The agency's office is located at 40 Fountain Street in the City of Providence. The lease was renewed on April 30, 2011, and expires on November 30, 2021. The annual lease expense is \$107,000, reflecting an increase of \$4,500 from the FY2019 Budget as Enacted.

The Budget includes 12.0 FTE positions in FY2019 and FY2020, consistent with the enacted level.



RI Ethics Commission	General Revenue
FY2019 Enacted	\$1,812,237
<i>Target and Other Adjustments</i>	3,552
Personnel Adjustments	39,235
Legal Services	(9,726)
FY2020 Governor	\$1,845,298

Personnel Adjustments **\$39,235**

The Budget increases general revenue expenditures to reflect implementing the last step of the contracted cost of living (COLA) to state employees and other statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit increase of 3.8 percent as compared to the FY2019 Budget as Enacted. Offsetting the increase is a salary and benefit correction of hiring an employee at a lower salary.

Personnel Costs	FY2019 Enacted	FY2020 Governor	Change
Assessed Fringe Benefits	44,645	39,627	(5,018)
Direct Salaries	970,572	1,003,176	32,604
Payroll Accrual	5,573	5,814	241
Health Benefits	113,368	105,019	(8,349)
FICA	73,853	75,934	2,081
Retiree Health	58,040	66,713	8,673
Retirement	266,716	275,719	9,003
Total	1,532,767	1,572,002	39,235

Legal Services **(\$9,726)**

The Budget decreases general revenue expenditures by \$9,726, reflecting a decrease in anticipated outside legal costs impacting the agency. The FY2019 Budget as Enacted included \$44,726 to cover anticipated significant legal costs impacting the agency that were filed in Superior Court. These matters included challenges to the Commission's constitutional authority to enforce the state's code of ethics on municipal elected officials and a challenge on the Commission's regulatory authority. During the ensuing year, one of the cases was resolved and the other concluded with a settlement agreement. The Commission does not anticipate having a similar intensity of legal matters in the ensuing fiscal year.

Office of the Governor

Expenditures By Program	FY2018 Actual	FY2019 Enacted	FY2019 Revised	Change from Enacted		FY2020 Governor	Change from Enacted	
Governor	\$5.5	\$5.6	\$6.4	\$0.8	14.3%	\$6.5	\$0.9	16.1%
Expenditures By Source								
General Revenue	\$5.5	\$5.6	\$6.4	\$0.8	14.3%	\$6.5	\$0.9	16.1%
Authorized FTE Levels	45.0	45.0	45.0	-	-	45.0	-	-

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

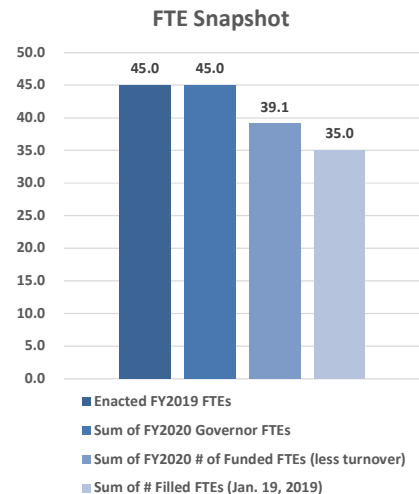
The Office of the Governor is one of five general offices subject to voter election under the Constitution of Rhode Island. The Office is responsible for directing the executive branch of government, including the preparation and submission of the annual state budget.

MAJOR ISSUES AND TRENDS

In FY2020 the budget for the Office of the Governor is \$6.5 million in general revenue. The majority of this funding (90.4 percent) supports personnel costs. The Budget includes 45.0 FTE positions in both FY2019 and FY2020, consistent with the enacted budget.

The Governor includes a net increase of \$808,645 (16.0 percent) in general revenue to cover personnel expenses for 45.0 FTE positions within the Office of the Governor, which includes the addition of \$1.6 million for salary costs offset by \$752,619 in projected turnover savings. The Budget includes \$82,579 for longevity costs that are listed separately from salary costs by the Budget Office.

For FY2019, salaries for the 45.0 FTE positions in Governor's Office for FY2019 total \$4.2 million, offset by \$600,407 in projected turnover savings.



Governor	General Revenue
FY2019 Enacted	\$5,633,047
<i>Target and Other Adjustments</i>	<i>1,519</i>
Personnel Adjustments	808,645
Contingency Fund	50,000
FY2020 Governor	\$6,493,211

Personnel Adjustments

\$808,645

The Budget adds \$1.6 million in general revenue for salary and benefits, including \$846,619 in personnel costs that the Governor previously attempted to allocate against ten state agencies, as a means to supplement the Governor's Office personnel budget. The FY2019 Budget as Enacted did not include these personnel cost allocations. The following table illustrates the FTE positions as well as the disposition of the previous cost allocation amongst state agencies:

Governor's Personnel and Previous Cost Allocation

Position	Cost	Previous	Cost Allocation and Agency Impacted
Policy Analyst	\$50,903	50%	EOHHS
Policy Analyst	25,451	25%	Public Utilities and Carriers
Policy Director	78,950	50%	Labor and Training
Policy Analyst	64,729	50%	Administration
Deputy Chief of Staff	61,282	25%	EOHHS
Deputy Chief of Staff	116,229	50%	Education
Deputy Chief of Staff	58,114	25%	Revenue
Deputy Chief of Staff	49,526	25%	Public Safety
Deputy Chief of Staff	99,053	50%	Transportation
Deputy Chief of Staff	122,566	50%	Administration
Deputy Chief of Staff	61,282	25%	Commerce
Education Policy Analyst	58,534	50%	Post Secondary Education
Total	\$846,619		

The Budget also increases general revenue personnel expenditures to include implementation of the last step of the contracted cost of living (COLA) to state employees. The increase in personnel expenses is offset by other statewide planning value adjustments set by the Budget Office, as well as a reduction of \$752,619 for projected turnover savings.

Contingency Fund**\$50,000**

The Budget adds \$50,000 in general revenue to increase the total the contingency fund appropriation to \$250,000. The Governor's Office is annually appropriated general revenue for a contingency fund for unforeseen expenses. This is a discretionary spending account. The FY2019 Budget as Enacted included \$200,000 in general revenue. As of March 14, 2019, a total of \$111,012 is spent from the fund leaving a balance of \$88,988. The Governor also adds \$50,000 in the contingency fund for a total appropriation of \$250,000 in the FY2019 Revised Budget. The following table illustrates the contingency fund appropriations and expenditures over the past six years:

Contingency Fund					
Budget Year	Enacted/Request	Revised Changes	Total	Actual	Variance
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	161,012	88,988
<i>FY2020</i>	<i>250,000</i>	-	<i>250,000</i>	-	<i>250,000</i>

Source: Budget Data Tables

FY2019 Expenditures as of March 15, 2019

Italics reflects proposed amounts or non-finalized amounts

Rhode Island Commission for Human Rights

Expenditures By Program	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted		FY2020 Governor	Change from Enacted	
Commission for Human Rights	\$1.7	\$1.8	\$1.8	(\$0.0)	-1.7%	\$1.9	\$0.1	3.7%
Expenditures By Source								
General Revenue	\$1.3	\$1.3	\$1.3	\$0.0	0.0%	\$1.3	\$0.0	0.0%
Federal Funds	0.4	0.5	0.5	(0.0)	-6.0%	0.6	0.1	13.3%
Total	\$1.7	\$1.8	\$1.8	(\$0.0)	-1.7%	\$1.9	\$0.1	3.7%
Authorized FTE Levels	14.5	14.5	14.5	-	-	14.5	-	-

The Rhode Island Commission for Human Rights enforces anti-discrimination laws in the areas of employment, housing, public accommodations, credit, and delivery of services. Major program activities include outreach and education, intake, investigation, conciliation, and administrative hearings.

The Commission is reimbursed \$700 for each co-filed employment case processed pursuant to its work-sharing agreement with the federal Equal Employment Opportunities Commission (EEOC), and between \$1,400 and \$3,100 for each co-filed housing case processed pursuant to its contract with the federal Department of Housing and Urban Development (HUD). Annual federal receipts are used to estimate the following federal fiscal year appropriation to the Commission. When the Commission processes fewer EEOC or HUD cases, the Commission receives a lower federal reimbursement, resulting in the need to appropriate additional general revenues to cover the annual operation of the Commission.

The Commission receives, on average, approximately 400 cases per year and projects an average number of processed cases to be the same each year.

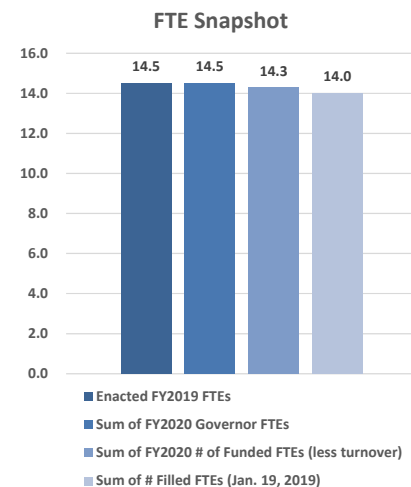
MAJOR ISSUES AND TRENDS

The Budget includes \$1.9 million in all funds for FY2020, of which \$1.3 million is general revenue and \$563,414 is federal funds. General revenues increase \$18,150 (1.4 percent) over the FY2019 Budget as Enacted.

The agency's office is located at 180 Westminster Street in the City of Providence. The lease was renewed on July 19, 2016, and expires in July 2021. The annual lease expense is \$198,939. The FY2019 and FY2020 Budgets shift 96.0 percent of the rental cost to federal funds (1/2 to EEOC and 1/2 to HUD).

During FY2018, the Commission took an average of 305 days to process a case to final disposition, 10 days shorter than those processed during FY2017 and 26 days shorter than those processed during FY2016.

The Budget includes 14.5 FTE positions in FY2019 and in FY2020, consistent with the enacted level.



Commission for Human Rights	General Revenue
FY2019 Enacted	\$1,335,441
<i>Target and Other Adjustments</i>	<i>1,437</i>
Personnel Adjustments	206,529
Rental of Outside Property	(189,816)
FY2020 Governor	\$1,353,591

Commission for Human Rights	Other Funds
Rental of Outside Property (federal funds)	\$191,017

Personnel Adjustments**\$206,235**

The Budget increases general revenue expenditures to reflect the implementation of the last step of the contracted cost of living (COLA) to state employees and other statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit increase of 19.6 percent as compared to the FY2019 Budget as Enacted.

Personnel Costs	FY2019 Enacted	FY2020 Governor	Change
Assessed Fringe Benefits	\$29,030	\$29,631	\$601
Direct Salaries	631,105	750,160	119,055
FICA	48,279	57,385	9,106
Health Benefits	133,673	164,939	31,266
Payroll Accrual	3,623	4,347	724
Retiree Health	37,739	49,886	12,147
Retirement	171,391	205,021	33,630
Total	\$1,054,840	\$1,261,369	\$206,529

Rental of Outside Property**(\$189,816)**

The agency's office is located at 180 Westminster Street in the City of Providence. The lease was renewed on July 19, 2016, and expires in July 2021. The annual lease expense is \$198,939, an increase of \$1,201 from the previous fiscal year. The FY2019 and FY2020 Budgets shift 96.0 percent of the rental cost from general revenue to federal funds, of which half of the federal cost will be paid from Equal Employment Opportunities Commission (EEOC) funds and half from the federal Department of Housing and Urban Development (HUD). General revenues will account for \$7,922 of the rent cost. There is a corresponding increase of \$191,017 in federal funds for rental expense, which includes the escalator amount of \$1,201 for FY2020.

Public Utilities Commission

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Public Utilities Commission	\$9.0	\$9.9	\$10.6	\$0.7	6.7%	\$12.2	\$2.3	22.9%
Expenditures By Source								
Federal Funds	\$0.2	\$0.2	\$0.2	(\$0.0)	(\$0.2)	\$0.2	(\$0.0)	(\$0.2)
Restricted Receipts	8.8	9.7	10.4	0.7	7.2%	12.0	2.3	9.0%
Grand Total	\$9.0	\$9.9	\$10.6	\$0.7	6.7%	\$12.2	\$2.3	22.9%
Authorized FTE Levels	51.0	53.0	53.0	-	-	60.0	7.0	13.2%

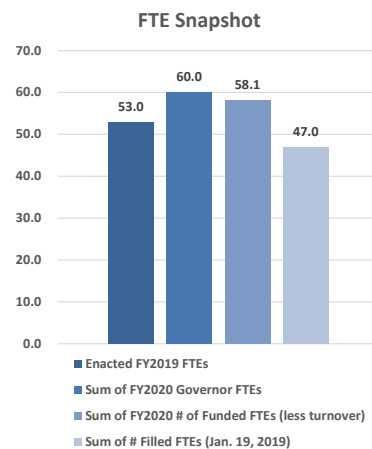
\$ in millions. Totals may vary due to rounding.

The Public Utilities Commission (PUC) regulates public utilities, Community Antenna Television, common carriers, and major energy facilities; regulates rates; ensures sufficient utility infrastructure to promote economic development; and, cooperates with other states and federal government agencies to coordinate efforts to meet objectives. The PUC is comprised of two distinct regulatory bodies: the Division of Public Utilities and Carriers (Division) and a three-member Commission (Commission). The Division carries out laws relating to public utilities and carriers, and the regulations and orders of the Commission governing the conduct and charges of the public utilities. The Commission serves as a quasi-judicial tribunal that holds investigations and hearings concerning utility rates, tariffs, tolls and charges, as well as facility accommodations and locations. The Commission is funded primarily through fees paid by utility companies.

MAJOR ISSUES AND TRENDS

The FY2019 Revised Budget provides a total operating budget of \$10.6 million, including \$10.4 million in restricted receipts, and \$168,378 in federal funds. The recommendation represents an increase of \$688,666 (6.7 percent) over the FY2019 Budget as Enacted. As the agency does not receive any general revenue funding, the costs are a pass-through expenditure and are paid by the regulated utilities pursuant to RIGL 39-1-23.

The FY2020 Budget provides a total operating budget of \$12.2 million, including \$12.0 million in restricted receipts and \$178,002 in federal funds. The recommendation represents an all funds increase of \$2.3 million (22.9 percent), compared to the FY2019 Budget as Enacted, and reflects an increase of \$2.3 million in restricted receipts and \$9,624 in federal funds. The single largest increase is \$618,896 in restricted receipts, reflecting the increase in budgetary caps for anticipated professional service expenses related to regulatory hearings and investigations. In addition, the transfer of the Water Resources Board (WRB) operations into the Division of Public Utilities and Carriers increases restricted receipt expenses by \$443,759. Personnel costs exclusive of the WRB operations transfer and the addition of 4.0 new FTE positions, increase by \$452,633, reflecting statewide planning value adjustments set by the Budget Office. The Budget provides a staffing level of 53.0 FTE positions in FY2019 and 60.0 FTE positions in FY2020 for the Commission, an increase of 7.0 FTE positions from the enacted budget.



The Public Utilities Commission pays an annual rent of \$333,420 for the rental of the state-owned office building at 89 Jefferson Boulevard in the City of Warwick.

Public Utilities Commission	Other Fund Changes
Budgetary Cap Increases	\$618,896
Water Resources Board Operations Transfer	443,759
Personnel - New FTE Positions	385,840
Electronic Business Portal	250,000
New Vehicles	60,000

Budgetary Cap Increases (restricted receipts) \$618,896

The Budget adds \$618,896 in restricted receipts, reflecting an increase in budgetary caps to the Public Utilities Reserve Account. RIGL 31-1-26 allows the Public Utilities Commission to assess each utility up to \$750,000 per year to fund the operations of both the Commission and Division as well as to engage expert witnesses and consultants required to administer the various hearings before the Commission. The Budget increases restricted receipts to provide sufficient funding for the projected contract services required in FY2019 and in FY2020. The following table illustrates the adjustments:

Public Utilities Reserve Account	FY2019	FY2019	Change	FY2020	Change
	Enacted	Governor		Governor	
Financial Services	\$1,514,012	\$2,042,908	\$528,896	\$2,042,908	\$528,896
Legal Services	260,000	350,000	90,000	350,000	90,000
Total	\$1,774,012	\$2,392,908	\$618,896	\$2,392,908	\$618,896

RIGL 42-98-17 allows the Public Utilities Commission to assess utilities for all costs associated with a matter before the Commission. The Commission is allowed to pre-invoice utilities the assessment. This item reflects a projected estimate for costs that may occur at the Commission. This is an accounting method to insure sufficient funding is available during the fiscal year.

Water Resources Board – Operations Transfer (restricted receipts) \$443,759

The Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. The positions are: 1.0 General Manager (currently vacant), 1.0 Staff Director, and 1.0 Supervising Civil Engineer. The action also transfers the funding source for the Water Resources Board from general revenue to restricted receipts.

Article 4, Sections 13, 17, 18, and 30 authorize the transfer, as well as amend general law to transfer the responsibilities of administering the Big River Management Area from the Water Resources Board to the Department of Administration. The transfer of the Board also transfers the funding source of the Water Resources Board from general revenue to restricted receipts.

Personnel – New FTE Positions (restricted receipts) \$385,840

The Budget adds 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 cost for the new positions added in FY2020 is \$385,840 in restricted receipts.

New Positions	Cost
2.0 Public Utilities Engineering Specialists II	\$207,474
1.0 Consumer Agent	89,183
1.0 Public Utilities Analyst III	89,183
Total	\$385,840

Electronic Business Portal (restricted receipts)**\$250,000**

The Budget includes \$250,000 in restricted receipts to develop an online electronic business portal (EBP) for docket (official proceedings) management and for e-filing capabilities. The EBP will have an in-house scheduler for Commission employees to track dockets and tasks assigned to each docket, and will have a list server to allow the public to track specific dockets. The EBP will relieve the Division and Commission staff of document filing and document management responsibilities.

Analyst Note: The Commission requested funding through the Information Technology Fund (IT Fund) for the EBP project. The Budget Office indicates that the IT Fund has inadequate resources to fund the project and instead recommends the expenditure be funded through restricted receipts. The Commission is in consultation with the Division of Information Technology (DOIT).

New Vehicles (restricted receipts)**\$60,000**

The Governor includes \$30,000 in restricted receipts for the purchase of two new electric motor vehicles to replace two older gas powered vehicles; a 2009 Ford Escape and a 2010 Ford Escape.

CAPITAL PROJECTS

The 5-year capital plan includes \$925,866 in restricted receipts and other funds for ongoing asset protection of the state-owned facility at 89 Jefferson Boulevard in the City of Warwick. The recommendation is more than the enacted capital plan, to fund the five asset protection projects between FY2019 and FY2023, including the installation of a solar car port canopy, windows, membrane roof, handicap railings and ramp, and to resurface the parking lot.

The Budget includes \$265,766 in FY2019, of which \$30,318 reflects funding received through the Renewable Energy Fund of the Commerce Corporation of Rhode Island. The Budget includes \$260,000 in FY2020 and proposes out-year restricted receipt expenditures of \$200,000 in FY2021, \$100,000 in FY2022, and \$100,000 in FY2023. The structure has been used by the Division of Public Utilities and Carriers/Public Utilities Commission since 2002 for office and public hearing space. In addition, the Division continues to replace older vehicles at the Agency.

The Public Utilities Commission and the Division of Public Utilities and Carriers assess public utilities corporations up to \$300,000 per fiscal year for capital, asset protection, or maintenance programs for the Division. Assessments on public utilities are placed into a restricted receipt account and used for capital projects.

Analyst Note: The Public Utility Commission's FY2020 capital budget request included a request for \$2.2 million to purchase the property and structure located at 95 Jefferson Boulevard, adjacent to the Commission's office for expanded office needs and for additional vehicle parking spaces. This item was not included in the Governor's FY2020 budget recommendation.

Executive Office of Commerce

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Central Management	\$0.8	\$0.8	\$0.9	\$0.0	5.5%	\$1.9	\$1.1	128.9%
Commerce Programs	1.3	2.1	2.1	-	-	2.9	0.8	38.7%
Economic Development Initiatives Fund	17.8	14.3	14.3	-	-	18.4	4.1	28.3%
Housing and Community Development	15.9	20.1	21.6	1.5	7.3%	23.2	3.1	15.3%
Quasi-Public Appropriations	14.1	19.1	20.0	0.9	4.8%	21.8	2.7	14.2%
Total	\$49.9	\$56.4	\$58.9	\$2.4	4.3%	\$68.2	\$11.7	20.8%
Expenditures By Source								
General Revenue	\$32.4	\$30.3	\$30.2	(\$0.1)	-0.2%	\$35.4	\$5.1	16.8%
Federal Funds	8.3	14.4	16.0	1.6	11.0%	17.6	3.2	21.9%
Restricted Receipts	6.7	4.8	4.8	-	-	4.8	-	-
Other Funds	2.5	7.0	7.9	0.9	13.1%	10.5	3.5	50.1%
Total	\$49.9	\$56.4	\$58.9	\$2.4	4.3%	\$68.2	\$11.7	20.8%
Authorized FTE Levels	17.0	16.0	16.0	-	-	18.0	2.0	12.5%

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

The Executive Office of Commerce (EOC) was established pursuant to RIGL 42-64.19 to be the principal agency of the executive branch of State government for managing the promotion of commerce and the economy in the State. The Secretary of Commerce oversees the Executive Office of Commerce. The agency is charged with coordinating a cohesive direction for the State's economic development activities and to be the lead agency for economic development throughout Rhode Island.

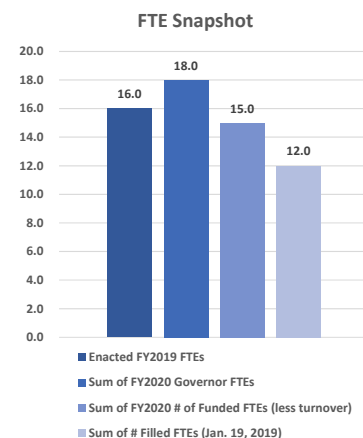
The Housing and Community Development program was transferred to the Executive Office of Commerce by the General Assembly in FY2016. In addition, the funding and administration for the Rhode Island Commerce Corporation and the I-195 Redevelopment Commission, both previously funded in the Department of Administration, were transferred to the Executive Office of Commerce. The RI Commerce Corporation (Commerce RI) is a quasi-public agency responsible for implementing statewide economic development programming including business relocation services, business financing, tourism support, and incentive programs.

MAJOR ISSUES AND TRENDS

The Governor recommends \$68.2 million to fund the economic development initiatives and operations of The Executive Office of Commerce and Commerce RI. More than half of this, or \$35.2 million, is general revenue, an increase of \$5.1 million (16.8 percent) from FY2019 Enacted levels. The Governor includes 16.0 FTE positions in FY2019 and 18.0 in FY2020. The additional 2.0 FTE positions will assist in implementing the proposed Simplify and Streamline initiative in partnership with the Department of Business Regulation.

Incentives

Article 19 of the FY2016 Budget as Enacted established numerous economic development incentives to spur investment in new capital and critical industry sectors, improve the workforce, and promote innovation. General revenue appropriations supporting these incentives total \$118.5 million through FY2019. The Governor's proposed FY2020 Budget includes an additional \$22.6 million. The following table shows the total appropriations, awards, and remaining balances for each of the incentives:



Incentive	FY2016 Final	FY2017 Final	FY2018 Final	FY2019 Enacted	FY2019 Revised	FY2020 Gov	Appropriated To Date	Awarded to Date	Balance
Rebuild RI	\$1.0	\$25.0	\$12.5	\$11.2	\$11.2	\$15.0	\$49.70	\$109.46	(\$59.76)
I-195 Redevelopment Fund	25.0	-	2.0	1.0	1.0	1.0	28.0	25.5	2.5
First Wave Closing Fund	5.0	8.5	1.8	-	-	-	15.3	2.4	12.9
Wavemaker Fellowship	1.7	2.0	0.8	1.6	1.6	1.2	6.1	6.6	(0.5)
Small Business Assistance Fund	5.5	-	-	-	-	0.8	5.5	5.4	0.0
Innovation Initiative	1.0	1.5	1.0	1.0	1.0	1.0	4.5	3.1	1.4
Main Street RI Streetscape Improvement Fund*	1.0	1.0	0.5	0.5	0.5	-	3.0	3.0	0.0
Air Service Development Fund	-	1.5	0.5	0.5	0.5	-	2.5	2.0	0.5
P-Tech	0.9	1.2	-	0.2	0.2	0.2	2.3	1.6	0.7
Industry Cluster Fund	0.8	0.5	-	0.1	0.1	0.1	1.4	1.2	0.2
SupplyRI/Small Business Promotion	0.0	-	-	0.3	0.3	0.3	0.3	-	0.3
Anchor Institution Tax Credit	0.8	-	-	(0.8)	-	-	-	-	-
R&D Transferable Tax Credit	-	-	-	-	-	1.3	-	-	-
Site Readiness Partnership	-	-	-	-	-	1.7	-	-	-
RI Opportunity Zones	-	-	-	-	-	-	-	-	-
Qualified Jobs Tax Incentive	-	-	-	-	-	-	-	67.0	(67.0)
Tax Increment Financing	-	-	-	-	-	-	-	29.4	(29.4)
Tax Stabilization Agreement Incentive	-	-	-	-	-	-	-	0.6	(0.6)
Total	\$42.6	\$41.2	\$19.1	\$15.7	\$16.4	\$22.6	\$118.5	\$257.2	(\$138.7)

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

* Main Street Streetscape program has a current balance of \$46,632.

Total Awards through March 2019. Fiscal Impacts of certain tax credit awards extend out to FY2030.

The Governor also recommends a package of both new and revised incentives designed to spur development in the manufacturing sector in Rhode Island. Article 12 of the Budget authorizes several of these incentives, including a refundable manufacturing tax credit. These incentives are:

- **New Site Readiness Partnership Program:** The Budget provides for a new initiative, referred to as the Site Readiness Partnership (SRP), involving 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.
- **Rebuild RI Expansion:** The Budget expands access to the Rebuild Rhode Island Tax Credit program for small businesses, particularly manufacturers and development projects involving historic structures. These projects would be exempt from the minimum project size requirements under the program's eligibility requirements. The Budget provides \$15.0 million for Rebuild RI in FY2020 and Article 12 raises the total program cap to \$250.0 million.
- **Wavemaker Fellowships:** The Budget provides \$1.2 million in general revenue to fund approximately 139 fellowships in FY2020.
- **Small Business Assistance:** The Governor provides \$750,000 in additional support for the State's Small Business Assistance program. Through private lending partners, Commerce RI helps small businesses (under 200 employees) gain access to capital. According to the EOC, lenders have used \$4.1 million out of the \$5.4 million appropriated to the Small Business Assistance fund to date to leverage \$11.7 million in total loans to small businesses since the creation of the program.
- **Main Street RI Streetscape:** 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. Of the \$3.0 million in total appropriations since FY2016, only \$46,632 remains available to be awarded to municipalities.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions by providing leadership, management, and strategic planning activities. The Governor includes 5.0 FTE positions in FY2019 and in FY2020.

Central Management	General Revenue
FY2019 Enacted	\$839,457
<i>Target and Other Adjustments</i>	
Personnel and Operating	82,206
FY2020 Governor	\$921,663

Personnel and Operating **\$82,206**

The Budget includes \$82,206 in additional general revenue for Central Management relative to the FY2019 Enacted level, with a net increase of \$73,231 in salaries and benefits and a net \$8,975 more in operating expenses. The latter is comprised of \$5,061 in new rental expenses for the EOC, an increase of \$7,352 in centralized information technology expenditures, and a \$3,438 reduction in miscellaneous expenses associated with a statewide initiative to lower costs related to certain commodities.

The net increase in personnel expenditures within Central Management include \$49,923 in additional general revenue to fund 3.0 FTE positions that were filled in FY2019. The remaining \$23,200 in salary and benefit increases is net of several changes including statewide COLA increases and other benefit adjustments, approximately \$200,000 in funding for the 1.0 Deputy Secretary of Commerce position, and \$305,000 in turnover savings.

COMMERCE PROGRAMS

The Budget includes \$2.9 million from general revenues in FY2020 to support Commerce Programs. The bulk of the new funding is related to two new programs – a municipal economic development initiative called the Site Readiness Partnership and a business “red-tape” reduction initiative called Streamline and Simplify. The funding recommendation is \$812,724 more than what was appropriated in the FY2019 Budget as Enacted.

Commerce Programs	General Revenue
FY2019 Enacted	\$2,100,000
<i>Target and Other Adjustments</i>	
Site Readiness Partnership/Streamline and Simplify Initiatives	1,712,724
Air Services Development	(500,000)
Wavemaker Fellowship	(400,000)
FY2020 Governor	\$2,912,724

Site Readiness Partnership/Streamline and Simplify Initiatives **\$1.7 million**

The Budget includes \$1.7 million from general revenue and \$1.0 million in RI Capital Plan funding to support a new strategy proposed by the Governor to mitigate municipal barriers to economic development, specifically by providing tools to advance site preparation across the State.

This complex proposal, referred to as the Site Readiness Partnership (SRP), involves 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 SRP approach consists, in part, of a new quasi-public development organization, created as a subsidiary of Commerce RI, with a distinct board of directors and provisions for staff.

Analyst Note: A more detailed description of the Site Readiness Partnership proposal may be found in the analysis of Article 12 in the Articles section.

According to EOC, funding for the initiative will be used to acquire parcels for development; conduct site and topographic surveys, wetland determinations, phase 1 environmental site assessments, zoning reviews, and utility availability studies; and complete preliminary site engineering to determine building potential and site improvement costs.

In addition to the Site Readiness Partnership, the Budget provides 2.0 new, unidentified FTE positions and \$262,724 in salaries and benefits for a new, related initiative called Streamline and Simplify. This program will also attempt to mitigate barriers to economic development, particularly by reducing the regulatory challenges for business.

The SRP and Streamline and Simplify programs would be jointly managed and staffed by the Department of Business Regulation (DBR) and the RI Commerce Corporation. DBR's budget includes 7.0 new FTE positions in its Division of Building, Design, and Fire Professionals. According to the DBR, 2.0 of these are related to the SRP initiative; however, because of the anticipated time needed for implementation, these positions are not funded in FY2020 but are proposed in anticipation of being needed in out years.

Analyst Note: The SRP personnel and operation budgets are not aligned. It is not clear how FY2020 operational funds would be deployed without dedicated implementation staff. If DBR or Commerce hire unbudgeted SRP staff, it would have to be addressed later in the FY2020 Supplemental Budget.

Air Services Development

(\$500,000)

The Governor does not provide new funding for the Air Service Development Fund in FY2020, representing a \$500,000 reduction in general revenue relative to the FY2019 Budget as Enacted. Since FY2017, \$2.5 million has been appropriated.

The funds have been used to support the development of additional direct airline routes to major metropolitan areas. According to the Executive Office of Commerce, it is common practice in the industry to provide incentives, guarantees, and other supports to an airline to offset costs and lower the risks associated with establishing new routes.

Air Service Development Fund

Budget	Appropriation	To RIAC	Balance held by	
			Commerce RI	Obligated
2016 Enacted (Final)	-	-	-	-
2017 Enacted (Final)	1,500,000	1,500,000	-	-
2018 Enacted (Final)	500,000	500,000	-	2,000,000
2019 Enacted	500,000	-	500,000	-
<i>Subtotal - Activity to Date</i>	<i>\$2,500,000</i>	<i>\$2,000,000</i>	<i>\$500,000</i>	<i>\$2,000,000</i>
2019 Governor's Revised	500,000	-	500,000	-
2020 Governor's Proposed	-	-	-	-
Total	\$2,500,000	\$2,000,000	\$500,000	\$2,000,000

The fund is administered by a five-member Air Service Development Fund Council that is chaired by the Secretary of Commerce. The decision to backstop a route is made after a confidential cost/benefit analysis is completed. In its analysis, the council must consider the potential economic impact of the route, what it means for both business and leisure travelers, and the number of jobs (direct, indirect, and induced) that may result. Additionally, a carrier must demonstrate that the new routes meet certain thresholds of economic impact based on studies conducted by Discover New England and the Federal Aviation Administration. Once approved, each carrier is eligible for up to \$750,000 per international route and \$250,000 per domestic route. In order to receive reimbursement, airlines must submit marketing materials and invoices to the Rhode Island Airport Corporation (RIAC) and Commerce RI.

Recipients	Date		Obligations	Annual Obligations	Routes Resulting from Incentive
	Approved	Award Amount			
Norwegian Air	9/1/17	\$1,663,540	Airline required to submit marketing collateral supported with these funds.	None, all funds expended	5 (Ireland: Dublin, Cork, Shannon; Scotland: Edinburgh; Norway: Bergen)
Frontier	9/1/17	336,460	Airline required to submit marketing collateral supported with these funds.	None, all funds expended	4 (Miami, Charlotte, New Orleans, Denver)
Total		\$2,000,000			

Analyst Note: Although the Governor does not recommend additional funding in FY2020 for the Air Service Fund and all of the \$2.0 million that has to date been transferred to RIAC has been obligated, Commerce RI still has \$500,000 appropriated to the program in the FY2019 Budget as Enacted. Commerce RI will transfer these funds to RIAC in the event that it is determined by the Air Service Development Fund Council that a deal to establish a new air route would require the funds.

Wavemaker Fellowship

(\$400,000)

The Governor recommends \$1.2 million from general revenues in FY2020 to fund the Wavemaker Fellowship Program, \$400,000 less than the FY2019 Budget as Enacted level.

According to the EOC, the reduction is meant to better align the amount of available funds each year to the demand for fellowships. To date, there have been 667 fellowships awarded, with another 339 planned in FY2019 and FY2020. The following table shows actual and proposed appropriations, program costs, amount of anticipated unclaimed funds to pay credits, and total tax credits awarded. According to the EOC, all awards have been made for two years. The program allows up to four years.

Fiscal Year	Cohort	# Fellows	Status	Carry Forward	Appropriations	Total Tax	Program	Anticipated	Carry Forward
				from Previous		Credit Award			
				Year		(2-yr)	Overhead	funds	
FY2016-FY2018	1-3	667	Awarded	\$0.0	\$4,500,000	\$5,038,122	\$178,453	\$193,481	(\$523,094)
FY2019	4	200	In process	(523,094)	1,600,000	1,520,000	145,000	60,800	(527,294)
			Pending						
FY2020	5	139	FY2020 Funding	(527,294)	1,200,000	1,055,412	145,000	42,216	(485,489)
Total		1006			\$7,300,000	\$7,613,534	\$468,453	\$296,497	(\$485,489)

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

Wavemaker Fellows by Degree Sought

Associate's	Bachelor's	Master's or	
		Higher	Total
13	385	269	667

ECONOMIC DEVELOPMENT INITIATIVES FUND

The Budget provides \$18.4 million from general revenues in FY2020 to support various incentives, business assistance, and development programs designed to create and expand economic development in Rhode Island. The recommendation is \$4.1 million more than the FY2019 Budget as Enacted.

Economic Development Initiatives	General Revenue
FY2019 Enacted	\$14,300,000
<i>Target and Other Adjustments</i>	-
Rebuild RI	3,800,000
Small Business Assistance	750,000
Main Street RI Streetscape	(500,000)
FY2020 Governor	\$18,350,000

Rebuild RI

\$3.8 million

The Budget provides \$15.0 million from general revenues in FY2020 for the Rebuild RI Tax Credit incentive, \$3.8 million more than the FY2019 Budget as Enacted level.

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 Rebuild RI program allows the Secretary of Commerce to issue a tax credit up to \$15.0 million, based on the lesser of

30.0 percent of the project cost or the amount needed to close demonstrated financing gaps. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of the credit exceeds a taxpayer's liability in each year, the credit may be carried forward up to four years or until the full credit is used, whichever occurs first. Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. Prior to assignment of the credit, the State has the right to redeem (purchase) the credits at 90.0 percent of the credit value.

Rebuild RI Tax Credit			
Budget	Appropriation	Awarded	Balance
2016 Enacted (Final)	\$1,000,000	\$23,779,498	(\$22,779,498)
2017 Enacted (Final)	25,000,000	57,582,554	(55,362,052)
2018 Enacted (Final)	12,500,000	3,050,000	(45,912,052)
2019 Enacted	11,200,000	25,048,333	-
<i>Subtotal - Activity to Date</i>	<i>\$49,700,000</i>	<i>\$109,460,385</i>	<i>(45,912,052)</i>
2019 Governor's Revised	11,200,000	-	(47,212,052)
2020 Governor's Proposed	15,000,000	-	(32,212,052)
Total	\$64,700,000	\$109,460,385	(\$44,760,385)

The Rebuild RI Fund, a restricted receipt account, was established in FY2016 to fund the program. The account is funded by general revenue appropriations. On an annual basis, the Commerce Corporation works with the Executive Office of Commerce, the Department of Administration, and the Division of Taxation to determine the availability of funds to award new tax credits. Each year, the Director of Revenue requests the amounts necessary to pay for the redemption of tax credits. The following table provides the estimated obligations, annual drawdowns, and required appropriations by fiscal year.

Estimated Cash Flow Summary for Rebuild RI

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total	Vs. \$250M Cap
Beginning Balance	\$49.7	\$49.2	\$61.6	\$56.0	\$40.0	\$25.1	\$12.2	\$1.1	\$0.2	\$0.7	\$1.4	\$5.8	\$5.8		
Estimated Annual Drawdowns	(0.5)	(2.5)	(23.7)	(36.5)	(37.4)	(35.4)	(33.6)	(23.4)	(17.0)	(16.8)	(10.6)	(0.0)		(237.4)	12.6
Estimated Annual Appropriation Required	-	15.0	18.0	20.5	22.5	22.5	22.5	22.5	17.5	17.5	15.0	0.0		193.5	56.5
Ending Balance	\$49.2	\$61.6	\$56.0	\$40.0	\$25.1	\$12.2	\$1.1	\$0.2	\$0.7	\$1.4	\$5.8	\$5.8	\$5.8		

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

Commerce RI has the authority to provide qualifying projects with sale tax exemptions on certain qualified purchases that are related to the project's development. These purchases can include construction materials and services as well as furnishings and other interior improvements. To receive these exemptions, the developer must make application to Commerce RI and if approved, will receive a rebate those expenditures certified by Commerce RI. Most of the current Rebuild RI projects have a sales tax rebate incentive in addition to the Rebuild RI tax credits. The 34 current projects have a combined \$40.9 million in sales tax rebates that have been approved as part development.

Article 12: Article 12 makes numerous changes to the Rebuild RI program, particularly as it relates to manufacturers and projects involving historic structures.

- **Cap Increase and Sunset Extension:** The Governor raises the cap on the total value of Rebuild RI tax credits that may be awarded from \$150.0 million to \$250.0 million, an increase of \$100.0 million, or 66.7 percent. The Governor also extends the sunset date of the program from June 30, 2020, to December 31, 2023.
- **Expedited Application Processes:** Article 12 charges the RI Commerce Corporation 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.
- **Easing of Eligibility Criteria for Certain Projects:** Article 12 reduces the eligibility criteria for projects involving manufacturers and clarifies the eligibility criteria for historic structures. Specifically, it exempts these projects from the minimum threshold requirements for square footage (25,000 sf),

employment (at least 25 full-time employees), and residential units (at least 20, if applicable). It also exempts them from the minimum total project cost requirement of \$5.0 million.

- **Technical Assistance on Applications:** Under current program regulations, applicants for Rebuild RI tax credits are required to prepare and submit commercial and economic data and analysis related to their proposed projects. The preparation of a successful application requires a level of sophistication which, according to the EOC, may present a burden to certain projects. Article 12 authorizes the RI Commerce Corporation to provide technical assistance to applicants who may lack the technical capacity to appropriately prepare a responsive application.

Rebuild RI Projects: The following table shows the current projects which have been awarded Rebuild RI tax credits:

Project	Date Approved	Amount	Sales Tax	Total
			Rebate Estimate	Investment Leveraged
45 Pike	9/26/2016	\$2.5	\$0.4	\$23.2
78 Fountain Street	3/28/2016	6.1	0.9	48.4
A.T. Cross	5/9/2016	0.4	0.1	2.1
Agoda	2/27/2017	1.0	-	5.1
Aloft Hotel	1/28/2019	0.1	1.5	55.2
Bristol Belvedere	2/27/2017	1.0	0.2	9.4
Case Mead	2/22,2016, 5/1/2017	1.6	0.2	11.0
Chestnut Commons	12/19,2016, 10/30/2017	3.5	0.6	32.9
Downcity	1/27/2017, 12/28/2017	11.9	0.4	39.7
Edge II	11/19/2018	6.0	1.3	59.2
Electric Boat	5/21/2018	2.0	18.0	792.1
Finlay	8/10/2016	0.3	0.3	54.3
Gotham Greens	11/20/2017	1.3	-	12.2
Hope Artiste	9/26/2016	3.6	0.8	38.9
Immunex RI Corporation	4/10/2018	3.5	3.3	165.1
Infinity Meat Solutions	5/21/2018	1.9	1.8	110.2
Infosys	12/18/2017	0.8	0.1	8.5
Innovate Newport	11/21/2016, 12/17/2018	2.4	0.0	8.3
Lippitt Mill	8/22/2016	2.1	0.2	15.2
Louttit Laundry	1/25/2016	2.7	0.3	10.1
Ocean State Job Lot	6/27/2016	3.1	1.5	49.1
ONE MetroCenter	11/19/2018	3.0	0.5	19.0
Pontiac Mills	5/23/2016	3.6	0.5	34.6
Prospect Heights	3/28/2016	3.7	-	12.2
Providence Commons	1/25/2016	5.6	-	54.4
R&W Phase II	1/22/2018	1.0	0.2	7.2
Residence Inn	2/22/2016, 5/22/2017	0.1	1.3	59.8
River House	5/1/2017	8.4	0.7	61.9
Rubius Therapeutics	6/28/2018	2.8	2.7	188.0
The Edge	5/22/2017	3.0	1.0	56.9
Union Trust	3/28/2016	1.1	-	14.6
Virgin Pulse	12/19/2016	3.2	0.3	10.8
Warwick Hyatt Hotel	6/27/2016	1.4	0.3	23.8
Wexford Innovation Cent	5/1/2017	15.0	1.6	104.7
Total		\$109.5	\$40.9	\$2,198.3

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

Note: Multiple dates refer to original board approval dates and dates award was amended.

Small Business Assistance**\$750,000**

The Governor recommends \$750,000 for the Small Business Assistance incentive program. No funding has been provided for the program since FY2016.

Small Business Assistance Fund			
Budget	Appropriation	Disbursed	Balance
2016 Enacted (Final)	\$5,458,000	\$5,345,000	\$113,000
2017 Enacted (Final)	-	100,000	13,000
2018 Enacted (Final)	-	-	13,000
2019 Enacted	-	-	-
<i>Subtotal - Activity to Date</i>	<i>\$5,458,000</i>	<i>\$5,445,000</i>	<i>13,000</i>
2019 Governor's Revised	-	-	13,000
2020 Governor's Proposed	750,000	-	763,000
Total	\$6,208,000	\$5,445,000	\$763,000

The program was established to help small businesses (under 200 employees) gain access to capital. The program originally received a \$5.5 million general revenue appropriation in FY2016 as capitalization. Grants are capped at \$750,000. According to the Executive Office of Commerce, the program offers more operating flexibility than the long-standing Small Business Loan Fund, which is subject to federal regulations from the U.S. Economic Development Administration. The Commerce Corporation partners with private lending institutions to administer the applications and program. The following table shows the lenders, award balance, and total leverage investment to date:

Lender	Award	Amount Loaned	Lending Balance	Total Loans Leveraged
Traditional Lending				
BDC Capital	\$1,900,000	\$1,549,862	\$350,138	\$4,752,099
Business Development Co of RI	1,000,000	871,015	128,985	2,316,000
Community Investment Corporation (CIC)	1,000,000	406,500	593,500	1,047,115
South Eastern Economic Devel. Corp (SEED)	1,000,000	940,300	59,700	3,063,750
<i>Subtotal</i>	<i>\$4,900,000</i>	<i>\$3,767,677</i>	<i>\$1,132,323</i>	<i>\$11,178,964</i>
Micro Lending				
CIC Microloans	170,000	146,500	23,500	326,500
CWE Microloans	150,000	128,455	21,545	144,000
SEG Microloans	125,000	121,250	3,750	90,000
Rhode Island Black Business Association	100,000	25,000	75,000	-
<i>Subtotal</i>	<i>\$545,000</i>	<i>\$421,205</i>	<i>\$123,795</i>	<i>\$560,500</i>
Total	\$5,445,000	\$4,188,882	\$1,256,118	\$11,739,464

The FY2019 Budget as Enacted increased the amount of Small Business Assistance program funds available for “micro loans” (\$2,000 to \$25,000) from 10.0 percent to 25.0 percent. The loans may be used to provide:

- Additional capital to businesses;
- Direct lending for subordinated and mezzanine debt (debt that is associated with acquisitions and buyouts where it may be used to prioritize new owners ahead of existing owners in case of bankruptcy, or be used to convert a debt into a stock option); or
- Collateral support and enhancement.

The Small Business Assistance program has provided \$421,205 in micro loans, leveraging a total loan amount of \$560,500 to date.

Analyst Note: According to the EOC, the Small Business Assistance program needs approximately \$5.0 million more in appropriations to become self-sustaining.

Main Street RI Streetscape**(\$500,000)**

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.

Main Street Streetscape		
Budget	Appropriation	Awarded
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	-	-
Total	\$3,000,000	\$2,953,368

The Main Street RI Streetscape Program was created to provide loans, matching grants, and other forms of financing, with recipients providing a 30.0 percent match, to upgrade streetscapes in local business districts. Twenty-five awards, totaling \$3.0 million, have been made to date and are listed in the following table:

Project Name	Board	
	Approval Date	Funding
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
Total		\$2,953,368

OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT

The Office of Housing and Community Development (OHCD) provides opportunities for healthy and affordable housing through production, lead hazard mitigation, and the coordination of the homeless system

and implementation of the State's plan to end homelessness. The federal Community Development Block Grant (CDBG) provides funding to 33 municipalities to address housing and community development needs. Prior to FY2016, the program was administered by the Division of Planning under the Department of Administration.

Housing and Community Development	General Revenue
FY2019 Enacted	\$923,204
<i>Target and Other Adjustments</i>	
Facilities Management Savings	(4,149)
Personnel	(98,569)
FY2020 Governor	20,722
	\$841,208

Housing and Community Development	Other Funds Changes
Federal Grants (federal funds)	\$3,037,812

Facilities Management Savings **(\$98,569)**

The Budget includes \$98,569 in general revenue savings in both FY2019 and FY2020 associated with revised projected Division of Capital Asset Management and Maintenance (DCAMM) costs billed to the Office. According to the Budget Office, these revised projections are based on actual billings through December 2018.

Personnel **\$20,722**

The Budget adds \$148,005 in personnel funding to the Office of Housing and Community Development (OHCD) in FY2020. This includes \$20,722 from general revenues and \$127,733 from federal funds. The general revenue increase reflects the shift of a partial FTE position from an expiring federal Community Development Block Grant to general revenue.

Federal Grants (federal funds) **\$3.0 million**

The Budget provides a net increase of \$3.0 million from federal funds for Housing and Community Development programming in FY2020. The federal grant sources and respective amounts are summarized in the following table:

Federal Grant	FY2019	FY2020	Change from Enacted	
	Enacted	Governor		
CDBG - Disaster Recovery Hurricane Sandy	\$4.2	\$2.0	(\$2.2)	-51.4%
CDBG - Disaster Recovery Program	0.8	0.8	-	-
CDBG - FY 2012	0.5	0.5	-	-
CDBG - FY 2013	0.5	0.5	-	-
CDBG - FY 2014	1.5	1.5	-	-
CDBG - FY 2015	2.5	2.5	-	-
CDBG - FY 2016	1.0	2.5	1.5	150.0%
CDBG - FY 2017	1.0	1.5	0.5	50.0%
CDBG - FY2018	-	1.5	1.5	N/A
Community Development Block Grants - Administration	0.3	0.6	0.3	79.4%
Emergency Shelter Grants	0.8	0.7	(0.0)	-2.4%
Housing Opportunities for Persons with AIDS	-	0.6	0.6	N/A
Neighborhood Stabilization Program 1	-	0.5	0.5	N/A
Neighborhood Stabilization Program 3	-	0.5	0.5	N/A
Title XX Shelter Transfer	1.4	1.4	-	-
Total	\$14.4	\$17.6	\$3.2	18.0%

CDBG Program: The Budget includes \$3.5 million in additional Community Development Block Grant (CDBG) funds by drawing down from the FY2016 through FY2018 awards. Under federal guidelines, the State manages the CDBG program for 33 Rhode Island municipalities which do not receive an allocation

directly from the United States Department of Housing and Urban Development (HUD). The State receives funding each federal program year and distributes funds to units of local government, which in turn distribute funds to non-profit and other entities to support various activities including housing, economic development, facilities/improvements, social services, and planning (land use). CDBG funds are targeted to distressed areas with predominately low- and moderate- income neighborhoods.

These additional resources are offset by a decrease of \$2.0 million related to the expiration of the remaining CDBG Disaster Recovery Grant related to Hurricane Sandy. This grant has supported local (municipal) disaster recovery activities since 2012. CDBG–Disaster Recovery funded projects are now complete and this reduction reflects the termination of the grant.

Neighborhood Stabilization Program: The Budget provides \$960,400 in federal HUD grant funds for the Neighborhood Stabilization Program (NSP).

The NSP provides emergency assistance to state and local governments to mitigate abandonment and blight by purchasing foreclosed or abandoned homes to rehabilitate, resell, or redevelop in order to stabilize neighborhoods and prevent the values of neighboring homes from declining.

Housing Opportunities for Persons with AIDS: The Budget increases federal funds within the OHCD by \$577,412, reflecting the Governor’s proposal to shift the administration of HUD’s Housing Opportunities for Persons with AIDS grant program from RIHousing to OHCD. The program is unique in that it is the only federal program focused on housing for low-income, HIV-positive individuals. Consolidating the program into OHCD aligns with the Office’s other homeless and low-income programming.

QUASI-PUBLIC APPROPRIATIONS

The Budget provides \$12.3 million from general revenues to support the Rhode Island Commerce Corporation and several pass-through appropriations to fund specific economic programs. There are no FTE positions allocated to this program.

Quasi-Public Appropriations	General Revenue
FY2019 Enacted	\$12,126,714
<i>Target and Other Adjustments</i>	
Pay for Success - Supportive Housing	(15,104)
Airport Impact Aid	500,000
Urban Ventures	(247,396)
Commerce Corporation Base Allocation	(140,000)
	115,392
FY2020 Governor	\$12,339,606

Quasi-Public Appropriations	Other Funds Changes
Quonset Piers	\$2,340,000
I-195 Commission	150,000

Pay for Success – Supportive Housing **\$500,000**

The Governor includes \$500,000 for a new initiative that seeks to provide permanent, supportive housing to Rhode Island’s homeless and high Medicaid users in order to improve outcomes for this population. The program would utilize the pay-for-success model that relies on a public-private partnership and results-based payments. A combination of State and federal funds are used to both establish program operations and to secure additional housing and program investments from private partners. Payments to supportive housing providers would be contingent upon client outcomes.

The Pay for Success initiative will be a joint program between the State, Harvard University’s Government Performance Lab, and private partners. The partners will work together initially to determine what performance and outcome measures will be used to define success. These measures are not established at

this point. According to the Budget Office, the \$500,000 appropriation will be used to leverage \$1.0 million in federal grant funds from US Departments of Justice and HUD.

Airport Impact Aid

(\$247,396)

The Budget provides \$762,500 from general revenues for the State's Airport Impact Aid program, a reduction of \$247,396 (24.5 percent) from the FY2019 Budget as Enacted.

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 (\$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. No community that hosts an airport receives less than \$25,000.

Article 1 of the Budget amends this formula beginning in FY2020. The 60/40 percent distribution is retained, however, it no longer refers to the first \$1.0 million, but rather to the total amount appropriated. The Budget also eliminates the \$25,000 minimum share.

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

Municipality	FY2019	FY2020	Change
Warwick T.F. Green	\$784,239	\$597,982	(\$186,257)
Block Island	35,701	27,222	(8,479)
Middletown-Newport Airport ¹	47,087	35,904	(11,183)
North Central - Smithfield	25,000	15,290	(9,710)
North Central - Lincoln	25,000	15,290	(9,710)
North Kingstown-Quonset	47,435	36,170	(11,265)
Westerly	45,434	34,643	(10,791)
Total	\$1,009,896	\$762,500	(\$247,396)

¹ Located in Middletown

Urban Ventures

(\$140,000)

The Governor eliminates 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.

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". The incubator is also charged with providing a range of services designed to assist these new businesses, including, but not limited to: flexible leases, shared office equipment, use of common areas such as conference rooms, and provision of easily accessible business management, training, financial, legal, accounting, and marketing services.

The statute further provides that the incubator must be a 501(c)(3) and that the General Assembly shall annually appropriate the sums it deems necessary to carry out its mission. In previous years, Urban Ventures received funding through the General Assembly's community service grant program.

The Executive Office of Commerce requested \$140,000 to fund the incubator in FY2020.

Analyst Note: Although the Budget does not include funding for Urban Ventures, it also does not repeal or amend RIGL 42-64-13.1. This appears to create a conflict between the statute and the Budget.

Commerce Corporation Base Allocation**\$115,392**

Commerce RI is a quasi-public entity charged with enhancing the delivery, performance, and accountability of the State's economic development activities.

The State provides general revenue appropriations to the Corporation. However, the General Assembly does not directly approve Commerce RI's budget. The Commerce RI Board has the sole responsibility to authorize the Corporation's annual budget.

The Budget provides \$7.6 million from general revenues to Commerce RI as its base allocation. This is \$115,392 more from general revenues than the F2019 Budget as Enacted. The Commerce RI's total budget in FY2020 is \$13.8 million. The base allocation represents 55.1 percent of the quasi-public agency's annual revenue. The balance is comprised of hotel tax revenue (38.3 percent), federal grants (3.3 percent), financial programs (2.3 percent), and other miscellaneous revenue (1.1 percent).

According to the Executive Office, the increase in the base allocation is attributable to several operational items. Beginning April 1, 2018, the monthly rent at Commerce RI's offices at 315 Iron Horse Way in Providence increased by \$6,989.38 per month, for a total of \$83,872 annually. Additionally, Commerce RI is now responsible for its share of property taxes, which were previously included in the rent cost. In FY2018, property taxes totaled \$10,947. Commerce RI must also pay a storage fee of \$250 per month, or \$3,000 annually. Lastly, there is \$17,573 in additional unspecified operational costs.

The following table shows the revenues and expenditures that compose the annual Commerce RI budget:

Commerce RI Budget

			FY2020
Revenues	FY2018 Actual	FY2019 Enacted	Recommended
State Appropriations			
RI Commerce Corporation Base Appropriation*	\$7,224,514	\$7,474,514	\$7,589,906
Total State Appropriations	\$7,224,514	\$7,474,514	\$7,474,514
Other Revenues			
Hotel Tax Revenue	\$6,398,790	\$5,604,258	\$5,277,596
Finance Program Allocation	414,540	318,194	320,000
Federal Grants	1,464,569	1,645,622	450,510
Other	112,122	141,851	140,000
Total Other Revenues	\$8,390,021	\$7,709,925	\$6,188,106
Total Revenues	\$15,614,535	\$15,184,439	\$13,662,620
Expenditures			
Total Operations (Personnel and Operating)	\$15,133,508	\$13,120,173	\$13,150,000
Grants or Partnerships	1,498,415	1,645,622	450,510
Total Expenditures	\$16,631,923	\$14,765,795	\$13,600,510
Operating Surplus/(Deficit)	(17,388)	418,644	\$62,110
Pass-Through Grants			
STAC Research Alliance (EPScore)	\$950,545	\$900,000	\$900,000
Innovative Matching Grants	863,009	1,000,000	1,000,000
Renewable Energy Fund	8,397,522	2,250,000	1,000,000
Airport Impact Aid	1,009,896	1,025,000	762,500
Chafee Center at Bryant	376,200	476,200	476,200
Polaris Manufacturing Technical Assistance	250,000	350,000	350,000
Urban Ventures	140,000	140,000	-
Other (AICU, Working Cities, Warwick Station)	-	-	-
Federal Pass-thru Grants	2,880,266	1,645,622	450,510
Total	\$14,867,438	\$7,786,822	\$4,939,210

Source: Executive Office of Commerce

* The RI Commerce Corporation's Base Allocation amount as approved by the Board of Directors is less than the Governor's proposed amount. The Governor adds \$115,392 to the base allocation, which explains the difference in the table.

CAPITAL PROJECTS

Quonset Piers (other funds)

\$2.3 million

The Budget provides \$5.0 million from Rhode Island Capital Plan (RICAP) funds in FY2020 for architectural/engineering and construction services for improvements to Pier 2 at the Quonset Davisville Port in the Town of North Kingstown. This \$2.3 million more than the FY2019 Budget as Enacted level. The Quonset Development Corporation (QDC) has put forward a plan to extend and rehabilitate Pier 2 by building an east extension and installing a sheet pile bulkhead. According to the Budget Office, this approach is the most cost effective and permits continuous use of the pier during construction.

The Governor recommends \$88.4 million in total funding for the project through FY2021, including \$13.4 million from RICAP funds. Other funding includes \$49.5 million in general obligation bonds, \$4.0 million in QDC funds, and \$21.0 million in revenue bonds.

Site Readiness Partnership (other funds)

\$1.0 million

The Budget includes \$1.0 million from RICAP funds to support a new strategy proposed by the Governor to mitigate municipal barriers to economic development, specifically to provide tools to advance site preparation across the State.

I-195 Commission (other funds)

\$150,000

The Budget provides \$450,000 from RICAP funds for the I-195 Redevelopment District Commission, \$150,000 more than the FY2019 Budget as Enacted. According to the Budget Office, the funding continues financing for permitting, environmental modelling, and other architectural and engineering services needed to prepare property for acquisition and development.

Executive Office of Health and Human Services

Expenditures by Program	FY2018	FY2019	FY2019	Change		FY2020	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$150.6	\$136.4	\$193.5	\$57.1	41.9%	\$191.9	\$55.5	40.7%
Medical Assistance	2,368.9	2,470.6	2,484.4	13.8	0.6%	2,490.8	20.2	0.8%
Veterans' Affairs	-	-	-	-	-	40.3	40.3	-
Elder Affairs	-	-	-	-	-	22.1	22.1	-
Total	\$2,519.4	\$2,607.0	\$2,677.8	\$70.9	2.7%	\$2,745.1	\$138.1	5.3%

Expenditures by Source

General Revenue	\$950.3	\$982.9	\$989.3	\$6.4	0.7%	\$1,033.5	\$50.5	5.1%
Federal Funds	1,546.1	1,605.8	1,664.2	58.4	3.6%	1,685.7	79.9	5.0%
Restricted Receipts	23.0	18.2	24.3	6.0	32.9%	25.9	7.7	42.0%
Total	\$2,519.4	\$2,607.0	\$2,677.8	\$70.9	2.7%	\$2,745.1	\$138.1	5.3%

Authorized FTE Levels 285.0 192.0 195.0 3.0 1.6% 479.1 287.1 149.5%
\$ in millions. Totals may vary due to rounding.

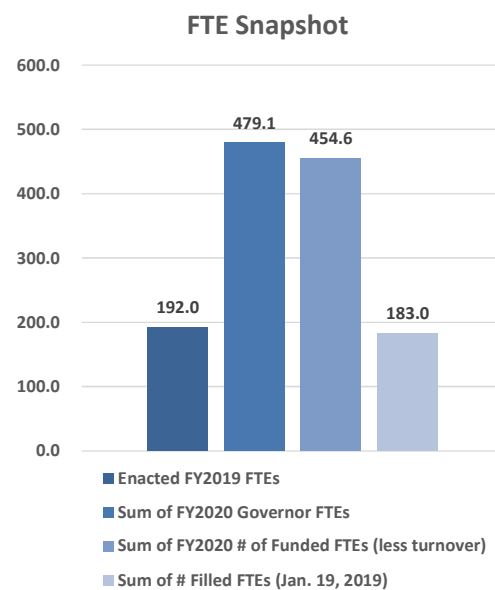
The Executive Office of Health and Human Services (EOHHS) is the umbrella agency which oversees the departments of Health; Human Services; Children, Youth, and Families; and Behavioral Healthcare, Developmental Disabilities, and Hospitals. EOHHS coordinates the organization, finance, and delivery of publicly-funded health and human services programs and serves as the single State agency for Medicaid. Its mission is to ensure access to high quality and cost effective services which foster the health, safety, and independence of all Rhode Islanders.

MAJOR ISSUES AND TRENDS

The Governor's Budget primarily focuses on cost containment in the Medical Assistance (Medicaid) program. The November 2018 Caseload Estimating Conference projected that general revenue funding of \$997.9 million would be required to support the program in FY2020. The Governor proposes provider cuts to hospitals, long-term care facilities, and managed care organizations (MCOs) and eliminates some "State-only" programs in order to reduce Medicaid expenditures to \$968.8 million in FY2020.

Transfer of Veterans' and Elder Affairs: Article 4 of the Governor's Budget removes the Divisions of Veterans' and Elderly Affairs from the Department of Human Services (DHS) and establishes them as the Offices of Veterans' and Elder Affairs within EOHHS effective July 1, 2019. The intent is to elevate the profiles of these entities, although the Executive Office requested that they be established as distinct State departments. The transfer adds \$34.3 million from general revenues (\$62.4 million all funds) and 283.1 FTE positions to EOHHS.

Employer Public Assistance Assessment: Article 16 of the Governor's Budget establishes an Employer Public Assistance Assessment effective October 1, 2019. This would require large, for-profit companies to compensate the State on a quarterly basis for each non-disabled employee enrolled in Medicaid. The measure would assess employers 10.0 percent of wages for each Medicaid beneficiary, up to



an annual maximum of \$1,500 per employee. The initiative is designed to hold employers accountable for providing inadequate or unaffordable health insurance and to offset the costs to the State for providing coverage instead. The Governor's Budget assumes \$15.6 million in new revenues to the State in FY2020, offset by \$1.1 million in implementation costs.

Rhode Island Comprehensive Demonstration: On December 20, 2018, the Executive Office received approval from the Centers for Medicare and Medicaid Services (CMS) for an extension of the Rhode Island Comprehensive Demonstration, also known as the Section 1115 Waiver, which was set to expire on December 31, 2018. This waiver constitutes the legal authority for the State to pursue innovations designed to improve health care access, quality, and outcomes that further the mission of the Medicaid program. The special terms and conditions (STCs) of the waiver act as a contract which allows the State to deviate from the Medicaid State Plan. This is the second extension of the Comprehensive Demonstration; the General Assembly directed the State to apply for the initial waiver in 2008. Rhode Island's Medicaid program now operates almost entirely under the Comprehensive Demonstration. The extension allows for continued flexibility through December 31, 2023. Included in the waiver extension are measures to claim federal matching funds for the BH Link triage center established in the FY2019 Budget as Enacted, strengthen eligibility criteria for group home services for the developmentally disabled population, and extend federal funding for the Health System Transformation Project (HSTP) through December 31, 2020. The waiver extension also includes a number of measures which are not considered as part of the Governor's Budget, including federal financial participation for the Family Home Visiting Program, expansion of peer support services, and provision of home-based primary care services for individuals confined to their homes.

Non-Emergency Medical Transportation: In September 2018, the State entered into a three-year contract with Medical Transportation Management (MTM) for the provision of non-emergency medical transportation (NEMT) services beginning January 1, 2019. The contract with the former vendor, Logisticare, ended on December 31, 2018. The NEMT program coordinates thousands of rides per day for Medicaid beneficiaries and individuals over the age of 60 who do not have access to transportation for medical appointments and certain designated services.

The rollout of the new contract has been problematic for users. In the first two months of service, the State received thousands of complaints from patients and families, who reported issues including long wait times, missed appointments, and inappropriate vehicles for disabled populations. As a result, EOHHS fined the company \$1.0 million and renegotiated the contract with MTM. The new contract removes a 4.0 percent cap on the amount of money the State can seek for inadequate services and adds a 10.0 percent quality withhold which MTM will only receive if it achieves specific performance benchmarks.

Unified Health Infrastructure Project (UHIP): In September 2016, the State launched Phase II of UHIP, the largest scale IT project the State has undertaken. The project, renamed RI Bridges, aims to integrate more than 15 eligibility-determination systems into one. The State first undertook the UHIP project in April 2015, when federal agencies were offering enhanced federal funding to encourage the development of integrated eligibility systems for health and human services programs. The system has been troublesome and expensive for the State, far exceeding the initial State cost projections of \$89.3 million (\$444.5 million all funds). On January 31, 2019, the State submitted an Implementation Advanced Planning Document Update (IAPD-U) to the federal government, which reported cost projections of \$131.8 million in State funds (\$617.7 million all funds) through September 30, 2020. These costs are shared across EOHHS, the Department of Human Services (DHS), and HealthSource RI (HSRI).

	EOHHS UHIP Funding					
	Pre-FY2018	FY2018 Actual	FY2019 Enacted	FY2019 Governor	FY2020 Governor	Grand Total
General Revenue	\$30,621,761	\$5,292,498	\$5,074,485	\$4,066,068	\$2,904,218	\$42,884,545
Federal Funds	191,642,402	44,744,452	23,764,587	66,443,725	62,876,509	\$365,707,088
Restricted Receipts	-	-	-	5,251,737	7,490,531	\$12,742,268
Total	\$222,264,163	\$50,036,950	\$28,839,072	\$75,761,530	\$73,271,258	\$421,333,901

Phase II of the UHIP project has been plagued with technical failures resulting in delays and errors in eligibility processing and payments to service providers. The State continues to negotiate with the developer, Deloitte, to ensure that a functional eligibility system is procured.

The State has stopped payment to Deloitte and has twice reached an agreement with the vendor for expense credits totaling more than \$87.0 million for continued design and development of the system. These credits cover maintenance and operations costs. The FY2019 Revised and FY2020 Budget recommendations include these negotiated credits in a restricted receipt account.

Analyst Note: On March 15, 2019, the State announced plans to extend its contract with Deloitte through June 30, 2021. The contract was supposed to expire on March 31, 2019. The State had issued a Request for Information (RFI) to determine the complexity of switching vendors, although it was ultimately decided that finishing the course with Deloitte would be less disruptive. Under the terms of the extended contract, the State agreed not to sue the company in exchange for a rate reduction, reducing the cost of services by an estimated \$75.0 million, as well as a direct cash payment of \$50.0 million. At this time, it is not clear how much of this will be returned to the federal government and how much the State may retain. The agreement is pending approval by the federal government.

The State and Deloitte continue to address system deficiencies, with three main outcome goals: ensuring timely access to benefits, moving toward a system that is fully compliant with State and federal regulations, and achieving increased productivity and efficiency. Technical stability of the RI Bridges infrastructure is critical to ensuring that these outcomes are achieved. Areas being fixed include, but are not limited to, renewal notices and tax forms, benefit decision notices, SNAP appointment scheduling, SNAP Able Bodied Adults Without Dependents (ABAWD) functionality, and RI Works time clocks.

An IAPD-U dated August 17, 2017, indicated that the system would be fully compliant by September 28, 2018. This did not occur. The current IAPD-U does not include the same information regarding a target functionality date.

CENTRAL MANAGEMENT

EOHHS' Central Management division is responsible for consolidating and coordinating major programmatic and administrative functions of the four health and human services agencies, including budget, finance, and legal services.

Central Management	General Revenue
FY2019 Enacted	\$28,659,176
<i>Target and Other Adjustments</i>	
United Health Infrastructure Project (UHIP)	(2,170,267)
Rhody Health Options Redesign - Contracts	1,660,676
Non-UHIP Personnel	(1,251,544)
MMIS Funding	1,227,119
Conduent	868,093
1115 Waiver - Independent Evaluation	350,000
Health Information Exchange	235,310
Independent Provider Model	192,500
Open Enrollment	(174,418)
Benchmarking Study	150,000
Electronic Clinical Quality Measures	100,000
Asset Verification	97,950
Consent Decree Court Monitor	75,000
Medicaid Academy	35,000
FY2020 Governor	\$30,406,442

Central Management	Other Fund Changes
Adult-Use Marijuana (restricted receipts)	\$1,000,000
HIV Programs (federal funds/restricted receipts)	(528,703)

United Health Infrastructure Project (UHIP) (\$2.2 million)

The Governor recommends \$2.2 million less from general revenues (\$44.4 million more from all funds) relative to the FY2019 Budget as Enacted for UHIP expenditures. This is primarily due to estimated general revenue savings of \$1.9 million for targeted UHIP-related contract reductions. These reductions impact contracts with KPMG, Automated Health Systems, Northrop Grumman Information Technology, Freedman Healthcare, and DXC Technology, among others. The net reduction in UHIP funding also includes \$379,771 less from general revenues, consistent with EOHHS' request, for UHIP personnel.

Rhody Health Options Redesign – Contracts \$1.7 million

The FY2019 Budget as Enacted included savings of \$6.5 million from general revenues (\$13.8 million all funds) related to the Rhody Health Options (RHO) redesign. This initiative shifted beneficiaries from the RHO Phase I managed care plan to either RHO Phase II, Rhody Health Partners, or fee-for-service on October 1, 2018. The medical expenses for the fee-for-service population appear in the nursing home and home- and community-based service budget lines. The Enacted Budget assumed savings by reducing administrative costs, taxes, and risk margin and more effectively handling crossover claims with Medicare for the dual eligible population (those eligible for both Medicare and Medicaid).

As part of the redesign, the State contracted with the Rhode Island Parent Information Network (RIPIN) to provide case management services for high-risk individuals in the transition population. The State also expanded its existing contract with Automated Health Systems (AHS) to support a customer service and benefit enrollment call center. The FY2019 Budget as Enacted included funding for these contracts within the Medicaid program; however, the remainder of EOHHS' contracts are funded in Central Management. The Governor shifts funding for these contracts, totaling \$1.7 million from general revenues (\$3.3 million all funds), from Medical Assistance to Central Management. There is a concurrent reduction in the Medicaid program. The costs associated with the two contracts do not change.

Non-UHIP Personnel (\$1.3 million)

The Governor reduces general revenue expenditures for non-UHIP personnel by \$1.3 million, but increases all funds expenditures by \$1.6 million. This is the result of several changes to EOHHS' personnel roster. Based on the results of the most recent cost allocation plan, the FY2019 Revised and FY2020 recommended budgets shift projected salary and benefit expenses from general revenue to both federal and restricted fund sources. The Governor's recommendation also changes position titles for 9.0 FTE positions. In most cases, this also requires an increase in salaries and benefits. According to supporting documentation, the Governor assumes turnover savings of \$236,324 to fund these position upgrades. There was no turnover assumed in EOHHS' budget request. Article 4 of the Governor's Budget transfers the child care licensing authority from the Department of Children, Youth, and Families to the Department of Human Services. The Governor shifts the legal staff for this purpose from the Department of Children, Youth, and Families (DCYF) to EOHHS and adds an additional legal counsel at a general revenue expense of \$58,055 (\$126,204 all funds).

MMIS Funding \$1.2 million

The Medicaid Management Information System (MMIS) manages business functions for Medicaid-funded programs. States are required by CMS to operate a MMIS in order to be eligible for federal funding. The MMIS in Rhode Island is overseen by a contractor, DXC Technologies. The State receives a 90.0 percent federal match for design, development, and installation, a 75.0 percent match for claims processing and information retrieval systems, and a 50.0 percent match for all other functions. The MMIS is an integral component of the State's Medicaid program, as it processes claims for Medicaid services and tracks

Medicaid expenditures on a monthly basis. The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) and the Department of Children, Youth, and Families (DCYF) also utilize this system for their respective populations.

The FY2019 Budget as Enacted included \$3.8 million from general revenues (\$20.5 million all funds) to support the MMIS. FY2018 actual general revenue expenditures totaled \$5.1 million (\$22.3 million all funds). The Executive Office requested additional funding in its FY2019 Revised request to align the system with historical expenditures, but erroneously excluded the additional funding in its request for FY2020. The Governor includes an additional \$1.2 million from general revenues (\$1.8 million all funds) to fund the MMIS consistent with the FY2019 Revised recommendation.

Conduent

\$868,093

The State previously contracted with Conduent for an array of finance and management services. The FY2019 Budget as Enacted included \$2.0 million from general revenues (\$6.0 million all funds) for the Conduent contract, which expired on December 31, 2018. The Executive Office did not renew the contract, and is replacing Conduent with three new contracts in FY2019. The Governor includes \$2.9 million from general revenues (\$7.7 million all funds) to fund the replacement contracts. Relative to the Enacted Budget, this is \$868,093 more from general revenues (\$1.7 million all funds). As of March 11, 2019, two of these contracts have been awarded. The first was awarded to HCH Enterprises to provide Medicaid staff support. The second was awarded to Milliman to provide actuarial, rate setting, and financial support to the Medicaid program. The third, once awarded, will establish a health care policy and analysis partnership with the University of Rhode Island's Institute for Integrated Health and Innovation. According to the Budget Office, this partnership would likely focus on the State's services for dual eligibles.

1115 Waiver – Independent Evaluation

\$350,000

The State received federal approval to extend the Section 1115 Waiver through December 21, 2023. As a condition of approval, CMS requires the State to seek an independent evaluation of the waiver to ensure that the necessary data is collected at the level of detail required to track progress toward meeting the goals of the waiver. This evaluation was previously done in-house; however, CMS instituted a new requirement that it be completed by an independent third party. The Governor includes \$350,000 from general revenues (\$700,000 all funds) to fund a contract for this evaluation in FY2020, although the contract has not yet been awarded. This funding will be required for all five years of the waiver approval period, totaling \$1.8 million from general revenues (\$3.5 million all funds) through FY2024.

Health Information Exchange

\$235,310

The State's Health Information Exchange (HIE), known as CurrentCare, allows medical professionals to securely access their patients' health information. It has been operated by the Rhode Island Quality Institute (RIQI) for eight years. The exchange is eligible for an enhanced federal match of 90.0 percent.

The Governor includes \$115,310 from general revenues (\$1.2 million all funds) to increase Medicaid's share of the \$1 per member per month (PMPM) HIE enrollment fee. The Budget also includes one-time expenses of \$120,000 from general revenues (\$1.2 million all funds) to finance the Fast Healthcare Interoperability Resources (FHIR) upgrade to the HIE. The FHIR is a national standard which describes data formats and elements for exchanging electronic health records. This critical upgrade has been delayed for several years due to lack of funding. According to supporting documentation, without the upgrade, the State will not be able to complete several projects without expensive workarounds and the State will fall short of federal requirements. EOHHS did not request the funding for the upgrade.

Independent Provider Model

\$192,500

The 2018 General Assembly directed the State to establish an independent provider (IP) model for the delivery of long-term services and supports. This model, which already exists in Massachusetts, establishes

a public registry of home health aides to allow seniors and individuals with disabilities greater flexibility when accessing long-term care services. Under the model, consumers can hire and manage individual caregivers of their choice, rather than accessing aides through a provider agency. The State maintains the registry and sets certain parameters, such as wages and qualification standards. The goal of the model is to increase the supply of home care workers, thereby allowing more individuals to access services in their homes rather than a nursing home or other residential facility. The Governor includes \$192,500 from general revenues (\$770,000 all funds) in FY2020 to support the IP model.

Analyst Note: In addition to the implementation costs included in the Central Management program, there will also be expenses incurred in the Medicaid program related to home care wages and the need for a fiscal and service advisory intermediary. The Governor does not include these additional costs.

Open Enrollment

(\$174,418)

The FY2019 Budget as Enacted included \$359,624 from general revenues (\$719,248 all funds), assuming call center funding requirements for both the fall and spring open enrollment periods. The call center is operated through a contract with Automated Health Systems (AHS). The Governor reduces funding for this contract to \$185,206 from general revenues (\$370,412 all funds) in both the FY2019 Revised and FY2020 recommendations, consistent with the Executive Office's request. According to EOHHS, the requested funding supports call center activities for one open enrollment period. Both periods will continue, but it has been determined that the contractual support is only needed for one.

Benchmarking Study

\$150,000

In 2012, the Office of the Health Insurance Commissioner (OHIC) completed a study to determine the appropriate level of investment in primary medical care and issued a report directing commercial insurers to strengthen primary care through strategic investments. Behavioral health was not included in this report.

The Governor includes \$150,000 from general revenues (\$187,500 all funds) within EOHHS to fund a behavioral health benchmarking study similar to the one completed by OHIC for primary care. This will determine the appropriate level of investment by both commercial insurers and the Medicaid program in preventive and early intervention behavioral health services.

Analyst Note: It is unclear why the Executive Office is charged with a study of commercial insurance, as this is overseen by OHIC, or why the funding does not limit the study to the Medicaid program.

Electronic Clinical Quality Measures

\$100,000

The State has contracted with IMAT solutions to build a health care quality measurement reporting and feedback system. This platform, also known as an electronic clinical quality measurement (eCQM) system, supports the collection, validation, and sharing of data for participating health care entities within the State in an effort to support quality measurement and reporting. It allows providers to share their data and aggregate it with data from patients, hospitals, provider groups, and insurance payers. Without a universal eCQM system, individual organizations must invest in unique and expensive interfaces.

The eCQM was initiated two years ago with federal funding from the State Innovation Model (SIM) grant which expires on June 30, 2019. The system is eligible for a 90.0 percent federal match. The Governor includes \$100,000 from general revenues (\$1.0 million all funds) to support continuation of the system in FY2020. According to supporting documentation, without this funding, "two years of infrastructure development, technical connections, and measure alignment will be wasted, an existing contract would need to be terminated, and a complete and functional system will be shelved." EOHHS did not request the funding.

Asset Verification**\$97,950**

The FY2019 Budget as Enacted included \$187,500 from general revenues (\$1.5 million all funds) to fund a contract for an asset verification system (AVS) for long-term care applicants. The AVS uses electronic data sources from financial institutions to verify applicants' assets to ensure that they satisfy income and resource requirements for Medicaid long-term care services. This system establishes a timely process for determining or re-determining Medicaid eligibility for the aged, blind, and disabled population.

The contract was awarded to the New England States Consortium System Organization (NESCSO) for a system which was implemented on November 1, 2018. The Governor includes \$97,950 from general revenues (\$195,900 all funds) to finance the ongoing maintenance costs of the system, consistent with the terms of the contract.

Consent Decree Court Monitor**\$75,000**

The FY2019 Budget as Enacted shifted the contract for the Consent Decree Court Monitor from the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to the Executive Office of Health and Human Services (EOHHS). This included the addition of \$150,000 from general revenues (\$300,000 all funds) to EOHHS; however, general revenue funding for the court monitor contract totals \$225,000 (\$450,000 all funds). The Governor adds \$75,000 from general revenues (\$150,000 all funds) to correct this error. The correct funding was removed from the BHDDH budget in FY2019. It is unclear why the total funding for the contract was not shifted at this time.

Medicaid Academy**\$35,000**

The Governor recommends \$35,000 from general revenues (\$70,000 all funds) for the Rhode Island Medicaid Academy, a professional development program run by the New England States Consortium Systems Organization (NESCSO) for State employees. It was provided by NESCSO at no cost to the State in FY2019; however, the expenses will not be covered in FY2020. The Medicaid Academy is an eight-session professional development and leadership training program for selected managers across Rhode Island's health and human service agencies. This opportunity is designed to:

- Enhance participants' knowledge of Medicaid and its critical role in the health care system, both nationally and in Rhode Island.
- Foster inter-agency connections and peer relationships.
- Explore innovations in delivery system and payment reforms.
- Build leadership skills.

Adult-Use Marijuana (restricted receipts)**\$1.0 million**

Article 20 of the Governor's Budget establishes a legal adult-use marijuana program. The administration and regulation of this program is centralized in the proposed Office of Cannabis Regulation at the Department of Business Regulation (DBR), but the Governor includes funding in a variety of health, safety, and taxation agencies to coordinate with DBR to enhance public awareness and treatment opportunities. The Governor adds \$1.0 million in restricted receipt funds within the Executive Office of Health and Human Services related to the adult-use marijuana initiative. These funds are allocated as follows:

- \$750,000 for the Executive Office to direct grants to local substance abuse disorder prevention, treatment, and recovery services; and
- \$250,000 for grants management, training, and education. According to the Budget Office, this will primarily be used to hire consultants, coordinate with other State agencies, and cover unspecified operating expenses associated with the legalization of the marijuana and hemp markets.

Analyst Note: The Governor's Budget Amendment dated March 13, 2019, changes the disbursement of restricted receipt funds by providing the funds directly to the Departments of Health (DOH) and Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The language of the amendment does not alter the amount or purpose of these funds. The Governor's Budget Amendment dated April 5, 2019, removes \$1.0 million in restricted receipt funds from EOHHS and adds \$500,000 each to BHDDH and DOH in FY2020 to reflect this change.

HIV Programs (federal funds/restricted receipts)

(\$528,703)

The Governor reduces funding for services provided to individuals with HIV by \$528,703 relative to the FY2019 Budget as Enacted based on significantly lower anticipated resources. This includes \$1.9 million less from restricted receipts and \$1.4 million more from federal funds. This is \$2.7 million less than the funding provided in the FY2019 Revised Budget and \$1.3 million less than requested. In order to meet the reduction in funding, EOHHS must lower grant awards for an array of community programs and providers, including the CoExist program, AIDS Care Ocean State, Community Care Alliance, the Rhode Island Public Health Institute, and Family Services of Rhode Island.

MEDICAL ASSISTANCE

The Medical Assistance (Medicaid) program provides medical benefits to low-income, elderly, and disabled individuals. The State pays for a growing portion of Medicaid services through *managed care*, whereby the State contracts with managed care organizations (Neighborhood Health Plan of Rhode Island, Tufts Health Plan, and United Healthcare) and pays a fixed monthly fee, or capitation rate, for each enrolled beneficiary. A smaller portion of Medicaid services continue to be financed through *fee-for-service* arrangements, whereby providers bill the Medicaid program directly based on the specific services utilized.

Medical Assistance	General Revenue
FY2019 Enacted	\$954,256,896
<i>Target and Other Adjustments</i>	
	-
November Caseload Estimating Conference	43,623,000
Hospital Rate Freeze	(5,344,960)
Hepatitis C Treatment	(4,515,254)
Eliminate Inpatient Upper Payment Limit (UPL)	(3,581,234)
Nursing Home COLA	(3,512,318)
Managed Care Organization (MCO) Reductions	(2,920,924)
Limit Hospice Rate Increase	(2,592,700)
Eliminate State-Only Programs	(2,000,000)
Dual Eligible Utilization Management	(1,956,903)
Rhody Health Options Redesign - Contracts	(1,660,676)
J-Code Optimization	(752,288)
Estate Recovery Optimization	(236,300)
FY2020 Governor	\$968,806,339

November Caseload Estimating Conference

\$43.6 million

Each November and May, the Caseload Estimating Conference (CEC) estimates expenditures for human services and medical entitlement programs for the current and out year. These adopted expenditure levels determine the appropriation for entitlement programs. Projections are based on enrollment trends as well as inflation-based price adjustments.

The November 2018 CEC projected general revenue expenditures of \$997.9 million in the medical assistance program in FY2020, or \$43.6 million more than the FY2019 Budget as Enacted. The savings initiatives described below are applied against the CEC estimate.

Hospital Rate Freeze**(\$5.3 million)**

Hospitals are reimbursed by Medicaid on a fee-for-service basis and by MCOs for inpatient, outpatient, and emergency services. RIGL 40-8-13.4 allows EOHHS to review these rates annually and make adjustments based on factors such as hospital costs, hospital coding, and availability of services. Increases may not exceed the Prospective Payment System Hospital Input Price Index, an inflation-based index published by the Centers for Medicare and Medicaid Services (CMS).

The November 2018 Caseload Estimating Conference adopted FY2020 hospital payment figures assuming growth of 3.2 percent for inpatient and 1.25 percent for outpatient services relative to FY2019 rates. The Governor freezes hospital rates at FY2019 levels, rather than incorporating these price increases. This would generate \$5.3 million in general revenue savings (\$15.1 million all funds) relative to the adopted estimate and would require a State Plan Amendment.

Hospital Rate Changes by Fiscal Year		
Fiscal Year	Inpatient	Outpatient
FY2013	2.7%	1.9%
FY2014	0.0%	0.0%
FY2015	0.0%	0.0%
FY2016	-2.5%	-2.5%
FY2017	3.0%	1.9%
FY2018	2.4%	2.4%
FY2019	2.8%	1.8%
<i>FY2020 (proposed)</i>	<i>0.0%</i>	<i>0.0%</i>

Although this initiative is expected to significantly reduce expenditures, it is important to note that the proposal would also negatively impact revenue collections. Of the \$15.1 million in estimated savings, \$14.0 million is projected within either Managed Care, Medicaid Expansion, or Rhody Health expenditures, all of which would otherwise be subject to the 2.0 percent insurance gross premium tax. Therefore, by freezing hospital rates, the State would forego approximately \$280,000 in revenues relative to the estimate adopted by the November 2018 Revenue Estimating Conference.

Hepatitis C Treatment**(\$4.5 million)**

On July 1, 2018, the Executive Office announced a change in the State's Medicaid policy which expanded access to curative Hepatitis C (HCV) treatment. EOHHS changed the prior authorization protocol to remove previous restrictions on the treatment which only covered those with severe liver damage or cirrhosis. Under the new policy, any Medicaid beneficiary is covered, regardless of the stage of the disease. This also expands access to an estimated 300 inmates living with HCV; however, this population is not covered by Medicaid and funding is provided separately in the Department of Corrections.

The November 2018 Caseload Estimating Conference projected that the policy shift would more than quadruple utilization of the treatment, elevating treatment costs from a baseline of \$13.1 million to approximately \$35.5 million in FY2019 and \$39.0 million in FY2020. According to EOHHS, nearly half of the Medicaid population with Hepatitis C is covered by Expansion, which is eligible for an enhanced federal match. As a result, the weighted State share of treatment costs is approximately 28.0 percent.

The Conference estimates considered two treatment options: Harvoni, at \$90,000 per treatment, and Mavyret, at \$54,000. These drugs treat HCV differently. Utilization is based on a patient's HCV genotype, treatment history, and stage of the disease. Based on EOHS's testimony, it was assumed that 20.0 percent of patients would demonstrate medical necessity for Harvoni. Following the CEC, the pricing for Mavyret was finalized at \$26,300 and for a generic version of Harvoni at \$24,000 per treatment. The availability of the generic eliminates the need for the brand name. All else equal, the Governor's Budget assumes \$4.5 million in general revenue savings (\$16.1 million all funds) across all product lines as a result of the new prices.

FY2020 Costs for Hepatitis C Treatment			
	Harvoni	Mavyret	Generic
Gross Cost	\$90,000	\$26,300	\$24,000
Net Rebate (%)	38.6%	21.3%	12.0%
Net Rebate (\$)	(34,776)	(5,589)	(2,870)
Net Cost (less rebates)	\$55,224	\$20,711	\$21,130
Utilization	-	80.0%	20.0%
Weighted Average Cost	-	\$16,569	\$4,226

	Average Cost	Utilization	Total
Caseload Estimate	\$35,496	1,100	\$39,045,600
FY2020 Governor	20,795	1,100	22,873,949
Change to Estimate	(\$14,701)	-	(\$16,171,651)

	Case Mix	GR	AF
Managed Care	4.8%	(\$365,725)	(\$775,826)
Rhody Health Partners	44.5%	(3,394,892)	(7,201,722)
Rhody Health Options	0.9%	(70,928)	(150,462)
Medicaid Expansion	49.7%	(683,709)	(8,043,641)
Total		(\$4,515,254)	(\$16,171,651)

Source: Office of Management and Budget

Totals may vary due to rounding.

Eliminate Inpatient Upper Payment Limit (UPL)

(\$3.6 million)

Hospital	Current Inpatient UPL	Inpatient UPL
Butler		N/A
Kent		\$588,005
Memorial		N/A
Women and Infants		\$3,946,986
Care New England		\$4,534,991
Bradley		N/A
Miriam		\$664,447
Newport		\$128,214
Rhode Island Hospital		\$2,880,767
Lifespan		\$3,673,428
Roger Williams		\$370,413
St. Joseph		\$613,408
Prospect - CharterCARE		\$983,821
Landmark		\$76,434
South County		\$49,816
Westerly		\$31,992
Rehabilitation		N/A
Other		\$158,242
Total		\$9,350,482

Upper Payment Limit (UPL) payments compensate hospitals for the gap between what hospitals receive for Medicaid inpatient and outpatient services and what they would have been paid for those services under Medicare reimbursement principles. In past fiscal years, the State has made UPL payments to hospitals, matched by federal funds, to bring its total Medicaid expenditures up to 100.0 percent of the Medicare upper payment limit, thereby maximizing available federal funds. Article 16 eliminates UPL payments for hospital inpatient services. The State would continue providing UPL payments for hospital outpatient services under this proposal.

UPL payments are authorized, but not required, by federal law. According to the Executive Office of Health and Human Services, these payments detract from efforts to promote value-based purchasing. Ultimately, UPL payments can limit the State's ability to utilize federal Medicaid funds in order to drive value. The proposal reduces general revenue expenditures by \$3.6 million (\$9.4 million all funds) in FY2020.

Nursing Home COLA**(\$3.5 million)**

Each October, pursuant to RIGL 40-8-19, nursing homes are to receive a cost-of-living adjustment (COLA) rate increase based on the national nursing home inflation index. The November 2018 Caseload Estimating Conference adopted nursing home payments assuming a 3.0 percent price increase in FY2020. The Governor limits the rate increase to 1.0 percent, saving \$3.5 million in general revenues (\$7.5 million all funds). Article 16 contains statutory language for the initiative. This proposal requires a State Plan Amendment.

The FY2019 Budget as Enacted authorized two rate increases at a general revenue expense of \$2.8 million (\$5.9 million all funds). This included a 1.5 percent increase on July 1, 2018, reflecting the settlement of a court case, and another 1.0 percent increase on October 1, 2018.

Although this initiative is expected to significantly reduce expenditures, it is important to note that the proposal

would also negatively impact revenue collections. Of the \$7.5 million in estimated savings, \$6.4 million is projected within fee-for-service nursing home expenditures, which would otherwise be subject to the 5.5 percent nursing home provider tax, and \$1.1 million is projected within Rhody Health Options, which would otherwise be subject to the 2.0 percent insurance gross premium tax. Therefore, by limiting the nursing facility COLA, the State would forego approximately \$371,500 in revenues relative to the estimate adopted by the November 2018 Revenue Estimating Conference.

Nursing Facility Rate Changes by Year

Fiscal Year	Date	Adopted	Index	Difference
FY2014	10/1/2013	0.0%	2.9%	-2.9%
FY2015	10/1/2014	0.0%	3.5%	-3.5%
	4/1/2015	3.2%	0.0%	3.2%
FY2016	8/1/2015	-2.5%	0.0%	-2.5%
	10/1/2015	0.0%	3.2%	-3.2%
FY2017	10/1/2016	3.3%	3.3%	0.0%
FY2018	10/1/2017	0.0%	2.8%	-2.8%
FY2019	7/1/2018	1.5%	0.0%	1.5%
	10/1/2018	1.0%	2.7%	-1.7%
<i>FY2020 (proposed)</i>	<i>10/1/2019</i>	<i>1.0%</i>	<i>3.0%</i>	<i>-2.0%</i>

Managed Care Organization (MCO) Reductions**(\$2.9 million)**

The Governor's Budget reduces general revenue expenditures to managed care organizations (MCOs) by \$2.9 million (\$10.7 million all funds) in FY2020. These proposed changes would require negotiations with MCOs and amendments to managed care contracts, which must be approved by CMS.

Managed Care Organization (MCO) Reductions	General Revenue	All Funds
FQHC In-Plan	(\$1.9)	(\$5.3)
Performance Goal Program	(0.9)	(5.1)
C-Section Births	(0.1)	(0.3)
Total	(\$2.9)	(\$10.7)

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

- **FQHC In-Plan:** Federally Qualified Health Centers (FQHCs) are organizations that provide comprehensive and affordable care to vulnerable populations in underserved areas. State Medicaid programs are required to cover the preventive and primary health care services offered by FQHCs. Medicaid payment rules for FQHCs are governed by a federal prospective payment system (PPS) which prescribes rates for each patient encounter. In Rhode Island, a significant number of Medicaid beneficiaries are enrolled in managed care plans, which are not required to use the same payment system. Managed care organizations (MCOs) negotiate a rate with the FQHCs, which is typically lower than the encounter rate under the PPS. FQHCs are often paid less for providing care to managed care beneficiaries compared to other patients. When this happens, EOHHS pays the difference through a supplemental payment called a wraparound (or wrap) payment.

Historically, EOHHS has seen an upward trend in Medicaid member usage at FQHCs which has resulted in consistently higher wrap payments. FQHCs have little incentive to control costs if EOHHS continues to provide these payments. The Governor eliminates the wraparound payments and, instead,

builds the payments into the rates paid through managed care. This will encourage MCOs to work with FQHCs to manage costs and strengthen procedures on billable encounters. The Budget assumes that this initiative would impact utilization of other managed care services, thereby generating \$1.9 million in general revenue savings (\$5.3 million all funds) in FY2020.

- **Performance Goal Program:** The Medicaid Performance Goal Program (PGP) has operated in Rhode Island since 1998. The program established standards for quality and performance within managed care while focusing on eight domains: utilization, access to care, prevention and screening, women's health, chronic care, behavioral health, compliance, and total cost of care. The PGP provides financial incentives to health plans for meeting specific performance benchmarks.

The Governor eliminates the Performance Goal Program in FY2020. Based on estimates adopted by the November 2018 Caseload Estimating Conference, this would reduce general revenue expenditures by \$890,828 (\$5.1 million all funds). This proposal would also negatively impact revenues generated through the insurance gross premium tax, reducing collections by approximately \$102,758.

- **C-Section Births:** The Governor proposes implementing a multi-year strategy to reduce C-Section births from the current level of 30.0 percent of all births to the national best practice of 20.0 percent of all births. The Budget assumes general revenue savings of \$134,350 (\$285,000 all funds) by achieving a 10.0 percent reduction in the incidence of C-Section births in FY2020, slightly offset by an estimated \$5,700 loss in revenue collections.

Limit Hospice Rate Increase

(\$2.6 million)

The FY2019 Budget as Enacted provided rate increases of 10.0 percent for home care providers, home nursing care providers, and hospice providers delivering personal care attendant services and 20.0 percent for home care providers, home nursing care providers, and hospice providers delivering skilled nursing and therapeutic services. As interpreted by EOHHS, this rate increase was applied to all components of the hospice care payment, including the room and board rate which is passed through to nursing facilities. This was not the intent of the rate increase, as it resulted in a discrepancy between the room and board rates paid for hospice care and non-hospice care in nursing facilities. The Governor seeks to correct this issue by excluding room and board from the rate increase. This initiative is expected to reduce general revenue expenditures \$2.6 million (\$5.5 million all funds) in FY2020.

This rate reduction would negatively impact revenues generated by the nursing home provider tax. The \$5.5 million all funds expenditures saved through this initiative would otherwise be subject to this 5.5 percent tax. Therefore, the State would forego approximately \$302,500 related to this initiative.

Eliminate State-Only Programs

(\$2.0 million)

The Governor's Budget eliminates two "State-only" programs which are not eligible for federal Medicaid matching funds. This would reduce general revenue expenditures by \$2.0 million. These programs include Cortical Integrative Therapy (CIT) and Graduate Medical Education (GME).

- **Cortical Integrative Therapy:** Cortical Integrative Therapy (CIT) is a specialized rehabilitative treatment for certain brain disorders and injuries. CMS has denied the State's request for federal 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 Governor eliminates this program in FY2020, saving \$1.0 million in general revenues relative to the Enacted Budget.
- **Graduate Medical Education:** The State has a Graduate Medical Education (GME) program which 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. Currently, Rhode Island Hospital is the only hospital that qualifies for this funding. In prior years, \$4.0 million was allocated

for this program; however, the FY2019 Budget as Enacted reduced funding to \$1.0 million. The Governor eliminates the State-only funding for the GME program in FY2020.

Dual Eligible Utilization Management ***(\$2.0 million)***

The Governor's recommendation assumes savings related to implementing a set of techniques to enable a case-by-case approach to care for dual eligible beneficiaries, or those with both Medicare and Medicaid coverage. This would also apply to the population qualifying for Medicaid due to a disability, chronic condition, or need for an institutional level of care who were transitioned as part of the Rhody Health Options (RHO) redesign in FY2019. This would generate an estimated \$2.0 million in general revenue savings (\$4.2 million all funds). The savings are calculated by comparing the cost of care provided to members in fee-for-service to those formerly enrolled in managed care through RHO Phase I. Specifically, the savings would be achieved by reducing the monthly medical expenses for approximately 2,200 nursing home residents and 760 home- and community-based services (HCBS) beneficiaries. The Budget assumes that the \$383.70 monthly cost paid through RHO for HCBS beneficiaries will be reduced to \$38.37 (a 90.0 percent reduction), and the \$379.50 monthly cost paid for nursing home residents will be reduced to \$341.55 (a 10.0 percent reduction). This proposal would also negatively impact revenues generated through the nursing home provider tax, reducing collections by approximately \$55,103.

Rhody Health Options Redesign – Contracts ***(\$1.7 million)***

The FY2019 Budget as Enacted included savings of \$6.5 million from general revenues (\$13.8 million all funds) related to the Rhody Health Options (RHO) redesign. This initiative shifted beneficiaries from the RHO Phase I managed care plan to either RHO Phase II, Rhody Health Partners, or fee-for-service on October 1, 2018. The medical expenses for the fee-for-service population appear in the nursing home and home- and community-based service budget lines. The Enacted Budget assumed savings by reducing administrative costs, taxes, and risk margin and more effectively handling crossover claims with Medicare for the dual eligible population (those eligible for both Medicare and Medicaid).

As part of the redesign, the State contracted with the Rhode Island Parent Information Network (RIPIN) to provide case management services for high-risk individuals in the transition population. The State also expanded its existing contract with Automated Health Systems (AHS) to support a customer service and benefit enrollment call center. The FY2019 Budget as Enacted included funding for these contracts within the Medicaid program; however, the remainder of EOHHS' contracts are funded in Central Management. The Governor shifts funding for these contracts, totaling \$1.7 million from general revenues (\$3.3 million all funds), from Medical Assistance to Central Management. There is a concurrent increase in the Central Management program. The costs associated with the two contracts do not change.

J-Code Optimization ***(\$752,288)***

The Governor's Budget includes general revenue savings of \$752,288 (\$1.8 million all funds) related to an initiative to optimize J-Code rebate claiming, consistent with EOHHS' request for FY2020. J-Codes refer to rebates for pharmaceuticals delivered in an outpatient setting, such as chemotherapy.

A CMS rule change shifted invoicing requirements for states to reflect utilization of J-Codes by MCOs by invoicing using the date of service rather than the date of payment. This change now allows the State to bill manufacturers for prior period drug expense activity, increasing the potential for unclaimed rebate dollars for the State. These dollars are used to offset Medicaid pharmaceutical expenditures, which this initiative seeks to maximize.

Estate Recovery Optimization ***(\$236,300)***

State Medicaid programs must recover payments from a deceased beneficiary's estate to offset Medicaid expenditures which were made on behalf of the individual for nursing facility services, home- and

community-based services, and related hospital and prescription drug services. These collections were moderately higher in FY2016 and FY2017 than they have been in more recent fiscal years.

The Governor's Budget includes savings of \$236,300 from general revenues (\$500,000 all funds) from an initiative to optimize estate recoveries. This would involve augmenting EOHHS' policies and procedures around estate recoveries in order to increase collections. This initiative would restore focus on pursuing potential recoveries through improved case tracking.

VETERANS' AFFAIRS

The Office of Veterans' Affairs supports Rhode Island's veteran population of approximately 70,000. The program operates the Rhode Island Veterans' Home, a State-run nursing facility in Bristol, Rhode Island, and the Veterans' Cemetery in Exeter, Rhode Island.

Article 4 of the Governor's Budget transfers the Office of Veterans' Affairs from the Department of Human Services (DHS) to EOHHS in FY2020. This shift is intended to elevate the profile of the Office and includes the transfer of funding and 257.1 FTE positions to EOHHS.

Veterans' Affairs	General Revenue
FY2019 Enacted	\$23,558,301
<i>Target and Other Adjustments</i>	
Veterans' Home	471,396
Veterans at Risk	1,448,992
RI Serves	200,000
	153,000
FY2020 Governor	\$25,831,689

Veterans' Affairs	Other Fund Changes
Veterans' Cemetery (federal funds)	\$3,000,000

Veterans' Home **\$1.4 million**

The Governor adds general revenue funding of \$1.4 million (\$2.3 million all funds) to support operations at the Rhode Island Veterans' Home.

- **Contracted Services:** The Governor adds a net \$958,866 from general revenues (\$2.7 million all funds) to support contracted services at the Veterans' Home. This aligns funding in FY2020 with actual expenditures incurred in FY2018. The Office reported a \$2.4 million all funds closing deficit at the Veterans' Home in FY2018, of which \$14,403 was general revenue. The general revenue overage would have been significantly greater, but the home was able to leverage additional federal funds and restricted receipts to minimize the deficit. These additional funds will not be available to offset expenditures in FY2020. The Governor adds \$1.8 million for contracted medical services and \$473,917 for janitorial services. Additionally, the Governor shifts \$100,000 from restricted receipts to general revenues to support security services. The Governor's recommendation then offsets these additional expenditures by \$1.4 million for "retrenchment". According to supporting documentation, the Governor has directed EOHHS, in partnership with leadership at the Veterans' Home, to conduct an operational review to ensure that service levels align with national standards. The Governor's recommendation assumes that this review will reduce contracted services by \$1.4 million in FY2020.
- **Centralized Service Charges:** The Governor adds \$678,521 from general revenues to support increased centralized service charges at the Veterans' Home, the majority of which is for facilities management. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, facilities management, and human resources. These expenditures were previously centralized in the Department of Administration, and are now reflected in each agency based on actual use. The appropriation for the Veterans' Home in the FY2019 Budget as Enacted was based

on a facilities assessment which was conducted at the old veterans' home. The new home, which opened in November 2017, is significantly larger. The actual charges being assessed for facilities increased, which necessitated additional funding in both FY2019 and FY2020.

- **Veterans at Risk:** The Governor transfers funding for the Veterans at Risk grant from the Veterans' Home budget line to the Office of the Director. This amounts to a general revenue reduction of \$200,000 within the Veterans' Home, but has no net impact on the Office of Veterans' Affairs overall. The grant is described in more detail below.
- **Veterans' Home Personnel:** The Governor includes an additional \$7,331 from general revenues (\$466,736 less from all funds) to support personnel at the Veterans' Home. According to the Budget Office, the Governor's recommendation includes an additional \$2.9 million from general revenues to convert 12.0 Seasonal Institutional Attendants to full-time status and align all other salary and benefit expenditures, including overtime, with current projections. The Governor offsets these expenditures by \$1.7 million for anticipated turnover, and by an additional \$1.2 million in overtime savings related to the operational review discussed above.

Veterans at Risk

\$200,000

The Governor shifts the Veterans at Risk grant from the Veterans' Home to the Office of the Director, and increases the amount of the grant to \$400,000, or \$200,000 more than Enacted. This grant has allowed Veterans' Affairs to distribute community service grants for veterans' programs since FY2017. In prior years, the amount requested by applicants has exceeded available resources, which has forced the Office to limit funding opportunities, or to only partially fund some programs. The additional funds would promote programs which address veterans' needs in the community, reduce homelessness, and increase employment.

RI Serves

\$153,000

In December 2017, the Office of Veterans' Affairs established a coordinated care network and case management system called RI Serves. This network connects veterans, service members, and their families with appropriate programs provided by an array of community organizations. The system allows any individual who contacts a community provider for assistance to establish a case file at that agency and then be referred to the appropriate service provider(s) based on their needs. RI Serves assists beneficiaries in securing veterans' benefits, housing, health care, employment, and mental health services and connects providers of veterans' services through a single platform. The Governor includes \$153,000 from general revenues in FY2020 for continued support of RI Serves.

Veterans' Cemetery (federal funds)

\$3.0 million

The Governor includes \$3.0 million from federal funds to support six capital projects at the Rhode Island Veterans' Memorial Cemetery in Exeter. The projects include:

- Expansion of in-ground water piping and installation of hydrants to increase water capacity throughout cemetery grounds.
- Reconstruction of one of the three existing committal shelters.
- Construction of a staging area for funeral processions.
- Completion of a land survey to determine future expansion potential within existing acreage.
- Installation of crypts and a new columbarium wall.

Analyst Note: Supporting documentation discusses the addition of \$152,000 from restricted receipts to support these projects. However, these funds are excluded from the appropriation bill.

ELDER AFFAIRS

The Division of Elderly Affairs (DEA) provides comprehensive services, advocacy, and public policy dedicated to the needs of older Rhode Islanders, adults with disabilities, caregivers, and families. Elderly Affairs implements a system of community-based care for individuals, 60 years and older, as well as adults with disabilities. The Division is responsible for developing and implementing a State Plan on Aging under the federal Older Americans Act. The Division oversees the Aging and Disability Resource Center, called “The Point”, and a network of community information specialists who provide referrals to services and other resources to elders and adults with disabilities.

Article 4 of the Governor’s Budget transfers the Division of Elderly Affairs from the Department of Human Services (DHS) to EOHHS in FY2020 and renames it the Office of Elder Affairs. This shift is intended to elevate the profile of the Office and includes the transfer of funding and 31.0 FTE positions to EOHHS.

Elder Affairs	General Revenue
FY2019 Enacted	\$7,858,293
<i>Target and Other Adjustments</i>	<i>(18,697)</i>
Home and Community Care Co-Pay Expansion	581,643
FY2020 Governor	\$8,421,239

Home and Community Care Co-Pay Expansion **\$581,643**

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 but require help with personal care. Individuals must have incomes below 200.0 percent of the Federal Poverty Level (FPL) in order to qualify. Article 17 increases the income limit for the co-pay program to 250.0 percent of the FPL in FY2020. The Governor’s Budget adds \$581,643 from general revenues (\$1.2 million all funds) to support the expansion.

Analyst Note: This program is eligible for the standard Federal Medical Assistance Percentage (FMAP). The Budget includes general revenue funding assuming a State share of 47.71 percent. However, this is the rate for FY2019, and the program expansion is proposed for FY2020. The State share is 47.14 percent in the budget year. Using the correct FMAP, the State share of program expenses would be reduced by \$43,696.

Department of Children, Youth, and Families

Expenditures by Program	FY2018	FY2019	FY2019	Change		FY2020	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$13.1	\$13.2	\$14.4	\$1.2	8.9%	\$14.7	\$1.5	11.2%
Child Welfare	188.6	173.6	186.4	12.9	7.4%	175.7	2.1	1.2%
Children's Behavioral Health Services	13.0	12.7	13.5	0.8	6.6%	13.5	0.8	6.6%
Juvenile Correctional Services	22.7	28.3	24.5	(3.8)	-13.4%	24.5	(3.8)	-13.4%
Higher Education Incentive Grants	0.2	0.2	0.2	-	-	0.2	-	-
Total	\$237.5	\$227.9	\$239.0	\$11.1	4.9%	\$228.6	\$0.7	0.3%

Expenditures by Source

General Revenue	\$173.7	\$161.6	\$173.6	\$12.0	7.4%	\$167.3	\$5.6	3.5%
Federal Funds	61.0	61.7	61.2	(0.5)	-0.8%	57.5	(4.2)	-6.8%
Restricted Receipts	2.5	2.7	2.4	(0.3)	-9.4%	1.9	(0.8)	-29.4%
Other Funds	0.4	1.9	1.7	(0.2)	-9.2%	1.9	0.0	1.3%
Total	\$237.5	\$227.9	\$239.0	\$11.1	4.9%	\$228.6	\$0.7	0.3%

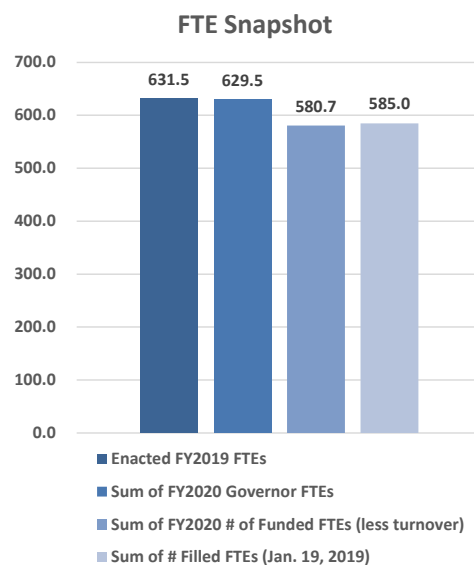
Authorized FTE Levels 616.5 631.5 629.5 (2.0) -0.3% 629.5 (2.0) -0.3%
 \$ in millions. Totals may vary due to rounding.

The Department of Children, Youth, and Families (DCYF) is charged with implementing a statewide program to protect and support vulnerable children and families. The Department develops and evaluates services which provide opportunities for children to reach their full potential. DCYF has three major operational divisions: Child Welfare (including child protective services, family services, and permanency support), Children's Behavioral Health Services, and Juvenile Corrections (including the Rhode Island Training School and juvenile probation). The Department supports an average of 3,200 children and their families, and indirectly serves thousands more through community-based programs.

MAJOR ISSUES AND TRENDS

The Governor recommends \$228.6 million from all funds for the Department of Children, Youth, and Families in FY2020. This includes \$167.3 million from general revenues, \$57.5 million from federal funds, \$1.9 million from restricted receipts, and \$1.9 million from RICAP funds. General revenue funding increases by \$5.6 million (3.5 percent) relative to the FY2019 Budget as Enacted.

The Governor reduces the Department's FTE authorization by 2.0 FTE positions, from 631.5 in the FY2019 Budget as Enacted to 629.5 in both the FY2019 Revised and FY2020 recommendations. This reflects the centralization of all health and human services (HHS) legal staff to the Executive Office of Health and Human Services (EOHHS). Legal counsels are assigned to the four HHS agencies through interagency agreements but are cost allocated to EOHHS. The Governor transfers the positions out of DCYF to reflect where they are currently budgeted.



Children's Rights Settlement: In January 2018, the State of Rhode Island and DCYF settled a long-standing class action lawsuit. Children's Rights Inc., a child advocacy group, filed suit in 2007 and demanded systemic reforms to the State's child welfare system. The lawsuit cited deficiencies throughout DCYF, including excessive caseworker assignments and an inappropriate residential service array. Over the last

decade, these inadequacies have resulted in numerous incidents of child abuse, neglect, and death in Rhode Island. The settlement outlined a number of new screening and reporting requirements to be met by the Department and overseen by the Office of the Child Advocate.

Child and Family Services Review: In October 2018, the federal Administration for Children and Families (ACF) released an analysis of Rhode Island's child welfare system, based on findings from the third round of the Child and Family Services Review (CFSR). The CFSRs are periodic reviews of child welfare systems across the nation, designed to achieve three goals: assess conformity with federal child welfare requirements, evaluate child and family experiences while receiving child welfare services, and assist states in their efforts to help children and families achieve positive outcomes. The report found that DCYF needed improvement 27 of the 45 areas reviewed, based on a random selection of 65 cases. Although child welfare systems across the country typically exhibit similar shortcomings and the Department has made great strides in transforming its system of care in recent years, the report reflects the ongoing challenges which the Department faces. Specifically, according to the report, Rhode Island's child welfare system is one "in which the volume of cases, in addition to broader systemic challenges, affects caseworkers, attorneys, and the courts, and compromises the State's ability to achieve positive outcomes." The ACF encourages the State to focus its program improvements on the following: developing appropriate safety plans, conducting ongoing safety and risk assessments, achieving timely permanency for children in foster care, and engaging parents. The results of the CFSR will continue to influence DCYF operations in the coming years.

Child Fatality: In January 2019, a 9-year-old girl with cerebral palsy, who had been adopted from DCYF, was found dead after being left alone in a bathtub for eight hours. She lived with seven other adopted children under the care of a single parent. First responders found the home in squalid conditions. The high-profile case has raised concerns about DCYF's operations and oversight. Investigators responded to an allegation of maltreatment at the home one year prior, but approved an adoption six months later, in July 2018. The case has also called into question the process which allowed eight children, all with special needs, to be adopted by a single person. In response, the parent was arrested and charged, investigators were placed on leave, and the remaining children were placed with new families. The Department implemented an emergency protocol, increasing the oversight role of senior management and requiring the Director's explicit approval in order to increase capacity if there are already five minors living in a single home. The Department is working to implement long-term, overall system improvements as a result.

Foster Care: The Department is in the process of restructuring its services and supports for foster families. When a child is removed from their home and placed in DCYF care, the Department has a number of foster care placement options. This includes: kinship care, which are relatives or close family friends paid directly by DCYF; DCYF-licensed foster care, or families recruited and paid by DCYF; or private agency foster care, where families are recruited by private, DCYF-contracted providers which set their own, typically higher, rates. The difference in rates results in foster families receiving varying levels of reimbursement depending on the placement type. The Department plans to procure new contracts in FY2020 with private placement agencies in order support a more transparent and equitable rate-setting process. This will allow DCYF to determine all reimbursement rates, ensuring that rates accurately reflect each child's level of need, and provide support services to all families regardless of placement type. As of April 2019, the Department is evaluating responses to a Request for Proposals (RFP).

Budget Deficit: According to its second quarter report, the Department is projecting a significant budget deficit in FY2019. The deficit is primarily driven by the Child Welfare program as the Department receives growing numbers of child maltreatment reports and completes more investigations, meanwhile trying to move towards a more comprehensive and appropriate service array for the children and families it serves. The Enacted Budget included \$161.6 million from general revenues (\$227.9 million all funds) for the Department. The Governor includes general revenue funding of \$173.6 million in FY2019 (\$12.0 million more than Enacted) and \$167.3 million in FY2020 (\$5.6 million more than Enacted). General revenue spending in FY2018 totaled \$173.7 million.

Historically, the Department has been held to unachievable budget targets which have required a supplemental budget. The Department's FY2018 budget was, and the FY2019 budget continues to be, constrained by caseload levels, coupled with an effort to transform services for youth in State care. For many years, the Department was over-reliant on congregate care, or group homes, and has been working to minimize its use of these settings. In order to achieve a reduction in congregate care, the Department has invested in various other programs. This includes working with providers of home- and community-based family preservation services in order to keep families intact and avoid removing children from their homes, thereby reducing the number of children in need of residential placements. In the case of removals, the Department prioritizes kinship foster care and has been working to license more families in order to provide more appropriate out-of-home settings. An increasing number of children and youth are placed in home-based foster care settings. DCYF has also implemented stricter policies regarding congregate care placements and invested in adoption and guardianship programs in order to promote permanent placements for children who cannot return to their families. Over the last decade, the Department has successfully reduced its congregate care census from a year-end average of 965 in FY2009 to an average of 399 through the first three quarters of FY2019, despite an increase in total caseload over the same time period.

CENTRAL MANAGEMENT

The Central Management program is provided by the Office of the Director and Support Services. Central Management functions are primarily administrative and strive to improve services and maximize operational efficiency. These functions provide coordination and oversight, fiscal management, accountability supports, facility management, legal services, and youth development services.

Central Management	General Revenue
FY2019 Enacted	\$8,783,677
<i>Target and Other Adjustments</i>	<i>141,622</i>
Centralized Service Charges	1,983,444
RICHIST	35,866
FY2020 Governor	\$10,944,609

Centralized Service Charges **\$2.0 million**

The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, facilities management, and human resources. These expenditures were previously centralized in the Department of Administration, and are now reflected in each agency based on actual use. The FY2019 Budget as Enacted added \$1.5 million to the Juvenile Corrections program for information technology charges, which the Department later transferred to Central Management. The Governor adds these charges to Central Management in both FY2019 and FY2020 to reflect this change. In addition to the transferred charges, the Governor includes \$445,955 more from general revenues to reflect a statewide adjustment to the existing accounts in Central Management based on actual billings through December 2018.

RICHIST **\$35,866**

States have the option to receive federal funding from the Children's Bureau in order to support a Statewide Automated Child Welfare Information System (SACWIS). SACWIS platforms provide foster care and adoption case management through a comprehensive, automated tool. In Rhode Island, this system is known as the Rhode Island Children's Information System (RICHIST). The RICHIST is the Department's required method of documentation and serves as a registry for all case, financial, and staff management information. It provides a standardized, electronic method of capturing and recording confidential case information, including investigation reports, family assessments, court activity, service plans, and eligibility information. RICHIST generates the data required by federal law to be reported to the National Child Abuse and Neglect Data System (NCANDS), Adoption and Foster Care Analysis and Reporting System (AFCARS), and the National Youth in Transition Database (NYTD). It also generates the caseload and financial data which the Department uses in creating its budget requests to the Governor and General Assembly.

The Governor includes \$821,966 from general revenues (\$1.3 million all funds) to support maintenance of the RICHIST in both FY2019 and FY2020, consistent with the Department's request. This is \$35,866 more from general revenues (\$112,698 all funds) relative to the FY2019 Budget as Enacted.

CHILD WELFARE

The Child Welfare division has two major sub-programs:

- **Child Protective Services (CPS):** CPS reviews and responds to reports of child abuse and neglect. CPS staff includes child protective investigators who specialize in the investigation of these reports. If a child is deemed to be at imminent risk of harm, he or she may be removed from the home and placed in the care of the State for up to 48 hours, pending petitions before the Rhode Island Family Court.
- **Family Services Unit (FSU):** Staff members within Family Services provide ongoing social services and case management to children and families who become involved with DCYF due to abuse, neglect, substance abuse, or behavioral health issues.

The Child Welfare program includes out-of-home placements such as foster care and congregate care. Foster care settings include kinship and non-kinship placements as well as private agency homes. Congregate care settings encompass residential treatment facilities (both in-State and out-of-State), group homes, semi-independent living, and independent living. Child Welfare also includes the Permanency Services Unit, which oversees the administration of the adoption and guardianship subsidy programs for children and youth in permanent placements.

The Governor's FY2020 Budget includes \$126.6 million from general revenues to support Child Welfare. This is \$7.0 million more than the FY2019 Budget as Enacted but \$6.9 million less than the FY2019 Revised Budget. Actual general revenue expenditures in FY2018 were \$134.6 million.

Child Welfare	General Revenue
FY2019 Enacted	\$119,568,576
<i>Target and Other Adjustments</i>	
Caseload Adjustment	751,878
Accelerate Voluntary Extension of Care	10,338,030
Home-Based Services Length of Time	(2,584,191)
Target Savings	(1,282,026)
Personnel	(800,000)
Increase Title IV-E Claiming	792,323
Tiered Reimbursement for Pre-K	(250,000)
FY2020 Governor	\$126,571,775

Caseload Adjustment

\$10.3 million

The Governor adds \$10.3 million from general revenues (\$7.8 million all funds) relative to the Enacted Budget to support the Department's caseload-based trends, which increased dramatically in FY2018 and through the beginning of FY2019. Of this amount, \$10.1 million (\$19.2 million all funds) was included as a current service adjustment based on a regression analysis completed by the Budget Office to project foster care, congregate care, adoption, and guardianship placements in FY2020. The projection was revised in the Department's budget request, based on updated information at the time of submission, increasing general revenue funding by an additional \$193,775 (\$11.5 million less from all funds). Both adjustments are included in the Governor's recommendation.

The majority of expenditures in the Child Welfare program are caseload-driven and funded through the assistance and grants category. The FY2019 Budget as Enacted provided \$88.6 million from general revenues in assistance and grants for direct services, or \$13.7 million less than FY2018 actuals.

During FY2018, the Department experienced significant increases in both investigations and removals, which translated into increases in out-of-home placements. While the congregate care census continues to decline (it is currently at a historic low), overall expenditures in FY2018 were driven by more expensive average per diem rates for these placements. This is due to the fact that the case mix of the remaining congregate care population is heavily weighted towards the highest-need youth. The increase in average costs is, in fact, related to the Department's mission to reduce congregate care—the highest-need youth, who were previously in hospital-based settings, have been stepped down into residential treatment centers or out-of-State placements. DCYF now assumes the full cost of care for these youth, as they are no longer covered by Medicaid, increasing the share of congregate care costs incurred by the State.

Age	Per Diem Foster Care Rates			Change
	Through 12/31/2015	Through 9/30/2018	Effective 10/1/2018	
0-3	\$14.39	\$17.95	\$23.00	28.1%
4-11	\$13.64	\$19.26	\$25.50	32.4%
12+	\$15.79	\$21.01	\$26.50	26.1%

Department, the same rates had been in place for nearly a decade. This rate increase, while necessary to support foster families, has contributed to the current deficit given increased foster care caseloads.

The Governor includes the additional funding of \$10.3 million described above. It should be noted that the savings initiatives discussed in this section are applied against this caseload adjustment, rather than the Enacted Budget, to limit the additional spending by \$4.1 million.

Accelerate Voluntary Extension of Care

(\$2.6 million)

The Governor recommends general revenue savings of \$2.6 million (\$3.0 million all funds) in FY2020 related to the Voluntary Extension of Care (VEC) initiative included in the FY2019 Budget as Enacted. The VEC program allows the option for former foster youth who entered care on or after their sixteenth birthday to continue receiving services from the Department through age 21.

The savings would be achieved by moving youth who are currently in independent or semi-independent living programs into the VEC program. Through independent and semi-independent living arrangements, DCYF compensates providers for programming, including housing support and limited case management. Through the in-house VEC program, DCYF is able to continue providing housing support as well as consistent, ongoing case management and enhanced case management when needed. According to supporting documentation, the average monthly cost of independent and semi-independent living programs is \$6,589, whereas the cost in VEC is approximately \$1,200. Youth in VEC are also projected to have a higher federal Title IV-E penetration rate, comparatively, increasing the potential to offset general revenue expenditures with federal funds. The initiative assumes 57 youth will be transitioned in the second half of FY2019 and into FY2020. Savings are also reflected in the FY2019 Revised recommendation.

Home-Based Services Length of Time

(\$1.3 million)

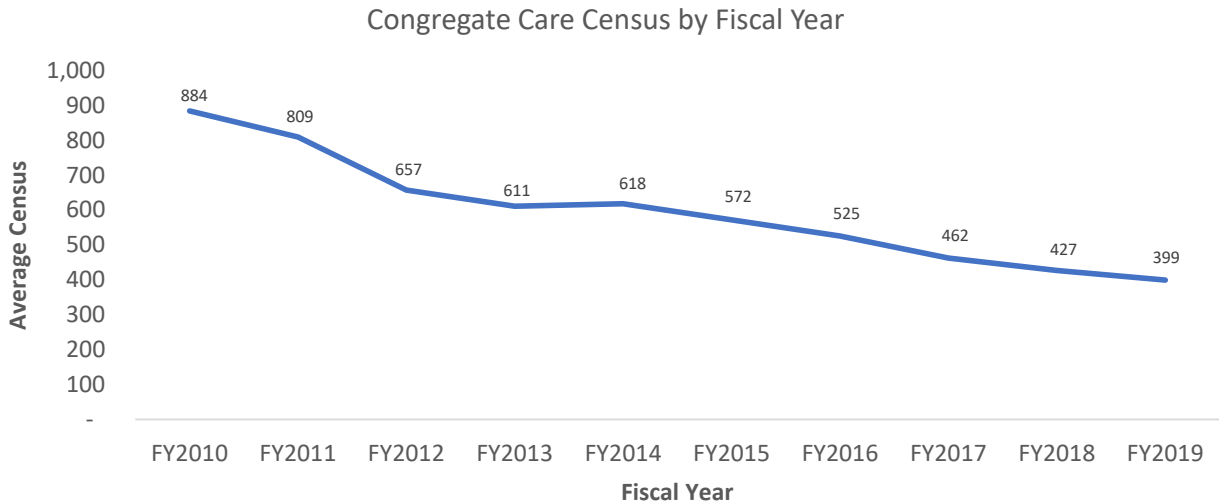
Home-based services employ crisis intervention strategies designed to maintain children safely in their homes and prevent the separation of families. Home-based services are provided to children and families who have been reported to child protective services (CPS) for suspected abuse or neglect, but are not determined to be at imminent risk of danger, or to children who have been removed from their homes but are expected to return in the near term. Following an investigation and assessment by CPS, these services may be offered to families to improve safety and prevent the need for out-of-home care or future involvement with DCYF.

The Governor's Budget includes general revenue savings of \$1.3 million (\$2.0 million all funds) in FY2020 by limiting reauthorizations for home-based services to 60 days. There are additional savings assumed in FY2019, as this policy is already in effect as of January 1, 2019. Families are automatically granted an initial authorization of 6 months for home-based services; however, prior to the change made in FY2019,

subsequent authorizations were for the same amount of time. In some cases, this resulted in the Department paying for services which were not required for a child’s level of need. The new policy, which requires a reauthorization every 60 days, does not preclude a subsequent reauthorization from being issued if needed and warranted. It does allow the Department to tailor services on a more case-specific basis and only pay for services that are necessary and appropriate.

Target Savings **(\$800,000)**

The Governor’s Budget reduces FY2020 general revenue expenditures by \$800,000 for “target savings”. Supporting documentation does not provide an explanation for why these savings are included, how the figure was calculated, or how the Department is expected to achieve the target. The savings were not included in the Department’s request. It appears that \$200,000 of the savings is accounted for in the foster care budget line, and the remaining \$600,000 is accounted for in the congregate care budget line. This indicates that the Department may be expected to achieve some savings by continuing prevention efforts to avoid removing children from their homes, locating permanent placements for children who cannot return home, and limiting costly congregate care placements, which have steadily declined over the last decade.



Personnel **\$792,323**

The Department requested \$27.5 million from general revenues for personnel in the Child Welfare program in FY2020, or \$1.7 million more than the Enacted Budget. Less all target adjustments, including the statewide COLA, the request represents an increase of \$682,232 from general revenues, with an equivalent reduction in federal funds based on the results of the most recent cost allocation plan. The Governor accepts the Department’s request, but makes two adjustments. First, the Governor’s Budget shifts \$329,048 from federal funds to general revenues to correct a technical error in DCYF’s request which allocated more salary and benefit expenditures to the federal Child Care Development Fund (CCDF) block grant than had been agreed to by the Department of Human Services (DHS). The Governor’s Budget also reduces general revenue expenditures by \$218,957 (\$866,375 all funds) related to the transfer of the child care licensing unit to DHS as proposed in Article 4. This includes 8.0 FTE positions; however, the Governor does not reduce DCYF’s FTE authorization and, instead, proposes to repurpose the staff as social caseworkers.

Increase Title IV-E Claiming **(\$250,000)**

Title IV-E of the Social Security Act allows states to access federal funding to cover expenses for eligible foster children. Eligibility is primarily based on income and parental deprivation. Article 15 modifies the lead licensing requirements of foster homes in order to facilitate Title IV-E claiming. Under current lead requirements, the Department may not license a foster home with a lead hazard until it is remediated. The

Department may not claim Title IV-E until a license is issued. However, if DCYF is able to locate a relative or close family friend, also known as a kinship foster home, it is current practice to place a child in their home regardless of the lead licensing status. The language in Article 15 would modify the requirements to permit licensure for foster homes while lead remediation is in progress, thereby facilitating kinship licensing and increasing federal claiming. The remediation process would be detailed in regulations promulgated by the Department of Health. This proposal would not change DCYF's current placement protocol, but would modify the way kinship foster care is financed. These efforts are expected to increase IV-E matching funds by \$250,000, resulting in an equivalent amount of general revenue savings in FY2020.

Tiered Reimbursement for Pre-K

\$37,185

The Governor's Budget builds off of the tiered child care reimbursement system which was established in the FY2019 Budget as Enacted. This system is designed to incentivize quality in child care by tying reimbursement to providers' quality ratings. The Enacted Budget piloted the system for infants/toddlers (birth to age three), and pre-school children (up to age five). Through Articles 10 and 15, the Governor's Budget increases the baseline pre-school rates for licensed child care centers and family child care providers to meet the 75th percentile, as is federally recommended. The majority of funding for child care programs is included in the Department of Human Services (DHS); however, DHS charges DCYF for the expenses incurred on behalf of children in DCYF care. The Governor includes \$37,185 from general revenues to account for the portion of the rate increase which will be incurred by DCYF.

CHILDREN'S BEHAVIORAL HEALTH SERVICES

The Children's Behavioral Health Services program designs, implements, and monitors a statewide system of care for children and youth requiring mental health services, including those children who are involved with the Department due to abuse, neglect, or delinquency. The Department seeks to support all children and youth with developmental disabilities or emotional disturbances in the least restrictive settings possible.

Children's Behavioral Health Services	General Revenue
FY2019 Enacted	\$6,944,545
<i>Target and Other Adjustments</i>	<i>166,915</i>
Pivot to Prevention	73,600
FY2020 Governor	\$7,185,060

Children's Behavioral Health Services	Other Fund Changes
LEA Billing (federal funds)	(\$415,374)

Pivot to Prevention

\$73,600

The Department's current strategic plan highlights the intent to "Pivot to Prevention" by focusing on efforts to keep children safe at home, at school, and in the community, with the ultimate goal of reducing child abuse and neglect in Rhode Island. The Department convened a small team, led by the Harvard Kennedy Government Performance Lab, to develop recommendations to strengthen procedures for preventing child abuse. The team determined that increased staff capacity is needed to accomplish the following:

- Develop an interdepartmental referral procedure and protocol.
- Train DCYF and other State agency staff on new protocols.
- Develop and implement policies and procedures for identifying at-risk pregnant mothers and connecting them to supportive services. This includes supporting DCYF in the implementation of Plans of Safe Care, which address the health and treatment needs for substance-exposed newborns.
- Develop and implement a Newborn Developmental Risk assessment system.

The Governor includes \$73,600 from general revenues (\$136,600 all funds) to support a 0.6 FTE within DCYF's existing staffing authorization for this initiative. This amounts to approximately 20 hours per week.

LEA Billing (federal funds)

(\$415,374)

Article 15 shifts the costs of education for youth involved in juvenile justice from the State to the local education agency (LEA) in each student's sending district. The financial responsibility determination is based on the student's last known residence prior to involvement in the juvenile justice system. Currently, DCYF pays these costs under the Juvenile Corrections program, but claims \$415,374 in federal funds as a "limited-purpose LEA" which are budgeted in the Children's Behavioral Health Services program. According to the Department, these funds are used primarily for professional development activities. Under the proposal, DCYF would lose this status as a limited-purpose LEA along with the entirety of the federal funding. The Governor adds \$250,000 from general revenues to offset this loss; however, these funds are added in Juvenile Corrections.

JUVENILE CORRECTIONAL SERVICES

Juvenile Correctional Services includes two major sub-programs:

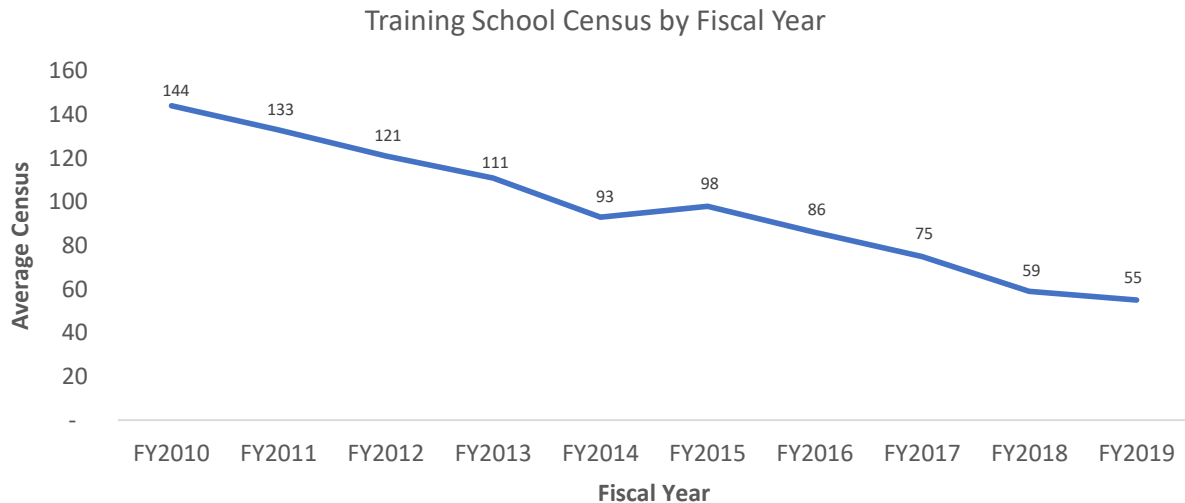
- **Rhode Island Training School (RITS):** The RITS is a secure correctional facility for adjudicated juvenile offenders as well as those detained and awaiting trial. The facility has a maximum capacity of 148, with 124 beds for male residents and 24 beds for female residents. The Training School is a 24-hour, 365-day operation providing housing, food, clothing, medical care, education, vocational training, and other programs and services to meet the needs of its residents.
- **Juvenile Probation and Parole:** Juvenile Probation supervises all formerly adjudicated youth placed on probation by the Family Court. Each youth is evaluated to determine their risk for recidivism. Staff members then create and enforce individualized plans to address the factors which contribute to delinquent behavior in order to ensure future compliance.

Juvenile Correctional Services	General Revenue
FY2019 Enacted	\$26,117,243
<i>Target and Other Adjustments</i>	
Personnel	(2,833)
Centralized Service Charges	(1,953,110)
Reconfiguration of Units at the RITS	(1,060,671)
RITS Education Program	(550,000)
LEA Billing	(438,651)
FY2020 Governor	250,000
	\$22,361,978

Personnel

(\$2.0 million)

The Governor reduces general revenue funding for personnel in Juvenile Corrections by \$2.0 million relative to the FY2019 Budget as Enacted. The majority of salary and benefits in this program are funded through general revenues, with a small amount of federal funding (approximately \$125,000) available as a Medicaid match for administrative activities. Of the reduction in personnel funding, \$1.7 million was requested by the Department, primarily based on steadily declining caseloads at the Rhode Island Training School as the State utilizes more appropriate placements and services for the juvenile justice population. This is consistent with nationwide efforts to divert youth from the juvenile justice system, shifting resources from incarceration to community-based alternatives. Over the last decade, the average census at the Training School has declined 61.8 percent.



In addition to the \$1.7 million reduction requested by the Department, the Governor further reduces personnel funding by \$292,543 to adjust a calculation in the benefits line. According to the Budget Office, the Department's personnel request incorrectly calculated benefits for the Howard Union of Teachers, which represents educators at the Training School. This resulted in longevity bonuses and supplemental benefits which were higher than these employees are actually receiving. The Governor adjusts salaries and benefits in the Juvenile Corrections program to correct this error.

Centralized Service Charges

(\$1.1 million)

The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, facilities management, and human resources. These expenditures were previously centralized in the Department of Administration, and are now reflected in each agency based on actual use. The FY2019 Budget as Enacted added \$2.4 million to the Juvenile Corrections program for information technology and facilities management. During FY2019, the Department transferred the information technology charges, totaling \$1.5 million, to the Central Management program. The Governor removes these charges from Juvenile Corrections in both FY2019 and FY2020 to reflect this change. This reduction is offset by an additional \$476,818 for facilities management charges to reflect a statewide adjustment based on actual billings through December 2018.

Reconfiguration of Units at the RITS

(\$550,000)

As previously discussed, the census at the Rhode Island Training School has continued to decline over the last decade. As of April 1, 2019, there were 55 youth at the RITS. In response to changes in the population, the Department is conducting a feasibility study to assess the current layout and physical structure of the facility. The study will assist the Department in determining the best use of the space given the changing needs of the population. According to DCYF, the study will be completed in April 2019.

The Governor's Budget assumes that the study will allow DCYF to reorganize and repurpose an existing unit to enhance residential programming options, saving \$550,000 given a half-year impact. This initiative will improve the Department's ability to maximize federal funding and optimize staffing levels. The savings are accounted for in the turnover budget line, suggesting the Department's intent to freeze certain positions. Supporting documentation indicates that this initiative will impact 11.0 FTE positions. According to the Department, this would affect 8.0 Juvenile Program Workers, 1.0 Cottage Manager, 1.0 Clinical Social Worker, and 1.0 Supervisor. As of April 2019, all of these positions are filled.

RITS Education Program **(\$438,651)**

The Rhode Island Training School provides year-round educational programming for all residents, regardless of whether they are detained or adjudicated. The program must comply with all Rhode Island Department of Education (RIDE) regulations. Currently, there are 14 full-time teachers, with two teachers for each of the core subjects (Math, Science, English, and History). The average salary, excluding benefits and longevity, is approximately \$86,500. Most of the teachers receive longevity bonuses and incentives for obtaining a Master’s or Doctorate level degree.

In response to a steadily declining census at the Training School, the demand for classroom and vocational education has decreased. The Governor recommends savings of \$438,651 related to a reduction in the number of teachers in the program. According to the Budget Office, this “can be the combination of attrition and layoffs” and would impact 3.0 FTE positions. The savings are budgeted as turnover.

LEA Billing **\$250,000**

Article 15 of the Governor’s Budget amends RIGL 16-64-1.1 to modify the funding mechanism for the education costs associated with youth in the Juvenile Corrections program. Currently, these costs are borne entirely by DCYF. Under the Governor’s proposal, these costs would be shifted to the resident districts of youth who are sentenced to the Training School or the Ocean Tides facility in Narragansett. Under the proposed arrangement, DCYF would continue to pay the entirety of these education costs. The State would seek reimbursement by withholding the per-pupil special education costs from each district’s education aid. Therefore, the savings, which amount to approximately \$1.3 million, are accounted for in RIDE’s budget

Currently, DCYF holds the status of a “limited-purpose LEA” for the purposes of educating youth in juvenile justice. The Department is awarded \$415,374 in federal funds as a result, which are budgeted in the Children’s Behavioral Health Services program. However, under the Governor’s proposal, DCYF would lose this status along with the associated funding. According to the Department, this funding is used for an array of staff training and professional development activities for employees in the Juvenile Corrections program. In order to offset this loss and to support continuation of staff development programs, the Governor includes \$250,000 from general revenues.

HIGHER EDUCATION INCENTIVE GRANTS

The Postsecondary Tuition Assistance Program provides tuition assistance for former foster youth to attend a wide range of post-secondary institutions. This program is funded by State higher education incentive grants and federal Educational and Training Vouchers (ETVs). General revenue funding for the incentive program is set by statute at \$200,000 per year.

DCYF coordinates with the Office of the Post-Secondary Education Commissioner’s Division of Higher Education Assistance (DHEA) to administer this grant program. DHEA provides information regarding cost of attendance and financial aid for each applicant to the program. This allows DCYF to ensure that funding is distributed equitably across participants.

Higher Education Incentive Grants	General Revenue
FY2019 Enacted	\$200,000
<i>Target and Other Adjustments</i>	-
FY2020 Governor	\$200,000

In the 2016-2017 academic year, a total of 69 students formerly in DCYF care were awarded higher education incentive grants. Of the awarded students, 44 (63.8 percent) attended a Rhode Island public institution: 19 attended the Community College of Rhode Island, 14 attended the University of Rhode Island, and 11 attended Rhode Island College.

CAPITAL PROJECTS

The Governor recommends a total of \$1.7 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2019, \$1.9 million in FY2020, and \$3.9 million in FY2021 through FY2024. Projects include:

- Acquisition and installation of a generator at the Training School. The Governor includes a total of \$650,000, with \$225,000 in FY2019 and \$425,000 in FY2020. The total project cost is \$680,802.
- Upgrades and improvements at the Training School, including roof repairs, sprinkler head replacements, and the installation of a new security system. The Budget includes financing of \$1.5 million in both FY2019 and FY2020 for these improvements. The total project cost is \$6.4 million.

Analyst Note: Two Governor's Budget Amendments dated February 15, 2019, amend RICAP appropriations in FY2019 and FY2020. The amendments reduce expenditures within DCYF by \$750,000 each year to correct errors in the original budget submission. The funding for Training School repairs had been double-counted in the Governor's submission. Together, the amendments reduce DCYF's total RICAP appropriation in FY2019 from \$1.7 million to \$975,000, and from \$1.9 million to \$1.2 million in FY2020.

Department of Health

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$11.3	\$12.3	\$15.0	\$2.7	21.7%	\$14.7	\$2.4	19.5%
Community Health and Equity	94.6	103.7	108.6	4.9	4.7%	108.4	4.7	4.5%
Customer Services	11.6	12.1	12.6	0.5	4.2%	13.1	1.0	8.2%
Environmental Health	11.9	13.3	13.3	0.1	0.5%	13.7	0.4	3.1%
Health Laboratories and Medical Examiner	11.6	12.6	12.4	(0.2)	-1.6%	13.1	0.6	4.5%
Policy, Information and Communications	4.4	4.7	5.8	1.1	22.9%	7.2	2.5	52.9%
Preparedness, Response, Infectious Disease, and Emergency Services	14.1	15.4	20.3	4.9	32.1%	18.4	3.0	19.3%
Total	\$159.6	\$174.1	\$188.1	\$13.9	8.0%	\$188.6	\$14.5	8.3%

Expenditures By Source	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$26.3	\$29.0	\$30.1	\$1.1	3.9%	\$32.2	\$3.3	11.3%
Federal Funds	93.5	101.2	110.7	9.5	9.3%	106.0	4.8	4.7%
Restricted Receipts	39.7	43.9	47.3	3.4	7.6%	50.0	6.0	13.8%
Other Funds	-	-	-	-	-	0.4	0.4	-
Total	\$159.6	\$174.1	\$188.1	\$13.9	8.0%	\$188.6	\$14.5	8.3%

Authorized FTE Levels 506.6 514.6 517.6 3.0 0.6% 520.6 6.0 1.2%
\$ in millions. Totals may vary due to rounding.

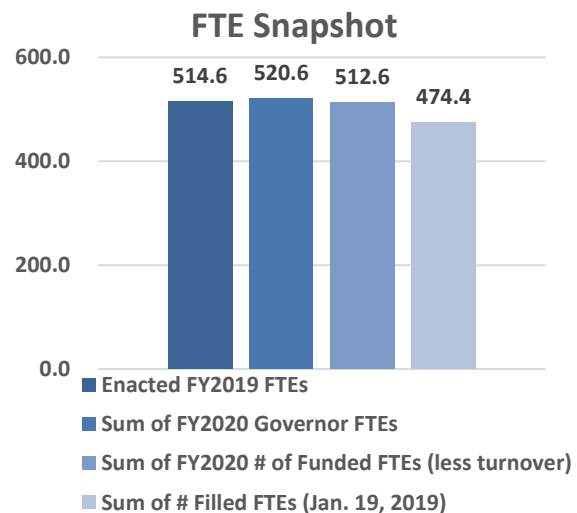
The mission of the Rhode Island Department of Health (RIDOH) is to prevent disease and to protect and promote the health and safety of the people of Rhode Island. Since Rhode Island has no local health departments, the Department coordinates public health activities across the State. The Department's responsibilities include licensing and regulation, collection and analysis of health data, disease surveillance, prevention, and control, vital records, and state laboratories. The Department also houses the Office of the Medical Examiner, the agency responsible for investigating and certifying suspicious or otherwise unexplained deaths.

MAJOR ISSUES AND TRENDS

The FY2020 Budget as Enacted appropriates funding for the seven programs within the Department of Health (DOH): Central Management, Community Health and Equity, Customer Services, Environmental Health, Health Laboratories and Medical Examiner, Policy, Information and Communications, and Preparedness, Response, Infectious Diseases and Emergency Response. The Budget includes \$188.6 million in all funds for FY2020, an increase of \$14.5 million from the FY2019 Budget as Enacted. General revenues compromise 17.0 percent of the budget, equaling \$32.2 million, an increase of \$3.3 million from the FY2019 Budget as Enacted.

Included in the Budget are \$650,000 in additional general revenues to maintain the number of individuals served within the Family and Home Visiting, \$378,000 to expand the number of pregnant women served by the First Connections program, and \$190,000 for the Childhood Lead Poisoning Prevention Program.

The Budget authorizes an additional 6.0 FTE positions, funded by restricted receipts. The positions include 3.0 FTE Nursing Care Evaluators, 2.0 Environmental Food Inspectors, and 1.0 FTE Senior Environmental Health Food Specialist for the proposed adult-use marijuana program. The Nursing Care Evaluator positions are intended to reduce a backlog of uninvestigated complaints, facility-reported incidents, and



routine annual inspections of certain state-licensed hospitals, assisted living facilities, and other health facilities.

CENTRAL MANAGEMENT

Central Management provides overall leadership, management, and administrative functions for the Department. The Division includes four subprograms: Executive Functions, Management Services, Academic Center, and Health Equity Institute.

The Budget includes a staffing level of 28.2 FTE positions in FY2019 and FY2020.

Central Management	General Revenue
FY2019 Enacted	\$2,096,306
<i>Target and Other Adjustments</i>	<i>(39,671)</i>
Facilities Management	1,587,425
FY2020 Governor	\$3,644,060

Facilities Management **\$1.6 million**

The Budget increases general revenue facilities management expenditures by \$1.6 million to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. Beginning in FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$1.1 million for facilities management, which is increased by \$1.6 million to \$2.7 million in the FY2020 proposed budget.

COMMUNITY HEALTH AND EQUITY

The Division of Community Health and Equity aims to eliminate health disparities, assure healthy child development, control disease, and strive for healthy communities. The division includes four centers: chronic care and disease management, health promotion and wellness, perinatal and early childhood health, and preventive services. The Community Health and Equity division was established in FY2017, by shifting functions from the previous division of Community and Family Health and Equity.

The Budget includes a staffing level of 100.8 FTE positions in FY2019 and FY2020.

Community Health and Equity	General Revenue
FY2019 Enacted	\$638,372
<i>Target and Other Adjustments</i>	<i>7,125</i>
Family and Home Visiting	650,000
First Connections - Pre-Natal Expansion	378,000
FY2020 Governor	\$1,673,497

Community Health and Equity	Other Fund Changes
Federal Grants	\$599,297

Family and Home Visiting **\$650,000**

The Budget adds \$650,000 in general revenue funding for the Family and Home Visiting Program. The program provides 1,400 pregnant women and families, particularly those at risk for poor-outcomes, with resources to increase positive outcomes. The program works to improve maternal and child health, prevent child abuse and neglect, encourage positive parenting, and promote child development and school readiness. A loss in federal funding occurred in FY2018 in the amount of \$1.3 million. The additional

general revenue funding is combined with a standard Medicaid match to close the gap in funding caused by the elimination of federal support for the program.

First Connections – Pre-Natal Expansion

\$378,000

The Budget adds \$378,000 in general revenues to expand the First Connection program to serve additional cases. The First Connections program assists in access to services such as food assistance, mental health, child care, family home visiting, and Early Intervention. At the current funding level of \$511,485 in federal funds, the program can assist 135 pregnant women per year but receives an average of 2,400 referrals per year, about 5.6 percent. The program funding is currently primarily used to serve 3,000 children per year, but the expansion would provide the program with the capability to expand and serve approximately 40.0 percent of prenatal referrals per year, equal to the average number of women who continue in the program after a referral.

Federal Grants (federal funds)

\$599,297

The Budget increases federal funds by \$599,297 within the Community Health and Equity Program as compared to the FY2019 Budget as Enacted. The following table illustrates the various major federal fund adjustments.

Federal Fund Adjustments	FY2018	FY2019	FY2019	Change	FY2020	Change
	Actual	Enacted	Governor		Governor	
Immunization	\$12.4	\$15.8	\$14.7	(\$1.2)	\$15.1	(\$0.7)
Maternal Infant & Early Childhood Home Visiting	8.1	5.7	8.5	2.8	8.5	2.8
Chronic Disease Prevention and Control	1.0	1.0	0.2	(0.9)	-	(1.0)
WIC - Administrative Costs	6.6	7.9	6.9	(1.1)	7.0	(0.9)
WIC - Benefits	15.3	17.3	16.0	(1.3)	16.5	(0.8)
Diabetes & Heart Disease & Stroke Prevention	-	-	1.7	1.7	2.2	2.2
Public Health Actions To Prevent Obesity	4.2	4.2	1.6	(2.6)	-	(4.2)
Support for Expectant and Parenting Teens	-	-	0.8	0.8	0.8	0.8
WIC Special Projects	-	-	3.1	3.1	2.0	2.0
All changes less than \$500,000	5.0	16.0	17.5	1.4	16.5	0.4
Total	\$52.5	\$68.0	\$70.8	\$2.8	\$68.6	\$0.6

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

CUSTOMER SERVICES

The Division of Customer Services has licensure and regulatory responsibilities of health care professionals and facilities, and is comprised of three centers: the Professional Licensing, Boards and Commissions; the Center for Vital Records', and the Center for Health Facilities Regulation. The division encompasses portions of the former Environmental and Health Services Regulation division, and the Public Health Information division.

The Budget includes a staffing level of 86.0 FTE positions in FY2019 and FY2020.

Customer Services	General Revenue
FY2019 Enacted	\$7,046,195
Target and Other Adjustments	342,486
Turnover	(184,826)
Information Technology Charges	432,172
FY2020 Governor	\$7,636,027
Customer Services	Other Fund Changes
Nursing Care Evaluators	\$327,381

Turnover**(\$184,826)**

The Budget decreases general revenue by \$184,826 within Customer Services for personnel savings. The Department of Health averaged 41.4 vacancies over FY2019. The reduction is equivalent to 1.6 FTE positions within the division. Total agency reductions in turnover are equivalent to 8.0 FTE positions agency-wide.

Information Technology Charges**\$432,172**

The Budget adds \$432,172 in general revenues, (\$594,031 all funds), to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. Beginning in FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Nursing Care Evaluators (restricted receipts)**\$327,381**

The Budget adds 3.0 FTE Nursing Care Evaluator positions to reduce a backlog of uninvestigated complaints, facility-reported incidents, and routine annual inspections of certain state-licensed hospitals, assisted living facilities, and other health facilities. The positions are funded by restricted receipt revenues raised from fees charged to healthcare facilities that were found to be in violation of state law and/or regulations. The funding provided in the Budget will assist the Department in investigating complaints and incidents that it currently does not possess adequate staffing levels to complete. Presently, there are only 1.2 FTE positions assigned to inspect facilities, and there is a backlog of 1,700 complaints. An increase in staffing will increase oversight and decrease poor practices by facilities.

ENVIRONMENTAL HEALTH

The Environmental Health program holds responsibility for the licensure and regulatory activities related to Environmental Health and all activities related to Healthy Homes. The program regulates and provides oversight of population-based activities related to safe food; clean water; healthy homes in the areas of lead, asbestos, radon; and, health and safety in the workplace. The program includes three Centers: the Center for Food Protection, the Center for Drinking Water Quality, and the Center for Healthy Homes and Environment.

The Budget includes a staffing level of 89.0 FTE positions in FY2019 and 92.0 in FY2020.

Environmental Health	General Revenue
FY2019 Enacted	\$5,689,929
<i>Target and Other Adjustments</i>	<i>(116,270)</i>
Childhood Lead Prevention	190,000
Turnover	(132,340)
FY2020 Governor	\$5,631,319

Environmental Health	Other Fund Changes
Adult Use Marijuana	\$283,659

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

The Budget adds \$190,000 in general revenues for the childhood lead prevention program. The Department estimates that approximately 50 children will need treatment in FY2020. The increased funding will provide the children with medical treatment related to their lead exposure, expand environmental lead inspections, and support primary prevention and education. The funding will also be used for the Department to work with municipalities to increase primary prevention, and to implement and expand education and outreach for high-risk individuals.

Turnover **(\$132,340)**

The Budget decreases general revenue by \$132,340 within Environmental Health for personnel savings. The Department of Health averaged 41.4 vacancies over FY2019. The reduction is equivalent to 1.2 FTE positions within the division. Total agency reductions in turnover are equivalent to 8.0 FTE positions agency-wide.

Adult Use Marijuana (restricted receipts) **\$283,659**

The Budget adds \$283,659 in restricted receipts 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 positions are funded from restricted receipts raised from the licensing fees and taxes collected from the adult use market.

HEALTH LABORATORIES AND MEDICAL EXAMINER

The Health Laboratories and Medical Examiner provides laboratory services to state and municipal agencies, health care providers, and the general public, for the purposes of public health, environmental protection, and forensic science.

The Medical Examiner investigates and certifies the cause of death in the case of all known or suspected homicides, suicides, accidents, sudden infant deaths, drug related deaths, medically unattended or unexplained deaths, and deaths which may be evidence of an epidemic or other threat to the public health. The Division also provides expert testimony in criminal and civil cases.

The Budget includes a staffing level of 79.0 FTE positions in FY2019 and FY2020.

Health Laboratories and Medical Examiner	General Revenue
FY2019 Enacted	\$10,470,418
<i>Target and Other Adjustments</i>	774,479
Turnover	(511,850)
FY2020 Governor	\$10,733,047

Turnover **(\$511,850)**

The Budget decreases general revenue by \$511,850 within the Health Laboratories and Medical Examiner program for personnel savings. The Department of Health averaged 41.4 vacancies over FY2019. The reduction is equivalent to 4.9 FTE positions within the division. Total agency reductions in turnover are equivalent to 8.0 FTE positions agency-wide.

POLICY INFORMATION AND COMMUNICATION

The Policy Information and Communication division is responsible for public health communications; data collection, analysis, and dissemination; coordination of the Department's legislative and regulatory functions; and ensuring standards of care are maintained in new and existing healthcare facilities. The division includes four centers: Public Health Communications, Health Data and Analysis and Public Informatics, Health Systems Policy and Regulation, and Legislative and Regulatory Affairs.

The Budget includes a staffing level of 55.6 FTE positions in FY2019 and FY2020.

Policy, Information and Communication	General Revenue
FY2019 Enacted	\$1,046,839
<i>Target and Other Adjustments</i>	18,928
Information Technology Charges	(141,700)
FY2020 Governor	\$924,067

Information Technology Charges**(\$141,700)**

The Budget decreases general revenue expenditures by \$141,700 to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

PREPAREDNESS, RESPONSE, INFECTIOUS DISEASE, AND EMERGENCY MEDICAL SERVICES

The Preparedness, Response, Infectious Disease, and Emergency Medical Services division includes four centers: Emergency Preparedness and Response; Infectious Disease and Epidemiology; HIV, Hepatitis, STD, and TB Epidemiology; and, Emergency Medical Services.

The division prepares for and responds to catastrophic events, disasters, and emergencies. It also monitors and works to prevent the spread of infectious diseases, and licenses and regulates emergency medical services in the state.

The Budget includes a staffing level of 59.0 FTE positions in FY2019 and FY2020.

Preparedness, Response, Infections Disease, and Emergency Services	General Revenue
FY2019 Enacted	\$1,975,771
<i>Target and Other Adjustments</i>	<i>22,252</i>
FY2020 Governor	\$1,998,023
Preparedness, Response, Infections Disease, and Emergency Services	Other Fund Changes
Federal Fund Adjustments	\$2,954,323

Federal Fund Adjustments (federal funds)**\$3.0 million**

The Budget increases federal funds by \$3.0 million within the Preparedness, Response, Infectious Disease, and Medical Services as compared to the FY2019 Budget as Enacted. The following table illustrates the various major federal fund adjustments.

Federal Fund Adjustments	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted	FY2020 Governor	Change from Enacted
Epidemiology & Lab Capacity for Infectious Diseases	\$3.0	\$3.6	\$2.9	(\$0.7)	\$2.9	(\$0.7)
First Responders Project To Combat Opioid Overdose	-	-	0.6	0.6	0.8	0.8
HIV Prevention	1.0	0.8	1.5	0.7	1.6	0.8
Opioid Overdose Crisis Response	-	-	2.8	2.8	1.4	1.4
All changes less than \$500,000	8.6	9.0	10.6	1.6	9.7	0.6
Total	\$12.6	\$13.4	\$18.4	\$5.0	\$16.4	\$3.0

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

CAPITAL PROJECTS

The Budget includes \$2.0 million in RICAP funds from FY2020 through FY2024, including \$400,000 for capital projects in FY2020 for the replacement of health laboratory equipment. Some of the equipment that must be replaced is either obsolete or no longer supported by the manufacturer.

Department of Human Services

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$8.2	\$8.7	\$9.8	\$1.2	13.3%	\$9.8	\$1.1	13.1%
Child Support Enforcement	10.4	10.0	9.1	(0.9)	-8.7%	10	(0.3)	-2.6%
Elderly Affairs	19.1	20.9	21.2	0.3	1.5%	-	(20.9)	-100.0%
Health Care Eligibility	21.7	15.5	14.3	(1.1)	-7.3%	13	(2.1)	-13.3%
Individual and Family Support	120.3	140.8	148.7	7.9	5.6%	162	20.8	14.8%
Rhode Island Works	90.6	99.2	97.6	(1.7)	-1.7%	105	5.4	5.4%
State Funded Programs	261.6	283.3	266.3	(17.0)	-6.0%	266	(17.0)	-6.0%
Supplemental Security Income Program	19.9	20.0	19.9	(0.1)	-0.4%	20	0.1	0.7%
Veterans Affairs	47.4	34.4	38.0	3.5	10.3%	-	(34.4)	-100.0%
Total	\$599.3	\$632.8	\$624.9	(\$7.9)	-1.2%	\$585.7	(\$47.1)	-7.4%

Expenditures By Source								
General Revenue	\$100.8	\$98.0	\$107.3	\$9.3	9.5%	\$74.9	(\$23.1)	-23.6%
Federal Funds	490.2	521.1	503.0	(18.1)	-3.5%	494.1	(26.9)	-5.2%
Restricted Receipts	3.7	9.0	9.8	0.8	9.1%	11.9	2.9	32.5%
Other Funds	4.6	4.8	4.8	0.0	1.0%	4.8	-	0.0%
Total	\$599.3	\$632.8	\$624.9	(\$7.9)	-1.2%	\$585.7	(\$47.1)	-7.4%

Authorized FTE Levels	981.1	1,020.1	1,030.1	10.0	1.0%	755.0	(265.1)	-26.0%
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\$ in millions. Totals may vary due to rounding.

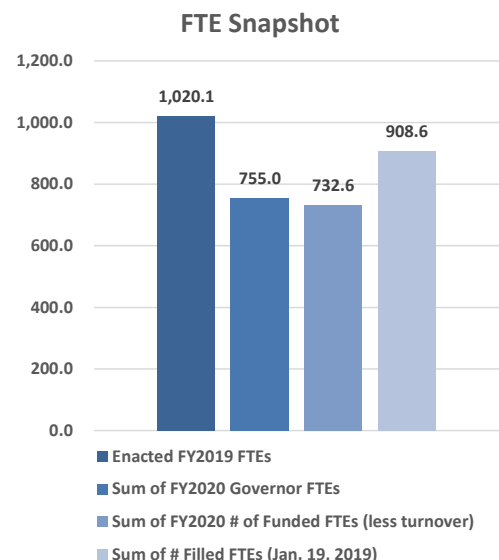
The Department of Human Services (DHS) administers programs and services that support the needs of children and families, adults and children with disabilities, veterans, and the elderly. These services include health care, child care, cash assistance, and other supportive services for working parents and families.

MAJOR ISSUES AND TRENDS

The FY2020 Budget includes total funding of \$585.7 million, a \$47.1 million decrease from the FY2019 Budget as Enacted, including a general revenue decrease of \$23.1 million. The majority of the general revenue decrease is associate with the transfer of Veteran's Affairs and Elderly Affairs from DHS to the Executive Office of Health and Human Services (EOHHS), transferring \$23.6 million and \$7.9 million, respectively. The Budget also includes an additional \$1.2 million in general revenue related to adjustments from the November 2018 Caseload Estimating Conference, mainly within the State's Child Care Assistance Program.

The Budget authorizes 755.0 FTE positions for FY2020, a decrease of 261.5 FTEs from the FY2019 Budget as Enacted. The decrease is mainly associated with the transfer of Veteran's Affairs and Elderly Affairs from DHS to the EOHHS, transferring 240.1 and 31.0 FTE positions respectively. The Budget also shifts 2.0 FTE positions to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals. The reductions are slightly offset by an increase on 8.0 FTE positions reflecting the transfer of the Childcare Licensing Unit from the Department of Children, Youth, and Families to DHS.

The Unified Health Infrastructure Project (UHIP) is the largest information technology (IT) project undertaken by the State intended to fully integrate health and human service programs, and establish a State-based health insurance exchange, HealthSource RI. The project was developed in two phases. Phase I, launched in



2013, created an online portal for purchasing commercial health insurance and income-based Medicaid eligibility. Phase II of UHIP, launched in September of 2016, was intended to expand the system to serve as a portal through which residents apply for and enroll in other health and human service programs such as Child Care, SNAP, GPA, and SSI programs.

Phase II of the UHIP project has been plagued with technical failures resulting in delays in eligibility and payments to providers and individuals. The costs of the project, is projected to total \$647.7 million through FY2020, of which \$509.5 million is federal funds and \$138.2 million is state funds. Costs are shared across the Executive Office of Health and Human Services (EOHHS), DHS, and HealthSource RI (HSRI).

The Budget includes a total of \$18.6 million related to UHIP expenditures, including an additional \$4.5 million in restricted receipts for an anticipated UHIP settlement from Deloitte Consulting, the primary developer of the system.

Caseload Estimating Conference

Every November and May, the State revises cash assistance caseload forecasts in order to estimate entitlement program spending for both the current and the following fiscal year. The November 2018 Caseload Estimating Conference adopted estimates dictate the entitlement program appropriations included in the Governor's FY2020 Budget.

Overall spending for cash assistance programs, including RI Works, child care subsidies to working families, Supplemental Security Income (SSI) state supplement, and General Public Assistance (GPA), is estimated to be \$125.3 million in FY2020, an increase of \$5.4 million from the FY2019 Enacted level. The major contributor to this increase is an anticipated increase of child care subsidies and the cost per subsidy.

Cash Assistance Program - Nov 2018 Adopted Estimates							
	FY2018	FY2019	FY2019	FY2019	FY2020	FY2020	Change to
	Actuals	Enacted	Nov. CEC	Gov. Rev.	Nov. CEC	Gov.	Enacted
Rhode Island Works							
Persons	9,831	10,025	9,700	9,700	9,700	9,700	(325)
Monthly Cost per Person	\$193.1	\$193.0	\$194.7	\$194.7	\$195.6	\$195.6	\$2.6
Federal Funds*	24.9	25.3	24.8	24.8	24.9	24.9	(0.4)
Child Care							
Subsidies	8,895	9,300	9,125	9,125	9,517	9,517	217
Annual Cost per Subsidy	\$7,316.0	\$7,912.0	\$7,912.0	\$7,912.0	\$8,205.0	\$8,205.0	\$293.0
Federal Funds*	55.2	62.9	61.5	61.5	67.4	67.4	4.5
General Revenue*	9.9	10.7	10.7	10.7	10.7	11.7	1.0
SSI- State Supplement							
Persons	35,118	35,000	34,500	34,500	34,883	34,883	(117)
Monthly Cost per Person	\$47.7	\$47.5	\$48.0	\$48.0	\$48.0	\$48.0	\$0.5
General Revenue*	20.2	20.0	19.9	19.9	20.2	20.2	0.1
General Public Assistance							
Persons	256	270	210	210	210	210	(60)
Monthly Cost per Person	\$166.6	\$137.0	\$164.0	\$164.0	\$164.0	\$164.0	\$27.0
General Revenue*	1.1	1.1	1.0	1.1	1.0	1.1	0.0
Total	\$111.3	\$119.9	\$117.9	\$118.0	\$124.2	\$125.3	\$5.4
Federal Funds*	80.1	88.2	86.3	86.2	92.3	92.3	4.2
General Revenue*	31.2	31.8	31.6	31.8	31.9	33.0	1.2

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

CENTRAL MANAGEMENT

Central Management, which includes the Office of the Director, supervises, coordinates, and monitors all departmental functions within DHS. This division also includes the Office of Policy Analysis, Research, and Development; the Operations Management Unit; the Collections, Claims, and Recoveries Unit; and, the Fraud Investigation Unit.

Central Management	General Revenue
FY2019 Enacted	\$4,147,933
<i>Target and Other Adjustments</i>	
Personnel	2,292
Head Start Grant	318,689
Centralized Service Charges	390,000
	(62,035)
FY2020 Governor	\$4,796,879
<i>Other Funds</i>	
Community Service Block Grant (federal funds)	\$781,952

Personnel **\$318,689**

The Budget includes an additional \$318,689 for personnel costs within Central Management. The Department's request included an additional \$323,468 due changes in the Department's cost allocation plan based on the most recent Random Moment Time Studies (RMTS). The Department contracts with Public Consulting Group, Inc. to conduct RMTS on employees every two weeks. The information collected from these studies is used to determine how much time employees spend on state and federal programs and how the Department allocates funding. Depending on the outcome of these studies budgeted personnel costs and actual personnel costs can vary. The Governor's Budget reduced the Department's request by \$4,779 for statewide adjustments such as medical insurance and fringe benefits.

Head Start Grant **\$390,000**

The Budget includes \$1.2 million in general revenue to support the Head Start program, a \$390,000 increase over the FY2019 Enacted level. Head Start is a program that promotes school readiness of children from low-income families by providing an environment that supports children's growth. The program is mainly supported by federal funds with the State providing additional funding as needed.

Centralized Service Charges **(\$62,035)**

The Budget includes \$54,669 in general revenue expenditures for Information Technology Service Center projected costs in FY2020. This is a reduction of \$62,035 from the FY2019 Budget as Enacted amount of \$116,704. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget reduces these costs for FY2020.

Centralized Service Charges	FY2019	FY2020		
	Enacted	Governor	Change from Enacted	
Information Technology	\$74,323	\$12,288	(\$62,035)	-83.5%
Capital Asset and Management	-	-	-	-
Human Resources	42,381	42,381	-	0.0%
Total	\$116,704	\$54,669	(\$62,035)	-53.2%

Community Service Block Grant (federal funds) **\$781,952**

The Budget includes an additional \$781,952 in federal funds to support the Community Service Block Grant. This grant helps fund the state's seven Community Action Agencies that work with individuals living in poverty and provide services such as employment, education, housing, nutrition, and health.

CHILD SUPPORT ENFORCEMENT

The Office of Child Support Enforcement assists families by ensuring payment of court-ordered child support payments. The Office provides the following services: location of non-custodial parents, establishment of paternity, establishment and modification of child support orders, and enforcement, through the use of license suspensions, tax refund intercepts, and liens. Collections recovered from families that receive state support through Rhode Island Works or Medicaid are retained by the State, while other collections are distributed directly to families.

Child Support Enforcement	General Revenue
FY2019 Enacted	1,956,875
<i>Target and Other Adjustments</i>	<i>(4,743)</i>
Child Support Enforcement - Medicaid Initiative	870,058
FY2020 Governor	\$2,822,190

Child Support Enforcement – Medicaid Initiative **\$870,058**

The Budget includes an additional \$870,058 to reverse an unachievable savings initiative. The FY2019 Budget as Enacted included savings related to an increased Medicaid match. Medicaid is unable to ask for information about non-custodial parents on the enrollment application, which has led to decreased collections. The initiative intended to establish paternity during Medicaid enrollment, leading to an increase in Medicaid collections (federal funds) and a decrease in general revenue spending. The Department has since determined that this initiative is not achievable and the funding is restored.

ELDERLY AFFAIRS

The Division of Elderly Affairs (DEA) provides comprehensive services, advocacy, and public policy dedicated to the needs of older Rhode Islanders, adults with disabilities, their caregivers, and families. Elderly Affairs implements a system of community-based care for individuals sixty years and older as well as adults with disabilities. The Division is responsible for developing and implementing a State Plan on Aging under the federal Older Americans Act. The Division oversees the Aging and Disability Resource Center (called “The Point”) and a network of community information specialists who provide referrals to services and other resources to elders and adults with disabilities.

Elderly Affairs	General Revenue
FY2019 Enacted	\$7,858,293
<i>Target and Other Adjustments</i>	<i>0</i>
Transfers of Elderly Affairs to EOHHS	(7,858,293)
FY2020 Governor	\$0

Transfer of Elderly Affairs to EOHHS **(\$7.9 million)**

Article 4 removes the Division of Elderly Affairs as a function of the Department of Human Services (DHS) and creates it as the Office of Elder Affairs within the Executive Office of Health and Human Services (EOHHS). The Office shall reside within EOHHS for administrative purposes. The structure, roles, and responsibilities of the Office remain the same. The Department of Elderly Affairs was removed as a department and consolidated as a division within DHS in 2011.

HEALTH CARE ELIGIBILITY

Health Care Eligibility is responsible for determining Medicaid eligibility. This includes the determination of eligibility for medical benefits for certain low-income individuals and/or families with dependent children, and individuals who meet eligibility criteria within the following populations: RI Works participants; SSI participants; Children with Special Health Care Needs; children in foster care or subsisted adoption within the Department of Children, Youth, and Families; low income families; and aged, blind, or disabled individuals.

Health Care Eligibility	General Revenue
FY2019 Enacted	\$6,072,355
<i>Target and Other Adjustments</i>	
UHIP Cost Recovery	(34,458)
Centralized Service Charges	(4,164,433)
Personnel	394,437
Contract Services	303,738
Rental of Outside Property	160,680
FY2020 Governor	\$2,608,841

UHIP Cost Recovery**(\$4.2 million)**

The Budget shifts \$4.2 million from general revenues to the UHIP cost recovery restricted receipt account in the Individual and Family Support program. The UHIP cost recovery account is intended to fund UHIP-related operating costs, including a portion of salary and benefits associated with 143.0 FTEs. In FY2018 the Budget included an additional 143.0 FTE positions, mainly eligibility technicians and other support staff, to work on UHIP-related programs. UHIP cost recovery funds are based on current and anticipated settlement funds Deloitte Consulting, the primary developer of the system.

Deloitte has agreed to pay the State \$50.0 million in settlement funds, this amount is shared between DHS, EOHHS, and the federal government. The Budget includes \$11.4 million in the UHIP cost recovery restricted receipt account for DHS's share of the settlement.

Centralized Service Charges**\$394,437**

The Budget includes \$955,296 in general revenue expenditures for Information Technology and Capital Asset Management Service Center projected costs in FY2020. This is an increase of \$394,437 from the FY2019 Budget as Enacted amount of \$560,859. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget reduces these costs for FY2020.

Centralized Service Charges	FY2019	FY2020		Change from Enacted	
	Enacted	Governor	Change from Enacted		
Information Technology	\$431,922	\$869,370	\$437,448	101.3%	
Capital Asset and Management	128,937	85,926	(43,011)	-33.4%	
Human Resources	-	-	-	-	
Total	\$560,859	\$955,296	\$394,437	70.3%	

Personnel**\$303,738**

The Budget includes an additional \$303,738 in general revenue for personnel costs. The Department's request shifted funds within general revenue personnel accounts to allocate more State funding for UHIP costs, the shifts resulted in a net increase of \$10,125 in personnel costs. The shift was based on an update to the Department's cost allocation plan based on the most recent Random Moment Time Studies (RMTS). The Department contracts with Public Consulting Group, Inc. to conduct RMTS on employees every two weeks. The information collected from these studies is used to determine how much time employees spend on state and federal programs and how the Department allocates funding. Depending on the outcome of these studies budgeted personnel costs and actual personnel costs can vary. The Budget increased the Department's request by \$293,613. This includes an additional \$331,222 for overtime costs based on FY2018 actuals costs, partially offset by a savings of \$37,609 for statewide adjustments such as medical insurance and fringe benefits.

Contract Services **\$160,680**

The Budget includes an additional \$160,680 for contract services. The increase is based on FY2018 actual expenditures and the Department's projected service levels. The increase includes an additional \$133,214 for IT System Support and \$38,666 for Security Services, partially offset by a savings of \$11,200 in Legal Counsel costs.

Rental of Outside Property **(\$123,478)**

The Governor includes \$123,478 in general revenue savings (\$246,956 all funds savings) due to the termination of the Department's lease in its current Providence field office. The Department anticipates ending the lease in December 2019; however, a new office space has not yet been determined.

INDIVIDUAL AND FAMILY SUPPORT

The Division of Individual and Family Support (IFS), also referred to as the Division of Economic Support, operates the Department's economic benefits and work support programs, including the federal Supplemental Nutrition Assistance Program (SNAP), the Emergency Food Assistance Program, child care subsidies, the Rhode Island Works cash assistance program, Supplemental Security Income (SSI), and General Public Assistance (GPA).

The Division also provides services to individuals with disabilities, operating the Office of Rehabilitation Services (ORS), which includes the State's vocational rehabilitation program, services for the blind and visually impaired, and disability determination.

Individual and Family Support	General Revenue
FY2019 Enacted	\$22,530,162
<i>Target and Other Adjustments</i>	
UHIP Cost Recovery	1,196,343
IAPD- UHIP Fund Alignment	(7,242,650)
Personnel	6,965,973
Elderly Transportation Program	6,140,336
	2,057,375
FY2020 Governor	\$31,647,539

Individual and Family Support	Other Funds
UHIP Cost Recovery (restricted receipts)	\$4,454,449
Preschool Development Grant (federal funds)	2,794,057
Child Care Licensing Unit (federal funds)	601,881

UHIP Cost Recovery **(\$7.2 million)**

The Governor shifts \$7.2 million from general revenues to the UHIP cost recovery restricted receipt account. The UHIP cost recovery account is intended to fund UHIP-related operating costs, including a portion of salary and benefits associated with 143.0 FTEs. In FY2018 the Budget included an additional 143.0 FTE positions, mainly eligibility technicians and other support staff, to work on UHIP related programs. UHIP cost recovery funds are based on current and anticipated settlement funds Deloitte Consulting, the primary developer of the system.

Deloitte has agreed to pay the State \$50.0 million in settlement funds. This amount is shared between DHS, EOHHS, and the federal government. The Budget includes \$11.4 million in the UHIP cost recovery restricted receipt account for DHS's share of the settlement.

IAPD – UHIP Funding Alignment **\$7.0 million**

The Budget includes an additional \$7.0 million in general revenue related to UHIP funding shifts to align with the State's Implementation Advanced Planning Document (IAPD). The most recent IAPD updates the methodology for calculating design, development, and implementation (DDI) costs of the UHIP system. As an incentive for states to create a unified health infrastructure plan, the federal government

provided a 90.0 percent match for DDI costs across all programs. Beginning in FY2019, the federal match of 90.0 percent for DDI costs only applies to Medicaid, other benefit programs must now pay their share of DDI costs.

The cost of DDI had previously been based on lines of code. The Departments would calculate how many lines of code were run by each UHIP program (such as SNAP, TANF and GPA) and allocated costs accordingly. Due to the elimination of the 90.0 percent federal match for non-Medicaid DDI costs, the most recent IAPD changes the DDI cost allocation method from lines of code to Benefits Received. The Benefits Received cost allocation method assigns planned development hours to common business requirement requests. Common business requirement requests are DDI activities that are used for multiple UHIP programs, the costs are shared among the programs based on their size. This change is intended to distribute shared software development costs equitably among the benefit programs.

The change in the calculation of DDI costs leads to a \$7.0 million increase, \$5.5 million is a shift in funding from the UHIP cost recovery restricted receipt account to general revenues. The increase is comprised of an additional \$2.9 million in the state allocation for child care, \$2.9 million in the state allocation for SNAP, and \$1.8 million in the state allocation for SSI. These increases are partially offset by a decrease of \$530,633 in the state allocation for General Public Assistance.

Personnel

\$6.1 million

The Budget includes an additional \$6.1 million for personnel costs. This increase is due to the reallocation of funding from the UHIP cost recovery restricted receipt account to general revenues and updated allocations based on the most recent Random Moment Time Studies (RMTS).

The FY2019 Budget as Enacted created the UHIP cost recovery restricted receipt account. This account was intended to support UHIP related program costs and the restricted receipt funds included in the account were estimated settlement funds to be collected from Deloitte. The FY2019 Budget as Enacted included \$5.7 million for personnel costs within the UHIP restricted receipt account.

The Department's FY2020 request shifted \$5.7 million in salary and benefit costs from the UHIP restricted receipt account to general revenues. Due to limitations with their payroll system, the Department is not able to use the UHIP restricted receipt account for personnel. In addition, including personnel costs with the UHIP restricted receipt account did not show how the costs were distributed across relevant programs and understated personnel costs that should have been funded by general revenues. While some personnel costs may be offset by funds in the UHIP restricted receipt account, the Department's request accurately reallocates the \$5.7 million in funding to the relevant state benefit accounts in accordance with the most recent Random Moment Time Studies (RMTS).

The remaining \$400,000 increase in personnel costs is also due to updated cost allocations from the most recent RMTS. The Budget includes this additional funding based on determinations from the RMTS that more time is being spent on state programs.

The Department contracts with Public Consulting Group Inc. to conduct RMTS on employees every two weeks. The information collected from these studies is used to determine how much time employees spend on state and federal programs and helps determine how the Department allocates funding. Depending on the outcome of these studies budgeted personnel costs and actual personnel costs can vary. The Department updates their cost allocations quarterly based on information from the RMTS.

Elderly Transportation Program

\$2.1 million

The Budget includes \$3.0 million in general revenue (\$7.8 million all funds) for the Elderly Transportation Program (ETP), an increase of \$2.1 million above the FY2019 Budget as Enacted. The additional funding is due to the increase in the demand for rides, as well covering the projected costs for the new vendor. In FY2019 the Executive Office of Health and Human Services (EOHHS) contracted with a new vendor, Medical Transportation Management, to provide service for the ETP program. The

ETP provides transportation to medical appointments, special medical treatments, and nutrition services for elderly and disabled clients.

UHIP Cost Recovery (restricted receipts)

\$4.5 million

The Budget includes \$11.4 million in restricted receipts for United Health Infrastructure Project (UHIP) settlement funds from the primary software developer, Deloitte Consulting, an increase of \$4.5 million from FY2019 enacted levels. In FY2019 the UHIP restricted receipt account included \$6.9 million. The FY2020 Budget shifts \$11.4 million from general revenues to the restricted receipt account (\$4.2 million from Health Care Eligibility and \$7.2 million from Individual and Family Support). This increase is partially offset by a reduction of \$6.9 million based on the reallocation of funding due to an updated cost allocation plan from the State's most recent Implementation Advanced Planning Document (IAPD).

The restricted receipt account is intended to fund personnel and operational costs associated with UHIP. Deloitte has credited the State \$85.6 million for delayed functionality of the system. Deloitte has agreed to pay the State \$50.0 million in settlement funds, this amount is shared between DHS, EOHHS, and the federal government. The Budget includes \$11.4 million in the UHIP cost recovery restricted receipt account for DHS's share of the settlement.

Preschool Development Grant (federal funds)

\$2.8 million

The Budget includes \$2.8 million in federal funds for a new Preschool Development Birth to Age Five (PDG B-5) grant. The grant is intended to support the development, planning, and coordination of the State's Early Childhood System. The grant will be used to develop a strategic plan that will make recommendations about data infrastructure, workforce, family engagement, funding streams and the expansion of high quality programs (including Universal Pre-Kindergarten). The Department has released a request of proposals and is working with the RI Department of Education, the RI Department of Health, and the Department of Children, Youth and Families to select vendors.

Child Care Licensing Unit (federal funds)

\$601,881

The Budget includes an additional \$601,881 in federal funds (\$752,346 all funds) to support the transfer of the Child Care Licensing Unit from the Department of Children, Youth and Families to the Department of Human Service. The transfer would include 8.0 FTE positions. The transfer is intended to centralize transactions with child care facilities in the Department of Human Services.

RHODE ISLAND WORKS

Rhode Island Works provides cash assistance and employment support services, including child care assistance, to enable working parents with children to support their families. Applicants may have up to \$1,000 in resources (excluding a home) and one vehicle per adult. Each month a typical family of three would receive about \$554 in assistance. Rhode Island Works (RIGL 40-5.2-5) replaced the Family Independence Program in 2008. This program is funded through the federal Temporary Assistance to Needy Families (TANF) program.

Rhode Island Works	General Revenue
FY2019 Enacted	\$10,669,986
<i>Target and Other Adjustments</i>	<i>(81)</i>
Child Care Rates	847,000
Post-Secondary Child Care Assistance	200,000
FY2020 Governor	\$11,716,905
Rhode Island Works	Other Fund Changes
Caseload Estimating Conference - Child Care Assistance (federal funds)	\$4,505,628
Caseload Estimating Conference - Rhode Island Works (federal funds)	(148,785)

Child Care Rates**\$847,000**

The Governor includes an additional \$847,000 for increased child care rates. Article 10 of the FY2020 Budget includes \$697,000 to increase reimbursement rates to the 75th percentile of the weekly market rate for licensed child care centers providing care for preschool aged children. The following table shows the change in weekly rates to licensed child care centers based on the increases to the tiered rating system. Rates may only be changed through legislation.

Licensed Child Care Centers Reimbursement Rates- Pre-school Aged Children							
Tier	FY2018 Weekly Amount	FY2019 Increased Percentage	FY2019 Increased Amount	FY2020 Increased Percentage	FY2020 Increased Amount	Change from FY2019	
1	\$161.71	2.5%	\$165.75	3.2%	\$166.88	\$1.13	0.7%
2	\$161.71	5.0%	\$169.80	5.8%	\$171.09	\$1.29	0.8%
3	\$161.71	10.0%	\$177.88	13.0%	\$182.73	\$4.85	2.7%
4	\$161.71	13.0%	\$182.73	15.0%	\$185.97	\$3.24	1.8%
5	\$161.71	21.0%	\$195.67	33.0%	\$215.07	\$19.40	9.9%

Article 15 includes \$150,000 to implement a tiered reimbursement rate system for licensed family child care providers who are caring for infants and toddlers. The tiers are based on the provider's quality rating through the State's Tiered Quality Rating and Improvement System (TQRIS), BrightStars. The tiers are implemented based on the most recent SEIU 1199NE Collective Bargaining Agreement. The agreement allows providers to continue achieving step increases, along with the additional reimbursement percentage increases associated with the implementation of the tiered system. The following table shows the change in weekly rates to family child care providers based on the tiered rating system.

Family Child Care Provider Reimbursement Rates- Preschool								
Base Rate:	Step 1	Rate	Step 2	Rate	Step 3	Rate	Step 4	Rate
\$178.55	1%	\$180.34	2%	\$182.12	3%	\$183.91	4%	\$185.69
Star Rating	+		+		+		+	
1 Star*	1%	\$182.14	0%	\$182.12	0%	\$183.91	0%	\$185.69
2 Stars	4%	\$187.55	3%	\$187.58	2%	\$187.58	1%	\$187.55
3 Stars	10%	\$198.37	9%	\$198.51	8%	\$198.62	7%	\$198.69
4 Stars	13%	\$203.78	12%	\$203.98	11%	\$204.14	10%	\$204.26
5 Stars	22%	\$220.01	21%	\$220.37	20%	\$220.69	19%	\$220.97

Note: Step rate increases are based on the January 2019 base rate of \$178.55, star rate increases are based on the applicable step rate.

Analyst Note: Pursuant to Governor's Budget Amendment (GBA) dated March 25, 2019, Article 15 was corrected to exclude preschool aged children from the tiered reimbursement rate structure. The GBA also clarifies tiered reimbursement rates for licensed family child care providers will be applied as outlined in the SEIU 1199NE Collective Bargaining Agreement.

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

Article 15 of the Governor's FY2020 Budget expands child care assistance eligibility to include families who require child care in order to pursue an educational degree or professional certificate. The Budget includes \$200,000 from general revenues to support this expansion. The Department of Human Services (DHS) administers the child care assistance program, which provides child care to families with incomes at or below 180.0 percent of the federal poverty level, so that parents are able to continue working at a paid employment position or participate in a short-term training apprenticeship or job readiness program. The beneficiary must attend an accredited post-secondary educational institute on a full-time basis, or on a part-time basis in conjunction with employment as approved by DHS.

Federal Funds Changes**\$4.4 million**

The Budget includes a net increase of \$4.4 million in federal funds, including the following:

- **Caseload Estimating Conference - Child Care Assistance:** The November 2018 Caseload Estimating Conference (CEC) adopted a child care subsidies estimate of 9,517 persons at an annual cost of \$8,205 per subsidy, an increase of 217 subsidies and \$293.03 per subsidy from the FY2019 Enacted level. The total federal fund cost of the Child Care Assistance program in FY2020 is \$67.4 million, an increase of \$4.5 million from the FY2019 Enacted level. Rhode Island provides child care assistance to low-income families (typically, families earning less than 180.0 percent of the federal poverty level).
- **Caseload Estimating Conference – Rhode Island Works:** The November 2018 Caseload Estimating Conference (CEC) adopted a RI Works caseload estimate of 9,700 persons at a monthly cost of \$195.64 per person, a decrease of 325 persons and an increase of \$2.60 per person from the FY2019 Enacted level. The total federal fund cost of the RI Works program in FY2020 is \$24.9 million, a decrease of \$148,785 million from the FY2019 Enacted level. The RI Works program is primarily funded through the federal Temporary Assistance to Needy Families (TANF) grant.

STATE FUNDED PROGRAMS

State Funded Programs incorporates two different programs, General Public Assistance (GPA) and The Supplemental Nutrition Assistance Program (SNAP). Only one of these programs, in fact, is state-funded.

GPA is a state-funded program (RIGL 40-6-3) that provides basic cash assistance to adults between the ages of 19 and 64 with very limited income and resources who have an illness, injury, or medical condition that is expected to last 30 days or more and prevents them from working. GPA also includes the hardship contingency fund, intended as the benefit of last resort for Rhode Islanders who do not qualify for Rhode Island Works or SSI. This benefit and funding level is directed by statute and does not typically fluctuate from year to year.

SNAP, or “food stamps”, is a federal nutrition program that provides food assistance to low-income households. SNAP benefits (\$265.1 million in FY2020) are fully federally funded. SNAP’s benefit disbursements are budgeted within this program; however, administrative responsibility of SNAP, as well as corresponding budgetary resources, are maintained by the Individual and Family Support program.

State Funded Programs	General Revenue
FY2019 Enacted	\$1,183,880
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference - General Public Assistance	(50,600)
FY2020 Governor	\$1,133,280

Caseload Estimating Conference—General Public Assistance **(\$50,600)**

Estimators at the November 2018 Caseload Estimating Conference (CEC) projected that in FY2020, 210 people would receive general public assistance (GPA) at a monthly cost of \$164.00 per person. Expenditures for monthly cash payments, indigent burials, and the GPA hardship contingency fund are projected to be \$1.0 million in FY2020, a \$50,600 general revenue decrease from FY2019 enacted levels. This decrease is due to an estimated savings of \$70,000 related to burials, as well as an estimated 60 less persons collecting GPA benefits. These savings are partially offset due to an increase in the monthly cost per person from the FY2019 enacted level of \$137.00 to \$164.00 in FY2020.

SUPPLEMENTAL SECURITY INCOME

The Supplemental Security Income (SSI) program is a federal income support program that provides basic cash assistance to individuals aged 65 or older and to adults and children with serious disabilities. Individuals eligible for SSI are also eligible for Medical Assistance (Medicaid) and SNAP (food stamps). Like all but four states (Arizona, North Dakota, Mississippi, West Virginia), Rhode Island pays beneficiaries a state supplement to the SSI benefit (RIGL 40-6-27).

The federal government, through the Social Security Administration, pays a basic benefit to SSI recipients. The actual monthly benefit depends on the recipient's income; generally, the more income an individual earns, the lower the monthly benefit. Like most states, Rhode Island provides a supplemental state-funded payment to each recipient of the federal payment. The State also makes a state-only payment to some individuals who exceed the federal income eligibility requirements.

The total payment (state and federal) is set at a specific level and is recalculated each year as the federal benefit is adjusted so that the benefit keeps pace with inflation. As of January 1, 2018, the federal SSI payment was increased 2.0 percent based on the cost of living adjustment (COLA) calculated by the Bureau of Labor and Statistics. The state portion of the SSI payment remained the same at \$39.92 for individuals and \$79.38 for couples. Currently, the maximum monthly payment is \$771.00 for an individual and \$1,157.00 for a couple.

For SSI recipients in an assisted living residence, a majority of the payment goes to the facility and the resident retains up to \$20.00 of the payment as a personal needs allowance.

In order to be eligible for SSI, an individual must be age 65 or older, blind, or disabled. For the purposes of determining eligibility for SSI, "disabled" means that an individual over the age of 18 has a medically determinable physical or mental impairment that results in an inability to perform any "substantial gainful activity" and that is either expected to result in death or to last for a year or more. For a child, it is a condition that results in "marked and severe functional limitations" and is expected to either result in death or to last for a year or more.

SSI-eligible individuals must also have "limited resources," defined as less than \$2,000 in resources for an individual or child, and less than \$3,000 in resources for a couple. Certain assets and resources are not included in the resource calculation, including the individual's home, household goods and personal effects, burial plots, and a single vehicle.

Supplemental Security Income Program	General Revenue
FY2019 Enacted	\$20,022,000
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference - SSI	-
FY2020 Governor	\$20,169,608

Caseload Estimating Conference—SSI **\$147,608**

The November 2018 Caseload Estimating Conference (CEC) SSI estimate reflects total general revenue costs of \$20.2 million in FY2020, which represents an increase of \$147,608 from the enacted level. This is based upon a SSI caseload estimate of 34,883 individuals in FY2020, a decrease of 117 from the FY2019 Enacted level, with individuals receiving an estimated average monthly payment of \$48.00, \$0.50 above the FY2019 Enacted level.

VETERANS AFFAIRS

The Division of Veterans Affairs serves Rhode Island's veteran population of approximately 70,000. The program operates the Rhode Island Veterans Home, a state-run nursing facility in Bristol, Rhode Island, and the Veterans Cemetery in Exeter, Rhode Island.

Veterans Affairs	General Revenue
FY2019 Enacted	\$23,558,301
<i>Target and Other Adjustments</i>	
Transfer of Veterans Affairs to EOHHS	0
FY2020 Governor	(23,558,301)

Transfer of Veterans Affairs to EOHHS

(\$23.6 million)

Article 4 removes the Division of Veterans' Affairs as a function of the Department of Human Services (DHS) and creates it as the Office of Veterans' Affairs within the Executive Office of Health and Human Services (EOHHS). The Office shall reside within EOHHS for administrative purposes.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures by Program	FY2018	FY2019	FY2019	Change		FY2020	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$4.2	\$3.0	\$4.1	\$1.2	39.7%	\$4.8	\$1.9	62.6%
Hospital & Community System Support	1.7	2.6	2.1	(0.5)	-18.7%	2.3	(0.3)	-13.4%
Behavioral Healthcare Services	24.3	27.6	39.0	11.4	41.4%	37.7	10.1	36.6%
Services for the Developmentally Disabled	265.1	272.2	273.1	0.9	0.3%	280.9	8.7	3.2%
Hospital & Community Rehabilitation Services	120.4	117.1	123.7	6.7	5.7%	122.8	5.7	4.9%
Total	\$415.7	\$422.5	\$442.1	\$19.7	4.7%	\$448.5	\$26.0	6.2%
Expenditures by Source								
General Revenue	\$190.7	\$188.1	\$194.6	\$6.5	3.5%	\$195.3	\$7.2	3.8%
Federal Funds	214.7	226.2	240.8	14.6	6.5%	245.9	19.8	8.7%
Restricted Receipts	5.5	5.1	5.6	0.5	10.7%	6.1	1.0	20.0%
Other Funds	4.8	3.1	1.1	(2.0)	-65.6%	1.2	(2.0)	-62.9%
Total	\$415.7	\$422.5	\$442.1	\$19.7	4.7%	\$448.5	\$26.0	6.2%
Authorized FTE Levels	1,319.4	1,302.4	1,304.4	2.0	0.2%	1,305.4	3.0	0.2%

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

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) provides a comprehensive system of care for individuals with mental or physical illnesses, developmental disabilities, and substance use disorders. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based programs and direct services at the Eleanor Slater Hospital and Rhode Island Community and Living Supports (RICLAS) facilities. BHDDH delivers services to more than 50,000 vulnerable individuals annually.

MAJOR ISSUES AND TRENDS

The Budget includes \$448.5 million from all funds for BHDDH in FY2020, of which \$195.3 million is from general revenues, \$245.9 million is from federal funds, \$6.1 million is from restricted receipts, and \$1.2 million is from RICAP funds. The Budget includes a general revenue increase of \$7.2 million over the Budget as Enacted and \$671,966 more from general revenues than the FY2019 Revised Budget; however, the Budget provides \$4.6 million less from general revenues than the Department requested for FY2020.

Consent Decree: The State was sued by the federal government in 2014 for violating the Olmstead Decision of the Americans with Disabilities Act. The United States Department of Justice, focusing specifically on sheltered workshops, concluded that the State's services for individuals with developmental disabilities were not adequately integrated within the community. The State subsequently entered into a Consent Decree, which requires BHDDH to foster more supportive and less isolated employment opportunities for individuals with intellectual and developmental disabilities. These employment placements must be typical jobs that pay at least minimum wage and support employment for 20 hours or more per week. The Consent Decree requires funding, sustained until FY2024, to support a reformed system of care within the Division of Developmental Disabilities. BHDDH has continued its efforts to maintain compliance with federal standards, enhance federal funding opportunities, and match clients with the most appropriate and accessible services possible.

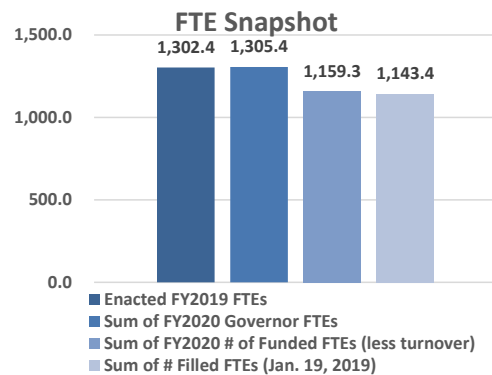
Billing Audit: In January of 2019, the Office of Internal Audit (OIA) finalized an audit of BHDDH to determine if operations are occurring efficiently and effectively and provided recommendations to the Department based on audit findings. The audit discussed findings that included insufficient guidance for billing documentation requirements and a deficient billing verification function, putting the Department at risk for overpayment. OIA recommended that BHDDH complete an evaluation of the current billing system, implement stronger controls on billing, and offer consistent billing training to providers. In response to the audit, BHDDH stated that a new case and fiscal management system will be implemented and the

Department will work to establish formal training sessions to encourage proper billing practices. In addition, BHDDH has recently entered into a contract with New England States Consortium Systems Organization (NESCO) to review the billing structure in place. The review by NESCO is scheduled to be completed by December 2019.

FY2019 Deficit: In its second quarter report, the Department projected FY2019 general revenue expenditures of \$194.6 million, an excess of \$6.5 million over the Budget as Enacted, consistent with the Governor’s FY2019 Revised Budget. Much of the Department’s deficit, or \$3.1 million, is driven by the Division of Developmental Disabilities (DD). A deficit of \$3.7 million in assistance and grants is partially offset by surpluses in personnel and operating expenses. The deficit in assistance and grants is a result of projected increases in costs for direct services, based on an expected population growth of 1.5 percent, in addition to scheduled anniversary assessments, an increase in home health provider rates, and an increase in requests for supplemental services.

Another \$3.0 million is driven by overtime at the Eleanor Slater Hospital. About half of the overtime spending is related to unachieved savings from the Budget as Enacted, which included the consolidation of the Zambarano Unit and Worker’s Compensation savings initiatives. Unachieved savings within the Zambarano Unit are a result of an increase in forensic admissions. The Department recently started work with a vendor to decrease Worker’s Compensation spending, however, the vendor just began the work. This has delayed the Worker’s Compensation savings initiative.

The Budget authorizes 1,305.4 FTE positions in FY2020, 3.0 more than FY2019 Budget as Enacted. As of the pay period ending January 19, 2019, there were 1,143.4 filled and 159.0 vacant positions in the Department.



CENTRAL MANAGEMENT

The Office of the Director provides overall management and policy direction for the Department. The program oversees most functions within BHDDH except for the Hospital, where day-to-day operations are managed by an Executive Director appointed by the BHDDH Director. The program’s functions include Management and Administration, Legislative Affairs, Constituent Affairs, Advocacy, Hospital Appeals, Strategic Planning, Community and Provider Involvement, and Public Education. The program also centralizes emergency management, asset management and capital projects, performance improvement, and funds development for the Department.

The Budget includes a staffing level of 16.0 FTE positions in FY2019 and FY2020.

Central Management	General Revenue
FY2019 Enacted	\$1,975,017
<hr/>	
<i>Target and Other Adjustments</i>	243,414
New Cost Allocation Plan Transfers	857,444
Correct PCF Allocations	281,118
Transfer of Personnel from Human Services	138,802
FY2020 Governor	\$3,495,795

***New Cost Allocation Plan Transfers* \$857,444**

The Budget increases general revenue funds by \$857,444 in FY2020 to reflect the transfer of personnel from the Divisions of Developmental Disabilities (DD) and Behavioral Health (BH) to Central Management. The transfer is a result of the Department’s new cost allocation plan, which consolidates salary and benefits expenditures for Quality and Licensing Unit personnel within Central Management. The

transfer of personnel from DD and BH would allow the Department to fund personnel from one program, rather than the positions have allocations from multiple programs. Currently, funding is divided between DD and BH for the Quality and Licensing Unit, and the new cost allocation plan eliminates confusion by consolidating funding within Central Management.

Correct PCF Allocations **\$281,118**

The Budget increases general revenues by \$281,118 to correct an error with the personnel cost forecasting (PCF). A total of 4.0 FTE positions were incorrectly allocated and funded fully by general revenues, when they should have had a 50.0 percent federal match. The increased funding corrects the allocations within Central Management.

Transfer of Personnel from Human Services **\$138,802**

The Budget increases general revenues by \$138,802 in addition to federal matching dollars to reflect the transfer of 2.0 FTE program planner positions from the Department of Human Services to Central Management to reflect the new Quality and Licensing Unit within BHDDH. The personnel have been working within Central Management, and the Budget formally transfers the FTE positions and the associated funding.

HOSPITAL AND COMMUNITY SYSTEM SUPPORT

The Hospital and Community System Support program provides financial management support for the entire Department, including the hospital and community patient care facilities. Operational areas within the program include Budget Development, Program Analysis, Business Services, Accounting and Financial Control, Federal Grants, Contract Management, Revenue Collection, Billing and Accounts Receivable, Patient Resources and Benefits, Rate Setting, and Financial Reporting.

The Budget includes a staffing level of 19.0 FTE positions in FY2019 and FY2020.

Hospital & Community System Support	General Revenue
FY2019 Enacted	\$2,614,415
<i>Target and Other Adjustments</i>	<i>(189,297)</i>
Centralized Service Charges	(477,466)
Transfer of RICLAS Personnel	294,294
FY2020 Governor	\$2,241,946

Centralized Service Charges **(\$477,466)**

The Budget reduces general revenue expenditures to reflect billed amounts for information technology, capital asset management and maintenance, and human resources charges. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget includes \$188,516 in FY2020 for these expenses, reflecting a reduction of \$477,466 from the FY2019 Budget as Enacted.

Transfer of RICLAS Personnel **\$294,294**

The Budget increases general revenues by \$294,294 to reflect the transfer of 1.0 Investigative Auditor and 1.0 Deputy Chief Financial Officer from the Rhode Island Community Living and Supports (RICLAS) program within the Division of Developmental Disabilities (DDD) to the Division of Hospital and Community System Support. The transfer of personnel and funding is the result of the Department's new cost allocation plan, which consolidates salary and benefits expenditures for the 2.0 FTE positions within Financial Management and establishes new federal matching accounts, rather than the positions have allocations from multiple programs.

BEHAVIORAL HEALTHCARE SERVICES

The Division of Behavioral Healthcare Services is comprised of two subprograms: Integrated Mental Health Services and Substance Use Disorder Treatment and Prevention Services. The Division plans, coordinates, and administers a comprehensive system of mental health promotion and substance use disorder prevention, intervention, and treatment activities. The program, primarily funded by federal grants, provides screening, early interventions, referrals, clinical treatment services, and recovery support activities. The program coordinates with other departments and agencies in the State, including the criminal justice system, public healthcare system, child welfare, education, and other allied human service entities.

The Budget includes a staffing level of 62.0 FTE in FY2019 and 63.0 FTE in FY2020.

Behavioral Healthcare Services	General Revenue
FY2019 Enacted	\$3,610,316
<i>Target and Other Adjustments</i>	<i>545,598</i>
Behavioral Healthcare Link	(650,000)
New Cost Allocation Plan Transfers	(493,239)
RICARES	100,000
Teen Substance Use Disorder Prevention	65,000
FY2020 Governor	\$3,177,675

Behavioral Healthcare Services	Other Fund Changes
Federal Grant Changes	\$10,549,548
Substance Use Disorder Program Administrator	Informational

Behavioral Healthcare Link **(\$650,000)**

The Department contracted with Horizon Healthcare Partners to launch BH Link in November 2018. The location provides 24-hour triage, stabilization, and referral services to the entire state for individuals in behavioral health crises as an alternative to emergency departments or correctional facilities. The Budget as Enacted provided the Department with \$650,000 for the start-up costs of BH Link, which are no longer required in FY2020, as the program is now established and will be federally funded going forward.

New Cost Allocation Plan Transfers **(\$493,239)**

The Budget decreases general revenues by \$493,239 in FY2020 to reflect the transfer of 7.0 FTE positions from Behavioral Health (BH) to Central Management. The transfer is a result of the Department's new cost allocation plan, which consolidates salary and benefits expenditures for Quality and Licensing Unit personnel within the Divisions of Central Management and Financial Management. The transfer of personnel would allow the Department to fund personnel from one program, rather than the positions have allocations from multiple programs.

RICARES **\$100,000**

The Budget includes an increase of \$100,000 in general revenue to fund a contract with Rhode Island Communities for Addiction Recovery Efforts (RICARES) to certify recovery houses, as recommended from the Governor's Overdose Taskforce, recognizing the ongoing need for recovery housing and the associated program administrative costs. Recovery houses provide a sober, safe, and healthy living environment to promote recovery from alcohol and substance use disorder.

Teen Substance Abuse Prevention **\$65,000**

The Budget includes an increase of \$65,000 in general revenues to be raised from marijuana penalties. The funds would be distributed for evidence-based prevention activities at middle schools and high schools around the state in conjunction with the Department of Health. Funded activities include peer support programs, training, family support programs, and parent engagement.

Federal Grant Changes (federal funds)**\$10.5 million**

The Budget increases federal funds by \$10.5 million within the Division of Behavioral Healthcare Services as compared to the FY2019 Budget as Enacted. Federal changes include the new State Opioid Response Grant, which provides the State with \$12.6 million in FY2020 to respond to the opioid epidemic. The following table illustrates the various major federal fund adjustments.

Federal Fund Adjustments	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted	FY2020 Governor	Change from Enacted
State Opioid Response	-	-	\$6.5	\$6.5	\$12.6	\$12.6
Prevention Framework Partnership for Success	-	-	1.4	1.4	2.3	2.3
State Targeted Response Grant	0.7	2.2	3.6	1.4	0.0	(2.1)
Strategic Prevention Framework	(2.9)	2.2	2.2	0.0	0.2	(2.0)
Promoting Integration of Primary and Behavioral Health Care	-	-	1.0	1.0	2.0	2.0
Cooperative Agreement to Benefit Homeless Individuals	2.3	1.8	1.8	(0.0)	0.2	(1.6)
Medicaid Administrative Expenditures	-	-	0.8	0.8	0.9	0.9
Mental Health Utilization/Administration	0.6	0.5	-	(0.5)	-	(0.5)
Medication Assisted Treatment	0.6	1.0	1.3	0.3	0.5	(0.5)
All changes less than \$500,000	11.4	14.1	14.4	0.3	13.8	(0.4)
Total	\$12.7	\$21.9	\$33.1	\$11.2	\$32.4	\$10.5

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

Substance Use Disorder Program Administrator**Informational**

Article 20 of the Budget legalizes adult-use marijuana for those over the age of twenty-one and dedicates 25.0 percent of restricted receipt revenues to impacted agency expenditures. The Budget adds 1.0 FTE position to BHDDH for related work. The Budget does not include funding for the position, but it appears as though the position is funded through the restricted receipts directed to the Executive Office of Health and Human Services.

Analyst Note: The Department plans to hire 2.0 FTE positions for the adult-use marijuana program, 1.0 Administrator II focused on prevention efforts, and 1.0 Administrator II focused on recovery efforts. The Governor's Budget does not include funding for the staff in BHDDH, although there is restricted receipt funding within the Executive Office of Health and Human Services (EOHHS) which could be used for this purpose. The Governor's Budget Amendment dated March 13, 2019, modified the distribution of adult-use marijuana funds to provide the restricted receipts directly to BHDDH rather than EOHHS. An additional Governor's Budget Amendment dated April 5, 2019, transfers \$500,000 from EOHHS to BHDDH for 2.0 FTE positions and program supports. According to the Department, the total estimated cost of each position is \$126,503.

SERVICES FOR THE DEVELOPMENTALLY DISABLED

The Division of Developmental Disabilities (DD) supports a statewide network of private and public programs for adults with developmental disabilities. These supports include several levels of residential care, community placements, day programs, and respite programs. The goal of the program is to provide access to appropriate services in the least restrictive environment possible. The program manages a population that ranges from those previously institutionalized at the Ladd School, prior to the closure of the facility in 1994, to those with mild functional disabilities in need of daytime supports and vocational training to function within the community.

The program serves approximately 4,400 individuals through State-run programs and community-based providers, including those who only receive case management services. The State-run system consists of 24-hour, nursing-level facilities; the State group home system, otherwise known as Rhode Island

Community Living and Supports (RICLAS); and a private residential provider network. As of February 2019, 1,590 individuals were served in residential placements, including 380 in Shared Living Arrangements (SLAs) and 1,210 in group home settings. DD clients are also served through day programs, supportive employment, and programs that provide support to allow individuals to continue living with their families. Many clients are served by more than one program.

The Budget includes \$280.9 million from all funds, including \$131.4 million from general revenue for the Division of Developmental Disabilities in FY2020. This is \$5.1 million more general revenue than the Budget as Enacted and \$4.0 million more than actual expenditures in FY2018.

The Budget includes a staffing level of 366.0 FTE positions in FY2019 and FY2020.

Services for the Developmentally Disabled	General Revenue
FY2019 Enacted	\$126,318,720
<i>Target and Other Adjustments</i>	
DSP Wage Increase	85,279
Caseload Growth Adjustment	3,000,000
Health Homes Initiative	2,797,141
Residential Rebalancing Continuation	2,496,805
Centralized Service Charges	(1,518,621)
Correct PCF Allocations	(789,684)
Personnel	(562,224)
New Cost Allocation Plan Transfers	(399,840)
Home Health Aide Increase	(330,877)
FY2020 Governor	\$131,370,111

DSP Wage Increase

\$3.0 million

The Budget includes \$3.0 million in general revenues (\$6.4 million all funds) within the Division of Developmental Disabilities to provide an increase in wages for Direct Support Professionals (DSPs), who support individuals with intellectual and/or developmental disabilities (I/DD). The funding increase supports the State's efforts to rebalance the long-term care system, improve access to high-quality services, and provide supports in the least restrictive setting. Historically, I/DD service providers have struggled to recruit, train, and retain this crucial workforce because they are unable to offer competitive wages. According to BHDDH, this addition would equate to a pay increase of \$0.44 per hour based on a current average hourly wage of \$12.27. The Department used its existing wage distribution model to calculate this rate increase. The current model calculates wages for other support staff, including supervisors and support coordinators, based on DSP wages. In order to provide the increase only for DSPs, as intended, BHDDH froze wages for all other staff.

Caseload Growth Adjustment

\$2.8 million

The Budget includes an additional \$2.8 million from general revenue to support the program's projected needs for FY2020. This reflects population growth and scheduled SIS-A reevaluations of over 1,000 individuals who receive services. The SIS-A evaluates the practical support requirements of individuals with intellectual disabilities through an interview process to provide a recommendation for services. The scheduled assessments are expected to place individuals in a higher tier of services than they are currently assigned, resulting in higher spending per individual.

Residential Rebalancing Continuation

(\$1.5 million)

The Budget includes general revenue savings of \$1.5 million by continuing residential rebalancing efforts in FY2020. The State of Rhode Island is heavily reliant on group home residential options, which are both the most restrictive and most expensive settings for DD clients. Currently, approximately 32.0 percent of individuals receiving direct services from DD reside in a group home. Rebalancing efforts began in

FY2019, and the Department seeks to reduce the overall group home census to 25.0 percent by FY2021. The Department is rebalancing residential services by:

- Transitioning individuals from group homes to more desirable and cost-effective settings, including family-based supports, independent living, and SLAs.
- Limiting backfilling when group home vacancies arise and supporting providers in consolidating and closing group homes as needed.
- Reducing licensure of existing group homes to align with bed capacity, group home census, and federal Home and Community Based Services (HCBS) rules.

Health Homes Initiative

\$2.5 million

Federal rules for conflict-free case management stipulate that service providers cannot also act as case managers. Health homes aim to coordinate all aspects of care, including psychiatry, primary care, specialty care, medication, and wellness. Health homes are responsible for case management and do not provide actual care services. The health home payment methodology shifts from fee-for-service to a value-based payment method for individuals with developmental disabilities. This alternative method is cost effective and provides a more person-centered payment structure, consistent with the Department's goals.

The Budget restores \$2.9 million in general revenues from unachieved savings from the health home initiative in the FY2019 Budget as enacted, including \$1.7 million from assumed savings in FY2019 and an additional \$1.2 million in FY2020. The restoration funds those who choose not to transition to conflict-free case management, and a delay in implementation. The total number of individuals who choose to transition would be phased in to the new funding structure, with several individuals being transitioned each month. The Department anticipates implementation would begin in October 2019, with \$455,020 realized savings in FY2020. Savings would be achieved through a 90.0 percent federal match, for a net general revenue increase of \$2.5 million.

Centralized Service Charges

(\$789,864)

The Budget reduces general revenue expenditures to reflect billed amounts for information technology, capital asset management and maintenance, and human resources charges. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget includes \$935,762 in FY2020 for these expenses, reflecting a reduction of \$789,864 in general revenues from the FY2019 Budget as Enacted.

Correct PCF Allocations

(\$562,224)

The Budget reduces general revenues by \$562,224 to correct an error with the personnel cost forecasting (PCF). A total of 4.0 FTE positions were incorrectly allocated and funded fully by general revenues, when they should have had a 50.0 percent federal match. The increased funding corrects the allocations within Central Management.

Personnel Adjustments

(\$399,840)

The Budget reduces general revenues by \$399,840 to reflect various personnel adjustments. Adjustments include the closure of one group home, in which staff will be reallocated to other group homes to reduce overtime expenditures generating a general revenue savings of \$91,909. The Budget includes savings of \$202,721 to reflect a reassessment of staffing patterns to reduce overtime and overnight shifts.

The Budget decreases general revenues by \$105,210 to reflect the reallocation of 2.0 FTE RICLAS personnel from DDD to Hospital and Community System Support to reflect the new cost allocation plan, which would allow the Department to fund personnel from one program, rather than the positions have allocations from multiple programs.

New Cost Allocation Plan Transfers **(\$330,877)**

The Budget reduces general revenues by \$330,877 in FY2020 to reflect the transfer of 5.0 FTE positions from the Division of Developmental Disabilities (DDD) to Central Management. The transfer is a result of the Department's new cost allocation plan, which consolidates salary and benefits expenditures for Quality and Licensing Unit personnel within Central Management. The transfer of personnel would allow the Department to fund personnel from one program, rather than the positions have allocations from multiple programs.

Home Health Aide Increase **\$273,412**

The Budget includes a general revenue increase of \$273,412 to reflect a growth in projected expenditures caused by a higher billing rate for licensed practical nurses (LPN) in home health care settings. The 20.0 percent increase increased rates from \$5.72 to \$6.90 per 15 minute increment. In the FY2019 Budget as Enacted, there was \$301,692 in general revenue funds with a federal match added to the Governor's recommended budget for home health aide wage increases. The increases in funding have been due to rate changes, which are set by the Executive Office of Health and Human Services.

HOSPITAL AND COMMUNITY REHABILITATION SERVICES

The Hospital and Community Rehabilitation Services Program provides a continuum of treatment and residential options for psychiatric and developmentally disabled clients. The Hospital facilities are licensed by the Department of Health (DOH) and accredited by the national board for health care organizations, the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The Eleanor Slater Hospital (ESH) has two campuses; the Pastore Center in Cranston has 306 licensed beds and averages 128 patients, while the Zambarano Campus in Burrillville has 189 licensed beds and averages 95 patients. Hospital funding levels and FTE authorization dictate actual bed utilization and census. The Pastore Center campus focuses on long-term psychiatric and psychogeriatric services while the Zambarano campus focuses on long-term and rehabilitative care.

The Budget includes a staffing level of 841.4 FTE positions in FY2019 and FY2020.

Hospital & Community Rehabilitation Services	General Revenue
FY2019 Enacted	\$53,573,498
<i>Target and Other Adjustments</i>	<i>(441,786)</i>
Increased Funding for Eleanor Slater Hospital (ESH) Staff	1,319,920
Security Services	1,033,748
Centralized Service Charges	772,771
Maximize Medicaid	(500,001)
Laundry Services	(455,365)
Medicare Part B Billings	(200,000)
Radiology	(95,000)
FY2020 Governor	\$55,007,785

Increased Funding for Eleanor Slater Hospital (ESH) Staff **\$1.3 million**

To reduce the risk of non-compliance with Joint Commission on Accreditation of Hospitals (JCAHO) standards, the Budget includes \$1.3 million in additional general revenue funding for ESH staff due to an increase in forensic patients (those who have been deemed unfit to stand trial). The added funds will allow ESH to meet standards that are required for accreditation and includes \$2.7 million more in overtime than the \$1.3 million the agency had requested. The additional overtime funding is offset by \$1.0 million in additional turnover savings, which is \$1.0 million more than the \$3.0 million the agency had requested, in addition to other statewide adjustments.

Security Services**\$1.0 million**

The Budget adds \$1.0 million more from general revenue to reflect a new contract with APG Security to enhance the security services at Eleanor Slater Hospital. This will allow the Department to keep personnel safe and reduce workers compensation claims. The total contract amount is \$1.3 million.

Centralized Service Charges**\$772,771**

The Budget reduces general revenue expenditures to reflect billed amounts for information technology, capital asset management and maintenance, and human resources charges. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget includes \$4.7 million in FY2020 for these expenses, reflecting an increase of \$772,771 from the FY2019 Budget as Enacted.

Maximize Medicaid**(\$500,001)**

The Budget assumes general revenue savings of \$500,001 related to the improvement of Medicaid claiming at ESH. The savings are to be achieved by changing the way services are billed. The method will change from billing based on actual time spent to billing based on services provided including case management, and personal care services, which will enhance Medicaid match rates.

Laundry Services**(\$455,365)**

The Budget reduces general revenues by \$455,365 in an initiative to perform laundry services in a more cost-effective manner. Currently, laundry services for ESH are performed at an off-site facility and costs \$1 per pound. ESH washes 1.6 million pounds of laundry per year. ESH has assessed the costs of performing laundry services on campus, which will reduce costs by 60.0 percent. This would result in a savings of \$960,000, offset by implementation costs of \$504,635.

Medicare Part B Billings**(\$200,000)**

The Budget reduces general revenue expenditures by \$200,000 to reflect the improvement of Medicare Part B billing at ESH. The savings are to be achieved through improvements in coding and physician documentation of services that are reimbursable by Medicare.

Radiology**(\$95,000)**

The Budget includes \$95,000 in general revenue savings to reflect the outsourcing of radiology by eliminating the radiologist at ESH.

CAPITAL PROJECTS

The Budget includes \$1.2 million in RICAP funds for three capital projects in FY2020, including:

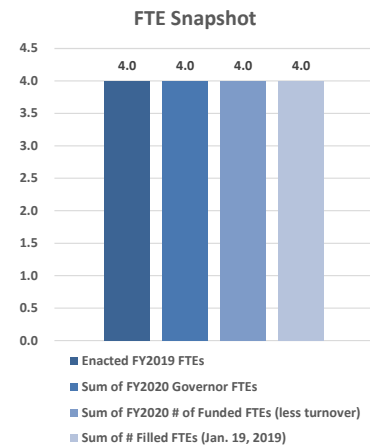
- \$500,000 RICAP funds for maintenance and repairs at 149 State-owned and 121 privately-owned DD group homes. The Budget includes a total of \$2.5 million from FY2020 through FY2024.
- \$300,000 RICAP funds for the purchase of hospital equipment for both campuses of Eleanor Slater Hospital totaling \$1.5 million from FY2020 through FY2024.
- \$350,000 RICAP funds for substance abuse asset protection projects totaling \$1.3 million from FY2020 through FY2024.

Analyst Note: The Governor's Budget Amendment dated February 15, 2019, reduces RICAP expenditures within BHDDH by \$100,000 in FY2020 in order to correct an error in the original budget submission. This reduces funding for the substance abuse asset protection project by \$100,000 in FY2020. The amendment reduces BHDDH's total RICAP appropriation in FY2020 from \$1.2 million to \$1.1 million.

Governor's Commission on Disabilities

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Revised	Enacted	Enacted	Governor	Enacted	Enacted
Governor's Commission on Disabilities	\$710,175	\$1,387,275	\$1,389,808	\$2,533	0.2%	\$1,558,659	\$171,384	12.4%
Expenditures By Source								
General Revenue	\$444,657	\$1,002,537	\$951,910	(\$50,627)	-5.0%	\$1,055,069	\$52,532	5.2%
Federal Funds	254,817	335,167	395,318	60,151	17.9%	458,689	123,522	36.9%
Restricted Receipts	10,701	49,571	42,580	(6,991)	-14.1%	44,901	(4,670)	-9.4%
Grand Total	\$710,175	\$1,387,275	\$1,389,808	\$2,533	0.2%	\$1,558,659	\$171,384	12.4%
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

The Governor's Commission on Disabilities advocates for individuals with disabilities, expands economic opportunities for businesses owned by or employing individuals with disabilities and their families, and ensures that individuals with disabilities have access to government. The Commission is responsible for coordinating compliance by state agencies with federal and State disability rights laws.



MAJOR ISSUES AND TRENDS

The Budget for FY2020 includes \$1.6 million, of which \$1.0 million is general revenue. This reflects an all funds increase of \$171,384 from the FY2019 Budget as Enacted. The increase reflects an additional \$52,532 in general revenues, an increase of \$123,522 in federal funds, and a decrease of \$4,670 in restricted receipts.

Governor's Commission on Disabilities	General Revenue
FY2019 Enacted	\$1,002,537
<i>Target and Other Adjustments</i>	(6,429)
Contracted Services	45,363
Independent Living Program	13,598
Livable Home Modification Grant Program	Informational
FY2020 Governor	\$1,055,069
Other Fund Changes	
Independent Living Program	\$123,522
Handicapped Accessibility Capital Projects	Informational

Contracted Services **\$45,363**

The Budget adds \$45,363 in general revenue for design and engineering contracted services. In 2018, voters authorized the \$250.0 million School Construction bond. The Commission expects 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 and current budget request, the Commission requested funding for this service. The Budget includes \$45,500 for FY2019 and \$45,363 for FY2020.

Independent Living Program **\$13,598**

The Budget increases the general revenue state match for the Independent Living Program by \$13,598, and includes an increase of \$123,522 in federal funds. Independent living programs work to support

community living and independence for people with disabilities. According to information provided by the Commission, independent living programs are supported through funding authorized by the Rehabilitation Act of 1973, as amended (The Act). Title VII, chapter 1 of the Act to promote independent living involving consumer control, peer support, self-help, self-determination, equal access, and individual and system advocacy, in order to maximize the leadership, empowerment, independence, and productivity of individuals with disabilities, and the integration and full inclusion of individuals with disabilities into the mainstream of American society.

Livable Home Modification Grant Program

Informational

The FY2019 Budget as Enacted included \$500,000 in general revenue to support the Livable Home Modification Grant Program. The Governor’s Commission on Disabilities (GCD) has administered the Livable Home Modification grant program since January 2017. The grant program allocates funding for home modification projects to allow people to stay in their homes longer and decrease the length and frequency of nursing home stays. Improvements include bathroom modifications, wheelchair ramps, and stability rails, along with other home modifications.

As of January 2, 2019, the GCD approved 55 applications in FY2019, totaling \$244,967. This does not include personnel, contract service, or operating costs for staff and outreach materials. A total of 32 grant awards have been paid and 4 grant awards are pending. The average turnaround time, from receiving a completed grant application to notifying applicants of approval or denial, is within one week.

Livable Homes Modification		
FY2019 Appropriation		\$500,000
Grant Awards Paid	(90,705)	
Personnel Expenses	(14,642)	
Contract Services	(99)	
Operating Expenses	(23)	
Subtotal	(\$105,469)	\$394,531
Unpaid Grant Commitments		154,262
Balance less commitments		\$240,269

Livable Homes Modification	FY2019 Governor	FY2020 Governor
Salary and Benefits	\$22,938	\$24,960
Contract Services	3,854	21,872
Operating Costs	14,290	14,496
Grants and Awards	452,381	438,069
Total	\$493,463	\$499,397

The Governor continues to support the Livable Home Modification Grant Program and includes \$493,463 in general revenue in the FY2019 Revised Budget and \$499,397 in the FY2020 Budget for the program. The revised budget and the FY2020 Budget disperses the appropriations amongst the categories where expenditures occur. Approximately 90.0 percent of the appropriations will be used on grant awards.

The Governor’s Commission on Disabilities’ primary communication outreach concerning the Livable Home Modification Grant Program is to organizations that provide services to potential applicants, i.e. senior centers, Community Action Programs, outpatient and rehabilitation centers, and consumer advocacy organizations (MS Dream Center, RIPIN, AARP, and others). For these organizations, the GCD maintains a database of contact information, and periodically sends program updates, general information, copies of the application, and availability for staff presentations to potential applicants.

The GCD also provides exhibits at statewide conferences and expos with grant materials and applications, and communicates directly to municipalities to share program information. In addition, the Commission ran a print media advertisement in 2018, and another print advertisement will commence in the spring of 2019. In addition to referrals from organizations, GCD receives applicant referrals from past program awardees.

Handicapped Accessibility Capital Projects (RICAP funds)

Informational

All handicapped accessibility capital projects are consolidated into the Department of Administration to improve project coordination and oversight; however, the Commission still has a role in determining and

prioritizing specific handicapped accessibility projects. The project involves accessibility renovations to State structures to comply with the federal Americans with Disabilities Act (ADA). The project and funds were originally under the Governor's Commission of Disabilities budget.

The Budget provides a total of \$6.0 million in Rhode Island Capital Plan (RICAP) funds for ADA and accessibility renovations at state buildings, including \$1.0 million annually from FY2019 through FY2024. Expenditures prior to FY2019 total \$2.9 million.

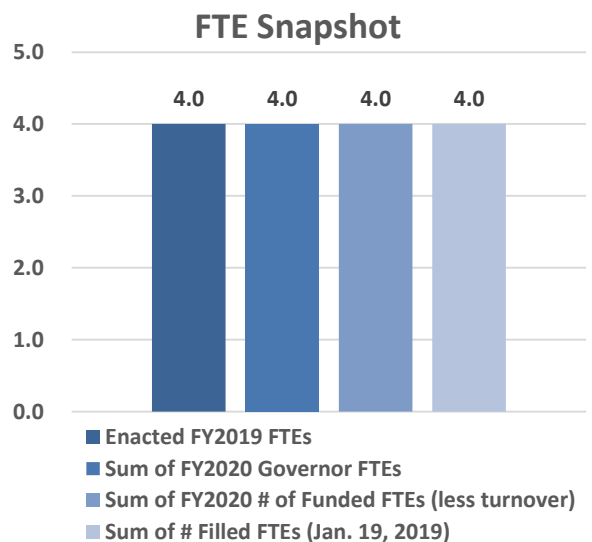
Commission on the Deaf and Hard of Hearing

Expenditures by Program	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted		FY2020 Governor	Change from Enacted	
Commission on Deaf and Hard of Hearing	\$500,346	\$603,178	\$636,745	\$33,567	5.6%	\$693,338	\$90,160	14.9%
Expenditures by Source								
General Revenue	\$428,285	\$523,178	\$525,902	\$2,724	0.5%	\$563,338	\$40,160	7.7%
Restricted Receipts	72,061	80,000	80,000	-	-	130,000	50,000	62.5%
Total	\$500,346	\$603,178	\$605,902	\$2,724	0.5%	\$693,338	\$90,160	14.9%
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

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

The Commission on the Deaf and Hard of Hearing (CDHH) advocates and coordinates the promotion of an environment in which deaf and hard of hearing persons in Rhode Island are afforded equal opportunity in all aspects of their lives. The CDHH develops policy and provides recommendations for programs and legislation that will enhance cooperation and coordination among agencies and organizations that currently serve, or have the potential to serve, the deaf and hard of hearing community.

The Budget provides 4.0 FTE positions in FY2019 and FY2020, consistent with the FY2019 enacted budget.



MAJOR ISSUES AND TRENDS

The Budget includes total funding of \$693,338, including \$563,338 from general revenue. This is an increase of 14.9 percent from the FY2019 enacted budget, largely due to a \$50,000 increase in additional funding from the Emergency and Public Communications Access Program (EPCAP). CDHH requested the funds for a translation service at state customer service locations. General revenue changes are due to information technology charges and other statewide adjustments.

Central Management	General Revenue
FY2019 Enacted	\$523,178
<i>Target and Other Adjustments</i>	39,160
Information Technology Charges	8,481
Interpreters and CART Services	1,000
FY2020 Governor	\$563,338

Central Management	Other Fund Changes
Emergency and Public Communications Access Fund (restricted receipts)	\$50,000
Information Technology Charges	\$8,481

The Budget includes an increase in information technology charges in the amount of \$8,481 in general revenue to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each

agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$18,830 for this expense, which is increased by \$8,481 to \$27,311 in the FY2020 proposed budget.

Interpreters and CART Services

\$1,000

The Budget includes an increase of \$1,000 for sign language interpreters and Communication Access Real-time Translation (CART) services, also known as real-time captioning.

Emergency and Public Communications Access Program (restricted receipts)

\$50,000

The Emergency and Public Communication Access Program (EPCAP) was enacted as part of the FY2014 Budget as Enacted. The EPCAP is funded by an annual transfer in the amount of \$80,000 from the Public Utilities Commission. The funds are raised by wireless providers who collect and then remit a nine cent surcharge per month per access line. The program is intended to provide the deaf and hard of hearing population with access to communication. The FY2020 Governor's Budget includes \$130,000, reflecting an increase of \$50,000 from the FY2019 Budget as Enacted, to provide state customer service locations with iPads to provide interpreting services.

Office of the Child Advocate

Expenditures by Program	FY2018	FY2019	FY2019	Change		FY2020	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Office of the Child Advocate	\$947,705	\$1,195,963	\$1,087,060	(\$108,903)	-9.1%	\$1,234,057	\$38,094	3.2%
Expenditures by Source								
General Revenue	\$703,984	\$969,922	\$896,811	(\$73,111)	-7.5%	\$986,701	\$16,779	1.7%
Federal Funds	243,721	226,041	190,249	(35,792)	-15.8%	247,356	21,315	9.4%
Total	\$947,705	\$1,195,963	\$1,087,060	(\$108,903)	-9.1%	\$1,234,057	\$38,094	3.2%
Authorized FTE Levels	8.0	10.0	10.0	-	-	10.0	-	-

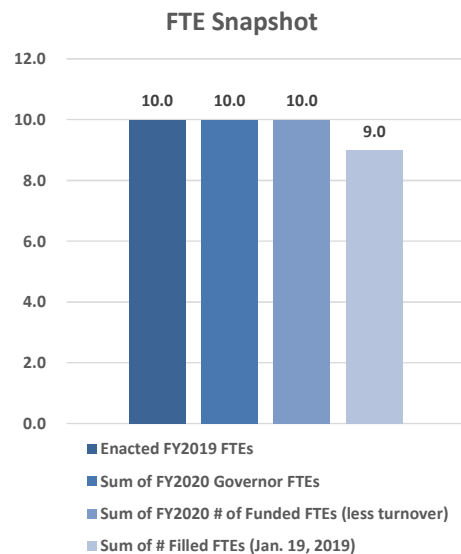
The Office of the Child Advocate (OCA) is mandated by statute to protect the legal, civil, and special rights of all children in the care of the Department of Children, Youth, and Families (DCYF). The Office strives to improve conditions and circumstances through monitoring, compliance, and advocacy. The OCA receives federal funding through the Victims of Crime Act (VOCA) to provide public education and support services for victims and their families. The Office is responsible for reviewing all residential programs licensed by DCYF as well as the Rhode Island Training School. The Office also provides oversight for contract compliance by providers. The Office's statute was amended by the General Assembly in 2016, further requiring the Child Advocate to investigate any child fatality or near fatality if:

- The child is involved with, or the child's family previously received services from, the Department.
- The incident involves child abuse or neglect, even if the child's family had no prior contact with DCYF.
- A household member or daycare provider has been the subject of a child abuse or neglect investigation within 12 months of the incident.

MAJOR ISSUES AND TRENDS

In January 2018, the State of Rhode Island and DCYF settled a long-standing class action lawsuit. Children's Rights Inc., a child advocacy group, filed suit in 2007 and demanded systemic reforms to the State's child welfare system. The lawsuit cited deficiencies throughout DCYF, including excessive caseworker assignments and an inappropriate residential service array. Over the last decade, these inadequacies have resulted in numerous incidents of child abuse, neglect, and death in Rhode Island. The settlement outlined a number of new screening and reporting requirements to be met by the Department and overseen by the Office of the Child Advocate.

The Governor includes \$1.2 million from all funds for the Office in FY2020. This includes \$986,701 from general revenues, an increase of \$16,779 (1.7 percent) relative to the FY2019 Budget as Enacted. The Governor recommends 10.0 FTE positions in FY2019 and FY2020, consistent with the Enacted Budget.



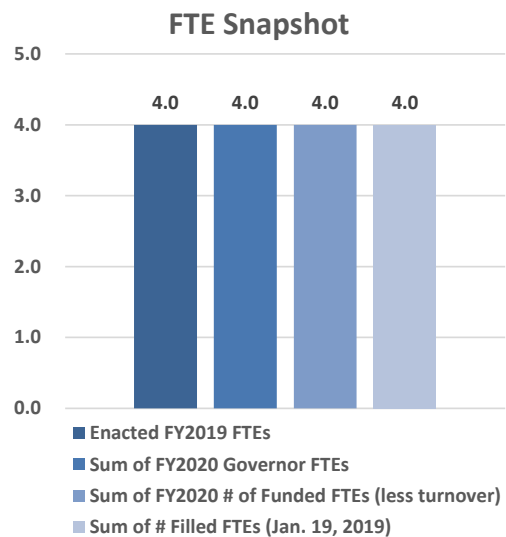
Office of the Child Advocate	General Revenue
FY2019 Enacted	\$969,922
<i>Target and Other Adjustments</i>	16,779
FY2020 Governor	\$986,701

Office of the Mental Health Advocate

Expenditures by Program	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted		FY2020 Governor	Change from Enacted	
Office of the Mental Health Advocate	\$629,731	\$653,260	\$567,389	(\$85,871)	-13.1%	\$602,411	(\$50,849)	-7.8%
Expenditures by Source								
General Revenue	\$629,731	\$653,260	\$567,389	(\$85,871)	-13.1%	\$602,411	(\$50,849)	-7.8%
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

The Office of the Mental Health Advocate (OMHA) is statutorily mandated to protect the legal, civil, and special rights of people living with mental illness in Rhode Island. This includes providing legal representation at involuntary commitment proceedings, monitoring policies and procedures at inpatient treatment facilities and community-based mental health programs, proposing and evaluating legislation, and litigating civil and treatment rights disputes.

The Office also advocates for improvements in the mental health system by monitoring and evaluating the quality of services available to clients and combating the stigmatization and discrimination associated with mental illness. The Office seeks to close gaps in the programs administered by mental health providers, including the shortcomings in services related to emergency hospitalizations, psychiatric care for prison inmates, and homelessness among individuals with chronic mental illness.



MAJOR ISSUES AND TRENDS

The FY2020 Budget includes \$602,411 from general revenues, a decrease of 7.8 percent relative to the FY2019 Budget as Enacted. The Office is funded entirely through general revenues.

The Budget authorizes and fully funds 4.0 FTE positions in FY2020, consistent with the FY2019 Budget as Enacted. The 4.0 FTE positions include 1.0 Mental Health Advocate, 2.0 Staff Attorneys, and 1.0 Administrative Assistant. As of January 19th, 2019, all positions are filled. OMHA requested an increase of \$91,735 in general revenue in FY2020 for a new 1.0 FTE Monitoring and Evaluation Specialist. The FTE would assist with inquiries from individuals requesting assistance of a non-legal nature. In addition, the FTE would review policies and procedures of facilities; and inspect facilities to ensure it is licensed and in compliance with mental health laws, as part of the requirements in statute of the OMHA. The Governor's budget did not include the funding nor the FTE position for this position.

Central Management	General Revenue
FY2019 Enacted	\$653,260
<i>Target and Other Adjustments</i>	<i>(14,113)</i>
Personnel Expenditures	(36,736)
FY2020 Governor	\$602,411

Personnel Expenditures

(\$36,736)

The Governor's budget decreases personnel expenditures by \$36,736 in FY2020. During FY2019, a staff member left the OMHA and the individual who filled this position was hired at a lower pay grade.

Elementary and Secondary Education

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Administration of the Comprehensive Education Strategy	\$207.7	\$239.1	\$244.1	\$5.0	2.1%	\$239.9	\$0.8	0.3%
Central Falls School District	39.9	40.8	40.8	-	-	41.1	0.3	0.8%
Davies Career and Technical Center	18.3	22.5	24.1	1.6	7.2%	19.8	(2.7)	-11.8%
Rhode Island School for the Deaf	7.4	8.0	7.9	(0.0)	-0.3%	8.2	0.2	2.3%
Metropolitan Career and Technical School	11.1	9.6	9.6	0.0	0.0%	9.6	0.0	0.0%
Education Aid	913.1	938.2	938.1	(0.1)	0.0%	977.8	39.7	4.2%
School Construction Aid	80.0	80.0	80.0	-	0.0%	80.0	-	0.0%
Teacher Retirement	102.2	106.1	106.8	0.6	0.6%	112.3	6.2	5.9%
Total	\$1,379.7	\$1,444.2	\$1,451.4	\$7.1	0.5%	\$1,488.8	\$44.5	3.1%
Expenditures By Source								
General Revenue	\$1,161.3	\$1,188.6	\$1,187.5	(\$1.2)	-0.1%	\$1,235.8	\$47.2	4.0%
Federal Funds	184.3	214.5	219.5	5.0	2.4%	213.6	(0.9)	-0.4%
Restricted Receipts	30.9	35.8	37.8	2.0	5.7%	37.6	1.8	5.0%
Other Funds	3.2	5.4	6.6	1.2	22.9%	1.8	(3.6)	-66.4%
Total	\$1,379.7	\$1,444.2	\$1,451.4	\$7.1	0.5%	\$1,488.8	\$44.5	3.1%
Authorized FTE Levels	325.1	321.1	323.1	2.0	0.6%	328.1	7.0	2.2%

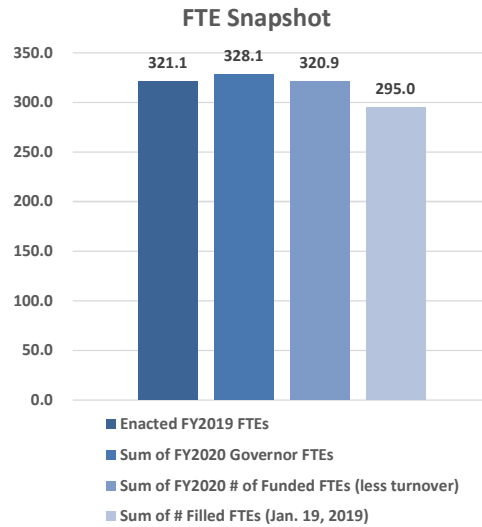
\$ in millions. Totals may vary due to rounding.

The Rhode Island Department of Elementary and Secondary Education, under the leadership of the Board of Education, is responsible for a strategic plan defining goals and objectives for elementary and secondary education; preparation and presentation annually of an educational budget for the Department of Elementary and Secondary Education, subordinate boards and agencies, and State aid to local school districts; approval of the basic subjects and courses of study to be taught, and instructional standards required to be maintained in the public elementary and secondary schools of the State; and, adoption of standards and qualifications for the certification of teachers and provision for the issuance of certificates.

MAJOR ISSUES AND TRENDS

The Budget fully funds the ninth year of the education funding formula and provides funding for categorical aid accounting for most of the \$47.2 million general revenue increase in FY2020. Generally the aid categories are level funded or reduced relative to the FY2019 Enacted Budget; however, the Early Childhood Education, English Learners, and stabilization funds are increased. Other general revenue increases include \$590,000 for school-based mental health services, \$100,000 for curriculum, \$55,000 for school breakfast, and \$6.2 million for teacher retirement. The decrease in other funds is due primarily to the completion in FY2019 of the Rhode Island Capital Plan (RICAP) funded Advanced Manufacturing project at Davies to provide updated technology and infrastructure to train students in advanced manufacturing.

The Budget provides 328.1 FTE positions across the Elementary and Secondary Education system, including 142.1 FTE positions at the Department of Elementary and Secondary Education, 126.0 FTE positions at Davies, and 60.0 FTE positions at the School for the Deaf. In FY2019, this level represents an increase of 2.0 federally-funded FTEs relative to the FY2019 Budget as Enacted, including 1.0 FTE to coordinate the implementation of the adolescent health education program and 1.0 FTE to implement the school climate transformation project. In FY2020, the total increase is 7.0 FTE positions including the two federally funded positions added in FY2019, 1.0 FTE School Construction Finance Specialist in the School Building Authority, and 4.0 FTE positions to implement the universal prekindergarten proposal in Article 10.



ADMINISTRATION OF THE COMPREHENSIVE EDUCATION STRATEGY (ACES)

The Administration of the Comprehensive Education Strategy (ACES) program encompasses the offices of Accelerating School Performance, Educator Excellence and Instruction Effectiveness, Fiscal Integrity and Efficiencies, and Legal. Through these offices, the Department provides leadership and support for the entire elementary and secondary education system in Rhode Island.

Administration of the Comprehensive Education Strategy	General Revenue
FY2019 Enacted	\$20,428,256
<i>Target and Other Adjustments</i>	
School -Based Mental Health Services	356,082
Curriculum	590,000
School Breakfast	100,000
Computer Science Education Grants	55,000
Advanced Course Network	50,000
FY2020 Governor	\$21,629,338

Administration of the Comprehensive Education Strategy	Other Fund Changes
Adolescent Health and Achievement (1.0 FTE position) (federal funds)	\$1,800,000
School Climate Transformation Project (1.0 FTE position) (federal funds)	633,074
Nellie Mae Grant (restricted receipts)	238,500
School Construction Services (1.0 FTE position) (restricted receipts)	207,068

School-Based Mental Health Services \$590,000

The Budget includes \$590,000 in general revenue for school-based mental health services. The funding will be used to provide training, curricula, and other materials to increase in-classroom and in-school training resources. The training will enable teachers to intervene when a student shows signs of behavioral health challenges and to teach behavioral health skills in the classroom. The funding will provide \$330,000 to train one individual at each school as a “trainer”, and \$260,000 for training materials to allow 10 teachers in every school to be trained.

Analyst Note: It is unclear if this funding will also go to Pawtucket, Providence, and Woonsocket who will be working under the federal Adolescent Health Education grant. The general revenue is not needed as a match to any of the new federal student mental health funding; instead it is an initiative of the Governor.

Curriculum **\$100,000**

The Budget provides \$100,000 to promote the adoption of high-quality curriculum by Local Education Agencies (LEAs). The funding will be used to evaluate existing LEA curriculum resources, assist districts with identifying and selecting high-quality curriculum, professional learning, and addressing the needs of student with disabilities.

School Breakfast **\$55,000**

Article 15 requires all public schools that have an enrollment of 70.0 percent or more of students eligible for free- or reduced- price meals in the prior school year to offer a school breakfast program that is available after the instructional day has begun. Eligible service models may include breakfast in the classroom, grab-and-go breakfast, and second chance breakfast. The Department will notify schools required to provide a breakfast program after the beginning of the instruction day, on or before March 1 each year. The Budget includes \$55,000 in FY2020 for costs associated with implementing this program. Districts that participate in the school breakfast program receive federal funding based on participation rates. Implementation of the breakfast after the bell and the community eligibility provision (CEP) is 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. Article 15 requires all public schools that have been eligible for CEP for two consecutive years or longer to implement the provision, unless granted a waiver by the Department.

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

The Budget includes an additional \$50,000 in general revenue (\$260,000 total) to increase access to computer science courses across the State. The Department intends to spend the money instead of transferring the funds to the Innovation Office at Rhode Island College. The vast majority of the funds are used for professional development for district teachers. 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. The increase in FY2020 will bring the program back up to the original funding level.

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

The Budget includes an additional \$50,000 (\$200,000 total) in general revenue and \$200,000 (\$500,000 total) in permanent school funds for the Advanced Coursework Network. 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. The Network is made up of Network Members and Network Providers. Network members include schools and districts that voluntarily choose to offer the Advanced Coursework Network opportunities to students. Network Providers include school districts, Rhode Island community-based organizations, and higher education institutions that extend advanced coursework opportunities to Rhode Island students. Course offerings include advanced math and science, world languages, dual/concurrent enrollment, and career preparation coursework that results in the attainment of an industry-recognized certificate or credential.

FY2017, the pilot year of the program, was funded with \$600,000 in Permanent School Funds and \$300,000 Career and Technical Education (CTE) Funds. According to the Department, in FY2018, the Budget included \$150,000 in general revenues, \$300,000 in restricted receipts, and \$400,000 in CTE funds. In FY2019, the Department expects to spend \$150,000 in general revenue, \$300,000 in permanent school funds, and \$390,000 in CTE funds. The program appears to cost about \$850,000 annually.

Analyst Note: The permanent school fund is supported by duties paid by auctioneers. Pursuant to RIGL 16-4-5, the income can only be used for the "promotion and support of public education." Collections average approximately \$236,147 annually. In addition to the Advanced Course Network, the FY2019 Budget as Enacted appropriated \$1.1 million in permanent school funds for the early childhood categorical and the School for the Deaf receives \$59,000 annually. Based on information from Office of Management and Budget, the balance in FY2021 will be about \$82,294; consequently, only about \$318,000 will be available to fund the programs in FY2021.

Adolescent Health and Achievement (1.0 FTE position) (federal funds) \$1.8 million

The Budget provides \$1.8 million in federal funds, including 1.0 new FTE position (\$133,074 in salary and benefits), to support adolescent health and academic achievement through a five-year, \$9.0 million grant from the United States Department of Health and Human Services. The grant funds will support stronger mental health and behavioral health services for students. The position will 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 Departments of Elementary and Secondary Education and Children, Youth and Families (DCYF) will work with community mental health treatment providers to oversee efforts in Pawtucket, Providence, and Woonsocket to link school prevention and intervention programs and services to existing resources. The position is limited to the term of the grant and will expire on September 29, 2023.

School Climate Transformation Project (1.0 FTE position) (federal funds) \$633,074

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 (\$528,169 in FY2019 and \$633,074 in FY2020), including support for 1.0 new FTE position (\$133,074 in salaries and benefits). 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 position is limited to September 30, 2023.

Nellie Mae Grant (restricted receipts) \$238,500

The Budget includes \$238,500 in restricted receipts from a Nellie Mae great school partnership grant to support the reinvention of schools. The funds will support professional development for teachers throughout the State.

School Construction Services (1.0 FTE position) (restricted receipts) \$207,068

The Budget provides an additional \$207,068 (\$904,239 total) in restricted receipts for personnel costs associated with the School Building Authority, including \$133,074 in personnel costs for a new 1.0 FTE School Construction Finance Specialist position and various adjustments for the current 4.0 positions. The new position will help support the work needed to upgrade school facilities across the State. Article 9 of the FY2019 Budget as Enacted shifted the payment of expenses for the School Building Authority, which is located within the Department of Elementary and Secondary Education, from the general revenue to a restricted receipt account. 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. There is no limit on the amount or type of expenses that will be funded; however, Article 9 limits the fee that RIHEBC can impose on cities, towns and districts to one tenth of one percent (0.001) of the principal amount of the bond.

Analyst Note: Currently, RIHEBC only charges municipalities for the out-of-pocket costs at closing, such as underwriters and bond counsel. The need to raise funds for the expenses of the School Building Authority may require the extension of the fee currently charged to non-profit borrowers to include municipalities; however, Article 9 of the FY2019 Budget as Enacted limits the fee that RIHEBC can impose on cities, towns, and districts to one tenth of one percent (0.001) of the principal amount of the bond. Since fees charged to the borrower are generally rolled into the bond issuance, the expenses paid may accrue interest.

CENTRAL FALLS SCHOOL DISTRICT

The State of Rhode Island assumed control of the Central Falls School District in 1991 when it was determined that the City of Central Falls could not afford to meet its contractual, legal, and regulatory obligations related to school funding because its tax base had sustained little or no growth over several years. Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District.

Since FY2012, Central Falls has been funded according to the education funding formula. The Budget provides \$41.1 million for the Central Falls School Department in FY2020. This includes the formula distribution as well as \$8.4 million in funding through the Central Falls Stabilization Fund, excluding aid received through other education aid categories. (See Education Aid in the Special Report section of this publication for further detail.)

Central Falls	General Revenue
FY2019 Enacted	\$40,752,939
<i>Target and Other Adjustments</i>	
Funding Formula Adjustment	234,712
Central Falls Stabilization	100,000
FY2020 Governor	\$41,087,651

Funding Formula Adjustment **\$234,712**

Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District; however, beginning in FY2012, the district's state funding has been determined through the new funding formula. In FY2020, the district will receive an increase of \$234,712 in funding formula aid.

Central Falls Stabilization **\$100,000**

The Budget funds this category at \$8.4 million in FY2020, an increase of \$100,000 from the enacted level. Of the increase, \$400,000 is for costs associated with a 2.5 percent cost of living adjustment for teachers in Central Falls in FY2020 as provided in the teacher contract signed in spring 2018. Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions calculated through the formula. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This program 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 resulting in a corresponding increase in district

expenses. Consequently, the stabilization fund has been used to replace aid lost through the implementation of the funding formula and local payments to public schools of choice. To date, Central Falls has been unable to absorb any educational costs.

DAVIES CAREER AND TECHNICAL CENTER

The Davies Career and Technical School provides a high school education program in occupational areas for students in grades nine through twelve. The school provides an integrated academic and vocation curriculum with up-to-date technology programs to provide a solid foundation for students entering postsecondary education or the community. Davies operates as a local education agency and is governed by a Board of Trustees.

The Budget provides \$13.7 million in general revenue funding for the Davies Career and Technical School, an increase of \$36,894 from the FY2019 Budget as Enacted. (See Education Aid in the Special Report section of this publication for further detail.)

Davies Career and Technical School	General Revenue
FY2019 Enacted	\$13,658,087
<i>Target and Other Adjustments</i>	
Davies Stabilization Fund	636,326
Funding Formula Adjustment	(599,432)
FY2020 Governor	\$13,694,981

Davies Stabilization Fund **\$636,326**

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 Budget provides an additional \$636,326 (\$4.9 million total) in FY2020 to offset decreases in aid through the phase-in of the funding formula and increases for costs such as the statewide COLA, since the teachers at Davies are part of the state system

Funding Formula Adjustment **(\$599,432)**

The Davies School receives funding from state and federal sources; however, beginning in FY2012, it receives its State funding as determined through the new funding formula. In FY2019, the Davies School will receive a reduction of \$599,432 in funding formula aid. Instead of being entirely State funded, the sending districts now pay a portion of the tuition for each student from their district. Furthermore, Davies is now responsible for the cost of transporting students to and from their sending districts. The estimated cost for transportation is about \$600,000 annually.

RHODE ISLAND SCHOOL FOR THE DEAF

The Rhode Island School for the Deaf (RISD) is a public school which offers educational programs to approximately 160 deaf and hard of hearing youth (and their families) from birth through age 21 in the elementary program, junior and senior high school, and early intervention and preschool programs.

School for the Deaf	General Revenue
FY2019 Enacted	\$6,470,234
<i>Target and Other Adjustments</i>	
Operating	\$161,769
FY2020 Governor	69,190
	\$6,701,193

Operating**\$69,190**

The Budget includes \$69,190 (14.1 percent) over the FY2019 Budget as Enacted in general revenue for operating costs. This increase is driven by an increase of \$70,000 (70.0 percent) for electricity, \$23,000 for building maintenance and repairs, and \$9,000 (25.0 percent) for natural gas, partially offset by various decreases. The building was considered a “green” building when it was completed in 2010; however, the fixtures do not have LED bulbs. The School is working with National Grid and the RISE Engineering to complete energy efficiency studies. Also, the School has a longer school day than most public schools at 7 hours and 10 minutes, and students attend an extended school year.

METROPOLITAN CAREER AND TECHNICAL SCHOOL

The Metropolitan Career and Technical School (Met School) is a career and technical public school district with two campuses in Providence and a third in Newport. It provides a comprehensive education which includes internships, individual learning plans, advisory, and a college transition program for students in grades nine through twelve.

The Budget provides \$9.3 million in general revenue funding for the Met, level funded with the FY2019 Budget as Enacted. This includes \$1.9 million for the Met School Stabilization Fund. The Met School is governed by a board, appointed by the Board of Education but operated independently. Also, unlike Davies, the employees at the Met School are not state employees. (See Education Aid in the Special Report section of this publication for further detail.)

Metropolitan Career and Technical School	General Revenue
FY2019 Enacted	\$9,342,007
<i>Target and Other Adjustments</i>	-
Funding Formula Adjustment	(495,276)
Met School Stabilization Fund	495,276
FY2020 Governor	\$9,342,007

Funding Formula Adjustment**(\$495,276)**

The Met School was formerly 100.0 percent state funded; however, beginning in FY2012, it received its general revenue funding through the new funding formula. In FY2020 the Met School will receive a reduction of \$495,276 in funding formula aid. Sending districts pay a portion of the tuition for each student from their district. Furthermore, the Met School is now responsible for the cost of transporting students to and from their sending districts and will no longer be reimbursed by sending districts for transportation costs. Generally, the school provides RIPTA passes to students; however, due to the lack of RIPTA services available to students in Woonsocket, the school contracts for bus service for those students. The total estimated cost to the school is about \$177,000 annually.

Met School Stabilization Fund**\$495,276**

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 \$495,276 increase over the enacted budget (\$1.9 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 funding relative to FY2019.

EDUCATION AID

The Department provides direct support to schools and school districts, including charter and state-owned schools through this program. This program also provides funding for group home beds, non-public

textbook reimbursement, state-level professional development, the early childhood demonstration pilot project, state E-rate reimbursement, and the state's share of the school breakfast program.

Education Aid	General Revenue
FY2019 Enacted	\$911,869,976
<i>Target and Other Adjustments</i>	
Year 9 Funding Formula	(\$42,859)
Categorical Aid	30,784,002
DCYF Education Aid Withholding (Article 15)	10,089,792
Group Home Aid	(1,330,984)
FY2019 Audit Adjustment	(342,593)
FY2020 Governor	\$951,046,281
<i>Other Funds</i>	
Statewide Transportation (restricted receipts)	\$1,578,372

Year 9 Funding Formula **\$30.8 million**

The FY2020 Budget includes an additional \$30.8 million to fund the ninth year of the funding formula, for a total of \$909.8 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools.

The funding increase for the ninth year of the education funding formula for all school districts, charter schools, Davies Career & Technical School (Davies), and the Metropolitan Career and Technical School (Met) totals \$29.9 million. The difference is due to the decrease in funding Davies (\$599,432) and the Met (\$495,276), partially offset by an increase to Central Falls (\$234,712) in FY2020 relative to the FY2019 enacted level.

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provided a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, distribution could change annually based on shifts in enrollment. There are no changes in funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

The formula establishes a per-pupil spending amount (\$9,871 in FY2020) and allocates this funding based on student enrollment. The formula also includes a single factor to adjust the core foundation amount to address the effects of poverty and other factors influencing educational needs. The high need student weight, or student success factor, increases the core foundation amount by 40.0 percent, (\$3,948 in FY2020) for each student eligible for free or reduced lunch. The formula accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

Article 11 of the FY2017 Budget as Enacted changed the threshold for the high-need student weight to a family income at or below 185.0 percent of the federal poverty guidelines. The change is in response to the United States Department of Agriculture no longer requiring districts to collect eligibility data. Since this income level is the same threshold as that used for the free or reduced lunch program, the Department of Elementary and Secondary Education (Department) does not anticipate a change in the eligibility numbers.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years

for those districts projected to receive more aid. (See Education Aid in the Special Report section of this publication.)

Categorical Aid

\$10.1 million

When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but according to other methodology to address the priorities and funding needs of the districts. These categories include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. Article 11 of the FY2017 Budget as Enacted added two new aid categories: English Learners and Density Fund. In the FY2019 Budget as Enacted an additional category was added for School Resource Officer Support. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant sections of this analysis.)

The FY2020 Budget includes funding for all of these categories, except the Regionalization Bonus.

Categorical	Governor's FY2020 Education Aid	
	Change from Enacted	Total Funding
Transportation	\$0.0	\$7.4
Early Childhood	9.3	15.6
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	2.3	5.0
Public School of Choice Density	(0.5)	-
Regionalization Bonus	-	-
Group Home Aid	(0.3)	3.2
School Resource Officer Support	(1.0)	1.0
Total	\$10.1	\$38.0

\$ in millions.

- 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 \$7.4 million in FY2020, consistent with the enacted budget.

- 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. To support Phase 1 of the Governor’s universal prekindergarten initiative as provided in Article 10, the Budget funds this category at \$15.6 million in FY2020, an increase of \$9.3 million over the FY2019 Budget as Enacted. Of the increase, \$3.6 million is to expand the number of prekindergarten seats, and \$5.8 million is to replace federal funding needed to support the current seats. Included in the \$15.6 million is \$385,832 in salaries and benefits for 4.0 new FTE positions to support the expansion.

Analyst Note: It seems unlikely that the \$385,832 included in the Budget for personnel costs will be sufficient to support 4.0 FTE positions, since the average cost per FTE position in the Department in FY2020 is \$141,713 (a salary of about \$85,000). The amount in the Budget only provides \$96,458 per FTE, which is an average salary of about \$55,000.

As part of the universal prekindergarten expansion in Article 10, the Budget also contains \$697,000 to increase the preschool tiered reimbursement rates.

- 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 enacted level.

- **Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2020, level with the previous year.
- **English Learners:** Article 11 of the FY2017 Budget as Enacted established a 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 the per-pupil weight was \$898 for each identified English learner. In FY2019, 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; however, due to a reported 61.4 percent increase in English learner enrollments across the State, another \$3.4 million would be needed to fully fund this category. The Department provides four primary reasons for the increase in EL enrollment:

- An increase in the number of students enrolling in schools who are English Learners (RADM enrollment has decreased by 0.6 percent across the State.)
 - The new screener, which has been in use for two years, is better at identifying EL students.
 - Districts may be paying closer attention to the identification of ELs since Providence was the subject of a US Department of Justice investigation and Providence, as well as other districts, are paying particular attention to be sure ELs are not slipping through the cracks.
 - Our state assessment for ELs; the ACCESS assessment, which is required by federal law, was revised two years ago to better align with the Common Core State Standards (CCSS). As a result the test became more rigorous and it has been harder for ELs to exit status. We will be examining our entry and exit criteria this year now that we have two years of data under our belt and may be recommending some changes.
- **Public School of Choice Density Aid:** Article 11 of the FY2017 Budget as Enacted established a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice

enrollment are generally scattered across schools and grades within a district. In FY2020, due to the phase-down of the aid category, the Budget does not include density aid to: Central Falls, Charlestown, Cumberland, Lincoln, North Providence, Pawtucket, Providence, and Woonsocket. This represents a decrease of \$478,350 from the FY2019 Budget as Enacted.

- **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 FY2019, the eighth year of funding for the regionalized districts, since no new regional districts have been formed. This category has not been funded since FY2014, as no new regionalized districts have been formed.
- **School Resource Officer Support:** Article 9 of the FY2019 Budget as Enacted established a new 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 Budget includes \$1.0 million for this category in FY2020, a reduction of \$1.0 million from the enacted level to reflect projected expenditures. The FY2019 Revised budget reduces this category by \$1.8 million to reflect projected expenditures of \$213,230. In FY2019, three districts applied for aid: East Providence, Narragansett, and North Smithfield. An application was received from Bristol-Warren for \$16,706 after the Governor’s Budget was released. As of March 22, an amendment has not been received.

DCYF Education Aid Withholding (Article 15)

(\$1.3 million)

Article 15 amends RIGL 16-64-1.1 to hold districts responsible for some of the costs associated with educating children in the care of the Department of Children, Youth, and Families (DCYF). Currently, educational costs at both the Rhode Island Training School (RITS) and Ocean Tides are borne by DCYF. The Budget assumes 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. Using an average per-pupil special education cost of \$35,000 and September 2018 enrollment, the gross charge to the districts would be approximately \$1.9 million. This charge is partially offset by the amount each district would be reimbursed if students were to be added into the funding formula. Thus, the proposal is estimated to reduce education aid by a total of \$1.3 million in FY2020. If LEAs assume financial responsibility

DCYF Education Aid Withholding (Article 15)

LEA	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	-	-	-
Total	61	\$1,890,000	\$559,016	(\$1,330,984)

for these youth, DCYF would lose its status as a limited purpose LEA; consequently, the proposal assumes \$415,374 in federal funding will shift from DCYF to the sending districts thus partially offsetting the

withholding, for an estimated net impact of \$915,610 on the sending districts. It is unclear, however, if the federal funds lost by DCYF would be guaranteed to the districts, and if they would be distributed in the same way they are currently.

Group Home Aid

(\$342,593)

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. When enacted, the Act maintained the current funding for group homes as a categorical grant program, and provided \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$22,000 per bed. Through Article 11 of the FY2017 Budget as Enacted, the per-bed aid increased 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 FY2020 Budget includes \$3.2 million to fund group home beds. This is \$342,593 less than the FY2019 Budget as Enacted. This adjustment represents the most recent update on the number of group home beds per district and the decrease 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.

FY2019 Audit Adjustment

\$18,947

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, the correction to individual districts varies significantly and can be seen in the education aid tables provided in this report. According to the Administration, new procedures have been implemented to prevent such errors in the future; however, no further details were provided.

Statewide Transportation (restricted receipts)

\$1.6 million

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.

The costs associated with the statewide transportation program are expected to increase in FY2020 due to an increase in rates and in resources and accommodations needed to transport a growing number of students. Due to the federal McKinney-Vento Homeless Education Assistance Act, districts are required 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.

The FY2020 Budget includes an estimated increase in expenditures for the statewide transportation program of \$1.6 million in restricted receipts (\$25.2 million total), relative to the FY2019 Budget as Enacted.

SCHOOL CONSTRUCTION AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2020, the minimum state share is 40.0 percent for school districts and the maximum is 93.8 percent for Central Falls: the state share for charter schools is 30.0 percent.

Analyst Note: The Department indicated verbally that the 40.0 percent minimum is a throwback to when the minimum share ratio was briefly raised from 35.0 percent to 40.0 percent. An updated distribution was requested but has not been received as of March 27, 2019.

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, did not receive voter approval, or has not been previously financed, is no longer eligible for reimbursement. Article 22 of the FY2015 Budget extends 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 2011 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.

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

Article 9 of the FY2019 Budget as Enacted provides temporary incentives to encourage districts to improve the condition of public school buildings in Rhode Island, establishes a permanent incentive for school safety and security projects, and establishes school maintenance expenditure requirements.

For FY2020, the Budget provides \$80.0 million, level funded with the FY2019 Budget as Enacted. The Budget projects expenditures of \$79.0 million in school housing aid, an increase of \$9.5 million from the FY2019 Budget as Enacted. Pursuant to law, the surplus will be deposited into the School Building Authority Capital Fund.

Analyst Note: The FY2020 housing aid provided by the Department totals \$82.9 million in reimbursements. The source of the additional funding is unclear. An updated distribution was requested but has not been received as of March 27, 2019.

School Construction Aid	General Revenue
FY2019 Enacted	\$80,000,000
<i>Target and Other Adjustments</i>	-
School Building Authority Capital Fund	Informational
FY2020 Governor	\$80,000,000

School Building Authority Capital Fund **Informational**

Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State’s School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the Foundation Program, as enumerated in RIGL 16-7-35 through 16-7-47, and the School Building Authority Capital Fund (Capital Fund), as created through the article. The FY2016 Budget added 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC).

For FY2020, the Budget provides \$1.0 million in general revenue from the surplus construction aid to capitalize the Capital Fund. Pursuant to law, the surplus \$1.0 million must be deposited into the School Building Authority Capital Fund, since more funding is being used for the construction aid program, the transfer to the Capital Fund represents a decrease of \$9.5 million from the enacted level. Through Article 9, the FY2019 Budget as Enacted shifted the 3.0 FTE positions currently 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 new restricted receipt account, named the “School Construction Services”, will be 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. While there is no limit on the amount or type of expenses that will be funded, the Article limits the fees that RIHEBC can levy on districts to one tenth of one percent (0.001) of the principal amount. The FY2020 Budget provides an additional \$207,068 (\$904,239 total) in restricted receipts for personnel costs associated with the School Building Authority, including \$133,074 in personnel costs for a new 1.0 FTE School Construction Finance Specialist position and various adjustments for the current 4.0 positions.

The new position will help with the anticipated increase in school housing applications due to the recent release of the statewide facilities study and the \$250.0 million bond approved by voters in November 2018. 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.

Analyst Note: Currently, RIHEBC only charges municipalities for the out-of-pocket costs at closing, such as underwriters and bond counsel; however, due to the need to raise funds for the expenses of the School Building Authority, the RIHEBC anticipates extending the administrative fee currently charged to non-profit borrowers to include municipalities. The fee that can be charged to municipalities is capped at one tenth of one percent (0.001) of the principal amount. Revenues raised from the fee are not expected to completely support the expenses of the SBA. Furthermore, since fees charged to the borrower are generally rolled into the bond issuance, the expenses paid may accrue interest.

TEACHER RETIREMENT

Since 1949, all teachers are required to become members of the State Retirement System. The State pays 40.0 percent of the employer’s share of the retirement contribution each year. These funds, which are actuarially determined annually, are appropriated to the Department of Education for transfer to the State Retirement Fund.

On November 17, 2011, the General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) to reform the state and local pension systems. The Act introduces a hybrid pension structure for all State employees, except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

Teacher Retirement	General Revenue
FY2019 Enacted	\$106,118,409
<i>Target and Other Adjustments</i>	-
Defined Benefit Plan	6,110,588
Defined Contribution Plan	108,505
FY2020 Governor	\$112,337,502

Defined Benefit Plan**\$6.1 million**

The Budget provides total funding of \$108.3 million for the State's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$6.1 million from FY2019 Budget as Enacted. The employer contribution rates are actuarially determined annually, and appropriated to the Department of Education for transfer to the State Retirement Fund. For teachers the State pays 40.0 percent of the employer contribution.

Defined Contribution Plan**\$108,505**

The Budget provides \$4.1 million in general revenue for the State's share of the contribution to the new defined contribution portion of the hybrid pension system, reflecting a net increase of \$108,505 from FY2019 Budget as Enacted. The plan includes a mandatory 5.0 percent employee and 1.0 percent employer contribution. For teachers the State pays 40.0 percent of the employer contribution.

CAPITAL PROJECTS

The Budget includes a total of \$5.0 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2019 and \$1.2 million in FY2020, including:

- \$3.2 million in FY2019 to complete the advanced manufacturing program at Davies Career and Technical School.
- \$1.3 million in FY2019 and \$700,000 in FY2020 to replace and repair the HVAC system at the Davies Career and Technical School. Through a separate project, the Department requested \$50.0 million in RICAP funding to begin a new building with an estimated total cost of \$100.0 million, and indicated that if the new building were approved the HVAC would be incorporate into the larger project. The Governor does not recommend funding for the new building.
- \$575,548 in FY2019 and \$450,000 in FY2020 for asset protection to provide funding for the most pressing capital needs on a year-to-year basis. The Budget includes funding for Davies (\$275,548 in FY2019 and \$150,000 in FY2020), the Met School (\$250,000 annually in FY2019 and FY2020), and the School for the Deaf (\$50,000 annually in FY2019 and FY2020).

Public Higher Education

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Office of Postsecondary Commissioner	\$39.9	\$39.3	\$40.2	\$0.9	2.3%	\$46.0	\$6.7	16.9%
University of Rhode Island	779.2	802.8	808.9	6.1	0.8%	834.2	31.4	3.9%
Rhode Island College	194.4	199.9	202.3	2.4	1.2%	202.0	2.1	1.1%
Community College of R.I.	159.8	165.6	163.3	(2.3)	-1.4%	168.2	2.5	1.5%
Total	\$1,173.3	\$1,207.6	\$1,214.7	\$7.1	0.6%	\$1,250.3	\$42.7	3.5%
Expenditures By Source								
General Revenue	\$220.9	\$230.1	\$233.9	\$3.8	1.6%	\$244.3	\$14.2	6.2%
Federal Funds	13.9	7.9	8.3	0.3	4.2%	14.9	6.9	87.4%
Restricted Receipts	2.6	2.7	3.5	0.8	29.8%	3.4	0.7	26.4%
Other Funds	935.9	966.9	969.1	2.2	0.2%	987.8	20.9	2.2%
Total	\$1,173.3	\$1,207.6	\$1,214.7	\$7.1	0.6%	\$1,250.3	\$42.7	3.5%
Auxiliary Enterprise FTE Levels	-	-	445.0	445.0	-	445.0	445.0	-
Third Party Funded FTE	739.8	788.8	606.0	(182.8)	-23.2%	606.0	(182.8)	-23.2%
Authorized FTE Levels	3,568.0	3,605.5	3,343.3	(262.2)	-7.3%	3,345.3	(260.2)	-7.2%
Total	4,307.8	4,394.3	4,394.3	0.0	0.0%	4,396.3	2.0	0.0%

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

The major responsibilities of the Board of Education (Board), pertaining to higher education, include the governance of public institutions of higher learning and the regulation of proprietary schools; the preparation of a public higher education budget and capital development program; and the development of policies in pursuit of the primary goals of excellence, opportunity and access, diversity and responsiveness, coordination and accountability in public higher education.

The system of public higher education consists of three major institutions located at eight different campuses across the State of Rhode Island: the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI).

Prior to January 1, 2013, higher education in Rhode Island functioned under the direction of the Board of Governors for Higher Education. The FY2013 Budget as Enacted established a new Board of Education consisting of 11 members, appointed by the Governor with the advice and consent of the Senate. The Board of Governors for Higher Education and the Board of Regents for Elementary and Secondary Education were abolished as of January 1, 2013.

The FY2015 Budget as Enacted established the Council on Postsecondary Education, which has duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education.

MAJOR ISSUES AND TRENDS

The FY2020 Budget includes total funding of \$1,250.3 million, representing an increase of \$42.7 million (3.5 percent) over the FY2019 Budget as Enacted, including a general revenue increase of \$14.2 million (6.2 percent). The increase includes \$4.1 million to fund a statewide cost of living adjustment (COLA) provided through an agreement between the State and the state employee bargaining units, \$6.9 million (\$38.6 million total) for general obligation debt services, and \$4.6 million in performance incentive funding to promote alignment between the State's priorities for higher education and institutional practice and policy. This funding will be split among the three institutions, providing \$1.6 million to URI, \$1.3 million to RIC, and \$1.7 million to CCRI. Included in the funding for CCRI is \$235,000 to provide work study for SNAP-eligible adults; furthermore, each institution has reductions associated with statewide adjustments

resulting in lower net general revenue increases. There is also \$1.8 million in general revenue to expand the online degree program at URI.

Excluding general obligation bond debt services, the three institutions requested a total increase in state appropriation of \$16.3 million. The Governor recommends a total increase of \$6.4 million. The Budget includes tuition and mandatory fee increases at all three institutions.

Through Article 11, the Budget extends the RI Promise to juniors and seniors at RIC beginning with students who enrolled at RIC in the fall of 2017. The Budget allocates \$3.3 million in guaranty agency reserves from the Division of Higher Education Assistance (DHEA) to fund the first year of this program. This expansion is projected to cost \$4.8 million in general revenue in FY2021, as the guaranty agency reserves are projected to be depleted in FY2021. The depletion of these reserves also threatens funding for the need-based grant program and the dual/concurrent enrollment program. It should be noted that pursuant to RIGL 16-57-6.1(b) and 16-56-6, Collegebound Fund fees must be used for need-based grant programs.

Office of the Postsecondary Commissioner						
Projection of DHEA Revenues/Expenses for FY2019 through FY2024						
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Revenues	Governor	Governor	Projected	Projected	Projected	Projected
Reserves	\$21,752,385	\$14,812,964	\$3,599,943	(\$1,442,614)	(\$5,985,171)	(\$10,027,728)
CollegeBound Fund Fees (from Treasurer)	5,355,579	4,840,120	4,590,256	4,590,256	4,590,256	4,590,256
Total	\$27,107,964	\$19,653,084	\$8,190,199	\$3,147,642	(\$1,394,915)	(\$5,437,472)
Expenditures						
Need-Based Grant Program	(10,095,000)	(8,007,013)	(6,932,813)	(6,432,813)	(5,932,813)	(5,932,813)
RI Promise Expansion	-	(5,346,128)	-	-	-	-
Dual/Concurrent Enrollment	(1,800,000)	(2,300,000)	(2,300,000)	(2,300,000)	(2,300,000)	-
Personnel Expenses	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(205,000)
Total	(\$12,295,000)	(\$16,053,141)	(\$9,632,813)	(\$9,132,813)	(\$8,632,813)	(\$6,137,813)
Ending Balance	\$14,812,964	\$3,599,943	(\$1,442,614)	(\$5,985,171)	(\$10,027,728)	(\$11,575,285)

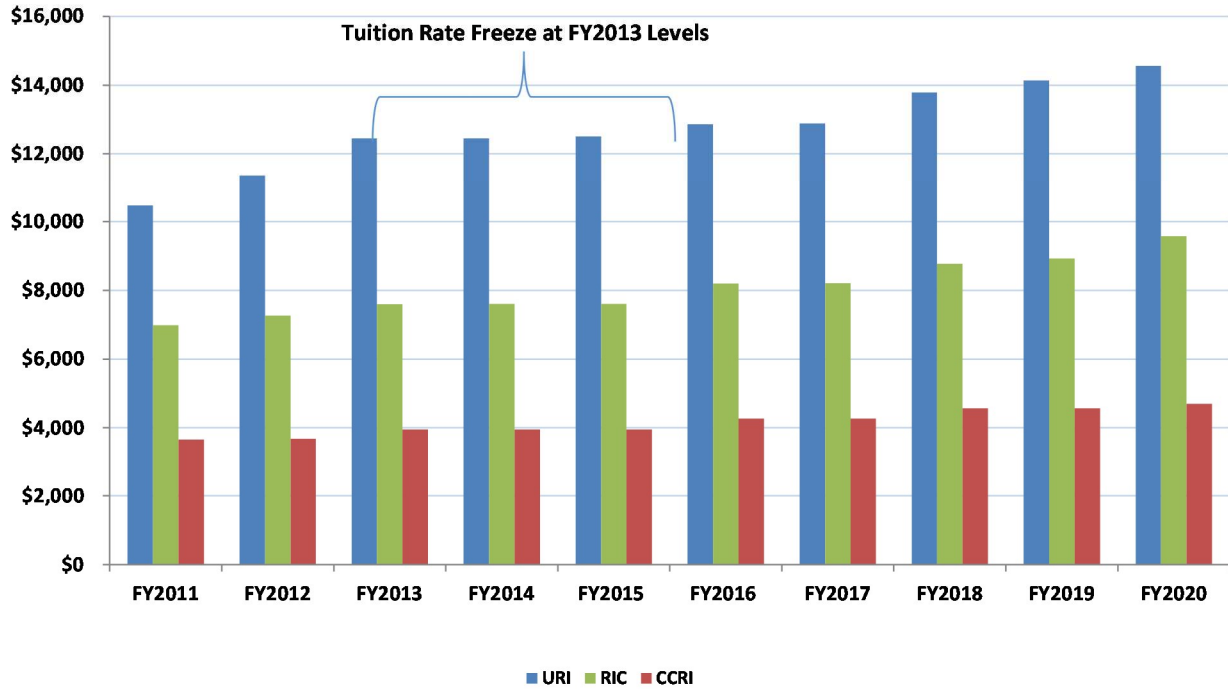
Source: Reserves and expenditure projections from the OPC and updated based on Governor's FY2020 Budget. CollegeBound Fee projections from the General Treasurer's Office.

Article 6 serves as a joint resolution for the issuance of up to \$80.5 million in Rhode Island Health and Educational Building Corporation (RIHEBC) revenue bonds for three projects at URI. The article provides for the issuance of \$51.5 million in revenue bonds for the renovation and expansion of the Memorial Union; \$2.1 million for utility and infrastructure improvements to the Fraternity Circle district of URI; and, \$26.9 million for the design and construction of a new Combined Health & Counseling Center.

Tuition and Fees

Actual tuition and fee rates, by institution, along with a projection for FY2019 and FY2020, are shown in the following graph.

In-State Undergraduate Tuition & Fees



URI	FY2016	FY2017 ¹	FY2018	FY2019	FY2020	Change from FY2019	
In-State Tuition	\$11,128	\$11,128	\$12,002	\$12,248	\$12,590	\$342	2.8%
Out-of-State Tuition	27,118	27,118	28,252	28,972	29,710	738	2.5%
Mandatory Fees	1,734	1,756	1,790	1,890	1,976	86	4.6%
Tuition & Fee Revenue	290,235,215	295,398,367	316,248,105	324,241,511	331,590,008	7,348,497	2.3%
RIC							
In-State Tuition	\$7,118	\$7,118	\$7,637	\$7,790	\$8,218	\$428	5.5%
Out-of-State Tuition	18,779	18,779	20,150	20,553	21,683	1,130	5.5%
Mandatory Fees	1,079	1,088	1,139	1,139	1,360	221	19.4%
Tuition & Fee Revenue	70,074,560	69,106,634	72,656,239	72,463,717	78,487,943	6,024,226	8.3%
CCRI							
In-State Tuition	\$3,950	\$3,950	\$4,148	\$4,148	\$4,284	\$136	3.3%
Out-of-State Tuition	11,180	11,180	11,740	11,740	12,128	388	3.3%
Mandatory Fees	316	316	416	416	416	-	0.0%
Tuition & Fee Revenue	52,071,850	49,709,600	53,493,373	54,013,904	56,237,802	2,223,898	4.1%

¹ The increase for URI includes \$2.8 million for online program revenue.

In FY2020, URI is projecting an increase in tuition and fee revenue of \$7.3 million, or 2.3 percent, based on an increase in in-state tuition of \$342, or 2.8 percent; out-of-state tuition of \$738, or 2.5 percent; and mandatory fees of \$86, or 4.6 percent. RIC is projecting an increase in tuition and fee revenue of \$6.0 million, or 8.3 percent, based on an increase in in-state tuition of \$428, or 5.5 percent; an increase in out-of-state tuition of \$1,130, or 5.5 percent; and, an increase in mandatory fees of \$221, or 19.4 percent. CCRI projects an increase in tuition and fee revenue of \$2.2 million, or 4.1 percent, based on an enrollment increase of 0.9 percent; an increase in in-state tuition of \$136, or 3.3 percent, and an increase in out-of-state tuition of \$388, or 3.3 percent.

State Support for Public Education

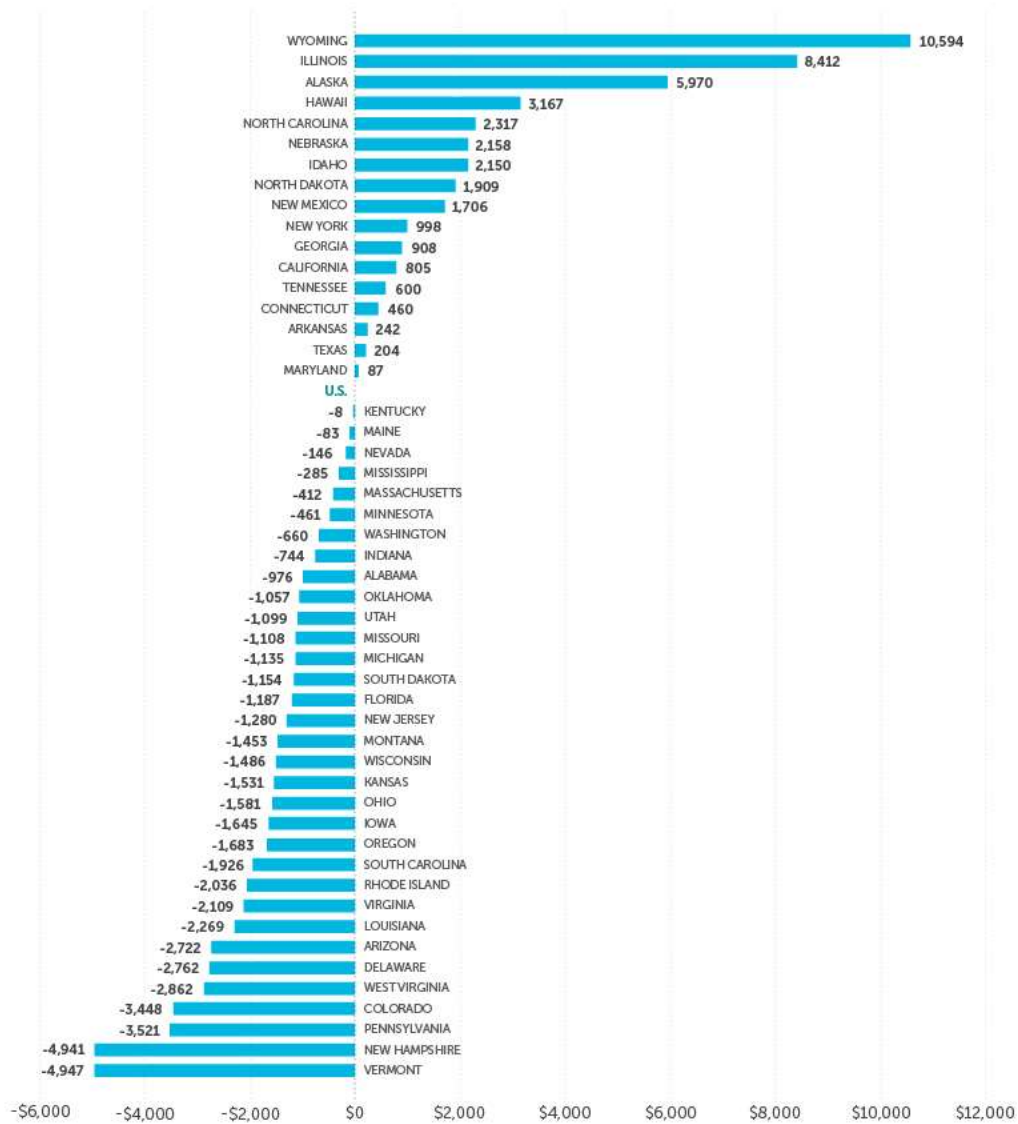
When looking at state support for public higher education, many policy makers tend to take a regional approach. For example, if looking at New England, Rhode Island is in the middle of the pack. In FY2017, the most recent data available, Connecticut appropriated \$4,177 more per student FTE than Rhode Island and Massachusetts appropriated \$2,637 more. Based on Rhode Island's FY2017 FTE enrollment of 30,246, the difference in per-student FTE between Rhode Island and Massachusetts is \$79.8 million.

However, on a national perspective in FY2017, the State of Wyoming appropriated \$12,630 more per student FTE than Rhode Island. The chart on the following page is from the State Higher Education Executive Officers Association (SHEEO). The chart illustrates the difference in state appropriations to public higher education based on student FTEs. The State of Rhode Island appropriates \$2,036 less per student than the national average.

FY2017 State Educational Appropriations per FTE	
Connecticut	\$10,281
Massachusetts	8,741
Maine	7,733
Rhode Island	6,104
Vermont	3,017
New Hampshire	2,959
Regional Average	\$6,473

Source: State Higher Education Executive Officers (SHEEO)

FIGURE 8
EDUCATIONAL APPROPRIATIONS PER FTE (ADJUSTED):
DIFFERENCE FROM U.S. AVERAGE, FY 2017



- NOTES:**
1. Educational appropriations are a measure of state and local support available for public higher education operating expenses, excluding appropriations for independent institutions, research, hospitals, and medical education.
 2. Adjustment factors to arrive at constant dollar figures include Cost of Living Index (COLI), Enrollment Mix Index (EMI), and Higher Education Cost Adjustment (HECA). The Cost of Living Index (COLI) is not a measure of inflation over time.
 3. For Illinois, a \$1.25 billion back payment in FY 17 to their historically underfunded higher education pension program resulted in past legacy pension funds accounting for 37.8 percent of all educational appropriations. The substantial increase in appropriations per FTE for Illinois between 2016 and 2017 was primarily due to institutions receiving 30 percent of their annual state appropriations (compared to levels in adjacent years).

SOURCE: State Higher Education Executive Officers

In FY2020, the three state institutions requested a \$16.3 million increase in the State general revenue support, excluding general obligation debt service: the Governor recommends \$6.4 million.

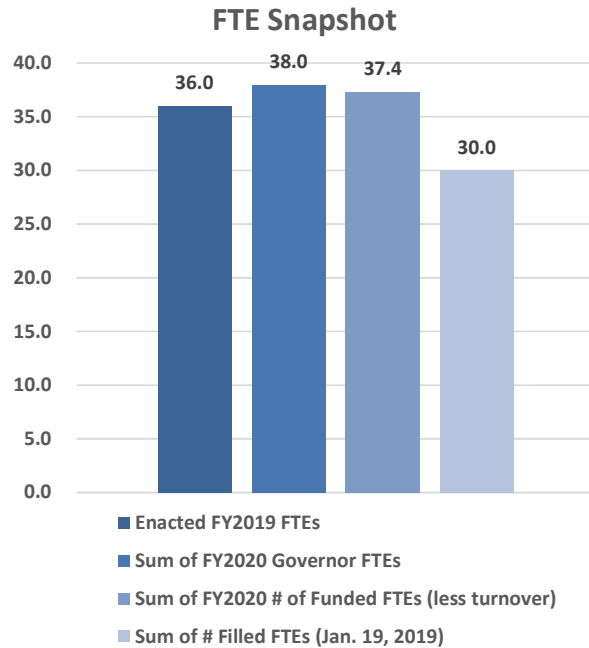
OFFICE OF THE POSTSECONDARY COMMISSIONER

Expenditures By Source	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$13.9	\$16.3	\$16.2	(\$0.1)	-0.5%	\$18.2	\$1.9	11.6%
Federal Funds	13.9	7.9	8.3	0.3	4.2%	14.9	6.9	87.4%
Restricted Receipts	2.0	2.0	2.9	0.9	43.7%	2.8	0.8	38.7%
Other Funds	10.1	13.1	12.9	(0.2)	-1.6%	10.2	(2.9)	-22.3%
Total	\$39.9	\$39.3	\$40.2	\$0.9	2.3%	\$46.0	\$6.7	16.9%

\$ in millions

The mission of the Office of the Postsecondary Commissioner (OPC), formerly the Office of Higher Education, is to support the work of the Board of Education and the Council on Postsecondary Education in providing an excellent, accessible, and affordable system of higher education designed to improve the education attainment of Rhode Island citizens, support economic development, and enrich the civic, social, and cultural life of the residents of the State. The Commissioner works with the presidents of the state higher education institutions to determine the benefits or disadvantages of proposed new programs, departments, courses of study, and policies with the scope and role adopted by the Council on Postsecondary Education. The OPC also supports specific programs, such as early college access and veterans affairs. The FY2016 Budget as Enacted created a new Division of Higher Education Assistance (DHEA) within the Office of the Postsecondary Commissioner and eliminated the Rhode Island Higher Education Assistance Authority. The OPC provides research, policy, and fiscal analysis, and seeks to ensure that higher education in Rhode Island remains economically and geographically accessible.

The Budget provides 38.0 FTE positions for the OPC in FY2020, including 1.0 FTE that is third-party funded. This represents a net increase of 2.0 FTE positions from the FY2019 Budget as Enacted. The increase is due to the addition of 3.0 FTE positions for the Westerly Education Center (8.0 total) and 1.0 FTE position for the Northern Rhode Island Higher Education Center, partially offset by a decrease of 2.0 FTE positions in the OPC.



Office of Postsecondary Commissioner	General Revenue
FY2019 Enacted	\$16,288,918
<i>Target and Other Adjustments</i>	
Rhode Island Promise Scholarship Program CCRI	384,587
Personnel Adjustment (2.0 FTE Reduction in OPC)	1,881,425
	(378,919)
FY2020 Governor	\$18,176,011

Office of Post Secondary Commissioner	Other Fund Changes
RI Promise RIC Expansion (DHEA reserves)	\$3,300,000
RI Promise CCRI Adult Expansion (DHEA reserves)	2,046,128
Guaranty Agency - Need-Based Grants (DHEA reserves)	1,507,013
Dual/Concurrent Enrollment Program (other funds)	500,000
Higher Education and Industry Centers (4.0 FTE positions) (restricted receipts)	437,091

Rhode Island Promise Scholarship Program ***\$1.9 million***

The Budget includes an additional \$1.9 million in general revenue (\$7.9 million total) to fund the third year of the Rhode Island Promise Scholarship program (RI Promise). Article 3 of the FY2018 Budget established the program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island (CCRI), less federal and all other financial aid available to the recipient. FY2020 represents the third year of the program. While in the first two years the program has seen enrollment growth around 45.0 percent annually, the increase reflects a projected decline in growth across two classes to 27.0 percent and the 3.0 percent tuition increase at CCRI.

In the program report for fall 2018, CCRI cited a 63.0 percent retention rate for the fall 2017 cohort which is consistent with College's historical rate and the national average of 62.0 percent, and significantly higher than the 58.0 percent report by the Tennessee Program in the first year. In addition, 22.0 percent of the cohort is on track to graduate in two years, relative to 6.0 percent of first-time, full-time students in past years. In addition, through the "free college" message and a focus on increasing access to higher education, the fall 2018 cohort reflects a 63.0 percent growth in students of color relative to 2017.

Personnel Adjustment (2.0 FTE Reduction in OPC) ***(\$378,919)***

The Budget includes a decrease of \$378,919 in salary and benefits cost to reflect the elimination of 2.0 FTE positions within OPC and increased turnover savings to bring the Office in alignment with current staffing and program levels. Specific positions are not identified for elimination; however, as of the February 16, 2019 payroll period, the OPC had 3.0 vacant FTE positions.

RI Promise RIC Expansion (DHEA reserves) ***\$3.3 million***

Through Article 11, the Budget extends the RI Promise to juniors and seniors at RIC beginning with students who enrolled at RIC in the fall of 2017. The Budget allocates \$3.3 million in guaranty agency reserves from the Division of Higher Education Assistance (DHEA) to fund the first year of this program. This expansion is projected to cost \$4.8 million in general revenue in FY2021.

To qualify, students will be required to meet the same requirements as the students in the current program at CCRI, and to have enrolled in RIC as a freshman. Individual students are not eligible to receive a RI Promise scholarship at both CCRI and RIC: the scholarship is limited to two years of tuition and mandatory fees. The requirements include the following:

- Qualify for in-state tuition and fees pursuant to the *Residency Policy* adopted by the Council on Postsecondary Education.

- Be currently enrolled as a full-time student, have declared a major, and have earned a minimum of 60 credits toward an eligible program of study.
- Have completed the Free Application for Federal Student Aid (FAFSA) form by the deadline prescribed by RIC for each academic year in which the student seeks a scholarship.
- Enroll on a full-time basis as a freshman and a first-time student, and continue to be enrolled on a full-time basis. Students who received secondary credit through dual/concurrent enrollment are eligible, as are students who earned a postsecondary certificate; however, a student who otherwise previously attended a postsecondary institution would not be eligible.
- Be “on track to graduate on time” as determined by RIC. The statute does recognize that some students, including those who require developmental education, are double majors, or are enrolled in certain programs, may require extended time for degree completion.
- Must not have already received an award under the Promise Scholarship program.
- Commit to live, work, or continue their education in Rhode Island after graduation, based on a policy developed by RIC.

A student who is a member of the National Guard or a reserve unit of a branch of the United States military who is unable to satisfy all the conditions due to basic or special military training or deployment may continue to receive a scholarship upon completion of the training or deployment.

RI Promise CCRI Adult Expansion (DHEA reserves)

\$2.0 million

Through Article 11, the Budget extends the RI Promise program to adult students at CCRI age 25 years of age or older, who are enrolled in at least 18 credit hours annually beginning in the fall of 2019. The program will cover up to 60 credit hours of tuition and mandatory fees over a duration of no more than four years from enrollment. As with recent high school graduates in the program, adults must complete the Free Application for Federal Student Aid (FAFSA) form; remain on track to graduate on time; maintain an a minimum of 2.5 grade point average; and commit to live, work, or continue their education in Rhode Island after graduation. In FY2020 the Budget provides \$2.0 million in guaranty agency reserves from the DHEA for the first year of this expansion. This program is projected to cost \$2.0 million in general revenue in FY2021.

Guaranty Agency - Need-Based Grants (DHEA reserves)

\$1.5 million

The Budget increases funding for the Guaranty Agency- Need-Based Grants program by \$1.5 million (\$5.5 million total). The additional funding is added to partially offset a \$3.6 million reduction (\$2.5 million total) in funding from CollegeBound tuition savings program revenue. The need-based grant program, established through RIGL 16-56, awards block grants to Rhode Island public and independent non-profit higher education institutions for need-based scholarships, grants, and work opportunities. Eligibility for the program is determined by the Office of the Postsecondary Commissioner (OPC) and the private institutions are required to match the funds. In FY2016, the three public institutions received \$8.0 million. In addition to the \$8.0 million awarded to the public institutions, in FY2017 the independent non-profit institutions were awarded \$2.0 million, for a total of \$10.0 million. Article 11 repeals the requirement that the lesser of 20.0 percent or \$2.0 million of the funds appropriated annually for need-based grants be distributed to students attending private, non-profit, higher education institutions, leaving the allocation of appropriated funds to the discretion of the Commissioner of Postsecondary Education.

Historically, funding for the need-based grant program is derived from \$4.0 million in DHEA reserve funds and \$6.0 million in revenue from the CollegeBound Saver program; however, revenues from the CollegeBound fund are expected to decline due to the raising average age of participants and smaller contributions. The revenues are based on the amount of assets under management. The average age of the

participants is currently 16; and, as these participants enter college, they will withdraw assets. Furthermore, the new, younger participants are not joining in the numbers needed to offset withdrawals and generally make smaller contributions to their savings plan.

In FY2015, the most recent data-year available, over 6,000 scholarships were awarded. The article repeats the requirement that the lesser of 20.0 percent or \$2.0 million of the funds appropriated annually for need-based grants be distributed to students attending private, non-profit, higher education institutions, leaving the allocation of appropriated funds to the discretion of the Commissioner of Postsecondary Education. The following table shows the distribution proposed by the Governor for FY2019 through FY2024, which includes phasing out the scholarship program at RIC, due to the expansion of the RI Promise program.

Promise 1 Need-Based Scholarship Program Distributions						
Institution	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
CCRI	\$3,338,620	\$3,338,620	\$3,338,620	\$3,338,620	\$3,338,620	\$3,338,620
RIC	1,740,000	574,200	-	-	-	-
URI	2,594,193	2,594,193	2,594,193	2,594,193	2,594,193	2,594,193
Private Colleges	1,856,505	1,500,000	1,000,000	500,000	-	-
Total	\$9,529,318	\$8,007,013	\$6,932,813	\$6,432,813	\$5,932,813	\$5,932,813

Source: Office of Management and Budget

Dual/Concurrent Enrollment Program (other funds) \$500,000

The Budget provides an additional \$500,000 (\$2.3 million total) in other funds for the dual/concurrent enrollment program. This program allows high school students to take courses for college and high school credit at the University of Rhode Island (URI), Rhode Island College (RIC), or the Community College of Rhode Island (CCRI) at no cost to the student. The program is primarily funded from CollegeBound tuition savings program revenue; however, for full-time dual enrollment students at CCRI, the sending district is responsible for up to 50.0 percent of the core instructional per pupil amount.

Revenues from the CollegeBound fund are expected to decline due to the raising average age of participants and smaller contributions. The revenues are based on the amount of assets under management. The average age of the participants is currently 16; and, as these participants enter college, they will withdraw assets. Furthermore, the new, younger participants are not joining in the numbers needed to offset withdrawals and generally make smaller contributions to their savings plan. Historically generating about \$6.0 million annually, the General Treasurer projects revenue to decline to \$4.8 million in FY2020 and \$4.6 million for FY2021 through FY2024. These revenues are also used to partially support the need-based grant program.

Higher Education and Industry Centers (4.0 FTE positions) (restricted receipts) \$437,091

The Budget includes \$437,091 in restricted receipt funding for 4.0 new FTE positions at the two Higher Education and Industry Centers, including the Westerly Center, which opened in January 2017, and the Northern RI Center, which is scheduled to open in July 2020. The facilities are self-supporting through occupancy fees charged for the use of the facility.

- **Project Manager (1.0 FTE) - \$118,427:** The position will assist the Westerly Center with the development of grant proposals to increase postsecondary attainment, eliminate equity gaps, and make college affordable.
- **Administrator Coordinator (1.0 FTE) - \$96,457:** The position will be responsible for coordinating and executing events held at the Westerly Center, such as booking events, scheduling services, and providing support during the events.

- **Assessment Specialist (1.0 FTE) - \$89,133:** This position at the Westerly Center will coordinate with the institutions of higher education, assess students’ academic and career preparedness, determine needed support services, and connect students to the necessary services. The Administrative/Assessment Professional will also provide administrative support to the Executive Director and provide support when students and clients enter the building.
- **Facilities Coordinator (Northern RI) (1.0 FTE) - \$133,074:** This position is responsible for the management and operations of facilities at the Northern RI Education Center, including the oversight of programming at the Center. The Operations and Facilities manager will be responsible for the health, safety, security, and environmental issues of the facility, including emergency planning and preparedness.

Analyst Note: The amount indicated for this position appears to provide a full-year cost even though the position is not expected to be filled until January 2020.

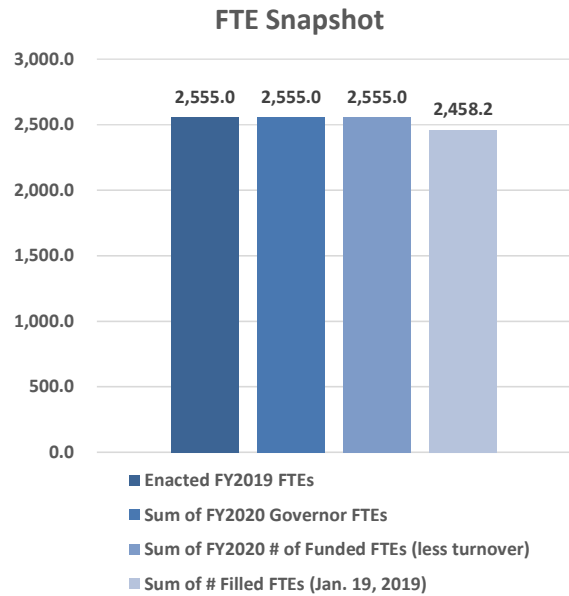
UNIVERSITY OF RHODE ISLAND

Expenditures By Source	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted		FY2020 Governor	Change from Enacted	
General Revenue	\$101.1	\$105.1	\$110.0	\$4.9	4.6%	\$115.2	\$10.1	9.7%
Other Funds	678.1	697.7	698.9	1.2	0.2%	719.0	21.3	3.0%
Total	\$779.2	\$802.8	\$808.9	\$6.1	0.8%	\$834.2	\$31.4	3.9%

The University of Rhode Island (URI) was founded in 1888 as an agricultural school known as the Rhode Island College of Agriculture and Mechanic Arts. The college was actually the second State college established in Rhode Island. The Agricultural Experiment Station building was the first structure on campus, and was built in 1889: the building was later renamed Taft Hall. Today, Taft Hall houses internship, international exchange, and foreign student programs. In 1955, the school became known as the University of Rhode Island.

URI quickly evolved beyond its genesis as a land grant and agricultural school, and today has retained a focus on biological and natural sciences, along with a developing focus on technology in areas such as ocean engineering, chemistry, pharmacy, economics, nursing, and renewable energy. URI has the third oldest continuously operating marine laboratory in the United States, the oldest turfgrass research program in the country, and has implemented green building technology in the expansion and renovation of its facilities. URI provides Bachelor’s, Master’s, and Doctorate level degrees.

URI has four campuses: the 1,250 acre Kingston Campus; the 153 acre Bay Campus in Narragansett; the Providence Campus, located in the Shepard Building on Washington Street in Providence; and, the W. Alton Jones Campus located on 2,300 acres in West Greenwich. The Budget provides 2,555 FTE positions, consistent with the FY2019 Budget as Enacted. While there is zero net increase in FTE positions at URI, the Budget creates a new FTE line to isolate the self-supporting auxiliary enterprise FTE positions to more accurately align the FTE cap with the appropriate



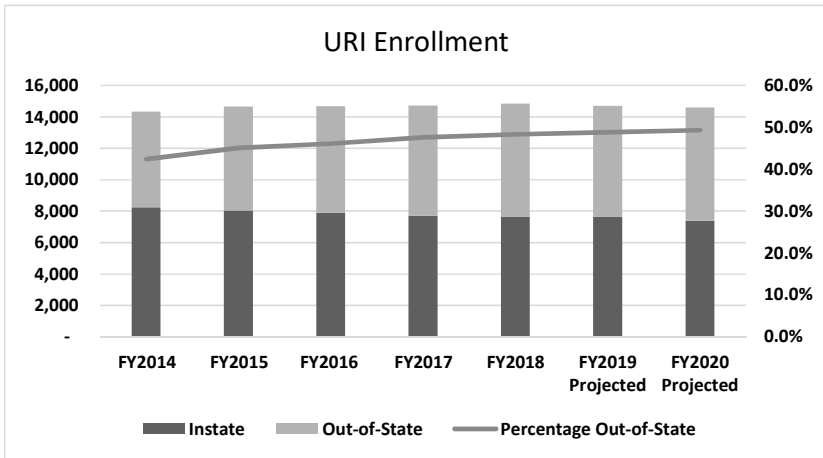
program funding. The distribution provides 1,660 FTE positions at URI in general, 10.0 FTE positions for the State Crime Lab, 440.0 sponsored research FTE positions, and 445.0 auxiliary-supported FTE positions.

Major Issues and Trends

In addition to the 2.3 percent increase in tuition and fee revenue, URI requested a general revenue, state appropriation increase of \$9.6 million excluding general obligation debt service. Of the requested increase 88.0 percent is for contractual increases for salaries and benefits, and for student aid. Strategic initiatives include graduate teaching assistant expansion, student wellness enhancements, institutional research investments, and purchasing authority enhancements. While approving the tuition and fee increase, the Governor recommends a general revenue increase of \$3.0 million, including \$1.8 million for the online program expansion and \$1.6 million in performance incentive funding.

Enrollment

In-state enrollment is projected to be 7,406 full-time equivalent students in FY2020 a decrease of 125 students, or 1.7 percent; while out-of-state students are projected at 7,205 students, an increase of 12 students, or 0.2 percent



University of Rhode Island	General Revenue
FY2019 Enacted	\$105,076,256
<i>Target and Other Adjustments</i>	<i>(\$368,867)</i>
General Obligation Debt Service	7,107,110
Online Program Expansion	1,800,000
Performance Incentive Fund	1,581,938
State Crime Lab	28,669
FY2020 Governor	\$115,225,106

General Obligation Debt Service \$7.1 million

The Budget includes \$29.0 million in general revenue for general obligation debt service at URI in FY2019 and \$30.5 million in FY2020. This is an increase of \$5.6 million and \$7.1 million respectively from the FY2019 Budget as Enacted. The increase is due primarily to the issuance of bonds for the College of Engineering projects at URI.

	Debt Service							
	FY2018 Spent	FY2019 Enacted	FY2019 Revised	Change from Enacted		FY2020 Governor	Change from Enacted	
University of Rhode Island	\$22,764,906	\$23,428,285	\$28,989,347	\$5,561,062	23.7%	\$30,535,395	\$7,107,110	30.3%
Rhode Island College	6,192,628	6,421,067	6,421,067	-	-	6,180,718	(240,349)	-3.7%
Community College of Rhode Island	2,082,845	1,904,030	1,904,030	-	-	1,898,030	(6,000)	-0.3%
Total	\$31,040,379	\$31,753,382	\$37,314,444	\$5,561,062	17.5%	\$38,614,143	\$6,860,761	21.6%

Source: Rhode Island Budget Office

Online Education Program Expansion**\$1.8 million**

The Budget includes an additional \$1.8 million in general revenue to expand the online degree program at URI. Although not included as a strategic investment in URI's FY2020 Budget request, the funds will be used to increase course offerings, introduce new degree programs, and establish online tutoring and a helpdesk. FY2020 represents the first year of a 3-year request to provide \$1.6 to \$1.8 million annually to establish URI online and accelerate the degree development program. URI anticipates the online program will be fully self-supporting by year four. Hanover Research conducted a market opportunity scan of bachelor's and master's degree programs highlighting potential fields for online program development at URI. The offerings are not intended to replace current, in-person course offerings but to allow the University to reach a new cohort of students unable or unwilling to attend the campus. Each program selected for online development is linked to high employment opportunities in the New England region, stem from areas of strength within the University, and is a program adult learners often seek in an online format.

Performance Incentive Fund**\$1.6 million**

In 2016 the General Assembly passed the Performance Incentive Funding Act to promote alignment between the State's priorities for higher education and institutional practice and policy. The statute delineates three priorities for the public institutions including improving graduation/persistence; increasing graduates in high-demand, high-wage fields (HDHW); and, advancing institutions missions. The institution-specific performance measures were designed by the Commissioner, in consultation with the Council on Postsecondary Education (Council), and data collection began in FY2017. Under the statute, the institutions do not lose any funding, since the statute is triggered by the allocation of "otherwise unrestricted higher education general revenue". The Budget provides an additional \$1.6 million in performance incentive funding for URI in FY2020 (\$2.6 million total).

State Crime Lab**\$28,669**

The Budget provides an additional \$28,669 in general revenue (\$1.3 million total) for the State Crime Lab. The University requested an increase of \$198,575, including various salary and benefit adjustments and \$180,000 in general revenue to purchase a bench-top Scanning Electron Microscope (SEM). The Governor does not provide funding for the microscope.

RHODE ISLAND COLLEGE (RIC)

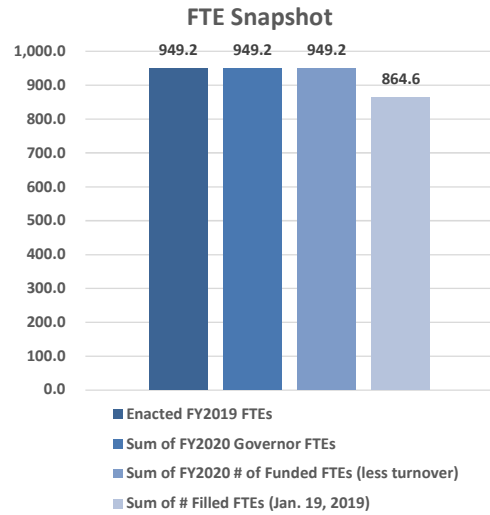
Expenditures By Source	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted		FY2020 Governor	Change from Enacted	
General Revenue	\$54.1	\$55.7	\$55.3	(\$0.5)	-0.9%	\$56.5	\$0.8	1.4%
Other Funds	140.3	144.1	147.0	2.9	2.0%	145.5	1.4	0.9%
Total	\$194.4	\$199.9	\$202.3	\$2.4	1.2%	\$202.0	\$2.1	1.1%

\$ in millions

Rhode Island College (RIC) was established in 1854 as the Rhode Island State Normal School, with the mission of providing teacher preparation to Rhode Island residents. In 1959, RIC moved to its current campus location on 180 acres off of Mount Pleasant Avenue in Providence and was renamed Rhode Island College to reflect expanded curriculum.

Today, RIC provides comprehensive education at the Bachelor’s and Master’s level, with a focus on Rhode Island residents. Rhode Island College is accredited by the New England Commission of Higher Education, the Council on Social Work Education, National Association of Schools of Art and Design, National Association of Schools of Music, National Association of State Directors of Teacher Education and Certification, National Council for Accreditation of Teacher Education, and the Commission on Collegiate Nursing Education.

The Budget includes 949.2 FTE positions in FY2020, including 76.0 third-party funded, consistent with the FY2019 Budget as Enacted.



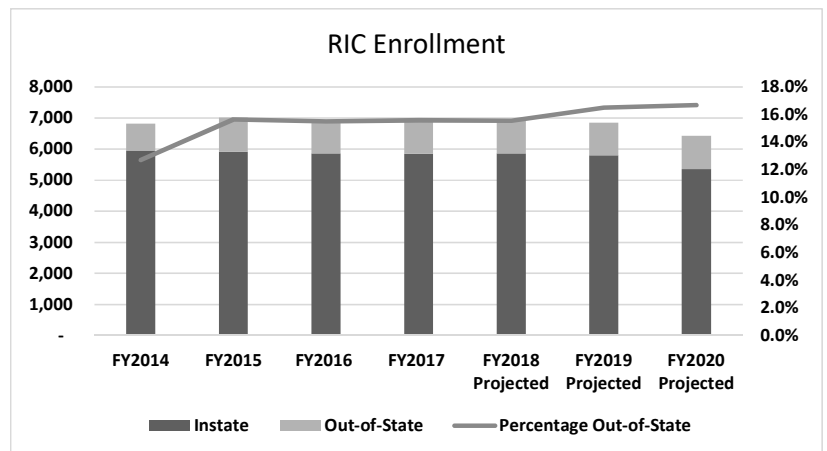
Major Issues and Trends

In addition to a tuition and fee revenue increase of \$6.0 million, or 8.3 percent, RIC requested an increase in the state general revenue appropriation of \$4.3 million, or 8.6 percent, excluding G.O. debt service. Strategic initiatives included faculty salary adjustments, investment in IT infrastructure, and a strategic branding campaign. The Governor provides a \$1.3 million increase in performance incentive funding, that is partially offset by \$278,403 in statewide adjustments.

The Governor also recommends expanding the Rhode Island Promise program to juniors and seniors at Rhode Island College. This expansion is expected to lead to increased enrollment at RIC. While the Budget provides RI Promise scholarship funding for juniors and need-based block grants for seniors in FY2020, the need-based program, which currently benefits Pell-eligible students in the second through fifth year, will be phased out in FY2021.

Enrollment

Total enrollment is projected to be 6,432 full-time equivalent students in FY2020, an increase of 3 students, relative to FY2019. Relative to FY2014, out-of-state enrollment is projected to increase by 23.9 percent.



Rhode Island College	General Revenue
FY2019 Enacted	\$55,749,666
<i>Target and Other Adjustments</i>	(<i>\$278,403</i>)
Performance Incentive Fund	1,289,419
General Obligation Debt Service	(240,349)
FY2020 Governor	\$56,520,333

Performance Incentive Fund**\$1.3 million**

In 2016 the General Assembly passed the Performance Incentive Funding Act to promote alignment between the State's priorities for higher education and institutional practice and policy. The statute delineates three priorities for the public institutions including improving graduation/persistence; increasing graduates in high-demand, high-wage fields (HDHW); and, advancing institutions missions. The institution-specific performance measures were designed by the Commissioner, in consultation with the Council on Postsecondary Education (Council), and data collection began in FY2017. Under the statute, the institutions do not lose any funding, since the statute is triggered by the allocation of "otherwise unrestricted higher education general revenue". The Budget provides an additional \$1.3 million in performance incentive funding for RIC in FY2020, for a total of \$2.3 million.

General Obligation Debt Service**(\$240,349)**

The Budget provides \$6.2 million in FY2020 for general obligation debt service at RIC funded by general revenue, and \$6.4 million in FY2019. This is a decrease of \$240,349 in FY2020 and level funded in FY2019 relative to the FY2019 Budget as Enacted.

	Debt Service							
	FY2018 Spent	FY2019 Enacted	FY2019 Revised	Change from Enacted	FY2020 Governor	Change from Enacted		
University of Rhode Island	\$22,764,906	\$23,428,285	\$28,989,347	\$5,561,062	23.7%	\$30,535,395	\$7,107,110	30.3%
Rhode Island College	6,192,628	6,421,067	6,421,067	-	-	6,180,718	(240,349)	-3.7%
Community College of Rhode Island	2,082,845	1,904,030	1,904,030	-	-	1,898,030	(6,000)	-0.3%
Total	\$31,040,379	\$31,753,382	\$37,314,444	\$5,561,062	17.5%	\$38,614,143	\$6,860,761	21.6%

Source: Rhode Island Budget Office

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

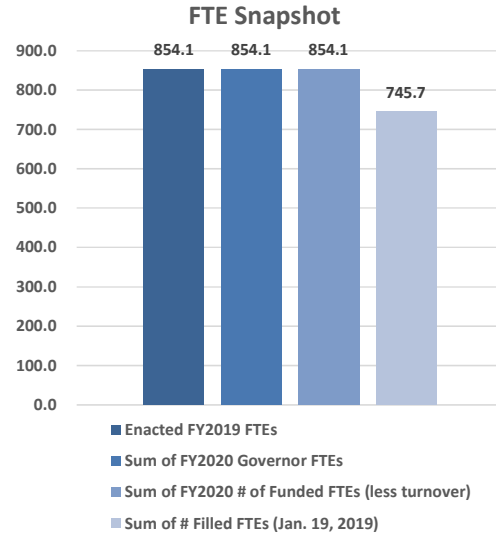
Expenditures By Source	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
General Revenue	\$51.8	\$53.0	\$52.4	(\$0.5)	-1.0%	\$54.4	\$1.4	2.6%
Restricted Receipts	0.6	0.7	0.6	(0)	(0)	0.6	(0.1)	-8.8%
Other Funds	107.5	112.0	110.3	(1.7)	-1.5%	113.1	1.2	1.1%
Total	\$159.8	\$165.6	\$163.3	(\$2.3)	-1.4%	\$168.2	\$2.5	1.5%

\$ in millions

The Community College of Rhode Island (CCRI) was established by the General Assembly in 1960 as Rhode Island Junior College. The first class of 325 students enrolled at a temporary Providence location in the fall of 1964. CCRI has provided a variety of career, technical, and academic programs and has established partnerships with businesses and non-profit organizations to provide worker training.

Today, CCRI has four main campuses: the 205 acre Knight Campus in Warwick; the 300 acre Flanagan Campus in Lincoln; the 7 acre Liston Campus in downtown Providence; and the 5 acre Newport County Campus in Newport. In addition, CCRI holds classes in the Westerly Higher Education and industry Center and at Westerly Middle School.

The Budget includes 854.1 FTE positions in FY2020 and FY2019, including 89.0 third-party funded FTE positions, consistent with the enacted level.



Major Issues and Trends

In addition to a revenue and fee increase of 4.1 percent, CCRI requested an increased state appropriation \$2.4 million (\$53.4 million total). The Governor recommends increasing performance incentive funding by \$1.7 million. The major cost increases at CCRI include mandatory and contractual items, such as salaries and benefits; student aid; and technology investments.

Enrollment

The table shows the actual student enrollment, both by headcount and by FTE, from 2011 through 2018, and a projection for 2019 and 2020. In FY2020, enrollment is projected to increase by 84.0 full-time equivalent students, or 0.9 percent, relative to FY2019 Projected. This projection includes the enrollment growth expected due to Rhode Island Promise.

Year	Headcount		FTE %	
	Headcount	% Change	FTE	Change
2011	17,226	-1.4%	10,523	-2.3%
2012	17,541	1.8%	10,591	0.6%
2013	17,351	-1.1%	10,433	-1.5%
FY2014	17,017	-1.9%	10,141	-2.8%
FY2015	16,718	-1.8%	9,882	-2.6%
FY2016	15,611	-6.6%	9,128	-7.6%
FY2017	14,624	-6.3%	8,593	-5.9%
FY2018 Pre-Audit	14,155	-3.2%	8,732	1.6%
FY2019 Projected	14,048	-0.8%	9,051	3.7%
FY2020 Projected	14,206	1.1%	9,135	0.9%
10-Year Average	15,850	-2.0%	9,621	-1.6%

Community College of Rhode Island	General Revenue
FY2019 Enacted	\$52,978,860
<i>Target and Other Adjustments</i>	<i>(316,860)</i>
Performance Incentive Fund	1,725,408
General Obligation Debt Service	(6,000)
FY2020 Governor	\$54,381,408

Performance Incentive Fund

\$1.7 million

In 2016 the General Assembly passed the Performance Incentive Funding Act to promote alignment between the State’s priorities for higher education and institutional practice and policy. The statute delineates three priorities for the public institutions including improving graduation/persistence; increasing graduates in high-demand, high-wage fields (HDHW); and, advancing institutions missions. The institution-specific performance measures were designed by the Commissioner, in consultation with the

Council on Postsecondary Education (Council), and data collection began in FY2017. Under the statute, the institutions do not lose any funding, since the statute is triggered by the allocation of “otherwise unrestricted higher education general revenue”. The Budget provides an additional \$1.7 million in performance incentive funding for CCRI in FY2020, for a total of \$2.7 million. Included in this \$1.7 million is \$235,000 to provide work study and SNAP Employment and Training (SNAP E&T) program funding for eligible adults at CCRI.

Under federal rules, students must work at least 20 hours a week to qualify for SNAP, which is unmanageable for many full-time students. However, states have the flexibility to include work study as employment to qualify. Of the \$235,000 in the FY2020 Budget, \$10,000 will provide work study for near SNAP-eligible students at CCRI. The remaining \$225,000 will be used to launch a need-based, support pilot program for SNAP eligible adults who attend CCRI for 18 credit hours or more annually through the SNAP E&T program. In addition to supporting education and training activities, the pilot SNAP E&T program will provide support for non-tuition expenses such as books, supplies, transportation, and childcare. The pilot program is 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.

General Obligation Debt Service **(\$6,000)**

The Budget provides \$1.9 million in FY2020 and FY2019 for general obligation debt service at CCRI funded by general revenue. This is a decrease of \$6,000 and level funded respectively from the FY2019 Budget as Enacted.

	Debt Service							
	FY2018 Spent	FY2019 Enacted	FY2019 Revised	Change from Enacted		FY2020 Governor	Change from Enacted	
University of Rhode Island	\$22,764,906	\$23,428,285	\$28,989,347	\$5,561,062	23.7%	\$30,535,395	\$7,107,110	30.3%
Rhode Island College	6,192,628	6,421,067	6,421,067	-	-	6,180,718	(240,349)	-3.7%
Community College of Rhode Island	2,082,845	1,904,030	1,904,030	-	-	1,898,030	(6,000)	-0.3%
Total	\$31,040,379	\$31,753,382	\$37,314,444	\$5,561,062	17.5%	\$38,614,143	\$6,860,761	21.6%

Source: Rhode Island Budget Office

CAPITAL PROJECTS

The Budget includes a total of \$34.1 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2020 and \$48.7 million in FY2019, including the following.

URI, RIC, CCRI – Asset Protection: Asset Protection projects are budgeted from Rhode Island Capital Plan funds (RICAP) and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows each school to shift funding based on current priorities. In FY2020, the Budget includes a total of \$14.4 million in asset protection funding for URI (\$8.3 million), RIC (\$3.7 million), and CCRI (\$2.4 million). In FY2019, there is a total of \$15.7 million including \$7.7 million in RICAP asset protection funding for URI, \$4.4 million for RIC, and \$3.6 million for CCRI.

RIC- Academic Buildings I – Craig Lee, Gaige, Adams Library: The Budget provides \$2.0 million in FY2020 and \$9.7 million 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.

CCRI Knight Campus Renewal: The Budget includes \$3.5 million in RICAP funding in FY2020 and \$3.7 million in FY2019 for the renovation of 280,000 square feet of the 385,000 square-foot Knight Campus Megastructure, including lighting, painting and replacement of carpeting/tile.

RIC Infrastructure Modernization: The Budget provides \$3.0 million in RICAP funding in FY2020 and \$5.4 million in FY2019 to modernize and replace steam lines, water lines, and the electrical distribution system. Improvements will address issues of water quality, limit power failures, and eliminate steam plumes throughout the campus. Total RICAP funding for the project is \$36.1 million through FY2024.

URI Fine Arts Center: The Budget provides \$14.0 million in RICAP funding for the renovation of the Fine Arts Center, including \$7.1 million in FY2020 and \$6.9 million in FY2019. The University had originally requested a general obligation bond issue be placed on the November 2016 ballot for the renovation of the Fine Arts Center and the surrounding parking and circulation. Subsequently, however, the University proposed to reduce project and debt service costs by reconsidering the scope of the project and using RICAP funds to begin renovations in FY2019. The University estimates using RICAP funds instead of general obligation bond proceeds will save \$4.0 million in escalation due to rising construction costs and \$42.8 million in debt service, assuming a 5.0 percent interest rate over 20 years on a \$70.8 million bond. While the budget provides the requested RICAP funds in FY2019 and FY2020, the funds requested for FY2021 (\$13.2 million), FY2022 (\$19.0 million), and FY2023 (\$20.1 million) are not included in the Governor's out-year capital plan recommendation.

University of Rhode Island - Biological Resources Lab: The Budget provides \$4.5 million in RICAP funding for this project in FY2019. Construction of a small, lab animal care facility that meets current federal standards will allow 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.

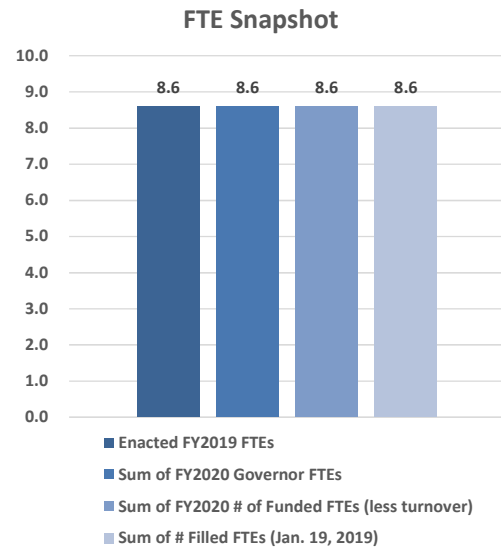
Rhode Island State Council on the Arts

Expenditures By Program	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted		FY2020 Governor	Change from Enacted	
Central Management	\$2,912,159	\$3,132,046	\$3,922,316	\$790,270	25.2%	\$3,478,248	\$346,202	11.1%
Total	\$2,912,159	\$3,132,046	\$3,922,316	\$790,270	25.2%	\$3,478,248	\$346,202	11.1%
Expenditures By Source								
General Revenue	\$1,919,769	\$2,007,993	\$1,977,819	(\$30,174)	-1.5%	\$2,084,748	\$76,755	3.8%
Federal Funds	671,367	719,053	723,497	4,444	0.6%	762,500	43,447	6.0%
Restricted Receipts	7,950	5,000	5,000	-	-	5,000	-	-
Other Funds	313,073	400,000	1,216,000	816,000	204.0%	626,000	226,000	56.5%
Total	\$2,912,159	\$3,132,046	\$3,922,316	\$790,270	25.2%	\$3,478,248	\$346,202	11.1%
Authorized FTE Levels	8.6	8.6	8.6	-	-	8.6	-	-

The Rhode Island State Council on the Arts (RISCA) provides grants, technical assistance and support to arts organizations, schools, community centers, social service organizations, and local governments to bring the arts into the lives of Rhode Islanders. RISCA provides these services through grant making, partnerships, education and technical assistance. RISCA also manages the Art for Public Facilities Program providing art for state buildings.

MAJOR ISSUES AND TRENDS

The general revenue increase in FY2020 is due to the implementation of two new initiatives including the VSA Arts Rhode Island collaboration and a Workforce Development in the Arts program. Both of these initiatives are discussed in more detail below. The other funds increase in FY2019 and FY2020 is for the Percent for Arts program. RISCA is working on the installation of art at various facilities, including the new Engineering Building at URI, Caige Lee Hall at RIC, and the Attorney General's new building on the Pastore Campus. Budgeting the expenditures for these projects is difficult since installation is impacted by building construction schedules, as well as artist fabrication and installation. The Council often requests spending authority that may not be fully expended in a given fiscal year but that is within the project funding limits.



The Budget authorizes 8.6 FTE positions in FY2019 and FY2020 for the program, consistent with the enacted budget.

RI State Council on the Arts	General Revenue
FY2019 Enacted	\$2,007,993
<i>Target and Other Adjustments</i>	<i>(3,245)</i>
VSA Arts Rhode Island Collaboration	50,000
Workforce Development in the Arts	30,000
Percent for the Arts	Informational
Cultural Arts and the Economy	Informational
FY2020 Governor	\$2,084,748

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 Governor provides \$50,000 to support RISCA's efforts to expand and support work with the disabled community. According to the Council, the recommended funding will enable RISCA to provide some services to artists with disabilities.

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 Governor provides \$30,000 to support workforce development in the arts.

Percent for the Arts***Informational***

The Rhode Island State Council on the Arts administers the State's Percent for Public Art Program, which 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.

The following table shows recently completed, current, and future projects of the program.

1% for Public Art Program - 2011 to Present	Location	Art Project Cost
<i>Completed Projects</i>		
URI - School of Pharmacy	Kingston	\$995,020
URI - Chemistry	Kingston	501,000
Wickford Junction	Wickford	315,000
Intermodal Station	Warwick	300,000
Veterans Home	Bristol	210,000
RIC - Art Center	Providence	170,000
Virks Building	Cranston	120,000
Division of Motor Vehicles	Cranston	88,000
Met School	Providence	78,000
Rhode Island School for the Deaf	Providence	43,000
URI - Harrington Hall	Kingston	35,000
Division of Motor Vehicles- Conservation	Cranston	2,000
<i>Current Projects (Budget)</i>		
URI - College of Engineering	Kingston	714,356
RIC - Gaige Lee Hall	Providence	360,000
Garrahy Parking Garage	Providence	300,000
Attorney General	Cranston	265,000
Rhode Island State Police	Lincoln	45,000
Rhode Island Fire Academy	Exeter	30,000
<i>Future Projects (Budget)</i>		
Eleanor Slater Hospital	Cranston	370,000
RIC Gaige Lee Hall	Providence	360,000
Total		\$5,301,376

Cultural Arts and the Economy**Informational**

In November 2014, voters approved a \$30.0 million bond issue to establish the Cultural Arts and the Economy Grant Program. Similar to the State Preservation Grants Program administered by the Historic Preservation and Heritage Commission, this program offers matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects.

The Program provides \$23.1 million in 1:1 matching grants to certain arts organizations that were named in voter referendum, for facility improvement, preservation and renovation.

Cultural Arts and the Economy	Location	Project	Grant
Trinity Repertory Company	Providence	Renovate Lederer Theater and Pell Chafee Center	\$4.6
Rhode Island Philharmonic/Music School	E. Providence	Complete Carter Center	2.4
Newport Performing Arts Center	Newport	Restore Newport Opera House	4.2
WaterFire Providence	Providence	Develop Warehouse into Multi-use Arts Center	3.2
Westerly Land Trust/United Theater	Westerly	Restore United Theater	2.4
Stadium Theater	Woonsocket	Restore Stadium Realty Building	2.1
AS220	Providence	Improve Empire St., Performing Arts/Gallery Buildings	2.1
Chorus of Westerly	Westerly	Renovate Kent Hall	1.1
2nd Story Theater	Warren	Renovate Market and Liberty Street Buildings	1.1
Total Projects			\$23.1
Pool fund			6.9
Total			\$30.0

\$ in millions

The remaining \$6.9 million are a pool of matching funds awarded by RISCA to non-profit cultural organizations through a three-year competitive grant program for capital improvements to both owned and leased facilities. RISCA has established rules and regulations for the program and began disbursement of funds to the named organizations in January 2016. Additional funds were awarded in December 2016 and

have been distributed in FY2017 as contracts were completed and work begun. Applications for the remaining pool funds were reviewed on October 1, 2017, and distributed in 2018. Awards from this fund will be announced in the January following the application deadline. The following table shows the grants awarded in the first two rounds.

Organization	Town	Award Amount		
		FY2016	FY2017	FY2018
Barrington Public Library	Barrington	\$10,000	\$0	\$0
Bristol Art Museum	Bristol	-	20,000	-
Artists' Exchange	Cranston	-	85,000	-
Blackstone River Theatre	Cumberland	97,000	-	-
The Greenwich Odeum	East Greenwich	250,000	195,000	200,000
East Providence Historical Society Educational Center	East Providence	28,000	-	-
R.I. Philharmonic Orchestra & Music School	East Providence	250,000	-	-
Jamestown Arts Center	Jamestown	58,000	-	-
Newport Art Museum and Art Association	Newport	-	-	35,125
Wickford Art Association	North Kingstown	-	98,715	-
Mixed Magic Theatre and Cultural Events	Pawtucket	-	50,000	30,000
Old Slater Mill Association	Pawtucket	-	-	100,000
Sandra Feinstein-Gamm Theater	Pawtucket	5,000	-	300,000
Common Fence Point Improvement Association	Portsmouth	2,000	187,000	-
Academy Players	Providence	-	-	60,000
Dirt Palace	Providence	23,500	250,000	175,000
Educational Center for the Arts & Sciences	Providence	3,000	-	-
Everett	Providence	50,000	100,000	75,000
Festival Ballet Providence	Providence	-	59,552	50,000
Heads Up, Inc. for Mathewson St. Black Box Theatre	Providence	50,000	-	-
International House of Rhode Island	Providence	-	-	50,000
Museum of Art, Rhode Island School of Design	Providence	250,000	-	200,000
New Urban Arts	Providence	250,000	-	-
Preserve RI	Providence	56,000	-	100,000
Providence Performing Arts Center	Providence	50,000	-	-
Providence Public Library	Providence	-	200,000	-
Southside Cultural Center	Providence	300,000	-	-
The Music Mansion	Providence	50,000	-	-
The Players	Providence	100,000	-	75,000
The Steel Yard	Providence	92,650	-	300,000
The Wilbury Theatre Group	Providence	25,000	-	75,000
Waterfire Providence	Providence	-	-	200,000
South County Art Association	South Kingstown	-	-	5,279
The Contemporary Theater Company	South Kingstown	25,000	-	75,000
2 nd Story Theater	Warren	-	-	150,000
Boys & Girls Clubs of Warwick	Warwick	-	100,000	-
The Artic Playhouse	West Warwick	5,000	300,000	-
Colonial Theater School, Inc.	Westerly	-	-	75,000
Renaissance City Theater/Granite Theatre	Westerly	13,326	-	-
RiverzEdge Arts Project	Woonsocket	-	249,000	-
Stadium Theater Foundation	Woonsocket	-	-	249,000
Total		\$2,043,476	\$1,894,267	\$2,584,683

Source: Rhode Island State Council on the Arts

RISCA has entered into an agreement with the Rhode Island College and University Based Research Collaborative to develop a set of metrics designed to measure the State's return on investment and the contributions of this program to the State's economy. No bond funds are budgeted in FY2019 or FY2020. The FY2018 Budget included \$7.0 million in bond revenues for the program. \$10.2 million was provided in FY2017 and \$10.3 million was spent in FY2016.

Rhode Island Atomic Energy Commission

Expenditures By Program	FY2018 Actual	FY2019 Enacted	FY2019 Revised	Change from Enacted		FY2020 Governor	Change from Enacted	
Atomic Energy Commission	\$1,356,380	\$1,496,787	\$1,374,254	(\$122,533)	-8.2%	\$1,495,094	(\$1,693)	-0.1%
Expenditures By Source								
General Revenue	\$982,299	\$1,078,908	\$1,018,455	(\$60,453)	-5.6%	\$1,059,094	(\$19,814)	-1.8%
Federal Funds	28,948	-	7,936	\$7,936	-	-	-	-
Restricted Receipts	-	99,000	27,000	(72,000)	-	99,000	-	-
Other Funds	345,133	318,879	320,863	\$1,984	0.6%	337,000	\$18,121	5.7%
Total	\$1,356,380	\$1,496,787	\$1,374,254	(\$122,533)	-8.2%	\$1,495,094	(\$1,693)	-0.1%
Authorized FTE Levels	8.6	8.6	8.6	-	-	8.6	-	-

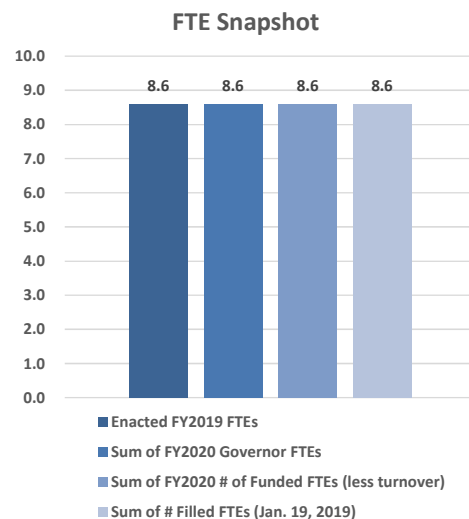
The Rhode Island Atomic Energy Commission (Commission) operates and maintains the Rhode Island Nuclear Science Center (RINSC), which is used for medical, biological, environmental, and materials research, education and commercial activities. The Commission also provides assistance to other state agencies in their radiation and emergency response programs.

RINSC operates a research reactor and provides laboratories and classrooms for research and education programs for the University of Rhode Island as well as for other colleges and universities in the State and throughout New England. In 2010, the University of Rhode Island (URI) began offering a nuclear engineering minor program of study. For students who perform well, a new nuclear engineer operating course was added in 2016 that prepares students for the operator license exam. URI is currently working to create a major in nuclear engineering. The Commission continues its collaboration with schools and universities in the State. Davies High School, Brown University physics classes, and URI mechanical design students are among those that have recently utilized the facility.

MAJOR ISSUES AND TRENDS

The other fund increase in FY2020 is due primarily to salaries and benefits increases associated with the FTE positions funded through URI. Article 2 of the FY2019 Budget as enacted created a new restricted receipt account, the “Atomic Energy Enterprise fund”, for reactor usage fees collected by the Commission to support the technical operations and maintenance of equipment. The account is not exempt from the ten percent indirect cost recovery provisions of RIGL 35-4-27; consequently, a total of \$3,000 in fees is projected to be deposited into the state general fund in FY2019 and \$11,000 in FY2020. Almost all of the fees received are paid for services rendered to the BioPhysics Assay Lab (BioPAL), a Worcester based analytical and research company. However, BioPAL has agreed to transfer the portion of their business that requires a nuclear reactor, to the Rhode Island Nuclear Science Center. Projected receipts are \$100,000 to \$120,000. The article stipulates that any amount in the account on the last business day of the fiscal year above \$200,000 will be transferred to the general fund.

The Budget authorizes 8.6 FTE positions in FY2019 and FY2020 for the program, 1.8 of which are funded through URI for its radiation safety functions. URI funding also covers 40.0 percent of the Commission’s overhead costs, including its building maintenance and repair costs.



Central Management	General Revenue
FY2019 Enacted	\$1,078,908
<hr/>	
<i>Target and Other Adjustments</i>	<i>(19,814)</i>
FY2020 Governor	\$1,059,094

CAPITAL PROJECTS

The Budget includes \$50,000 in Rhode Island Capital Plan (RICAP) funded asset protection projects for FY2019 and FY2020. In FY2020, the Commission is refurbishing two rooms in the basement for use as an electronic shop and shop supply storage, completing the emergency power system, and some landscaping around the facility grounds. For FY2019, the Commission is updating the alarm system backup and the sprinkler system which is approaching its 50-year, useful life, and landscaping improvements near the cooling tower.

Rhode Island Historical Preservation and Heritage Commission

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from		
	Actual	Enacted	Governor	Enacted		Governor	Enacted		
Historical Preservation and Heritage Commission	\$2.0	\$2.5	\$2.8	\$0.3	13.8%	\$2.6	\$0.1	5.8%	
Total	\$2.0	\$2.5	\$2.8	\$0.3	13.8%	\$2.6	\$0.1	5.8%	
Expenditures By Source									
General Revenue	\$1.0	\$1.2	\$1.4	\$0.2	14.2%	\$1.5	\$0.3	23.0%	
Federal Funds	0.8	0.7	0.8	\$0.1	21.5%	0.6	(\$0.1)	-20.0%	
Restricted Receipts	0.1	0.5	0.4	(\$0.0)	-5.6%	0.4	(\$0.0)	-9.5%	
Other Funds	0.1	0.1	0.1	\$0.0	53.5%	0.1	\$0.0	57.6%	
Total	\$2.0	\$2.5	\$2.8	\$0.3	13.8%	\$2.6	\$0.1	5.8%	
Authorized FTE Levels	15.6	15.6	15.6	-	0.0%	15.6	-	0.0%	

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

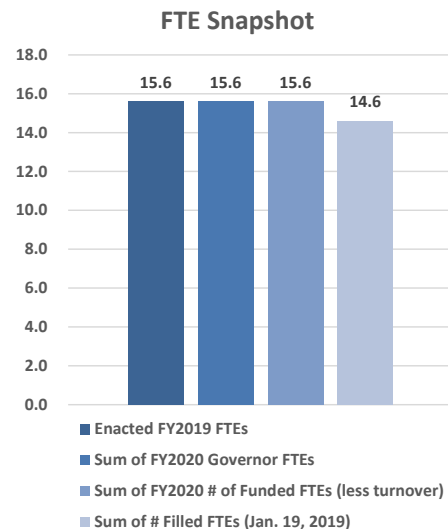
The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission identifies and protects historic and prehistoric sites, buildings, and districts by nominating significant properties to the National Register of Historic Places and the State Register as well as administering grants, loans and tax credits for rehabilitation of historic buildings. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people.

MAJOR ISSUES AND TRENDS

The FY2020 Budget includes \$1.5 million in general revenue (\$2.6 million all funds), representing a general revenue increase of \$278,239 (\$141,304 all funds) relative to the FY2019 Budget as Enacted.

The increase in general revenue is primarily associated with personnel costs, including additional funding for statewide benefit adjustments and cost-of-living adjustments. The Budget also includes additional funds to reflect the actual cost of the decentralization of statewide services previously administered by the Department of Administration.

The Budget authorizes 15.6 FTE positions for FY2020, consistent with the FY2019 Budget as Enacted.



Historical Preservation & Heritage Commission	General Revenue
FY2019 Enacted	\$1,210,054

<i>Targets and Other Adjustments</i>	24,238
Personnel	193,884
Centralized Service Charges	60,117
FY2020 Governor	\$1,488,293

Historical Preservation & Heritage Commission	Other Funds
National Maritime Heritage Grant (federal funds)	(\$105,000)
RIDOT Project Review (other funds)	\$46,981
Hurricane Sandy Relief (federal funds)	Informational
State Preservation Grant (G.O. Bond Proceeds)	Informational

Personnel**\$193,884**

The Budget increases general revenues by \$193,884 related to personnel expenditures. The increase is mainly related to an additional \$79,216 to support costs that were previously funded by restricted receipts and federal funds that are no longer available. The Budget also includes an additional \$34,936 related to a higher than anticipated salary for the Commission's new Executive Director, \$47,175 for statewide benefits adjustments including healthcare and retirement benefits, and \$32,557 for cost-of-living adjustments.

The Governor and the Department of Administration signed an agreement between the State and the state employee bargaining units for a proposed 4-year contract that provides cost-of-living adjustment (COLA) increases of 2.0 percent retroactive to January 2018, 2.5 percent in January 2019, 2.0 percent in July 2019, and 1.0 percent in January 2020.

Centralized Service Charges**\$60,117**

The Budget increases general revenue expenditures by \$60,117 to reflect the actual cost of decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. The expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

	FY2019 Enacted	FY2020 Governor	Change from Enacted	
Centralized Service Charges				
Information Technology	\$31,770	\$42,107	\$10,337	32.5%
Capital Asset and Management	62,955	112,735	49,780	79.1%
Human Resources	-	-	-	-
Total	\$94,725	\$154,842	\$60,117	63.5%

National Maritime Heritage Grant (federal funds)**(\$105,000)**

In FY2018 the Commission was awarded a new federal National Maritime Heritage Grant from the U.S. Department of Interior, National Park Service (NPS). The Governor included an updated allocation of \$150,000 in the FY2019 Revised Budget and no funding in FY2020 as all funds are expected to be awarded in FY2019. In FY2018, \$15,835 of this grant was awarded to the Steamship Historical Society of America. Funds will also be used for the restoration of the cast iron tower on the Southeast Lighthouse on Block Island. The Southeast Lighthouse was built in 1874 on the southern tip of Block Island. In 1993, the Lighthouse was relocated three hundred feet inland due to erosion that threatened the stability of the Lighthouse. The Lighthouse is still in commission with a functioning lens and used to aid in navigation.

Analyst Note: As of March 2019, the Commission has awarded \$36,121 to the Steamship Historical Society of America and \$87,061 for the restoration of the Southeast Lighthouse on Block Island. The Commission anticipates expending the remaining \$10,983 in FY2019.

RIDOT Project Review (other funds)**\$46,981**

The Budget includes an additional \$46,981 in other funds to support project reviews for the RI Department of Transportation (RIDOT). The Commission entered into a Memorandum of Agreement (MOA) with RIDOT in effect from June 1, 2015, through June 30, 2020. Under the MOA, the Commission will conduct and coordinate reviews for applicable RIDOT projects including, but not limited to, identifying and evaluating cultural properties within a project's area of impact, reviewing and commenting on RIDOT consultant reports, and assisting RIDOT in the management of a repository of archeological artifacts. The additional funds ensure that the Commission is able to adequately fund personnel to continue expediting RIDOT project reviews.

Hurricane Sandy Relief (federal funds)***Informational***

The Hurricane Sandy Disaster Relief grant was part of the federal Disaster Relief Appropriations Act of 2013. The National Park Service allocated \$50.0 million nationally for the preservation of historic resources damaged by Hurricane Sandy. The Commission was awarded a total of \$3.2 million, and distributed funding in FY2015, FY2016, and FY2017. The Commission received an extension on this grant until December 31, 2018. The expenditures of awards for the projects was completed in FY2019, and no funds for this grant are included in FY2020.

The grant funded repairs to numerous historic properties such as The Breakers in Newport, The Towers in Narragansett, and the Cliff Walk in Newport. The funds were also used to fund surveys of archaeological sites on Block Island and the coasts of Narragansett, Charlestown, and Westerly.

State Preservation Grant***Informational***

In November of 2014, voters approved \$5.0 million in general obligation bonds to recapitalize the State Preservation Grant Program. The State Preservation Grants Program was established to improve and/or repair landmarks and historic facilities such as museums, cultural centers, theatres, and public historic sites. In FY2018, the Commission completed the second round of awards, totaling \$1.3 million to support 15 statewide projects. The third round of awardees have been selected, totaling \$2.6 million in FY2019 and FY2020, to support 30 projects across the State.

State Preservation Grant Awards FY2018, FY2019, and FY2020

Recipient	Town	FY2018/FY2019	FY2019	FY2020
		Amount Disbursed	to be Spent	to be Spent
American French Genealogical Society	Woonsocket	\$150,000	\$0	\$0
Beavertail Lighthouse Museum Association	Jamestown	42,250	-	-
Block Island SE Lighthouse Foundation	New Shoreham	-	101,000	49,000
Borders Farm Preservation, Inc.	Foster	-	10,000	20,000
Bristol Historical and Preservation Society	Bristol	48,506	-	34,921
City of Central Falls	Central Falls	150,000	-	-
City of East Providence	East Providence	-	69,652	-
City of Newport	Newport	-	-	150,000
City of Pawtucket	Pawtucket	-	150,000	-
City of Providence	Providence	135,313	-	-
City of Woonsocket	Woonsocket	30,000	-	-
City of Woonsocket	Woonsocket	-	-	40,752
Cocumcussoc Association	North Kingstown	47,447	-	-
Coggeshall Farm Museum	Bristol	2,800	27,200	-
Congdon Street Baptist Church	Providence	-	-	150,000
Fort Adams Trust	Newport	-	-	150,000
Foster Preservation Society	Foster	29,703	-	-
Friends of Linden Place	Bristol	39,966	17,799	-
Friends of Pomham Rocks	East Providence	150,000	-	-
Friends of the Music Mansion, Inc.	Providence	-	-	150,000
Herreshoff Marine Museum	Bristol	-	75,000	75,000
Historic New England	Johnston	31,240	-	-
Historic New England	South Kingstown	-	-	39,160
International Tennis Hall of Fame	Newport	8,731	5,000	65,774
La Farge Restoration Fund	Newport	150,000	-	-
LaFarge Restoration Foundation	Newport	150,000	-	-
Memorial and Library Association of Westerly	Westerly	15,488	-	-
Newport Art Museum	Newport	95,066	40,131	-
Newport Restoration Foundation	Newport	16,596	-	-
North Smithfield Heritage Association	North Smithfield	-	-	48,220
Old Slater Mill Assoc.	Pawtucket	44,500	-	-
Orlando Smith Trust	Westerly	10,575	-	-
Portsmouth Historical Society	Portsmouth	30,000	-	-
Providence Performing Arts Center	Providence	-	-	150,000
Pres. Soc. of Newport County	Newport	150,000	-	-
Preservation Society of Newport County	Newport	-	-	150,000
Preserve Rhode Island	Providence	150,000	-	-
Providence Athenaeum	Providence	16,843	-	-
Providence Public Library	Providence	150,000	-	-
RI Dept. of Environmental Mgmt.	Newport	-	-	109,091
Smithfield Preservation Society	Smithfield	19,476	-	-
Smithfield Preservation Society	Smithfield	-	8,000	-
South County Art Association	South Kingstown	29,634	-	-
South County Art Association	South Kingstown	28,333	-	-
The Providence Athenaeum	Providence	-	-	121,963
The Company of the Redwood Library and Athenaeum	Newport	-	-	84,590
Town of Bristol	Bristol	-	-	150,000
Town of Coventry	Coventry	26,404	-	-
Town of Cumberland	Cumberland	149,041	-	-
Town of East Greenwich	East Greenwich	-	50,000	100,000
Town of North Kingstown	North Kingstown	-	-	43,175
Town of North Providence	North Providence	-	-	65,525
Town of Smithfield	Smithfield	31,950	-	-
Trinity Episcopal Church	Newport	-	27,846	-
Trinity Restoration Inc	Providence	-	-	150,000
Varnum Continentals, Inc.	East Greenwich	23,609	19,842	-
Westerly Armory Restoration, Inc	Westerly	24,750	-	-
Total		\$2,178,220	\$601,470	\$2,097,172

Department of the Attorney General

Expenditures by Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Division	\$3.2	\$3.5	\$3.4	(\$0.1)	-1.9%	\$3.5	\$0.0	0.4%
Criminal Division	37.5	30.1	33.0	2.9	9.7%	21.7	(8.4)	-28.0%
Civil Division	5.4	6.3	6.3	(0.0)	-0.5%	6.4	0.0	0.7%
Bureau of Criminal Identification	1.6	1.7	1.7	(0.0)	-0.9%	1.8	0.0	2.2%
Total	\$47.7	\$41.6	\$44.4	\$2.8	6.7%	\$33.3	(\$8.3)	-20.0%

Expenditures by Source								
General Revenue	\$25.3	\$28.0	\$27.7	(\$0.2)	-0.8%	\$28.7	\$0.7	2.6%
Federal Funds	21.6	12.7	15.4	2.7	21.0%	3.6	(9.2)	-72.0%
Restricted Receipts	0.7	0.8	1.1	0.3	44.3%	0.9	0.1	16.1%
Other Funds	0.2	0.2	0.2	0.0	0.0%	0.2	0.0	0.0%
Total	\$47.7	\$44.1	\$44.4	\$2.8	0.6%	\$33.3	(\$8.3)	-24.6%

Authorized FTE Levels	235.1	237.1	237.1	-	0.0%	239.1	2.0	0.8%
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\$ in millions. Totals may vary due to rounding.

The Department of the Attorney General is the central legal agency of the State. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor, appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, as chief legal officer of the State, the Attorney General acts to protect consumers against fraudulent business practices; investigates Opens Meetings Act and Access to Public Records compliance; and, acts as the central repository for criminal history and information in the State. The Department is divided into four budget programs: General, Criminal, Civil, and Bureau of Criminal Identification.

MAJOR ISSUES AND TRENDS

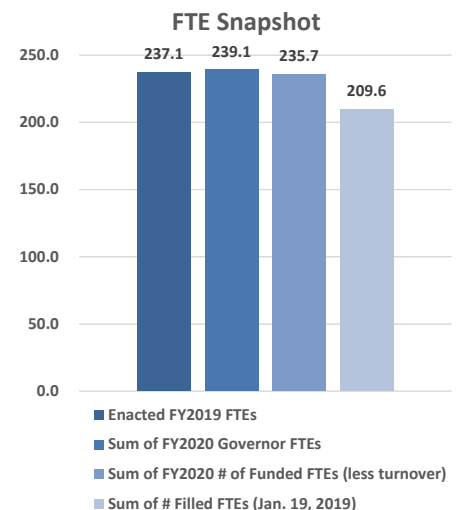
The Budget includes \$33.3 million in total funding for the Department, a decrease of \$8.3 million from the FY2019 Budget as Enacted. General revenues increased by \$716,001, or 2.6 percent, from the FY2019 Budget as Enacted, to \$28.7 million. Increases are primarily due to statewide cost of living adjustments included in the Budget, as well as an increase in personnel costs due to the addition of two new positions in the Criminal Division.

The Budget includes \$1.7 million in federal Google forfeiture funds in FY2020, a decrease of \$8.4 million from the FY2019 Budget as Enacted. The Department indicates that these funds will be used for the interior and exterior renovation of the Attorney General's main office at 150 South Main Street. The new Bureau of Criminal Identification customer service center, located in the Pastore Complex, was completed in summer 2018.

The Budget includes 239.1 FTE positions in FY2020 including 2.0 new positions within the Criminal Division, 1.0 FTE Intake Clerk, and 1.0 FTE Staff Attorney I.

GENERAL DIVISION

The General Division is responsible for the overall operations of the Department. It consists of the following units: Executive, Fiscal, Personnel, Operations, Management Information Systems, and Public Information/Legislation. The Division oversees the finances of the Department, prepares and submits the



Department's annual budget, and lobbies for the resources necessary for the efficient operation of the Department.

General Division	General Revenue
FY2019 Enacted	\$3,327,026
<i>Targets and Other Adjustments</i>	
Transition Costs	6,244
Personnel	(58,076)
Contract Professional Services	44,711
FY2020 Governor	\$3,340,563

Transition Costs **(\$58,076)**

The Budget removes \$58,076 in funding that was included in FY2019 for the transition of the new Attorney General who took office in January 2019. The decrease is comprised of a \$31,041 reduction for personnel costs, and \$27,035 for office supplies and equipment, rental of an office, copier rental, and a phone/fax line.

Personnel **\$44,711**

The Budget includes an additional \$44,711 in general revenue for personnel costs. The Department requested an additional \$47,815 to reflect current staffing levels. The Governor's Budget decreased the Department's request by \$3,104 including a decrease of \$17,713 related to statewide adjustments in health insurance and fringe benefits, this decrease is partially offset by an additional \$14,609 required align the Governor's Budget with the Department's intended request.

Analyst Note: The Department's budget request that was submitted through the Budget System was incorrect, the request inadvertently excluded some personnel funds. An updated request was later provided through a CD. Due to the incorrect request in the Budget System the Governor's Budget includes additional personnel funds intended to align the Governor's Budget with the Department's intended request.

Contracted Professional Services **\$20,658**

The Budget includes an additional \$20,658 for contract services. The increase includes \$12,548 for IT system design and support related to annual support for firewalls, and \$8,110 for janitorial services to correctly reflect the number of employees within the Department's main building.

CRIMINAL DIVISION

The Criminal Division is charged with the prosecution of felony cases and misdemeanor appeals. The Division assists the Attorney General in carrying out the constitutional responsibility to prosecute all felony criminal offenses occurring in the State, as well as all misdemeanor criminal cases brought by State law enforcement agencies or appealed to the Superior Court. Specialized units focus on white-collar crime, narcotics and organized crime, firearms offenses, juvenile offenders, domestic violence and sexual assault, Medicaid fraud, and District Court offenses.

Criminal Division	General Revenue
FY2019 Enacted	\$17,225,917
<i>Targets and Other Adjustments</i>	
Personnel	3,362
State Match Medicaid Fraud	806,033
Operating Expenses	(250,000)
IT Support	114,894
FY2020 Governor	\$17,969,266

Criminal Division	Other Fund Changes
Google Forfeiture Funds (federal funds)	(\$8,680,106)
Staff Attorney (1.0 FTE) (federal funds)	\$110,760

Personnel **\$806,033**

The Budget includes an additional \$806,033 for personnel costs. The Department requested an additional \$842,497 to reflect projected staffing levels, the Governor's Budget decreases the Department's request by \$36,464. The decrease is mainly associated with a savings of \$129,286 related to statewide adjustments in health insurance and fringe benefits. This decrease is partially offset by an additional \$21,495 required align the Governor's Budget with the Department's intended request and an additional \$71,327 to fund a new 1.0 FTE Intake Clerk position. The Intake Clerk will assist with intake and screening operating to help the number of cases dismissed due to untimely or incomplete package submission and processing.

Analyst Note: The Department's budget request that was submitted through the Budget System was incorrect, the request inadvertently excluded some personnel funds. An updated request was later provided through a CD. Due to the incorrect request in the Budget System the Governor's Budget includes additional personnel funds intended to align the Governor's Budget with the Department's intended request.

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

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 Governor's Budget removes this funding as the Administration is unsure if the current Attorney General will want to continue with this project.

Operating Expenses **\$114,894**

In FY2019, the Department completed construction of a new facility at the Pastore complex. The new facility houses the Bureau of Criminal Investigation program and the Civil Division. Since these programs are no longer housed within the Department's main building on South Main St., the fixed operating costs for the two programs that are still housed there (the General Division and the Criminal Division) are increased.

IT Support **\$69,060**

The Budget includes an additional \$69,060 for IT system support. The Department is going through a renewal of their filebound system which requires additional IT services.

Google Forfeiture Funds (federal funds) **(\$8.7 million)**

The Budget includes an \$8.7 million decrease in federal Google forfeiture funds. The Department used the funds for the design and construction of a new customer service center in the Pastore Complex. The building was completed in the summer of 2018. FY2020 funding will be used for the ongoing redesign and renovation of the Department's main headquarters at 150 South Main Street.

The following table outlines Google fund expenditures.

Item	Google Forfeiture Funds: Expenditures Summary						Total
	FY2016 Actual	FY2017 Actuals	FY2018 Actuals	FY2019 Enacted	FY2019 Gov. Revised	FY2020 Gov.	
Building Maintenance and Repairs	\$2,750	\$2,102,856	\$17,722,552	\$9,080,598	\$10,589,294	\$1,131,722	\$34,535,303
Vehicles	-	-	-	-	-	-	53,769
Building Acquisitions	-	-	-	-	-	-	3,400,000
IT System Design	2,712,608	701,347	448,562	779,650	642,669	216,296	6,597,058
General Operating Expenses	2,582,250	939,264	1,753,335	256,494	1,250,098	320,762	7,618,382
Rental of Outside Property	-	92,089	85,776	300,000	65,880	67,856	311,601
Total	\$5,297,608	\$3,835,556	\$20,010,225	\$10,416,742	\$12,547,941	\$1,736,636	\$ 52,516,113

Analyst Note: The highest ranking official of any agency awarded Google funds, in this case, the Attorney General, has sole authority to make spending requests to the Department of Justice for use of Google forfeiture funds. The State Budget serves only as a planning tool for monitoring these expenditures. Google funds must still be appropriated through the budget process.

The Criminal Division of the Department assisted in an investigation of the AdWords program of Google, Inc., which Canadian pharmacies used to advertise importation of illegal prescription drugs to U.S. consumers. In FY2012, the Department of Attorney General received \$60.0 million from the United States Department of Justice (DOJ) as part of the Google Forfeiture Settlement. Funds from this settlement may only be used by law enforcement agencies for law enforcement purposes and may not be used to replace funds that have already been appropriated. All projects must be approved by the Department of Justice (DOJ).

Staff Attorney (1.0 FTE) (federal funds)

\$110,760

The Budget includes an additional \$110,760 in federal funds to support the addition of 1.0 new Staff Attorney FTE position. The additional Staff Attorney will oversee the prosecution of all alcohol-related driving accidents, law enforcement training, and community outreach for motor vehicle safety issues.

CIVIL DIVISION

The Civil Division is charged with conducting the State's legal affairs and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees, and agencies in all courts; advises state officers and agencies on legal issues; and issues written opinions on legal issues when requested by governmental officers.

Civil Division	General Revenue
FY2019 Enacted	\$5,674,888
<i>Targets and Other Adjustments</i>	<i>(9,562)</i>
Personnel	(67,677)
Operating Expenses	(21,651)
IT System Support	19,841
FY2020 Governor	\$5,595,839

Personnel

(\$67,677)

The Budget decreases general revenue funding by \$67,677 related to personnel expenses. The Department included a reduction of \$30,779, as long-term employees have retired they are being replaced by new employees who are hired at a lower salary. The Governor included an additional decrease of \$36,898 related to statewide adjustments in health insurance and fringe benefits.

Operating Expenses

(\$21,651)

In FY2019, the Department completed construction of a new facility at the Pastore complex. The new facility now houses the Bureau of Criminal Investigation program and the Civil Division. As the Civil

Division is no longer housed within the Department's main building on South Main St., operating costs have decreased, mainly relative to building maintenance and repairs.

IT System Support

\$19,841

The Governor includes an additional \$19,841 for IT system support services. The Department requires additional support for IT firewall upgrades.

BUREAU OF CRIMINAL IDENTIFICATION

The Bureau of Criminal Identification (BCI) is the state entity charged with maintaining criminal history information for crimes committed in Rhode Island. The BCI responds to criminal history records requests, analyzes and records fingerprint information, maintains pistol permits, issues security guard licenses, and conducts employee background checks. The BCI is open 24-hours per day, 7-days per week to respond to requests from law enforcement agencies throughout the country. In FY2019, the BCI moved to the Department's new facility located at the Pastore complex, the new facility was completed in 2018 and was built using Google forfeiture federal funds.

Bureau of Criminal Identification	General Revenue
FY2019 Enacted	\$1,731,361
<i>Targets and Other Adjustments</i>	<i>(2,375)</i>
Personnel	49,037
Rental of Outside Property	(8,488)
FY2020 Governor	\$1,769,535

Personnel

\$49,037

The Budget includes an additional \$49,037 for personnel costs within the BCI. The Department requested an additional \$60,088 due to anticipated increases in staffing at the new facility. The Governor's Budget decreases the Department's request by \$11,051 related to statewide adjustments in health insurance and fringe benefits.

Rental of Outside Property

(\$8,488)

Prior to the completion of the new facility on the Pastore complex, the Department was required to rent external space for the BCI program. As the new facility is completed, the Budget includes a general revenue savings of \$8,488.

CAPITAL PROJECTS

The Budget includes \$300,000 in Rhode Island Capital (RICAP) funding for FY2019 and FY2020, \$150,000 in each year. These funds will be used to continue asset protection work that began in FY2018, including renovations on the Attorney General's main office building at 150 South Main Street, HVAC upgrades, repointing/limestone repairs on the building exterior, new piping infrastructure due to leakages, electrical wiring upgrades, roof replacement, and renovations to preserve the cupola on the top of the building. The project totals \$3.5 million in RICAP funds through FY2021.

Department of Corrections

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Central Management	\$15.0	\$16.2	\$16.2	\$0.0	0.3%	\$16.7	\$0.5	3.2%
Community Corrections	15.8	17.7	16.7	(1.0)	-5.7%	17.4	(0.3)	-1.5%
Custody and Security	140.2	141.7	141.9	0.2	0.2%	141.9	0.1	0.1%
Healthcare Services	23.3	24.2	25.7	1.5	6.1%	25.8	1.6	6.8%
Institutional Based Rehab/Population Management	13.4	14.4	14.7	0.3	2.2%	15.1	0.7	5.0%
Institutional Support	27.8	35.9	34.9	(0.9)	-2.6%	34.3	(1.6)	-4.3%
Parole Board	1.3	1.4	1.5	0.1	3.7%	1.6	0.2	13.3%
Total	\$236.7	\$251.4	\$251.6	\$0.1	0.1%	\$252.8	\$1.4	0.6%

Expenditures By Source								
	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
General Revenue	\$231.5	\$237.1	\$235.6	(\$1.4)	-0.6%	\$238.1	\$1.0	0.4%
Federal Funds	0.8	1.8	2.2	0.4	23.4%	1.9	0.1	5.0%
Restricted Receipts	0.1	0.1	0.1	0.0	8.5%	0.1	0.0	0.0%
Other Funds	4.3	12.5	13.6	1.1	9.1%	12.8	0.3	2.0%
Total	\$236.7	\$251.4	\$251.6	\$0.2	0.1%	\$252.8	\$1.4	0.6%

Authorized FTE Levels	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Authorized FTE Levels	1,435.0	1,416.0	1,416.0	-	0.0%	1,426.0	10.0	0.7%

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

The Rhode Island Department of Corrections (DOC) provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of the Department, but has independent programmatic decision-making authority. Collectively known as the Adult Correctional Institutions (ACI), there are seven separate occupied facilities, which have a total current capacity of 3,989 beds. Through February 2019, the Department has averaged 2,693 inmates (67.5 percent of capacity) housed at the ACI for the fiscal year, including 2,549 men, and 144 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

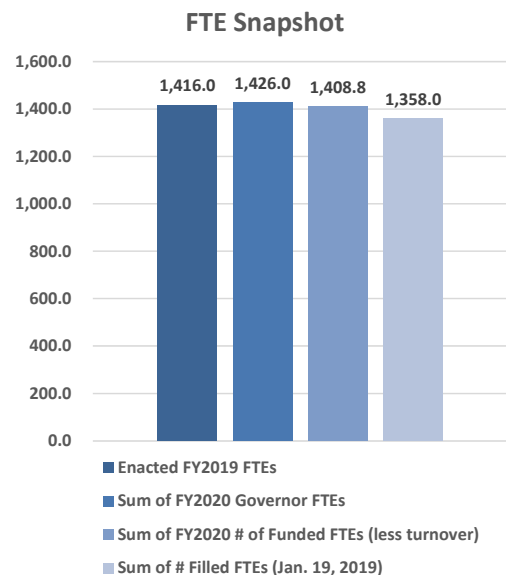
MAJOR ISSUES AND TRENDS

The Budget includes \$252.8 million in total expenditures for FY2020; including \$238.1 million in general revenue, an increase of \$1.0 million over the FY2019 enacted level. The FY2020 Budget for the Department of Corrections is based on an estimated average daily population of 2,691 individuals, a decrease of 37 from the FY2019 Budget as Enacted.

The Budget authorizes 1,426.0 FTE positions for FY2020, an increase of 10.0 Correctional Officer positions from the FY2019 Budget as Enacted.

The Budget includes an additional \$1.0 million for the training academy to hold the 83rd Correction Officer Training which is scheduled for graduation in September 2019.

The FY2020 Budget includes a \$2.3 million decrease in expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 and FY2020 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.



The Governor includes the renovation of the Department's High Security Facility in the FY2020 Budget. The renovations are scheduled to begin in October 2019 and would require the Department to move 50 inmates to an out-of-state facility. High Security is the Department's most expensive facility to operate due to an aging facility and inmates that cannot be housed in other facilities due to gang affiliations, behavioral issues, serious mental health issues, or their inability to function in general populations.

CENTRAL MANAGEMENT

The Central Management program houses two sub-programs, the Executive program which consists of the Office of the Director, Legal Services, and Internal Affairs, as well as the Administration Program which includes Human Resources, Management Information, Planning and Research, Policy Development and Auditing, the Training Academy and Staff Development, and Financial Resources.

Central Management	General Revenue
FY2019 Enacted	\$16,146,513
<i>Target and Other Adjustments</i>	
Correctional Officer Class	298,535
USDOJ Lawsuit	1,100,000
Centralized Service Charges- Information Technology	(728,539)
FY2020 Governor	(\$173,748)

Correctional Officer Class

\$1.1 million

The Governor includes an additional \$1.1 million for a Correction Officer (CO) training class in FY2020. The Department requested an additional \$1.4 million; however, the Governor removes \$237,760 from FY2020 and transfers it to FY2019 as the CO training class is now anticipated to begin in June 2019 and graduate in September 2019. This will be the Department's 83rd class and 70.0 Correctional Officers are anticipated to graduate. The Department experiences an attrition rate of about 2-3 Correction Officers per month, hiring new COs is anticipated to reduce the Department's overall vacancies and overtime costs.

USDOJ Lawsuit

(\$728,539)

The Budget decreases general revenue by \$728,539 related to the U.S. Department of Justice (DOJ) lawsuit. The decrease is comprised of a \$450,000 reduction related to cash payouts that are expected to be completed in FY2019, and a \$278,539 decrease related to legal services that are no longer needed as the lawsuit is settled.

On February 10, 2014, the U.S. Department of Justice (DOJ) filed a lawsuit alleging that the Department of Corrections engages in recruiting practices that adversely affect minority candidates. The DOJ's complaint states that the manner in which the DOC uses the written and video examinations as part of the hiring process for entry level Correctional Officers violates Title VII of the Civil Rights Act of 1964 (Title VII). DOJ asserts that such use is not "job related or consistent with business necessity," as the law requires, and does not validly enable the employer to identify those applicants who are qualified for entry-level CO positions at RIDOC.

On September 19, 2017, the Federal District Court and the U.S. DOJ entered into a settlement agreement with the State resolving the lawsuit. The settlement requires the State to provide monetary relief through a special fund established for payouts to Hispanic and African American applicants who experienced an adverse impact, and therefore did not pass the Department's correctional officer exams between 2000 and 2013. The settlement also requires as the formulation of a new oral and written test. As of March 2019, the Department is formulating a new test and anticipates it will be completed in late FY2019, before the start of the 83rd training academy.

Centralized Service Charges- Information Technology

(\$173,748)

The Budget decreases general revenue expenditures by \$173,748 to reflect the Department's actual cost of decentralized statewide services provided by and centralized in the Department of Administration.

These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

COMMUNITY CORRECTIONS

The Community Corrections program is responsible for supervising offenders serving portions of their sentence under probation, parole, or community confinement, and also provides certain services to victims of crimes. The Probation and Parole unit provides supervision and services for individuals under the jurisdiction of the courts or Parole Board, and attempts to successfully reintegrate individuals from incarceration back into the community. Community Confinement provides supervision to individuals sentenced to “house arrest” by the courts and can include work-release supervision. Community Corrections uses electronic monitoring as a primary component of its supervision strategy. Victim Services provides 24-hour per day automated information about offender status and victim advocacy services, including crisis intervention, referral, and case management.

Community Corrections	General Revenue
FY2019 Enacted	\$17,579,601
<i>Target and Other Adjustments</i>	
Personnel	(13,732)
Justice Reinvestment Initiative	(253,744)
Community Corrections Population	Informational
FY2020 Governor	\$17,312,125

Personnel **(\$253,744)**

The Budget includes a decrease of \$253,744 in general revenue for personnel costs. The majority of the decrease is associated with anticipated turnover savings of \$598,590, as well as a decrease of \$191,148 for statewide benefit adjustments for retirement and healthcare costs, and a decrease of \$10,746 due to one less anticipated holiday in FY2020. These decreases are partially offset by an additional \$326,586 for cost-of-living adjustments and contract stipend increases, and an additional \$220,154 in overtime costs due to two vacancies in the Home Confinement unit.

The Governor and the Department of Administration signed an agreement between the State and the state employee bargaining units for a proposed 4-year contract that provides cost-of-living adjustment (COLA) increases of 2.0 percent retroactive to January 2018, 2.5 percent in January 2019, 2.0 percent in July 2019, and 1.0 percent in January 2020.

Analyst Note: All of the Department’s unions have signed agreements that include the Statewide COLA. The Department has four unions, Council 94, the Howard Union of Teachers (HUT) and the Rhode Island Probation and Parole Association (RIPPA), and the Rhode Island Brotherhood of Correctional Officers (RIBCO). The majority of the Department’s employees are represented by RIBCO.

Justice Reinvestment Initiative

Informational

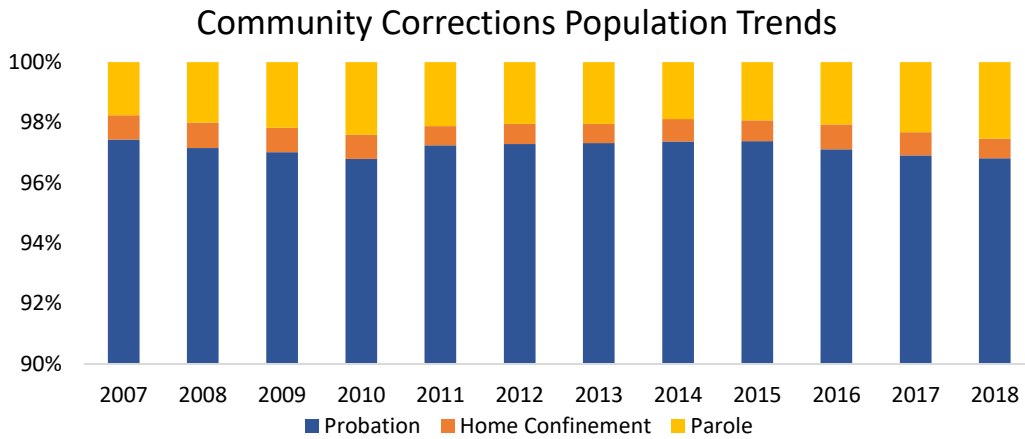
The Justice Reinvestment Initiative was created by the Governor through Executive Order 15-11, as a working group to “examine investments that would break the cycle of crime and incarceration and improve public safety.” The working group was composed of 26 members representing three branches of government and several non-profit advocacy organizations in consultation with the Council of State Governments Justice Center, a non-profit organization that specializes in assisting government leaders in the analysis of justice systems. With the goal of reducing recidivism rates, the group identified three issue areas which presented the greatest challenges, particularly in the management of the pre-trial population: outdated probation policies; ineffective probation practices; and, insufficient assessment and diversion tools. Justice Reinvestment identified these issues as the primary drivers of recidivism costs and developed solutions intended to reduce recidivism.

The Department awarded the cognitive behavioral therapy (CBT) contract to Community Solutions in FY2018. Community Solutions will train staff in evidence-based programming that will be provided to about 800 probationers and parolees, who have a higher rate of recidivism. The Governor includes level funding of \$600,000 in the FY2020 and FY2019 Revised Budgets for the annual cost of the CBT program.

Community Corrections Population

Informational

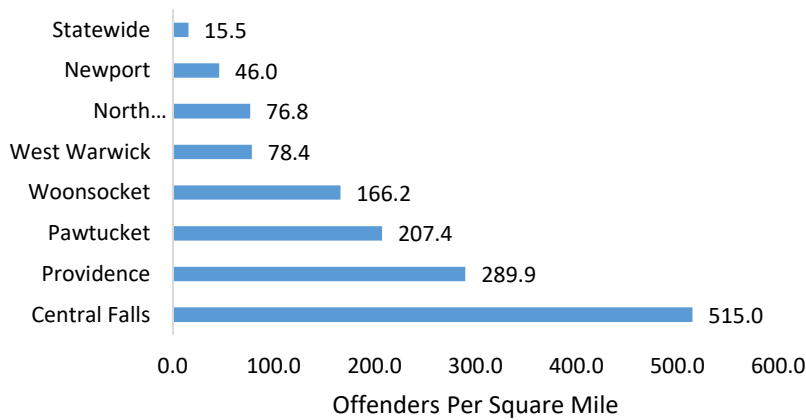
While representing only 6.9 percent of the Department’s general revenue budget for FY2020, Community Corrections serves the largest number of individuals. In FY2018, the program served 22,611 cases, 470 less cases than FY2017. Based on Department of Corrections’ statistics, 1 out of every 51 adult residents in the State is on probation or parole. This equates to 1 of every 29 men and 1 of every 163 women.



Source: DOC FY2018 Annual Population Report

The number of cases in the State’s urban areas is substantially higher than the statewide average. Statewide there are an average of 15.5 probationers and parolees per square mile. This increases to as high as 515 probationers and parolees per square mile in the City of Central Falls.

Probationers and Parolees by Square Mile as of June 30, 2018



Source: DOC FY2018 Annual Population Report

CUSTODY AND SECURITY

The Custody and Security program is responsible for the secure custody and control of the State's inmate population to ensure the safety of staff, inmates, and the general public. The program manages six correctional institutions and one jail complex, all located in Cranston at the Pastore Center. Men's facilities include High Security, Maximum Security, the John J. Moran Medium Security Prison, the currently closed Donald Price Medium Security facility, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald. Some female inmates were previously housed in the Bernadette Guay facility; however, this facility was closed in FY2017. The program is the largest within the Department and is divided into two sub-programs: Custody, which includes all staff, activities, and food service within the facilities under care of their respective Wardens, and the Security sub-program which includes the Central Office Warden, the Correctional Emergency Response Team, Facility Security Audit Teams, Crisis Intervention Teams, Special Investigations Unit, the Canine Unit, and a Department Armorer.

Custody and Security	General Revenue
FY2019 Enacted	\$140,908,178
<i>Target and Other Adjustments</i>	<i>(80,402)</i>
High Security Renovation- Out-of-State Inmate Placement	2,256,719
Personnel	(2,018,494)
Inmate Population	Informational
FY2020 Governor	\$141,066,001

High Security Renovation- Out-of-State Inmate Placement **\$2.3 million**

The Governor includes \$2.3 million for the transfer inmates from the Department's High Security facility to an out-of-state facility to allow for renovations to the facility. Massachusetts's Maximum Security facility, the Souza-Baranowski Correctional Center, has an annual cost of \$65,506 per inmate. The Budget assumes 50 inmates will be transfer to an out-of-state facility, based on MA's annual cost per inmate it will cost the Department \$2.5 million for three-quarters of a year. This cost is partially offset by a per-diem savings of \$199,763 based on 50 less inmates.

Article six of the Governor's FY2020 Budget includes \$45.0 million in certificates of participation (COPs) to renovate the Department's High Security housing units. Total debt service is not expected to exceed \$66.2 million over 15 years, with an assumed interest rate of 5.0 percent. For FY2020, the annual payment is projected to be a single interest only payment of \$1.1 million, assuming six months of interest. Annual payments then increase to \$4.3 million through FY2035.

The High Security Center is the Department's most expensive facility to operate. Many inmates in the High Security Center cannot be housed in other facilities due to gang affiliations, behavioral issues, serious mental health issues, or their inability to function in general populations. The High Security facility can house up to 166 inmates; however, the operational capacity is 138 inmates as double bunks cannot be used for this population. Along with a difficult population, the aging facility has an ineffective design that requires additional staff be present to comply with federal regulations.

Since FY2016 the average population in High Security has decreased by 8 inmates, while the average cost per inmate has increased by \$30,277.

High Security Center	FY2016	FY2017	FY2018	Change from FY2016
Population	96	93	88	(8)
Cost per Inmate	\$153,134	\$168,228	\$183,411	\$30,277
Total Cost	\$14,700,864	\$15,645,204	\$16,140,168	\$1,439,304

Personnel

(\$2.0 million)

The Budget includes a general revenue decrease of \$2.0 million related to personnel costs within Custody and Security. The decrease is mainly associated with a savings of \$1.8 million in overtime costs due to the addition of 10.0 new Correctional Officer FTE positions, as well as transfer of Correctional Officers from High Security to other facilities during the High Security renovation. The Budget also includes turnover savings of \$1.2 million which is partially offset by a \$1.3 million increase in salaries due to statewide adjustments.

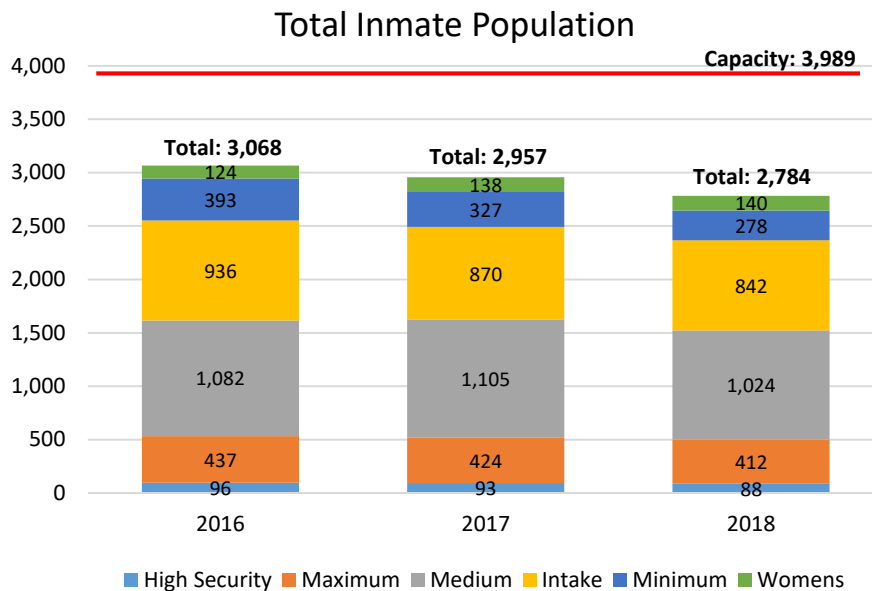
Analyst Note: All of the Department's unions have signed agreements that include the Statewide COLA. The Department has four unions, Council 94, the Howard Union of Teachers (HUT) and the Rhode Island Probation and Parole Association (RIPPA), and the Rhode Island Brotherhood of Correctional Officers (RIBCO). The majority of the Department's employees are represented by RIBCO.

Inmate Population

Informational

The Department's budget is largely influenced by the number of inmates in its custody at any given time. As the Department does not control the number of inmates entering or leaving its care, its budget is in large part a reflection of overall judicial and prosecutorial policies in the State. Factors may include legislative mandates requiring minimum sentences, variances in sentencing policies based on the judges, and/or prosecution or defense counsel involved in cases.

The Department of Corrections' Budget was based on an average daily population of 2,730 for the FY2019 Revised Budget, a decrease of 119 inmates from the FY2019 enacted level of 2,849. For FY2020, the Budget assumes a population of 2,691 individuals, a decrease of 158 inmates from the FY2019 Budget as Enacted.



HEALTHCARE SERVICES

The Healthcare Services program is constitutionally mandated to provide medical, dental, and mental health service provision to all inmates. According to the Department, the inmate population is more likely than the general population to have infectious diseases and other conditions. About 1.0 percent of the inmate population is HIV positive, 25.0 percent is infected with Hepatitis C, 15.0 percent have mental health illnesses, and 70.0 – 90.0 percent have histories of substance abuse.

Healthcare Services	General Revenue
FY2019 Enacted	\$24,186,222
<i>Target and Other Adjustments</i>	
Pharmaceutical Expenses	6,953
Personnel	935,579
Medical Services Contracts	298,739
Lab Testing	275,377
FY2020 Governor	\$25,821,609

Pharmaceutical Expenses**\$935,579**

The Budget includes an additional \$935,579 for pharmaceutical expenses, bringing the Department's total amount for pharmaceuticals to \$5.0 million. The Governor includes an additional \$2.3 million related to expanded treatment for Hepatitis C. This increase is offset by a \$501,337 reduction based on target healthcare savings expected to be achieved by the Department, \$378,530 in savings related to a per-diem reduction based on a revised inmate population estimate, a \$305,479 decrease to reflect actual costs for pharmaceuticals in FY2018, and a savings of \$204,677 from the prompt payment statewide adjustment.

In July 2018, the Executive Office of Health and Human Services (EOHHS) implemented a change to the State's Medicaid policy regarding the treatment of patients with Hepatitis C. The policy change is intended to increase access to treatment for all Medicaid patients living with Hepatitis C. Prior to the new policy, only inmates in the advanced stages of the disease were treated. Under the new policy, inmates with any stage of Hepatitis C will be eligible for treatment. While there is no legislation that mandates the level of care that must be provided to inmates, the Department of Corrections follows the guidelines of the National Commission on Correctional Healthcare, American Correctional Associations, and the Bureau of Prisons. The guidelines recommend providing inmates with the same level of care that is provided within the community. In the past, other jurisdictions have been sued for not providing this level of care to inmates.

In FY2020 the Department anticipates treating an additional 120 inmates for Hepatitis C, at a cost of \$19,331 per treatment.

Personnel**\$298,739**

The Governor includes an additional \$298,739 for personnel costs within the Healthcare Services program. The majority of this increase is associated with an additional \$665,943 in salary adjustments, including an additional \$644,452 for the cost-of-living adjustment. The Governor also includes an additional \$31,488 for contracted stipend increases and \$88,359 for statewide benefit adjustments, including healthcare and retirement benefits. These increases are partially offset by \$271,186 in turnover savings and \$215,865 in overtime savings.

The Governor and the Department of Administration signed an agreement between the State and the state employee bargaining units for a proposed 4-year contract that provides cost-of-living adjustment (COLA) increases of 2.0 percent retroactive to January 2018, 2.5 percent in January 2019, 2.0 percent in July 2019, and 1.0 percent in January 2020.

Analyst Note: All of the Department's unions have signed agreements that include the Statewide COLA. The Department has four unions, Council 94, the Howard Union of Teachers (HUT) and the Rhode Island Probation and Parole Association (RIPPA), and the Rhode Island Brotherhood of Correctional Officers (RIBCO). The majority of the Department's employees are represented by RIBCO.

Medical Services Contracts**\$275,377**

The Budget includes a net increase of \$275,377 above the FY2019 Enacted Budget for medical service contracts. Savings within the Department's medical services include \$233,034 due to a per-diem reduction, and a reduction of \$277,656 related to a new contract for Dental Services. These savings are

offset by a \$786,068 increase consisting of \$40,000 for the nursing pool, \$293,328 for additional physicians, and \$452,740 to reflect actual costs for general health services in FY2018. It is federally mandated that inmates receive the same level of medical care, both physical and mental health care, that they would receive in the community. Medical contracts are used by the Department when medical service needs cannot be met by staff.

Lab Testing

\$118,739

The Budget includes \$329,040 in general revenue to support lab services provided by East Side Clinical Laboratory, an increase of \$118,739 from the FY2019 enacted level. \$60,000 of this increase is related to additional testing for sexually transmitted diseases. If the Department is designated as a sexually transmitted disease safety net clinic by the Department of Health, they will be able to obtain medications at a lower cost through the federal Public Health Service Act. In order to obtain this designation, the Department must test all inmates for sexually transmitted diseases.

INSTITUTIONAL BASED REHABILITATION/POPULATION MANAGEMENT

The Institutional Based Rehabilitation/Population Management program handles educational and vocational training; Correctional Industries; case management services; inmate treatment services, including substance abuse and counseling and other services; and, reentry services, including discharge planning and reentry assistance.

Correctional Industries provides inmate labor and work crews, and certain manufactured items. Correctional Industries services are provided centrally to all state departments and agencies as well as to municipalities. State law requires the State and municipalities to solicit bids from Correctional Industries when soliciting labor and/or supplies offered under the program. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

Institutional Based Rehab/Population Management	General Revenue
FY2019 Enacted	\$13,571,143
<i>Target and Other Adjustments</i>	<i>(44,776)</i>
Personnel	381,664
Clerical Services	151,643
Cognitive Behavioral Therapy Services	75,000
Substance Abuse Treatment	62,336
Educational/Vocational Classes	40,000
Discharge Planning Contract	(33,758)
FY2020 Governor	\$14,203,252

Personnel

\$381,664

The Budget includes an increase of \$381,664 related to personnel costs. The majority of this increase is related to an additional \$253,313 for personnel salaries, including \$287,734 for cost-of-living adjustments (COLA). The Budget also includes an additional \$159,869 related to statewide health benefit and retirement adjustments. These increases are partially offset by an anticipated turnover savings of \$28,841.

The Governor and the Department of Administration signed an agreement between the State and the state employee bargaining units for a proposed 4-year contract that provides cost-of-living adjustment (COLA) increases of 2.0 percent retroactive to January 2018, 2.5 percent in January 2019, 2.0 percent in July 2019, and 1.0 percent in January 2020.

Analyst Note: All of the Department's unions have signed agreements that include the Statewide COLA. The Department has four unions, Council 94, the Howard Union of Teachers (HUT) and the Rhode Island Probation and

Parole Association (RIPPA), and the Rhode Island Brotherhood of Correctional Officers (RIBCO). The majority of the Department's employees are represented by RIBCO.

Clerical Services **\$151,643**

In agreement with the Department's request, the Governor includes an additional \$151,643 in general revenue for contract clerical services bringing the total funding to \$365,643. It often requires more than one temporary clerical worker to fulfill a vacancy caused when one of the Department's employees is out on sick leave. The increase in funding is related to actual expenditures for clerical services in FY2018. The Department uses contract employees when temporary workers are required to fill in for employees that are out on long-term sick leave.

Cognitive Behavioral Therapy Services **\$75,000**

The Budget includes \$566,733 in general revenue for Cognitive Behavioral Therapy (CBT) and Anger Management services, an additional \$75,000 above the FY2019 Enacted level. In FY2017, the Department began offering CBT services in their Medium Security facility for inmates affiliated with gangs. The program is intended to enhance functional thinking by addressing the thought process behind the offender's criminal behavior. The program has had success at in Medium Security and the additional funds will allow the Department to expand these services to Maximum Security.

Substance Abuse Treatment **\$62,336**

The Budget includes \$245,000 in general revenue for substance abuse treatment services, an additional \$62,336 above the FY2019 Enacted level. The Department estimates that about 70 to 90 percent of the inmate population has a history of substance abuse. Keeping with the national and state shift from a treatment model of care to a recovery-oriented system of care, the Department has begun to treat inmates with substance abuse issues while they are incarcerated. Inmates who are sentenced to between six months and three years are screened for substance abuse within 48 hours of being sentenced.

Educational/Vocational Classes **\$40,000**

The Budget includes an additional \$40,000 (\$176,000 total) in general revenues for educational services provided to the Department by CCRI. The increase aligns funding with FY2018 actual expenditures. Inmates at all facilities have access to post-secondary education and vocational courses.

Discharge Planning Services **(\$33,758)**

The Budget includes a general revenue savings of \$33,758 related to a new vendor providing discharge planning services. These funds support a contract with Community Solutions, Inc. (CSI) to provide discharge planning services for homeless sexual offenders residing in Harrington Hall on the Pastore Complex. This population has difficulties securing proper residences due to the nature of their crime. CSI places these offenders into a residential setting. Safe placement of offenders into the community decreases recidivism.

INSTITUTIONAL SUPPORT

The Institutional Support program is divided into three sub-programs: the Food Services sub-program, which is responsible for the procurement and preparation of nutritionally-balanced foods for all inmates; the Facilities and Maintenance sub-program, responsible for all maintenance and repairs to the Department's buildings on the Pastore Complex; and, the Classification sub-program, which divides inmates into groups based on their needs.

Institutional Support	General Revenue
FY2019 Enacted	\$23,363,846
<i>Target and Other Adjustments</i>	
Centralized Service Charges- Facilities Management	17,348
Population Related Increase	(2,100,285)
FY2020 Governor	277,004
	\$21,557,913

Centralized Service Charges- Facilities Management **(\$2.1 million)**

The Governor's Budget includes \$6.9 million for decentralized service costs related to facilities management, a decrease of \$2.1 million from the FY2019 Enacted Budget. The decrease reflects the actual cost of the decentralized service used by the Department.

The FY2019 Budget decentralized statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Population Related Increase **\$277,004**

The Budget increases general revenues by \$277,004 due to population and per-diem related expenses. The FY2019 Enacted Budget included \$4.2 million for per-diem expenses which fluctuate depending on the number of inmates. The Governor's FY2020 Budget restores the funding for per-diem expenses by \$428,368 to reflect actual costs incurred in FY2018. The Budget then reduces the additional funding by \$151,360 to account for a decrease in the inmate population.

The FY2019 Enacted Budget was based on a population of 2,849 inmates. The FY2020 Budget is based on 2,691 inmates, a decrease of 87 inmates.

PAROLE BOARD

The Parole Board is a six-member commission, appointed by the Governor, that is charged with evaluating and authorizing the early release of inmates who meet certain conditions. The Department determines eligibility criteria, including that inmates must serve at least one-third of their sentence prior to being eligible for parole and must meet defined criteria post-parole and for the duration of their sentence. The Parole Board has one sub-program, the Sex Offender Community Notification (SOCN) Unit. The SOCN Unit is intended to support the sex offender leveling process, notification of the community, and provides support to the Rhode Island Sex Offender Board of Review, the RI Sex Offender Registry, state and local police, as well as the public.

Parole Board	General Revenue
FY2019 Enacted	\$1,307,720
<i>Target and Other Adjustments</i>	
Personnel	(1,418)
Contracted Services	143,155
FY2020 Governor	52,092
	\$1,501,549

Personnel **\$143,155**

The Governor includes an additional \$143,155 for personnel costs within the Parole Board. The majority of this increase is associated with an additional \$89,438 in salary adjustments, including an additional \$55,094 for the cost-of-living adjustment. The Governor and the Department of Administration signed an agreement between the State and the state employee bargaining units for a proposed 4-year contract that provides cost-of-living adjustment (COLA) increases of 2.0 percent retroactive to January 2018, 2.5 percent in January 2019, 2.0 percent in July 2019, and 1.0 percent in January 2020. The Governor also includes an additional \$53,631 for statewide benefit adjustments including healthcare and retirement benefits.

Contracted Services**\$52,092**

The Budget includes a general revenue increase of \$52,092 in contracted services, including an increase of \$6,933 for clerical services and an increase of \$45,159 for bio-psychosocial assessments. Bio-psychosocial assessments are required by Statute and provide the Parole Board with information about inmates who are being considered for parole.

CAPITAL PROJECTS

The Budget includes a total of \$54.9 million in capital projects from FY2020 through FY2024, including \$12.8 million in FY2020. In FY2019 the Budget included \$12.5 million in RICAP funds, these funds supported the installation of security cameras and security system upgrades in Maximum Security, as well as HVAC upgrades throughout the Pastore complex and security camera installation. The Governor consolidates all of the Department's RICAP funds into one account, rather than allocating funding into separate accounts for separate projects. The change is intended to give the Department more flexibility to spend its RICAP funding as needed.

Major items in FY2020 include:

- Medium Security Facility infrastructure improvements to accommodate the increase in the inmate population housed in this facility. The Medium Moran Facility was designed to handle about 650 inmates and currently houses approximately 1,100. Improvements include expansion of living areas, roof replacement, and installation of a new HVAC system.
- Asset protection projects at Maximum Security including upgraded exterior and interior lighting.
- Restoration and repairs to the exterior of the Intake Service Center (ISC), expansion and repairs to the parking lot, and other general repairs and upgrades.

Judiciary

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Supreme Court	\$40.5	\$43.8	\$46.0	\$2.3	5.2%	\$43.0	(\$0.8)	-1.9%
Superior Court	22.7	24.3	24.4	0.1	0.4%	25.5	1.2	4.9%
Family Court	23.6	24.2	24.8	0.6	2.4%	25.9	1.7	7.1%
District Court	13.1	14.0	13.4	(0.6)	-4.3%	14.0	0.0	0.3%
Traffic Tribunal	8.4	9.8	8.8	(1.0)	-9.9%	9.3	(0.5)	-4.9%
Worker's Compensation Court	7.8	8.3	8.0	(0.3)	-3.5%	8.9	0.6	7.6%
Judicial Tenure & Discipline	0.1	0.2	0.2	(0.0)	-0.4%	0.2	0.0	2.6%
Total	\$116.2	\$124.4	\$125.5	\$1.1	0.9%	\$126.7	\$2.3	1.8%

Expenditures By Source								
General Revenue	\$97.0	\$102.0	\$102.0	\$0.1	0.1%	\$106.1	\$4.1	4.1%
Federal Funds	3.2	2.9	3.1	0.1	4.8%	3.1	0.2	7.9%
Restricted Receipts	11.0	12.1	12.2	0.2	1.3%	13.0	0.9	7.6%
Operating Transfers from Other Funds	4.9	7.4	8.2	0.8	10.1%	4.5	(3.0)	-40.2%
Total	\$116.2	\$124.4	\$125.5	\$1.1	0.9%	\$126.7	\$2.3	1.8%

Authorized FTE Levels 723.3 723.3 723.3 - - 723.3 - -

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

Rhode Island has a unified court system composed of six statewide courts. The Supreme Court is the court of review, the Superior Court is the general trial court, and the Family, District, Traffic Tribunal, and Workers' Compensation Courts are trial courts of special jurisdiction. The entire system is state-funded with the exception of probate courts, which are the responsibility of cities and towns, and the municipal courts, which are local courts of limited jurisdiction.

The Chief Justice of the Supreme Court is the executive head of the state court system and has authority over the Judiciary's budget. The Chief Justice appoints the State Court Administrator and an administrative staff to handle budgetary and general administrative functions. Under the direction of the Chief Justice, the Court Administrator manages appropriations for all state courts, except those as provided otherwise by law. Each court has responsibility over its own operations and has a chief judge who appoints an administrator to handle internal court management.

MAJOR ISSUES AND TRENDS

The Budget includes \$106.1 million in general revenue funding. This is \$4.1 million (4.1 percent) more than the FY2019 Enacted Budget. Most of the increase is to fund a statewide cost of living adjustment (COLA) provided through an agreement between the State and the state employee bargaining units (\$2.6 million). The Budget also funds six newly appointed judgeship positions (\$1.4 million); however, as of March 22, 2019, the Governor has only appointed five new judges. The positions can be filled from vacancies within the Judiciary; hence, no new FTE positions are provided. The additional general revenue also provides increased support for the Defense of Indigents program and additional security services. The other funds decrease of 40.2 percent is due primarily to the completion of the Noel Judicial Complex project.

Newly Funded Positions in FY2020

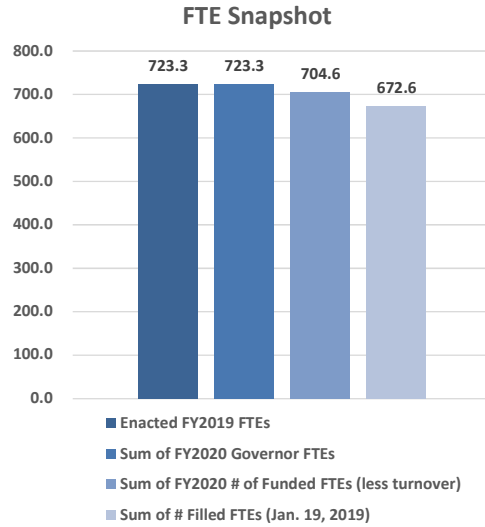
Court	Position	Cost
District Court	Associate Judge	\$227,779
	Associate Judge	227,779
Family Court	Associate Justice	234,323
Superior Court	Associate Justice	234,323
Worker's Compensation	Associate Judge	227,779
	Associate Judge	227,779
Total		\$1,379,762

Source: Judiciary

The Budget provides 723.3 FTE positions, consistent with the FY2019 Budget as Enacted and the Judiciary’s request.

The Judiciary has requested that the \$1.9 million unexpended general revenue appropriation from FY2018 be split evenly between the FY2019 Revised and FY2020 Budgets. The requested carry-forward would fund most of the requested increase for security services across the system to address increases in gang violence (\$904,720 total, \$451,420 in FY2019 and \$453,300 in FY2020) and the defense of indigent persons (\$1.0 million total, \$571,557 in FY2019 and \$459,508 in FY2020). The Governor’s budget includes the additional support as requested.

The Judiciary’s request did not include any turnover savings, but asked that the Budget Office work with Judiciary’s Finance and Budget Director to identify reasonable and attainable turnover savings. The Budget includes turnover savings of \$2.3 million, a reduction of \$2.5 million from the enacted level.



SUPREME COURT

The Supreme Court is the only constitutionally-established court in the State, and is empowered with administrative authority over the entire state court system. The Court is the final court of review, and also issues advisory opinions to Legislative and Executive branches of government and regulates the Rhode Island Bar. Administrative functions include budgeting, human resource management, purchasing, information technology management, and fine and fee collection. The Supreme Court also offers programs related to domestic violence prevention, mandatory continuing legal education, alternative dispute resolution, victim rights information, and the interpreter program.

Supreme Court	General Revenue
FY2019 Enacted	\$32,874,011
<i>Target and Other Adjustments</i>	
Turnover Restoration	961,968
Defense of Indigent Persons	459,508
Court Offsets	88,510
Security Services	18,000
FY2020 Governor	\$34,765,349

Turnover Restoration \$961,968

The Judiciary’s request did not include any turnover savings, but asked that the Budget Office work with Judiciary’s Finance and Budget Director to identify reasonable and attainable turnover savings. The Budget includes system-wide turnover savings of \$2.3 million, a reduction of \$2.5 million from the enacted level. \$961,968 of the turnover restoration is in the Supreme Court, reflecting 84.6 percent of the enacted savings level.

Defense of Indigent Persons \$459,508

The Budget includes an increase of \$459,508 (\$4.4 million total general revenue) for the Defense of Indigent Persons. This program was established pursuant to an executive order issued by Chief Justice Suttell in 2013. The program is designed to provide private attorneys to indigent persons after the filing of

written certification by the Office of the Public Defender verifying the person's inability to pay for counsel and the existence of a conflict of interest on the part of that office in accepting the individual as a client.

Court Offsets

\$88,510

State agencies that occupy court space include the Public Defender's Office; Office of the Attorney General; Department of Corrections; Department of Children, Youth, and Families; and Department of Public Safety. 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. In total, the agencies occupy 19.7 percent (89,979 square feet) of useable court space based on a March 2014 study. The Budget provides an increase of \$88,510 (6.8 percent) over the FY2019 Budget, for a total offset of \$1.4 million. Article 1 caps the total amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$1.2 million total.

Court Cost Offsets				
Agency	FY2019	FY2020	Change from FY2019	
Attorney General	\$165,404	\$176,632	\$11,228	6.8%
Children, Youth & Families	49,884	53,271	3,387	6.8%
Corrections	125,053	133,542	8,489	6.8%
Public Defender	135,910	145,137	9,227	6.8%
Public Safety	827,564	883,743	56,179	6.8%
Total	\$1,303,815	\$1,392,326	\$88,511	6.8%

Analyst Note: The FY2020 Budget as currently drafted only allows for court offsets up to \$1.2 million. OMB has indicated that an amendment would be submitted to allow for the cost offset included in the Budget.

Security Services

\$18,000

The Judiciary has been experiencing increased security costs in and around the courthouses due to gang violence; consequently, the Judiciary requested that a portion of the unexpended general revenue appropriation from FY2018 be split evenly between the FY2019 Revised and FY2020 Budgets to provide funding for increased security services from Providence Police. In FY2020, the Budget provides additional funding of \$453,300 for security services across the system, for total general revenue funding of \$834,500. Of the increase \$18,000 (\$117,000 total funding) is for the Supreme Court.

SUPERIOR COURT

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, civil cases in which the disputed amount exceeds \$10,000, and all probate and zoning appeals. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Gun Court and Adult Drug Court were established in FY1995 and FY2002, respectively. The Superior Court also has appellate jurisdiction of decisions of local municipal and probate courts. Appeals from various boards and commissions, such as zoning boards and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which accelerates the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

Superior Court	General Revenue
FY2019 Enacted	\$23,787,395
<i>Target and Other Adjustments</i>	
Turnover Restoration	261,494
Judicial Appointments	596,797
Security Services	234,323
FY2020 Governor	\$25,020,009

Turnover Restoration **\$596,797**

The Judiciary's request did not include any turnover savings, but asked that the Budget Office work with Judiciary's Finance and Budget Director to identify reasonable and attain turnover savings. The Budget includes system-wide turnover savings of \$2.3 million, a reduction of \$2.5 million from the enacted level. \$596,797 of the turnover restoration is in the Superior Court, reflecting 49.2 percent of the enacted savings level.

Judicial Appointments **\$234,323**

The Budget funds six newly appointed judgeship positions (\$924,204 general revenue, \$1.4 million all funds). The positions can be filled from vacancies within the Judiciary; hence, no new FTE positions are provided. In the Superior Court, \$234,323 in general revenue provides funding for one judicial appointment.

Security Services **\$140,000**

The Judiciary has been experiencing increased security costs in and around the courthouses due to gang violence; consequently, the Judiciary requested that a portion of the unexpended general revenue appropriation from FY2018 be split evenly between the FY2019 Revised and FY2020 Budgets to provide funding for increased security services from Providence Police. In FY2020, the Budget provides additional funding of \$453,300 for security services across the system, for total general revenue funding of \$834,500. Of the increase \$140,000 (\$140,000 total funding) is for the Superior Court.

FAMILY COURT

The Rhode Island Family Court, established in 1961, was the first statewide Family Court in the United States. The Family Court has jurisdiction to hear and determine all petitions for divorce and any motions in conjunction with divorce proceedings, such as motions relating to the distribution of property, alimony, support and custody of children. It also hears petitions for separate maintenance, and complaints regarding support for parents and children. The Family Court also has jurisdiction over matters relating to delinquent, wayward, dependent, neglected, abused, and mentally deficient or mentally disordered children. In addition, it has jurisdiction over adoptions, paternity proceedings, and a number of other matters involving domestic relations and juveniles. Appeals from decisions of the Family Court are taken directly to the state Supreme Court.

The Court runs specialty court programs, including the Juvenile Drug Court, Domestic Violence Court, Truancy Court, Mental Health Court Clinic, and the Juvenile Re-Entry Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport.

Family Court	General Revenue
FY2019 Enacted	\$21,510,608
<i>Target and Other Adjustments</i>	405,837
Turnover Restoration	636,996
Judicial Appointments	234,323
Security Services	170,300
FY2020 Governor	\$22,958,064

Turnover Restoration **\$636,996**

The Judiciary's request did not include any turnover savings, but asked that the Budget Office work with Judiciary's Finance and Budget Director to identify reasonable and attain turnover savings. The Governor's Budget includes system-wide turnover savings of \$2.3 million, a reduction of \$2.5 million from the enacted level. \$636,996 of the turnover restoration is in the Family Court, reflecting 50.0 percent of the enacted savings level.

Judicial Appointments **\$234,323**

The Budget funds six newly appointed judgeship positions (\$924,204 general revenue, \$1.4 million all funds). The positions can be filled from vacancies within the Judiciary; hence, no new FTE positions are provided. In the Family Court, \$234,323 in general revenue provides funding for one judicial appointment.

Security Services **\$170,300**

The Judiciary has been experiencing increased security costs in and around the courthouses due to gang violence; consequently, the Judiciary requested that a portion of the unexpended general revenue appropriation from FY2018 be split evenly between the FY2019 Revised and FY2020 Budgets to provide funding for increased security services from Providence Police. In FY2020, the Budget provides additional funding of \$453,300 for security services across the system, for total general revenue funding of \$834,500. Of the increase \$170,300 (\$227,500 total funding) is for the Family Court.

DISTRICT COURT

The District Court has jurisdiction over all criminal misdemeanor cases if the defendant waives the right to a jury trial. If the defendant asks for a jury trial, the case will be transferred to the Superior Court. The District Court also has jurisdiction over bail hearings in felony cases and over violation hearings in misdemeanor cases. The District Court presides over civil trials in which the damages sought total up to \$5,000. If the parties agree, the District Court can hear civil suits for damages to a maximum of \$10,000. District Court jurisdiction also includes Small Claims Court for damages up to \$2,500; violations of municipal ordinances and regulations; violations and hearings on involuntary hospitalization under the mental-health, drug-abuse, and alcohol laws; regulatory appeals, including those related to taxation; and violations of state or local housing codes. Appeals from District Court decisions go to the Superior Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport.

District Court	General Revenue
FY2019 Enacted	\$13,908,601
<i>Target and Other Adjustments</i>	(759,637)
Judicial Appointments	455,558
Turnover Restoration	216,788
Security Services	125,000
FY2020 Governor	\$13,946,310

Judicial Appointments**\$455,558**

The Budget funds six newly appointed judgeship positions (\$924,204 general revenue, \$1.4 million all funds). The positions can be filled from vacancies within the Judiciary; hence, no new FTE positions are provided. In the District Court, \$455,558 in general revenue provides funding for two judicial appointments.

Turnover Restoration**\$216,788**

The Judiciary's request did not include any turnover savings, but asked that the Budget Office work with Judiciary's Finance and Budget Director to identify reasonable and attain turnover savings. The Budget includes system-wide turnover savings of \$2.3 million, a reduction of \$2.5 million from the enacted level. \$216,788 of the turnover restoration is in the District Court, reflecting 32.7 percent of the enacted savings level.

Security Services**\$125,000**

The Judiciary has been experiencing increased security costs in and around the courthouses due to gang violence; consequently, the Judiciary requested that a portion of the unexpended general revenue appropriation from FY2018 be split evenly between the FY2019 Revised and FY2020 Budgets to provide funding for increased security services from Providence Police. In FY2020, the Budget provides additional funding of \$453,300 for security services across the system, for total general revenue funding of \$834,500. Of the increase \$125,000 (\$125,000 total funding) is for the District Court.

TRAFFIC TRIBUNAL

The Traffic Tribunal replaced the Administrative Adjudication Court in 1999. The Traffic Tribunal is responsible for hearing most traffic cases, distributing and controlling traffic summonses, and maintaining accurate driver accident and violation records. The Traffic Tribunal hears appeals from the Division of Motor Vehicles and the municipal courts as well as certain violations of the Department of Environmental Management. The Tribunal has authority to enforce its own judgments. The Traffic Tribunal has one location, at the Pastore Center in Cranston.

Traffic Tribunal	General Revenue
FY2019 Enacted	\$9,763,589
<i>Target and Other Adjustments</i>	<i>(558,287)</i>
Turnover Restoration	78,105
FY2020 Governor	\$9,283,407

Turnover Restoration**\$78,105**

The Judiciary's request did not include any turnover savings, but asked that the Budget Office work with Judiciary's Finance and Budget Director to identify reasonable and attain turnover savings. The Budget includes system-wide turnover savings of \$2.3 million, a reduction of \$2.5 million from the enacted level. \$78,105 of the turnover restoration is in the Traffic Tribunal, reflecting 14.2 percent of the enacted savings.

WORKERS' COMPENSATION COURT

The Workers' Compensation Court has jurisdiction over all disputes between employers and employees relating to workers' compensation. The court's jurisdiction includes contested cases involving the rehabilitation of injured employees and claims involving disputes between an employer and its workers' compensation insurer. Since FY1990, the expenses incurred in the operation of the court are paid through the Workers' Compensation Administrative Fund (restricted receipts).

Worker's Compensation Court	Restricted Receipts
FY2019 Enacted	\$8,309,954

<i>Target and Other Adjustments</i>	177,592
Judicial Appointments	455,558
FY2020 Governor	\$8,943,104

Judicial Appointments **\$455,558**

The Budget funds six newly appointed judgeship positions (\$1.4 million all funds). The positions can be filled from vacancies within the Judiciary; hence, no new FTE positions are provided. In the Worker's Compensation Court, \$455,558 in restricted receipts provides funding for two judicial appointments.

JUDICIAL TENURE AND DISCIPLINE

The Commission on Judicial Tenure and Discipline is the program charged with investigating judges who have been charged with misconduct. The Supreme Court may affirm, modify, or reject the recommendations of the Commission.

Judicial Tenure & Discipline	General Revenue
FY2019 Enacted	\$150,684

<i>Target and Other Adjustments</i>	3,932
FY2020 Governor	\$154,616

CAPITAL PROJECTS

The Budget includes \$8.2 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2019 and \$4.5 million in FY2020.

- The Budget includes \$4.5 million in FY2019 to expand the capacity of the Noel Judicial Complex by finishing courtroom space in the interior shell and adding parking to accommodate the expansion. The Judiciary expects to complete the project in three phases. The first phase built out the shelled courtroom spaces. The second phase built out the administrative spaces that support the new courtrooms. The third phase is to fix structural damage to the current parking garage and to create a new parking lot on a separate part of the campus for employees. Noel is centrally located in Warwick and serves populations in both Washington and Providence counties. This project is scheduled for completion in FY2019.
- The Budget includes \$1.0 million annually in FY2019 and FY2020 for ongoing projects to replace, clean, and restore HVAC systems in judicial buildings and ongoing asset protection projects.
- The Budget includes \$1.1 million in FY2019 and \$1.0 million in FY2020 for asset protection projects throughout the court system. Projects include security upgrades, courtroom restorations, restroom renovations, interior renovations to public spaces, elevator upgrades, and miscellaneous interior courthouse refurbishments.
- The Budget includes \$777,644 in FY2019 and \$750,000 in FY2020 for restorations to the Licht Judicial Complex. Funds will be used to renovate courtrooms. This includes repairing or replacing all of the furniture, plastering and painting, upgrading lighting, and refinishing floors.
- The Budget includes \$803,729 in FY2019 to complete the Licht Complex Window/Exterior Restoration. This includes the replacement and repair of all windows and refurbishing/upgrading the courthouse exterior.

Military Staff

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
RI National Guard	\$26.8	\$30.3	\$44.3	\$14.0	46.2%	\$40.1	\$9.8	32.3%
Total	\$26.8	\$30.3	\$44.3	\$14.0	46.2%	\$40.1	\$9.8	32.3%
Expenditures By Source								
General Revenue	\$3.0	\$3.1	\$3.1	(\$0.0)	-0.3%	\$3.2	\$0.1	3.2%
Federal Funds	20.7	18.5	31.7	13.2	71.1%	34.3	15.8	85.4%
Restricted Receipts	0.0	0.1	0.1	(0.0)	-45.0%	0.1	(0.0)	-45.0%
Operating Transfers from Other Funds	3.1	8.6	9.5	0.9	10.2%	2.5	(6.1)	-70.9%
Grand Total	\$26.8	\$30.3	\$44.3	\$14.0	46.2%	\$40.1	\$9.8	32.3%
Authorized FTE Levels	92.0	92.0	92.0	-	-	98.0	6.0	6.5%

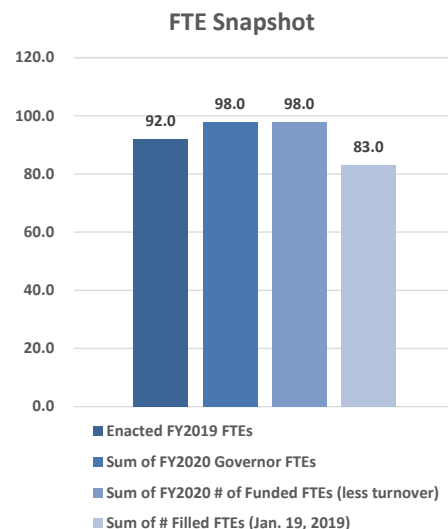
\$ in millions. Totals may vary due to rounding.

The mission of the Military Staff (Rhode Island National Guard) is to prepare for immediate mobilization in the event of war or national emergency; to maintain peace, order, and public safety in the state in time of man-made or natural disaster or when otherwise directed by the Governor; and, to participate in the development and establishment of local, regional, and nationwide initiatives and programs.

MAJOR ISSUES AND TRENDS

The Budget includes \$44.3 million in FY2019, of which \$3.1 million is general revenue. This reflects an all funds increase of \$14.0 million from the FY2019 Budget as Enacted. This includes increases of \$13.2 million in federal funds, \$16,591 in general revenue, and \$858,057 in other funds.

The Budget includes \$40.1 million in FY2020, of which \$3.2 million is general revenue. This reflects an all funds increase of \$9.8 million from the FY2019 Budget as Enacted. This includes an increase of \$15.8 million in federal funds and a decrease of \$6.1 million in other funds. The increase in federal funds is largely due to various construction projects, while the decrease in other funds mainly reflects reduced RICAP funding for the new joint force headquarters at Camp Fogarty, as that project is nearing completion. The Budget provides 92.0 FTE positions in FY2019 and 98.0 FTE positions in FY2020, reflecting the addition of 6.0 new federally funded FTE positions in FY2020. The new positions are: 2.0 Security Managers to maintain the electronic security system, 2.0 Planning Positions to provide environmental compliance on major capital projects, and 2.0 Program Managers to support control of National Guard facilities.



NATIONAL GUARD

The National Guard program is composed of reserve units of the United States Army and Air Force, the Rhode Island National Guard (RING), and the State Historic Militia. The Guard is authorized to have in excess of 3,300 members (2,178 Army National Guard and 1,136 Air National Guard). The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings, housing equipment valued at \$500.0 million. The estimated annual economic impact on the State attributed to National Guard programs exceeds \$238.0 million dollars. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard

personnel, supplies, equipment, facility maintenance, and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance. The Budget provides 92.0 FTE positions in FY2019 and 98.0 FTE positions in FY2020. Approximately 83.0 percent of these authorized FTE positions are supported by federal funds.

RI National Guard	General Revenue
FY2019 Enacted	\$3,081,090
<i>Target and Other Adjustments</i>	
Personnel Adjustments	9,684
Operating Expenses	73,312
Contract Service Adjustments	35,621
FY2020 Governor	\$3,219,493

Personnel Adjustments **\$73,312**

The Budget increases general revenue expenditures by \$73,312 that includes implementing the last step of the contracted cost of living (COLA) to state employees offset by other statewide planning value adjustments set by the Budget Office.

Operating Expenses **\$35,621**

The Budget includes \$1.2 million in general revenue (\$17.8 million in all funds) in FY2020 for operating expenses, reflecting a net increase of \$35,621 from the FY2019 Budget as Enacted. The largest adjustment is the increase of \$47,282 in general revenue for electric utility costs.

Operating Expenses	FY2017 Actual	FY2018 Actual	FY2019 Enacted	FY2020 Governor	Change
Electricity	\$292,741	\$329,474	\$172,116	\$219,398	\$47,282
Building Maintenance & Repairs	144,817	253,951	128,235	160,697	32,462
Fuel: Natural Gas	100,537	115,601	124,762	136,593	11,831
All Other Adjustments	396,452	468,675	692,371	636,417	(55,954)
Total	\$934,547	\$1,167,701	\$1,117,484	\$1,153,105	\$35,621

Contract Services **\$19,786**

The Budget includes \$123,118 in general revenue (\$2.1 million in all funds) in FY2020 for contracted service expenses, reflecting a net increase of \$19,786 from the FY2019 Budget as Enacted. The largest adjustment is the decrease of \$22,478 in general revenue for janitorial services.

Contracted Services	FY2019 Enacted	FY2020 Governor	Change
Janitorial Services	\$68,873	\$91,351	\$22,478
Other Building and Grounds	2,596	-	(2,596)
Groundskeeping/Lawns	5,544	6,098	554
Extermination Services	1,965	1,573	(392)
Fire Protection Services	12,838	12,738	(100)
Environmental Services	181	88	(93)
Doctors/Dentists	337	270	(67)
Accounting/Auditing	10,998	11,000	2
Total	\$103,332	\$123,118	\$19,786

CAPITAL PROJECTS

The Budget includes \$28.4 million (\$18.9 million federal funds and \$9.5 million RICAP) in capital projects for FY2019 and \$39.7 million in FY2020 (\$37.2 million federal funds and \$2.5 million RICAP), including:

- \$14.1 million in FY2019 (\$6.6 million RICAP) and \$4.3 million in FY2020 (\$1.8 million RICAP) for a new Joint Force Headquarters Building project. Previous funding provided for site surveys and to

extend the utility connections to the site at Camp Fogarty in East Greenwich. Construction is underway.

- \$3.0 million in FY2019 (\$898,898 RICAP) and \$5.8 million in FY2020 (\$700,000 RICAP) for various asset protection projects.
- \$1.4 million in FY2019 (\$718,375 RICAP) to complete the Armory of Mounted Commands Rehabilitation project which includes the roof and HVAC replacement project.
- \$125,000 in RICAP funds in FY2019 for a Bristol Readiness Center feasibility study. The Military Staff is planning for the design and renovation/construction of a new armory and field maintenance shop to service two Guard units in the East Bay area. The current facilities fail to meet federal operational, logistical, and security standards.

In addition, the Rhode Island Air National Guard will receive federal appropriations of \$6.2 million in FY2019, \$28.7 million in FY2020, and out-year funding of \$44.3 million through to FY2024. These are for several federal capital projects at the Quonset Air National Guard facilities that are not State projects and the federal funding is not appropriated to the State.

Rhode Island Emergency Management Agency

Expenditures By Program	FY2018 Actual	FY2019 Enacted	FY2019 Revised	Change from Enacted		FY2020 Governor	Change from Enacted	
Central Management	\$14.2	\$20.3	\$24.3	\$4.0	19.7%	\$13.7	(\$6.6)	-32.5%
Expenditures By Source								
General Revenue	\$1.9	\$2.0	\$2.3	\$0.3	15.0%	\$2.4	\$0.4	20.0%
Federal Funds	10.6	16.3	20.0	3.7	22.7%	9.3	(7.0)	-42.9%
Restricted Receipts	0.2	0.5	0.5	-	-	0.5	-	-
Operating Transfers from Other Funds	1.5	1.5	1.5	-	-	1.5	-	-
Total	\$14.2	\$20.3	\$24.3	\$4.0	19.7%	\$13.7	(\$6.6)	-32.5%
Authorized FTE Levels	32.0	32.0	32.0	-	-	32.0	-	-

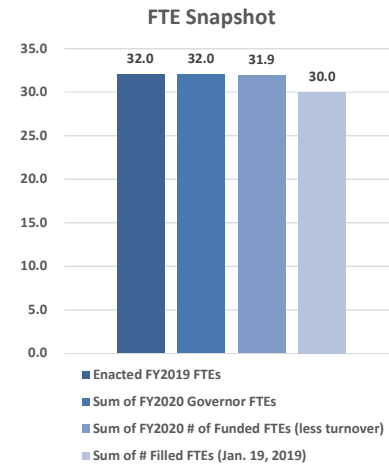
\$ in millions. Totals may vary due to rounding.

The Rhode Island Emergency Management Agency (RIEMA) became a stand-alone agency in FY2015, and is the coordinating agency for multi-jurisdiction and multi-agency response in the state for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction, and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the federal Emergency Management Agency in times of state, national, multi-jurisdiction, and multi-agency emergencies and disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network. RIEMA became nationally accredited in October 2016, via the Emergency Management Accreditation Program (EMAP).

MAJOR ISSUES AND TRENDS

The Budget includes \$24.3 million in FY2019, of which \$2.3 million is general revenue. General revenue funds are increased by \$239,274. Federal funds comprising 82.4 percent of the Agency's budget in FY2019, increase by \$3.7 million and restricted receipts increase by \$63,854.

The Budget includes \$13.7 million in FY2020, of which \$2.4 million is general revenue. Federal funds comprising 67.9 percent of the Agency's budget in FY2020, decrease by \$7.0 million, reflecting the completion of various federal disaster programs as well as a delay in outfitting a new RIEMA headquarters as that project is presently on hold. The Budget includes 32.0 FTE positions in FY2019 and FY2020, consistent with the enacted level.



Central Management	General Revenue
FY2019 Enacted	\$2,043,945
<i>Target and Other Adjustments</i>	<i>(23,641)</i>
Personnel	419,343
FY2020 Governor	\$2,439,647

Central Management	Other Fund Changes
Disaster and Emergency Preparedness Grants	(\$2,794,681)
Personnel, Contract Services, and Operating	(2,197,733)
Capital Purchases and Equipment	(2,047,960)

Personnel**\$419,343**

The Governor includes \$957,344 in general revenue reflecting an increase of \$419,343 from the FY2019 Budget as Enacted. The increased funding includes implementing the last step of the contracted cost of living (COLA) to state employees offset by other statewide planning value adjustments set by the Budget Office. The increase also reflects a shift of funding source from federal to general revenue to correct an improper allocation of federal funding for personnel. A federal grant required a 50/50 state match for personnel but the costs were instead allocated at 100.0 percent federal funds in the FY2019 Budget as Enacted.

Disaster and Emergency Preparedness Grants (federal funds)**(\$2.8 million)**

The Budget includes \$4.1 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events. This appropriation is \$2.8 million less than the appropriation in the FY2019 Budget as Enacted. These funds also reimburse preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events. The preparedness efforts are intended to improve and enhance the State's ability to prevent, deter, respond to, and recover from threats and incidents. Federal grant funds vary from year to year depending upon the number and severity of natural disasters and the availability of federal funds for non-disaster grants. The following table highlights the more significant changes in FY2020.

RIEMA Federal Grants	FY2019 Enacted	FY2020 Governor	Change
Homeland Security Grant Program 2017	\$2,252,000	\$400,000	(\$1,852,000)
Homeland Security Grant Program 2018	355,000	1,451,305	1,096,305
FEMA Flood Reimbursement - Federal Match	575,000	-	(575,000)
All Other Grants	3,679,436	2,215,450	(1,463,986)
Total	\$6,861,436	\$4,066,755	(\$2,794,681)

Personnel, Contract Services, and Operating Changes (federal funds)**(\$2.2 million)**

The Budget includes \$4.8 million in federal funds for personnel, contract services, and operating costs, reflecting a decrease of \$2.2 million in federal funds from the FY2019 Budget as Enacted. The Budget reduces resources for operations, of which the largest component of \$934,876 is pass-through payments to other agencies.

Capital Purchases and Equipment (federal funds)**(\$2.0 million)**

The Budget includes \$447,040 million in federal funds for capital purchases and equipment reflecting a decrease of \$2.0 million from the FY2019 Budget as Enacted. The Budget removes \$1.0 million that was previously appropriated to purchase furniture and equipment for the proposed new headquarters facility at Colorado Avenue in the City of Warwick. The need for these items is moot, as that proposal is on hold as the State reconsiders whether to go forward with the move of the RIEMA into that facility, move another state entity into that facility, or sell the property. The Budget also eliminates \$425,000 from a Port Security Grant 2017 that was a placeholder to purchase computer equipment and eliminates \$550,000 in Homeland Security Grant funds to purchase computer equipment and furniture.

CAPITAL PROJECTS

The Budget includes RICAP funding for two capital projects. The projects include:

- \$1.5 million each year from FY2019 to FY2021 in RICAP funds and \$500,000 in federal funds to support the Rhode Island Statewide Communications System Network (RISCON). The project enhances and further develops RISCON, the main communications platform used by all public safety agencies in the State for the daily operations.

Department of Public Safety

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Central Management	\$8.8	\$7.7	\$12.0	\$4.3	55.9%	\$15.9	\$8.2	106.0%
E-911	5.2	7.0	6.4	(0.6)	-8.9%	6.8	(0.2)	-2.5%
Fire Marshal	3.9	-	-	-	-	-	-	-
Municipal Police Training Academy	0.6	0.6	0.7	0.1	13.0%	0.7	0.1	14.4%
Security Services	23.8	25.2	24.9	(0.3)	-1.1%	26.7	1.5	6.1%
State Police	74.6	84.0	89.6	5.6	6.6%	88.9	4.9	5.9%
Grand Total	\$116.8	\$124.5	\$133.6	\$9.1	7.3%	\$139.1	\$14.6	11.7%
Expenditures By Source								
General Revenue	\$100.9	\$103.3	\$104.0	\$0.7	0.7%	\$111.2	\$7.9	7.6%
Federal Funds	10.7	15.6	23.7	8.0	51.5%	20.0	4.4	28.0%
Restricted Receipts	1.3	0.6	1.0	0.5	87.6%	1.7	1.2	215.3%
Other Funds	3.9	5.0	4.9	(0.1)	-2.7%	6.2	1.2	23.3%
Total	\$116.8	\$124.5	\$133.6	\$9.1	7.3%	\$139.1	\$14.6	11.7%
Authorized FTE Levels	610.6	564.6	564.6	-	-	595.6	31.0	5.5%

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

The Department of Public Safety (DPS) is the principal agency of the executive branch charged with law enforcement functions. It includes six program areas, including Central Management, E-911, the Municipal Police Training Academy, Security Services, and the State Police. The Department was created in the FY2009 Budget and is headed by the Superintendent of the State Police.

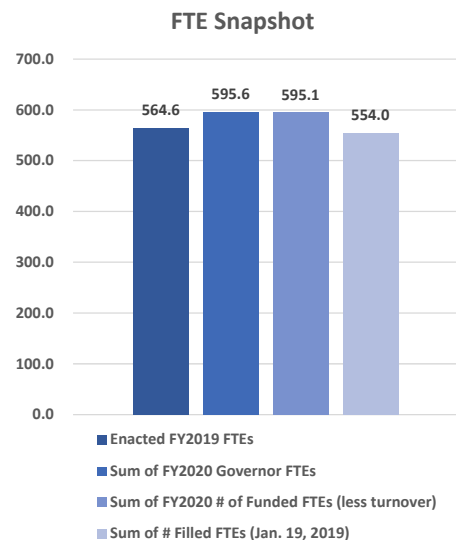
MAJOR ISSUES AND TRENDS

The Governor provides \$139.1 million to fund public safety initiatives and the operations of Department of Public Safety in FY2020. Almost 80.0 percent of this, or \$111.2 million, comes from general revenue, a \$7.9 million increase (7.6 percent) over FY2019 Enacted levels. The remaining \$248,573 in Google Forfeiture Funds will be spent in FY2020, exhausting the original State Police allotment of \$45.0 million. The bulk of these funds have been invested in improving State Police buildings and supporting the Department's pension fund.

The Budget includes 564.6 FTE positions in FY2019 and 595.6 in FY2020. The increase in FTE positions is related to the 30.0 new Troopers expected to graduate from the State Police Training Academy in July 2019 and a 1.0 Grants Manager position in Central Management.

Although the Department of Public Safety's FY2020 general revenue budget grows modestly over enacted levels (7.6 percent), restricted receipts and federal funds increase significantly (215.3 and 28.0 percent, respectively). This is primarily related to two new major initiatives:

- Adult-Use Marijuana:** Article 20 of the Budget provides the detailed framework of the Governor's proposed Adult-Use Marijuana initiative. Oversight and regulation of the program is centered in a new Office of Cannabis Regulation within the Department of Business Regulation, with multi-agency cooperation from law enforcement, health, and revenue agencies. For the Department of Public Safety and the State Police, this cooperation takes the form of facilitating criminal background checks,



communicating with partner agencies and licensees, assisting with various registries established by the program, inspecting compassion centers, and other functions. The Budget includes \$850,000 in new restricted receipt funding for the State Police to finance these responsibilities.

- **Opioid Response Programs:** In October 2018, the Governor announced a new statewide initiative aimed at combating the opioid epidemic. The program, called the heroin-opioid prevention effort (HOPE), employs law enforcement personnel in a proactive outreach strategy in the community. According to the Department, the HOPE initiative brings together substance abuse professionals and police to reach out to those who are at risk of overdosing and encourage them to seek treatment. DPS' budget includes federal funding of \$1.1 million in FY2019 and \$523,896 in FY2020 to combat opioid addiction and prevent overdose deaths.

The Department's \$3.4 million capital budget in FY2020 includes \$2.0 million to pay for a new roof at the nine-year-old State Police Headquarters in Scituate. The poorly constructed roof and gutter system has resulted in severe water damage to the building. Construction of a new roof is expected to begin in July 2019.

CENTRAL MANAGEMENT

The Central Management program consists of the Business Office, Legal Office, and Public Safety Grants Administration Office (formerly Governor's Justice Commission). The Business Office oversees fiscal and budgetary oversight for the Department, as well as human resources, payroll, and purchasing. The Public Safety Grants Administration Office serves as a conduit agency for a number of federal grants that flow to local and state public safety agencies. Grant administration includes both formula and discretionary grant programs.

Central Management	General Revenue
FY2019 Enacted	\$1,013,929
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<i>Target and Other Adjustments</i>	<i>(5,514)</i>
Personnel	260,348
FY2020 Governor	\$1,268,763

Personnel **\$260,348**

The Budget provides \$260,348 in general revenue to fund the personnel costs associated with 2.0 new FTE positions within the Central Management program. The Budget includes \$90,049 and a 1.0 Grants Manager FTE position within Central Management to assist with a significant 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 State Police are receiving a combined \$1.6 million in new funds in FY2019 and FY2020 from five federal HOPE Initiative grants related to addiction and recovery, opioid use prevention, and prescription drug monitoring. The grants manager, however, is funded through general revenue.

The Budget also includes \$170,299 to fund 1.0 Public Information Officer (PIO). The Governor has requested the PIO in the last two budget cycles; however, the position and funding have yet to be authorized. Nonetheless, the Department has employed a person to perform the PIO duties since January 2017, using portions of vacancies and turnover to cover the costs of the position.

E-911

The objective of the E-911 Uniform Emergency Telephone System is to maintain a statewide emergency telephone system providing prompt transfers of E-911 calls to the appropriate responding fire department, medical rescue service, or law enforcement agency. The Division operates 24 hours a day, 7 days a week. E-911 has a primary public safety answering point (PSAP) located in the State Police Headquarters

complex in North Scituate, as well as a secondary PSAP in North Providence. Backup PSAP facilities are considered best management practices to provide service continuity in cases of emergencies affecting the primary PSAP.

E-911	General Revenue
FY2019 Enacted	\$6,968,614
<i>Target and Other Adjustments</i>	
Technology Enhancements and Maintenance	106,671
Next Generation 911	(283,024)
Surcharge Revenues	Informational
FY2020 Governor	\$6,792,261

Technology Enhancements and Maintenance ***(\$283,024)***

The Budget provides \$1.8 million for technology upgrades and maintenance of the State's E-911 system, a net \$283,024 reduction from the FY2019 Budget as Enacted. This reduction is comprised, in part, of a \$425,000 reduction in computer equipment expenditures. In 2018, the General Assembly provided \$700,000 more in computer equipment funds than proposed by the Governor. This appropriation was in response to repeated delays in the implementation of Next Generation 911 (NG911), an initiative involving the transition of the E-911 system from analog to digital. The investment was made to help expedite the build-out of the necessary hardware infrastructure to support the program and facilitate the ability to text 911 and locate emergencies more accurately. The infrastructure was mostly completed by the end of 2018; therefore, funding going forward is reduced.

The reduction in computer equipment expenditures is offset by a net \$141,976 increase in other operating expenses related to several multi-year projects. These include upgrading the quality and capacity of the Geographic Information System (GIS) and its imagery; improving the ability to locate wireless callers, called Rapid SOS; and funding cyber security software and other software licenses.

Next Generation 911

Informational

Over the past several years, the State's E-911 system has been transitioning from analog-based technology to a digital platform. The two E-911 call center hubs, known as public safety answering points (PSAPs), completed installation and testing of new Next Generation 911 (NG911) digital routers in 2018 and staff have been trained on how to use the technology. NG911 enables these telecommunicators to utilize data-rich information such as geographic information systems and pictometry data to more accurately identify an individual's location and direct first responders more quickly.

According to the Department, the success and reliability of E-911 has greatly improved with the implementation of NG911 and will enhance emergency services going forward by creating a faster, more resilient system that will facilitate the integration of more advanced methods of emergency communication in the future. For example, NG911 enabled the launch of Text-to-911 in February 2019. This service provides the public with the ability to text 911 in the event a voice call is not possible or safe. NG911 will also support Rapid SOS, a new technology that provides more accurate location information from wireless callers, and enable Rhode Island to more effectively meet federal cybersecurity standards. NG911 is enabling a five-year project to update its entire GIS data map, using pictometry imagery that provides a 45 degree angle overhead image in addition to straight overhead images. DPS is currently in the first year of the project.

Surcharge Revenues

Informational

The State levies a surcharge on both wireline and wireless phone lines, as do most states, to fund the E-911 program. The FY2019 Budget renamed and clarified the surcharge's purpose. It is now named the emergency services and first responder surcharge (formerly called the E-911 surcharge) and it may only be used to specifically support the infrastructure and operations of the system at the State and local level.

The wireline surcharge amounts to \$1.00 per line, per month, while the wireless surcharge amounts to \$1.26 per line, per month. The additional \$0.26 levied on wireless lines was enacted in 2004 and has funded the costs of developing and maintaining the GIS database, as well as improvements to the primary and secondary answering points. All E-911 surcharge collections are deposited as general revenues. The following table is a snapshot of surcharge collections, and general revenue expenditures for E-911. Beginning in FY2016, 10.0 percent of revenue collected through E-911 surcharges (on wireless, wireline, and pre-paid accounts) has been deposited into the Information Technology Investment Fund (ITIF) established in RIGL 42-11-2.5. The ITIF is used to acquire information technology hardware, software, consulting services, and ongoing maintenance contracts for State departments and agencies.

E-911 Revenues vs. Expenditures				
Fiscal Year	Revenues	Expenditures	Deposit to ITIF	Net to General Fund
2010	\$17,898,223	\$4,635,901	-	\$13,262,322
2011	17,248,460	4,829,770	-	12,418,690
2012	17,255,771	4,766,586	-	12,489,185
2013	17,507,117	5,103,735	-	12,403,382
2014	17,454,670	5,444,296	-	9,798,629
2015	17,640,703	5,320,615	-	12,320,088
2016	16,649,747	5,499,050	1,571,992	9,578,704
2017	16,845,536	5,699,440	1,632,500	8,993,060
2018	17,072,415	5,894,522	1,665,150	9,512,743
2019*	16,786,838	6,350,275	1,678,684	8,757,879
2020*	16,745,438	6,792,261	1,674,544	8,278,633

*FY2019 and FY2020 revenue estimates are provided by the Budget Office.

MUNICIPAL POLICE TRAINING ACADEMY

The Rhode Island Municipal Police Training Academy was established in 1969 and assigned to train and certify municipal law enforcement officers for all municipalities except for the City of Providence. Municipalities do not pay to send recruits to the Academy, but they do provide in-kind services including officer time to teach courses and meeting and firing range space. Recruits are paid by municipalities for their time spent at the Academy. Since the first training class in 1970, the Academy has graduated 114 classes. The Academy runs two to three classes and 80 to 100 professional development workshops annually. Since 1981, the Academy has been located at the Community College of Rhode Island Flanagan Campus in the Town of Lincoln.

Municipal Police Training Academy	General Revenue
FY2019 Enacted	\$253,024
<i>Target and Other Adjustments</i>	<i>9,698</i>
Rent	33,532
FY2020 Governor	\$296,254
Municipal Police Training Academy	Other Funds Changes
New Training Gear (federal funds)	\$109,565

Rent **\$33,532**

The Budget includes a \$33,532 increase from general revenues for rental expenses in FY2020. The Municipal Police Training Academy does not have its own training facility. Historically, the Academy has conducted its classes at CCRI's Flanagan Campus in Lincoln. In FY2019, the Governor proposed that the Academy relocate to the Rhode Island National Guard's Camp Fogarty in East Greenwich to save on rental costs. The Academy, however, has a lease agreement with CCRI through June 30, 2019. Moreover,

the National Guard has since indicated that it will charge the Department rent to use Camp Fogarty and DPS has yet to sign an agreement with them. The Academy plans to renew its CCRI lease for part of FY2020 while preparing for its transition to Camp Fogarty. The Budget assumes \$21,062 in rental expenses for the continued use of the CCRI facilities as well as \$12,470 in rent to the National Guard for Camp Fogarty in FY2020.

New Training Gear (federal funds)

\$109,565

The Budget includes \$109,565 in additional federal funds in FY2020. The Department is utilizing \$41,000 from the Law Enforcement Highway Safety grant and \$68,565 from the federal Office of Highway Safety Speed grant to purchase riot gear shields and body armor to be used in training at the Academy.

SECURITY SERVICES

The Security Services program consists of the Capitol Police and the Division of Sheriffs. The Capitol Police have arrest powers and provide security at 13 State buildings, including the State House, the courthouses, and numerous executive branch facilities. The Sheriffs are responsible for statewide activities assigned by law which relate to the duties and functions of the sheriffs in several counties. The Division is responsible for courtroom security, judicial security, cellblock security, transportation of individuals charged with crimes, interstate prisoner extraditions, and service of process.

Security Services	General Revenue
FY2019 Enacted	\$25,197,459
<i>Target and Other Adjustments</i>	<i>111,380</i>
Personnel	1,065,004
Radios	166,700
State Fleet Overhead	148,176
Tasers	54,900
FY2020 Governor	\$26,743,619

Personnel

\$1.2 million

The Budget includes an additional \$1.2 million from general revenues to for personnel costs in FY2020. This increase consists of \$224,709 more in salaries and benefits for the Capitol Police and \$840,295 for the Sheriffs.

The Capitol Police have a total of 51.0 total authorized FTE positions with 38.0 funded from general revenue and 13.0 charged to other State agencies through internal service funding. As of November 2018, the Capitol Police had 41.0 filled positions. The Department of Public Safety started a recruitment class of 11.0 new capitol police cadets in January 2019. The class is expected to graduate from the RI Capitol Police Training Academy in July, 2019. The personnel cost increase in FY2020 is attributable to the new Capitol Police Officers beginning work in July 2019.

The \$840,295 increase in personnel costs within the Sheriffs Division consists of \$508,623 in restored turnover and \$331,672 in other salary and benefit increases. The Sheriffs have 181.0 FTE positions of which 171.0 are filled and 29.0 are receiving injured on duty benefits (which means they are part of the 181.0 FTE total, but are not available, and whose salaries and benefits are being paid).

Radios

\$166,700

The Budget includes \$166,700 in new general revenue in FY2020 to begin the multi-year replacement of radios for the Sheriffs and Capitol Police. Motorola is the current service provider for the portable radios and the company announced that it would no longer support the equipment starting in December 2018.

According to the DPS, most of the radios are over ten years old, with the most recent purchases made in 2012.

State Fleet Overhead **\$148,176**

The Budget includes \$148,176 in additional general revenue for vehicle overhead costs for DPS' security services. According to DPS, these costs reflect the centralized service charges for fuel, insurance, maintenance, and repair costs associated with the Security Services vehicles.

Tasers **\$54,900**

The Budget includes \$54,900 of new general revenue in FY2020 to fund the first phase of a three-year plan to provide the Capitol Police and Sheriffs Divisions with Taser equipment and training. The plan calls for a total of 111 Tasers over the three-year period, with 34 Tasers for the Sheriffs and 11 for the Capitol Police in FY2020. The cost for one Taser, holster, battery, and two cartridges is \$1,220. Tasers provide the option for a less lethal use of force than firearms.

STATE POLICE

The Rhode Island State Police are a uniformed and investigative law enforcement agency with statewide jurisdiction. The agency is organized into three bureaus: the Administrative Bureau, Uniform Bureau, and Detective Bureau. The Administrative Bureau consists of both sworn command staff and civilian personnel and provides overall management and support. The Uniform Bureau is responsible for preventing crime and investigating criminal and noncriminal activities. The Uniform Bureau also establishes highway safety through enforcement of motor vehicle laws with emphasis on hazardous moving violations, i.e. drunk driving and speeding. The Detective Bureau is the primary investigative unit which helps the Attorney General's Office and other agencies in investigating organized and white collar crime and provides support to police agencies throughout the State.

State Police	General Revenue
FY2019 Enacted	\$69,903,992
<i>Target and Other Adjustments</i>	<i>(922,559)</i>
New Troopers	3,800,000
Gambling Enforcement Unit	1,873,969
Overtime	467,562
Radios	457,812
IT Network	290,000
State Fleet Overhead	225,000
Pension Trust Fund	Informational
Google Forfeiture Funds	Informational
State Police Vehicles	Informational
FY2020 Governor	\$76,095,776

State Police	Other Funds
Adult Use Marijuana (restricted receipts)	\$850,000
Opioid Response Programs (federal funds)	523,896

New Troopers **\$3.8 million**

The Budget includes \$3.8 million in general revenue to support the personnel costs associated with the hiring of 30.0 new State Troopers that are anticipated to graduate from the 57th State Police Training Academy in July 2019. The class began in January 2019 with 40 recruits. The Budget assumes a 25.0 percent attrition rate, based on previous graduation rates.

Gaming Enforcement Unit**\$1.9 million**

The Budget shifts \$1.9 million in lottery funding (other funds) to general revenue to pay for the staffing costs of approximately 10.0 FTE positions in the Gaming Enforcement Unit (GEU) within the Detective Bureau. Funding for the GEU has historically been part of the Lottery's operating costs, which are deducted from the total amount of lottery revenue transferred to the State. Because of this, the cost of manning and operating the GEU appears as a reduction in revenue rather than an expenditure.

The November 2018 Revenue Estimating Conference revised the way in which the GEU is budgeted. The principals agreed to reflect the costs as a budgeted expenditure within the State Police.

In FY2019, the GEU costs were \$1.5 million, approximately \$400,000 less than the Governor's recommendation for FY2020. According to the State Police, this increase is attributable to the addition of 2.0 Troopers to the unit to support the increased demands resulting from the opening of the Tiverton casino and the launch of on-site sports betting.

Overtime**\$467,562**

The Budget provides \$1.8 million for overtime for the Detective Bureau in FY2020, or \$467,562 more than Enacted. According to the Department, the work schedule of detectives is significantly influenced by events beyond its control and the increase is proposed to better reflect prior year expenditures. The following table shows the Bureau's overtime costs in FY2017 and FY2018 as well as the Governor's FY2019 and FY2020 recommendations:

FY2017 Actual	FY2018 Actual	FY2019 Enacted	FY2019 Governor	FY2020 Governor
\$1,311,921	\$1,740,710	\$1,354,886	\$1,963,806	\$1,822,448

Radios**\$457,812**

The Budget includes \$457,812 in new general revenue in FY2020 to begin the multi-year replacement of radios for the State Police. Motorola is the current service provider for the portable radios and the company announced that it would no longer support the equipment starting in December 2018. According to the DPS most of the radios are over ten years old, with the most recent purchases made in 2012.

IT Network**\$290,000**

The Budget includes \$290,000 in FY2020 to address information technology system maintenance and repairs. These expenditures include:

- **IT Network Maintenance:** The five-year warranty for the State Police IT network expires at the end of FY2019. Going forward, the system will require new yearly maintenance contracts. The contract value is \$125,000 in FY2020.
- **Switches and Routers:** The Budget includes \$85,000 for new network switches and routers for the State Police headquarters. Due to the age of the equipment, the manufacturer will no longer be supporting its maintenance and updates.
- **Security Software:** State Police computers require specialized software and upgraded security features, given the nature of the information and work they support. The Governor recommends upgrading the software for 200 computers and 125 mobile laptops in FY2020 at a cost of \$50,000.
- **Two-Factor Authentication:** The Budget includes \$30,000 to install two-factor authentication (password and one other piece of information) on mobile and remote systems accessing both the Rhode Island and the National Law Enforcement Telecommunications Systems (RILETS and NLETS, respectively). These systems enable the State Police to communicate and exchange information across police departments and other law enforcement agencies in the State and across the country. A recent FBI audit of the State Police system calls for the upgrade.

State Fleet Overhead**\$225,000**

The Budget includes \$225,000 in additional general revenue for vehicle overhead costs for the State Police. According to DPS, these costs reflect the centralized service charges for fuel, insurance, maintenance, and repair costs associated with the State Police vehicles.

Pension Trust Fund**Informational**

The FY2016 Budget as Enacted created a pension trust fund for State Police troopers hired prior to 1987 who receive benefits through a pay-as-you-go (pay-go) system. Members' benefits remain unchanged, but the proposal transitions the current system to a more traditional retirement fund whereby contributions are amortized, in this case, over 18 years. The pension trust fund is capitalized by funding from the Google settlement awarded to the State Police. It is estimated that, at a 7.5 percent rate of return, this initial investment will achieve \$157.2 million in general revenue savings over the 77-year life of the plan. The use of the settlement for the pension trust fund required approval by the U.S. Department of Justice (DOJ) Asset Forfeiture Program which was granted in FY2016. The FY2017 Budget as Enacted included \$15.0 million for this purpose. Based on the current actuarial reports, the Budget includes \$16.4 million for pension payments in FY2020 (commensurate with the FY2019 Budget as Enacted).

Google Forfeiture Funds**Informational**

On August 24, 2011, Google, Inc. reached a settlement agreement with the United States Department of Justice (DOJ) to forfeit \$500.0 million for allowing illegal, online Canadian pharmacies to place advertisements through its AdWords program, targeting U.S. consumers. Rhode Island received a \$230.0 million share of this award for State and local law enforcement agencies that helped investigate Google's role in placing the online ads for illegal pharmacies. Of the total award, the State directly received \$110.0 million, of which \$60.0 million was allocated to the Attorney General's Office, \$45.0 million was allocated to the State Police, and \$5.0 million was allocated to the Rhode Island National Guard. The City of East Providence and Town of North Providence each received \$60.0 million.

The State Police received a total of \$45.0 million from the settlement. The Budget includes \$6.0 million in the FY2019 Revised Budget and \$248,573 in FY2020. These expenditures represent the exhaustion of the remainder of the Google funds. Slightly more than one third of the award, or \$15.0 million, was used to help seed a trust fund for the State Police pay-go pension. Vehicle replacement utilized 21.1 percent of funding. The following table breaks down how the funds were utilized.

Expenditures By Program	Budget	Pre-FY2019	FY2019	FY2020	Total		Balance
					Spent	Percent	
Fleet	\$5,385,187	\$5,368,085	\$4,095,699	-	\$9,463,784	21.1%	(\$4,078,597)
Training Academy	1,130,005	35,829	-	-	35,829	0.1%	1,094,176
New Buildings/Renovations	9,038,652	4,859,489	-	-	4,859,489	10.8%	4,179,163
Overtime	4,657,825	4,657,825	-	-	4,657,825	10.4%	(0.3)
Personnel	1,000,000	249,226	-	-	249,226	0.6%	750,774
Investigations	4,716	4,716	-	-	4,716	0.0%	-
Recruitment	876,273	533,405	-	-	533,405	1.2%	342,868
Technology	4,461,446	4,851,446	-	-	4,851,446	10.8%	(390,000)
Pension Trust	15,000,000	15,000,000	-	-	15,000,000	33.4%	-
Training	153,715	153,715	-	-	153,715	0.3%	-
Equipment	2,705,138	2,519,759	1,906,740	248,573	4,675,072	10.4%	(1,969,934)
Accreditation	100,000	56,000	-	-	56,000	0.1%	44,000
Local Sharing	150,000	150,000	-	-	150,000	0.3%	-
Assessment Project	225,000	246,803	-	-	246,803	0.5%	(21,803)
Aid to Westerly	64,916	15,563	-	-	15,563	0.0%	49,353
Community Outreach	684	684	-	-	\$684	0.0%	-
Total	\$44,953,557		\$6,002,439	248,573	\$44,953,557	100.0%	-

Source: Department of Public Safety

State Police Vehicles**Informational**

The Department currently has 346 vehicles in the State Police vehicle fleet (332 patrol and detective vehicles, 7 motorcycles, and 7 specialty vehicles). There are 123 patrol/detective vehicles, or 37.0 percent, with over 100,000 miles. The average useful life of these vehicles is 6.5 years. Since FY2013, the Department has spent \$9.5 million in Google funds to improve its fleet. The Budget includes \$4.0 million in restricted receipt funds (Google Forfeiture Funds) in the FY2019 Revised, an increase of \$1.3 million. The increase is related to vehicles that were originally planned to be purchased in FY2018, but were not available until FY2019.

The Budget also level funds Road Construction Reimbursements from the Department of Transportation for road details performed by the State Police. These reimbursements help to pay for vehicle maintenance costs. The all funds total for the program in FY2020 is \$2.2 million, consistent with past expenditure levels.

Adult-Use Marijuana (restricted receipts)**\$850,000**

The Budget includes \$850,000 in funding from a new restricted receipt account related to the Governor's proposed Adult-Use Marijuana program.

Article 20 of the Budget provides the detailed framework of the Governor's proposed Adult Use Marijuana initiative. Oversight and regulation of the program is centered in a new Office of Cannabis Regulation within the Department of Business Regulation, with multi-agency cooperation from law enforcement, health, and revenue agencies.

For the Department of Public Safety and the State Police, this cooperation takes the form of facilitating criminal background checks, communicating with partner agencies and licensees, assisting with various registries established by the program, inspecting compassion centers, and other functions.

Section 7 of Article 20 creates a new adult-use marijuana licensing program restricted account, known as the adult-use marijuana trust fund. The account is established across several agencies, including the Department of Public Safety. The \$850,000 for the State Police is appropriated from this fund.

Section 7 describes, generally, how the funds are to be used. According to the article, "The state share of trust fund revenue will be used to fund programs and activities related to program administration; revenue collection and enforcement; substance use disorder prevention for adults and youth; education and public awareness campaigns; treatment and recovery support services; public health monitoring, research, data collection, and surveillance; law enforcement training and technology improvements including grants to local law enforcement; and such other related uses that may be deemed necessary by the Office of Management and Budget".

Analyst Note: According to the Department and all submitted budget documentation, it not clear how the State Police plans to use the \$850,000. Article 20 provides some clues such as law enforcement training, technology improvements, and grants to local police departments. However, this is the extent of the information at this time.

Opioid Response Programs (federal funds)**\$523,896**

The Budget includes an increase in federal funds of \$1.1 million in FY2019 and \$523,896 in FY2020 to help address the opioid crisis in Rhode Island.

In October 2018, the Governor announced a new statewide initiative aimed at combating the opioid epidemic. The program, called the heroin-opioid prevention effort (HOPE), employs law enforcement personnel in a proactive outreach strategy in the community. According to the Department, the HOPE initiative brings together substance abuse professionals and police to reach out to those who are at risk of overdosing and encourage them to seek treatment.

The U.S. Department of Health and Human Services (HHS) has awarded the State \$12.6 million in substance abuse grants targeted at opioid addiction. The grants are administered by the Department of

Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH); the Department of Public Safety is a sub-recipient under the program. The following table list the HOPE grants and their amounts:

Grant	FY2019 Enacted	FY2019 Revised	FY2020 Recommended
Hope Initiative - Comprehensive Addiction/Recovery	-	\$175,076	\$175,612
Hope Initiative - Medication Assisted Treatment PDOA	-	30,177	41,477
Hope Initiative - Opioid Response Prevention	-	157,419	52,684
Hope Initiative - Prescription Drug Monitoring Program	-	200,461	143,756
Hope Initiative - Opioid Response Grant	-	552,458	110,367
Total	-	\$1,115,591	\$523,896

DPS program costs in FY2020 include \$230,010 to support two existing FTE positions, \$140,739 in contracted professional services to bring medical experts to help train DPS staff, and \$126,047 in operating support.

CAPITAL PROJECTS

The Budget includes a total of \$13.1 million in capital projects from FY2019 through FY2024. The Governor recommends \$3.4 million in disbursements from the RI Capital Plan Fund in FY2020 as follows:

FY2020 Capital Budget	
HQ Roof Replacement	\$2,000,000
Asset Protection	600,000
Training Academy Upgrades	425,000
Public Safety Master Plan	350,000
Total	\$3,375,000

HQ Roof Replacement: The FY2020 Capital Budget includes a \$2.0 million increase to repair the roof at the State Police Headquarters in Scituate. The nine-year-old headquarters opened in October 2010. According to the Department, the building has had trouble with the roof, gutter systems, and water pooling since it opened and interim fixes have appeared in the capital budget under asset protections over the last several years. In FY2020, the replacement of the roof is a standalone project.

In 2017, the Division of Capital Asset Management and Maintenance (DCAMM) and the State Police issued an RFP for architectural and engineering services for full roof and gutter system replacement. The contract was awarded in 2018 and the planning work is expected to be completed in the spring of 2019. Construction is expected to begin in July 2019.

Analyst Note: According to the Department, the warranty on the original roof construction was voided as a result of an attempt to mitigate roof-related problems by a contractor other than the original builder. This occurred not long after the headquarters opened. The original builder has refused to honor the warranty and subsequent contractors have been reluctant to take on the full repair.

Asset Protection: The Budget includes \$600,000 in FY2020 to finance the maintenance of the various facilities across the Department.

Training Academy Upgrades: The Budget provides \$425,000 in FY2020 for improvements at the State Police Training Academy in Foster. The \$1.7 million project began in 2018, with \$830,000 spent to date. Heating and air-conditioning is being replaced in the main Academy building and fitness center. New lighting and rubberized flooring has been installed. In FY2020, the DPS will be repairing parking lots, upgrading the firing range, and rebuilding the Academy's obstacle course.

Public Safety Master Plan: The Budget includes \$350,000 to complete a facilities master plan to determine the building needs of the agency and its personnel.

Office of the Public Defender

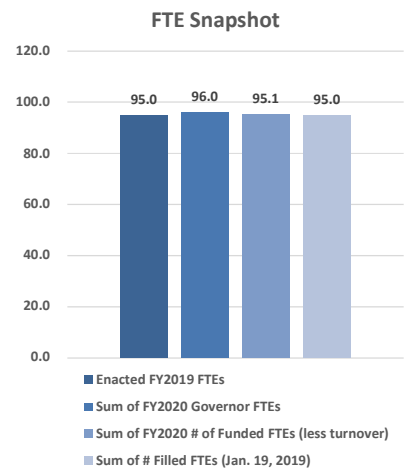
Expenditures By Program	FY2018 Actual	FY2019 Enacted	FY2019 Revised	Change from Enacted		FY2020 Governor	Change from Enacted	
Public Defender	\$11.6	\$12.7	\$12.3	(\$0.4)	-3.1%	\$12.9	\$0.2	1.6%
Expenditures By Source								
General Revenue	\$11.5	\$12.6	\$12.2	(\$0.4)	-3.2%	\$12.8	\$0.2	9.0%
Federal Funds	0.1	0.1	0.1	-	-	0.1	-	-
Grand Total	\$11.6	\$12.7	\$12.3	(\$0.4)	-3.1%	\$12.9	\$0.2	1.6%
Authorized FTE Levels	93.0	93.0	93.0	-	-	96.0	3.0	3.2%

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

The Office of the Public Defender represents indigent adults and juveniles who are charged with criminal offenses or who are in jeopardy of losing custody of their children to the State. Referrals come from the Supreme, Superior, District and Family Courts. All who are financially eligible are assigned to a staff attorney for representation in the appropriate court. The main office and two branch locations are located in Providence. Three additional offices are located in the southern half of the state. The metropolitan areas of Providence and Newport account for the bulk of the cases. The Office includes four basic divisions of attorneys: appellate, criminal trial (including separate felony and misdemeanor units), juvenile, and parental rights. The Public Defender is appointed by the Governor to a six-year term, with the advice and consent of the Senate.

MAJOR ISSUES AND TRENDS

The agency's budget is funded almost entirely by general revenues (99.2 percent). The Budget reflects salary and benefit requirements of the existing staff, plus the addition of 1.0 Social Worker. The Budget includes 95.0 FTE positions in FY2019, consistent with the enacted level, and 96.0 FTE positions in FY2020, an increase of 1.0 positions.



Central Management

	General Revenue
FY2019 Enacted	\$12,575,531
<i>Target and Other Adjustments</i>	<i>27,559</i>
Personnel	207,128
Social Worker Position	85,728
Contracted Services	(47,675)
FY2020 Governor	\$12,848,271

Personnel

\$207,128

The Budget increases general revenue expenditures to reflecting implementing the last step of the contracted cost of living (COLA) to state employees and other statewide planning value adjustments set by the Budget Office, including \$100,000 in turnover savings.

Social Worker Position

\$85,728

The Budget converts a contracted social services case worker to a full-time state position to provide continuity of educational and social services to juvenile clients to alleviate long term detentions. This reflects shifting \$47,675 from contracted services and adding \$38,053 in general revenue to cover the benefit costs for the new position.

Contracted Services

(\$47,675)

The Budget decreases general revenue expenditures, reflecting the conversion of a contracted social services case worker to a full-time state position to provide continuity of educational and social services to juvenile clients to alleviate long term detentions.

Department of Environmental Management

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Office of Director	\$9.7	\$11.0	\$10.9	(\$0.2)	-1.6%	\$11.5	\$0.5	4.1%
Bureau of Natural Resources	45.1	65.1	57.5	(7.7)	-11.8%	59.5	(5.6)	-8.6%
Bureau of Environmental Protection	25.5	32.5	30.5	(2.0)	-6.0%	31.8	(0.7)	-2.0%
Total	\$80.4	\$108.7	\$98.9	(\$9.8)	-9.0%	\$102.9	(\$5.8)	-5.3%
Expenditures By Source								
General Revenue	\$40.3	\$41.8	\$41.0	(\$0.8)	-1.9%	\$45.2	\$3.3	8.0%
Federal Funds	20.5	31.8	31.7	(0.0)	-0.1%	32.3	0.5	1.7%
Restricted Receipts	14.0	17.6	15.7	(1.9)	-10.7%	16.3	(1.2)	-7.1%
Other Funds	5.5	17.5	10.4	(7.1)	-40.5%	9.1	(8.4)	-48.2%
Total	\$80.4	\$108.7	\$98.9	(\$9.8)	-9.0%	\$102.9	(\$5.8)	-5.3%
Authorized FTE Levels	400.0	395.0	395.0	-	-	406.0	11.0	2.8%

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

The Department of Environmental Management (DEM) is responsible for protecting, managing, and restoring the natural resources of the State. The Department is organized into three divisions: the Office of the Director, the Bureau of Natural Resources, and the Bureau of Environmental Protection.

The Department is charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state; the promotion of agriculture and animal husbandry; and, providing for the maintenance of waterways and boating facilities.

MAJOR ISSUES AND TRENDS

The FY2020 Budget includes an all funds decrease of \$5.8 million, or 5.3 percent from the FY2019 Budget as Enacted. The Budget includes a \$3.3 million (8.0 percent) increase in general revenue expenditures compared to the FY2019 Budget as Enacted, primarily due to the Transforming State Parks initiative (\$1.5 million), support for the America's Cup race (\$400,000), and increased personnel costs needed to maintain current service levels (\$651,536). The 48.2 percent decrease in other funds is driven by changes in the Rhode Island Capital Plan (RICAP) fund to reflect shifting funding to general obligation bond proceeds and changes in construction calendars and priorities.

The 7.1 percent decrease in restricted receipts is due to reductions to align budgeted amounts to projected expenditures in Underground Storage Tank reimbursements (\$805,438), Environmental Response Fund II expenditures (\$443,181), and Hunting license receipts (\$222,211), partially offset by an increase in Shellfish and Marine License Receipts (\$169,993), and the Volkswagen Settlement (\$102,672). In January 2018, the State was awarded \$14.4 million from the national Volkswagen (VW) settlement. VW illegally installed software in their vehicles that was able to sense when the car was undergoing emissions testing and activate equipment to reduce emissions. The settlement established an Environmental Mitigation Trust (EMT), which will be administered by the Department of Environmental Management (DEM). Of the total settlement, about \$10.7 million will be used to replace diesel RIPTA buses with zero emission vehicles (ZEV); \$1.5 million for charging infrastructure; and, \$2.1 million for administrative expenses at DEM, RIPTA, and OER.

As part of a Transforming State Parks Initiative the Governor proposes to increase various user fees across the parks system. The revenue generated from these increases is then invested based on recommendations from the 2018 report, *Rhode Island State Parks Organization Management and Operations Study*, created in consult with CHM Governmental Services and PROS Consulting. This report identifies investments needed to develop a sustainable approach to maintain state parks and beaches. The fee increases are intended to have those who use these resources support the new investments, especially users from out of state. According to the Department, the majority of state beach goers are from out of state, as are two-thirds of the campers. The fee increases include increasing beach parking fees by \$2 a day or \$10 per season pass for residents, and \$4 a day or \$20 per season pass for non-residents. Camping fees would increase by \$4 to \$16 for residents, based on the desirability of the campground, and by \$16 to \$40 for non-residents. The proposal would also increase pavilion, golf, and other fees at Goddard and Newport. The fee increases are projected to raise an additional \$1.3 million in general revenue in FY2020.

Beach Parking	\$538,595
Camping Fees	692,338
Pavilion, Golf, Etc.	104,757
Total Revenue	\$1,335,690

The new investments proposed in the Budget total \$1.5 million in FY2020. The general revenue investments are designed to improve the park goers experience through cleaner, more modern facilities; reduced litter; and, expanded rental and concession opportunities. Each of the new investments is discussed in detail in following analysis. While conceptually linked, the fee increases and the spending increase are separate initiatives.

Parks Operating	\$874,643
Maintenance Staff (5.0 FTE positions)	318,301
Executive Business Office (2.0 FTE positions)	167,937
Trash Removal Pilot Program	122,000
Senior Reconciliation Clerk (1.0 FTE position)	53,098
Total Investment	\$1,535,979

Article 1 of the Governor's FY2019 Revised Budget includes a \$1.0 million transfer from the Oil Spill Prevention, Administration and Response (OSPAR) fund to general revenues. According to the Department of Environmental Management (DEM), the transfer of funds would temporarily limit the State's ability to respond to a large oil spill. The 1996 North Cape spill cost the State approximately \$3.0 million (\$4.8 million in today's dollars). Through Article 5 of the FY2020 Budget, the Governor recommends increasing the cap on the per-barrel fee from \$0.05 to \$0.10 to replenish the fund, as well as expanding the permitted uses of the fund to include storm water management and brownfield remediation. Currently, the OSPAR funds may be used to cover the costs of response, containment, and cleanup of oil spills into marine or estuarine waters. The OSPAR Fund may also be used for structural improvements to reduce the risk of oil tanker spills, restoration of natural resources, response training and equipment, and monitoring activities. According to DEM, which administers the fund, if the fee increase is not approved, the impact of the proposed transfer would be significant.

Article 1 of the Governor's FY2019 Revised Budget also includes a \$1.0 million transfer from the Underground Storage Tank (UST) Trust Fund to general revenues. According to DEM, based on a review of the submitted claims, the transfer should not have a direct impact on the program. If claims increase, DEM would reimburse tank owners only for partial claims. In the last two years, all of the claims have been fully funded.

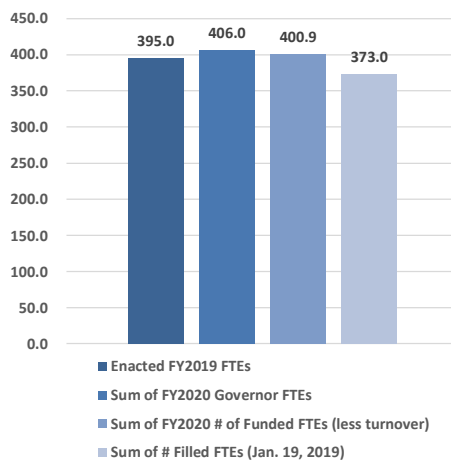
Article 5 of the FY2020 Budget proposes an increase on the tax collected from the sale of hard-to-dispose material by wholesalers to material retailers. The tax increase is projected to generate \$1.0 million in general revenues annually.

The Budget authorizes 406.0 FTE positions in FY2020, an increase of 11.0 FTE positions from the FY2019 Budget as Enacted, and 395.0 FTE positions in FY2019.

Material	per Unit
Lubricating Oils	Quart (3 Liter
Antifreeze	Gallon
Organic Solvents	Gallon
Tire	per Tire
Vehicle Title Fee	each Ne
Beverage Containers*	per Case

*Does not include reusable and

FTE Snapshot



OFFICE OF THE DIRECTOR

The Office of the Director includes the Office of Management Services, Legal Services, Administrative Adjudication, and the two central service offices of Human Resources and Information Technology. The Office is responsible for developing and implementing programs to protect the State’s environment, protect citizens from public health threats resulting from pollution, and provide facilities that support outdoor recreational activities.

Office of the Director	General Revenue
FY2019 Enacted	\$6,989,682
<i>Target and Other Adjustments</i>	<i>(109,203)</i>
America's Cup	400,000
Personnel Costs	186,749
Centralized Service Charges - Information Technology	(147,425)
Executive Business Development Office - Business Management Officer (1.0 FTE)	75,565
FY2020 Governor	\$7,395,368

America’s Cup \$400,000

The Budget includes \$400,000 in general revenue for costs associated with hosting a preliminary race for the America’s Cup such as security, sanitation, and equipment rentals. The America’s Cup, the pinnacle of yachting, was first contested in 1851 making it the oldest trophy in international sport, predating the modern Olympic Games by 45 years. The 36th America’s Cup race will be held on March 6-21, 2021, in Auckland, New Zealand; however, the participants in the final race will be determined through a series of eliminating trials. One of these trails in the America’s Cup World Series, will be held in Newport, Rhode Island, in June 2020.

Personnel Costs \$186,749

The Budget provides an increase of \$186,749 in general revenue funded personnel costs to maintain the current staffing and program levels. Included in this increase is \$44,202 in general revenue to provide 42.0 percent of the funding for the Deputy Director position: 58.0 percent is funded from indirect cost recovery funds. This increase represents a shift from federal indirect cost recovery funds to general revenue. The indirect recovery is funded by an assessment on federal grants and is used for administrative support; however, the funding in this account is insufficient in FY2020 to support all of the staffing costs allocated to this account in previous years. One reason there is not sufficient funding is the lack of a target adjustment for non-general revenue accounts is causing the recent COLA to strain existing resources. The remaining \$142,547 reduces turnover savings to historic levels and provides for contracted step increases. The savings

from the Voluntary Retirement Incentive programmed into the FY2019 Budget as Enacted did not account for the filling of the vacancies left by senior staff with candidates with significant state experience.

Centralized Service Charges – Information Technology **(\$147,425)**

Based on actual billings in FY2019, the FY2020 Budget decreases centralized service charge funding by \$147,425 relative to the enacted budget for information technology. The FY2019 Budget as Enacted increased general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019, and thereafter, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

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

The Budget provides \$75,565 (\$43,438 salary) in general revenue for 1.0 FTE Business Management Officer within a newly established Business Development Office. Funding assumes a hiring date of October 1, 2019. The annualized salary would be about \$57,917. 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 FY2020 Budget does not include any projected savings; however, the Office of Management and Budget anticipates \$250,000 in savings from this initiative in FY2021.

Analyst Note: The new Business Development Office is intended to be located within the Bureau of Natural Resources. It appears that this positions was placed in the Director's Office in error.

BUREAU OF NATURAL RESOURCES

The Bureau of Natural Resources is comprised of six divisions which manage the State's marine, freshwater, and upland resources. The Bureau administers the State's agriculture programs, state land acquisitions, and local matching grant programs for outdoor recreation. The Bureau is also responsible for enforcing state laws and regulations governing hunting and fishing, public safety in state parks, and recreational boating; and for administering, maintaining, and operating eight state parks, five campgrounds, seven state beaches, a golf course, the East Bay and Blackstone Bike Paths, and 40,000 acres of state-owned forests. Furthermore, the Bureau is responsible for oversight of all land leases and capital assets of port facilities and commercial fishing piers in Narragansett and Newport.

Bureau of Natural Resources	General Revenue
FY2019 Enacted	\$22,108,783
<i>Target and Other Adjustments</i>	<i>449,101</i>
Parks Operating	996,643
Maintenance Workers and Civil Engineer (5.0 FTE positions)	318,301
Personnel Costs	287,590
Beach Parking Fee Payments to Host Communities	199,206
Executive Business Development Office - Assistant Administrator (1.0 FTE position)	92,372
Seasonal Employees and Minimum Wage Increase	87,599
Senior Reconciliation Clerk (1.0 FTE position)	53,098
FY2020 Governor	\$24,592,693
Bureau of Natural Resources	Other Fund Changes
Food Safety Modernization Act - Agricultural Marketing Specialist (federal funds)	\$183,413

Parks Operating**\$996,643**

The Budget increases support for operating expenses in State parks by \$996,643 relative to the FY2019 Budget as Enacted. The Department requested an additional \$745,600 to fund the Division of Parks and Recreation at the FY2018 actual expenditure level. The Budget includes this request and adds an additional \$122,000 for trash removal. The Governor is proposing a pilot program at Misquamicut Beach that includes 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 is for miscellaneous operating costs.

Maintenance Workers and Civil Engineer (5.0 FTE positions)**\$318,301**

The Budget provides \$318,301 in additional general revenue and \$135,000 in projected contract services savings (\$453,301 total) for 5.0 new FTE positions. The increase includes \$83,002 (\$48,515 salary) for 1.0 FTE civil engineer to oversee renovation and construction and to facilitate the capital parks projects, and \$370,300 (\$55,051 salary for each) for 4.0 FTE maintenance workers, including a plumber, to improve the condition of services at State parks. The Budget assumes an October 1, 2019, hiring date for all five positions.

Personnel Costs**\$287,590**

The Budget provides an increase of \$287,590 in general revenue funded personnel costs to maintain the current staffing and program levels, while achieving turnover savings more in line with historic levels. The FY2019 Budget as Enacted included higher turnover levels due in part to the Voluntary Retirement Incentive (VRI); however the VRI savings programmed into the enacted budget did not account for the filing of the vacancies left by senior staff with candidates with significant state experience. While providing for contracted step increases, this increase does not include any new positions.

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

The Budget includes an increase of \$199,206 in general revenue (\$645,472 in total payments) for beach parking fees paid to host communities based on actual receipts. 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.

Beach Parking Fees - Reimbursements to Host Communities

	South				
	Summer Charlestown	Westerly	Narragansett	Kingstown	Total
2009	\$21,534	\$211,669	\$234,972	\$25,726	\$493,901
2010	23,801	238,226	266,054	29,866	557,947
2011	15,466	155,051	162,476	11,365	344,358
2012	22,915	181,980	204,614	27,851	437,360
2013	18,233	161,937	188,342	26,328	394,840
2014	18,244	171,464	185,084	29,053	403,845
2015	17,935	194,124	196,868	32,108	441,035
2016	29,099	221,114	214,462	37,742	502,417
2017	24,748	191,802	197,115	32,601	446,266
2018	25,496	190,781	216,085	37,332	469,694

The increase is due to the Governor's recommendation to increase beach parking fees beginning in summer 2019. The proposal is projected to increase total revenues by \$737,801 annually, including \$538,595 for the State and \$199,206 to the host municipalities.

Proposed Beach Parking Fee Increase						
	Resident			Non-Resident		
	Current	Propose	Change	Current	Propose	Change
Weekday	\$6.00	\$8.00	\$2.00	\$12.00	\$16.00	\$4.00
Weekend	7.00	9.00	2.00	14.00	18.00	4.00
Season Pass	30.00	40.00	10.00	60.00	80.00	20.00

Seniors pay half price.

Executive Business Development Office - Assistant Administrator (1.0 FTE position) \$92,372

The Budget provides \$92,372 in general revenue for 1.0 FTE Assistant Administrator – Financial Management position within a newly established Business Development Office. 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 provides \$92,372 for 1.0 FTE Assistant Administrator of Financial Management, assuming an October 1, 2019, hiring date. Based on the budgeted amount, the annualized salary for this position would be \$73,216. The FY2020 Budget does not include any projected savings; however, the Office of Management and Budget anticipates \$250,000 in savings from the Executive Business Development Office initiative in FY2021.

Seasonal Employees and Minimum Wage Increase \$87,599

Article 13 of the Governor's FY2020 Budget increases the minim wage from \$10.50 to \$11.10 per hour effective January 1, 2020. The Budget includes \$87,599 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. The minimum wage was last increased on January 1, 2016, from \$9.00 to \$9.60 per hour.

Senior Reconciliation Clerk (1.0 FTE position) \$53,098

The Department is proposing a reorganization of the park regions. The Budget provides \$53,098 (\$28,099 salary) in general revenue for 1.0 FTE Senior Reconciliation Clerk for the regional parks managers to allow the managers to focus on higher value activities. The Budget assumes a hiring date of October 1, 2019; consequently, the annual salary would be closer to \$37,465.

Food Safety Modernization Act - Agricultural Marketing Specialist (federal funds) \$183,413

The Budget increased federal funding for the Food safety Modernization Act by \$183,413 (\$383,869 total) relative to the FY2019 Budget as Enacted. The increase reflects an additional \$128,863 in salaries and benefits, including \$71,348 for a new Agricultural Marketing Specialist. This position will be created using an existing FTE position and will be the third position assigned to this program. Despite the title, the marketing function of this position is minor, instead the position will work with the two existing program positions to implement legislation enacted in 2017 that transferred authority and responsibility for the Produce Safety Rule (PSR) of the federal Food Safety Modernization Act (FSMA) from the Department of Health (DOH) to DEM. The PSR became effective in January 2018. The positions are funded with federal funds provided by the federal Food and Drug Administration (FDA) pursuant to a five-year cooperative agreement with the DOH.

BUREAU OF ENVIRONMENTAL PROTECTION

The Bureau of Environmental Protection is comprised of six programs which are responsible for regulating and protecting water resources; protecting and improving air resources; regulating the transportation and disposal of solid, medical and hazardous waste, and investigating and remediating unpermitted release of those materials; responding to emergency spills of oil and chemicals that present an immediate danger to

public health and environment; and assisting the public by coordinating the review of projects requiring multiple applications and permits, and tracking the status of permitting activities throughout the Bureau.

Bureau of Environmental Protection	General Revenue
FY2019 Enacted	\$12,742,750
<i>Target and Other Adjustments</i>	386,599
Personnel Costs	177,197
Centralized Service Charges - Information Technology	(116,039)
FY2020 Governor	\$13,190,507

Bureau of Environmental Protection	Other Fund Changes
Enhanced Compliance and Monitoring (3.0 FTE positions) (restricted receipts)	(\$22,695)

Personnel Costs **\$117,197**

The Budget provides an increase of \$117,197 in general revenue funded personnel cost to maintain the current staffing and program levels, while achieving turnover savings more in line with historic levels. The FY2019 Budget as Enacted included higher turnover levels due in part to the Voluntary Retirement Incentive (VRI); however the VRI savings programmed into the enacted budget did not account for the filing of the vacancies left by senior staff with candidates with significant state experience. While providing for contracted step increases, this increase does not include any new positions.

Centralized Service Charges – Information Technology **(\$116,039)**

Based on actual billings in FY2019, the FY2020 Budget decreases funding by \$116,039 relative to the enacted budget for information technology. The FY2019 Budget as Enacted increased general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019, and thereafter, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Enhanced Compliance and Monitoring (3.0 FTE positions) (restricted receipts) **(\$22,695)**

The Budget provides a decrease of \$22,695 in restricted receipts expenditures from the Oil Spill Prevention, Administration and Response (OSPAR) fund, relative to the FY2019 Budget as Enacted. While resulting in a net decrease from the enacted, the Budget funds the cost of 3.0 new FTE positions for enhanced compliance and monitoring with \$222,117 from this restricted receipt account, including 2.0 FTE Environmental Scientists (\$138,462) and 1.0 FTE Programming Services Officer (\$83,654). The Budget provides a total of \$1.3 million in salary and benefits costs from the OSPAR account in FY2020. It appears that this account was over allocated in FY2019.

Article 1 of the Governor's FY2019 Supplemental Budget transfers \$1.0 million from the Oil Spill Prevention, Administration and Response (OSPAR) restricted receipt fund to the general revenue fund by June 30, 2019. The OSPAR Fund was established in 1996 in response to the environmental damage caused by the North Cape Oil Spill along the Rhode Island coast. Pursuant to RIGL 46-12.7-5.1, the funds may be used to cover the costs of response, containment, and cleanup of oil spills into marine or estuarine waters. The OSPAR Fund may also be used for structural improvements to reduce the risk of oil tanker spills, restoration of natural resources, response training and equipment, and monitoring activities. The fund is capitalized primarily with a fee of \$0.05 for each barrel of petroleum products received at a marine terminal in the State. According to the Department of Environmental Management (DEM), the transfer of funds would temporarily limit the State's ability to respond to a large oil spill. The 1996 North Cape spill cost the State approximately \$3.0 million (\$4.8 million in today's dollars).

Through Article 5 of the FY2020 Budget, the Governor recommends increasing the cap on the per-barrel fee from \$0.05 to \$0.10 to replenish the fund, as well as expanding the permitted uses of the fund to include

storm water management and brownfield remediation. According to DEM, which administers the fund, if the fee increase is not approved, the impact of the proposed transfer would be significant.

The table below estimates the impact of the proposed transfer with and without the fee increase. The table reflects the Governor's budgeted expenditures which, according to the Office of Budget and Management, include increases for storm water management or brownfield remediation. Over the last five years, expenditures from the fund have averaged \$2.2 million annually.

	FY2019	FY2020	
		Current \$0.05 per Barrel Fee	Proposed \$0.10 per Barrel Fee
Balance Forward	\$2,630,879	\$1,002,262	\$1,002,262
Average Revenues FY2014 to FY2018	1,725,394	1,725,394	3,450,787
Governor's Budgeted Expenditures ¹	(2,354,011)	(2,635,466)	(2,635,466)
Transfer to General Fund	(1,000,000)	-	-
Balance Forward	\$1,002,262	\$92,189	\$1,817,583

¹ Over the last 5 years expenditures have averaged \$2.2 million annually.

Source: Department of Environmental Management

CAPITAL PROJECTS

The Budget includes a total of \$9.6 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2019 and \$8.2 million in FY2020, a decrease of \$5.5 million and \$6.8 million, respectively, compared to the enacted budget. Major RICAP funded projects include:

- \$3.1 million in FY2019 and in FY2020 for infrastructure and facility improvements at state parks and management areas. The projects include renovations to Colt Stone Barn, Fort Adams State Park and Goddard State Park Beach Pavilion and parking lot.
- \$175,000 in FY2019 for the Natural Resources Offices and Visitors' Center project, a decrease of \$4.8 million from the enacted in FY2019 and \$5.0 million in FY2020. This project involves the construction of a new building in the Arcadia Management Area to coordinate staff programming by providing office space, laboratories, storage, and workshop areas for mosquito abatement testing, the state veterinarian, and the administrative office, including the Freshwater Fisheries and Wildlife sections of the Division of Fish & Wildlife. The Budget pushes this project out until FY2023 and FY2024.
- \$240,000 in FY2019 and \$1.9 million in FY2020 for repairs to "high-hazard" state-owned dams, a decrease from the enacted budget of \$1.7 million in FY2019 and \$40,000 in FY2020. Beginning in FY2020, the funding was intended to shift to the new general obligation Green Economy Bonds proceeds; however, the budget database does not reflect this shift. The Department began design of repairs for the lower J.L. Curran Management Area in Cranston with demolition beginning in FY2018. The design for the reconstruction of the Wyoming Pond upper dam in Hope Valley began in FY2016 with construction beginning in FY2018. The design of the Trestle Trail culvert replacement has begun and the Silver Spring dam reconstruction project is next on the priority list.

Coastal Resources Management Council

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Coastal Resources Management Council	\$5.3	\$6.5	\$8.4	\$1.9	29.7%	\$5.3	(\$1.2)	-17.9%
Expenditures By Source								
General Revenue	\$2.5	\$2.8	\$2.8	(\$0.0)	-0.1%	\$2.9	\$0.2	5.5%
Federal Funds	2.7	2.7	4.4	1.6	60.1%	1.6	(1.1)	-41.5%
Restricted Receipts	0.1	0.3	0.3	0.0	-	0.3	0.0	-
Other Funds	0.0	0.7	1.0	0.3	38.5%	0.6	(0.2)	-24.1%
Total	\$5.3	\$6.5	\$8.4	\$1.9	29.7%	\$5.3	(\$1.2)	-17.9%
Authorized FTE Levels	29.0	30.0	30.0	-	-	30.0	-	-

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

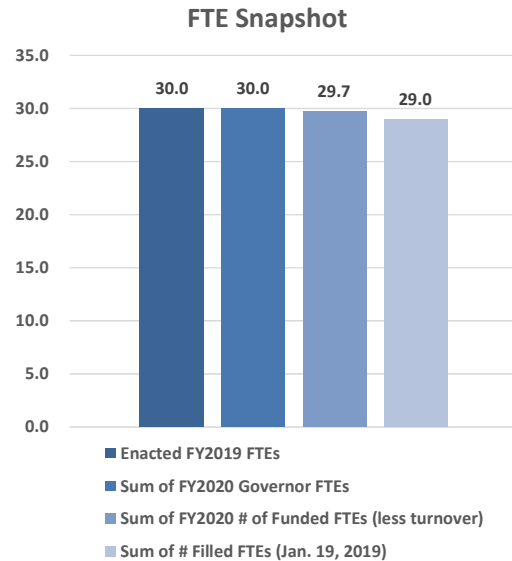
The Coastal Resources Management Council (CRMC) is mandated to preserve, protect, develop and, where possible, restore the coastal resources of the State. The CRMC oversees the Coastal Habitat Restoration Program and is charged with developing an Ocean Special Area Management Plan (SAMP) and a Marine Resources Development Plan.

MAJOR ISSUES AND TRENDS

The FY2020 Budget includes an all funds decrease of \$1.2 million (17.9 percent) from the FY2019 Budget as Enacted, including a general revenue increase of \$153,038, a federal funds decrease of \$1.1 million, and an other funds decrease of \$175,000.

The decrease in federal funds is primarily due to the substantial completion of the Quonochontaug (Quonnie) Pond project, and the scheduled completion of the stormtools design elevation (SDE) maps and the Beach SAMP Coastal Resilience project in FY2019.

The Budget authorizes 30.0 FTE positions in FY2019 and FY2020, consistent with the FY2019 Budget as Enacted.



Central Management	General Revenue
FY2019 Enacted	\$2,760,157
<i>Target and Other Adjustments</i>	<i>72,813</i>
Statewide COLA	80,225
FY2020 Governor	\$2,913,195

Central Management	Other Fund Changes
Quonochontaug Pond (federal funds)	(\$902,103)
Coastal Resources Management Project (federal funds)	166,863
Stormtools (federal funds)	(156,957)
Beach SAMP Coastal Resilience (federal funds)	(94,995)

Statewide COLA **\$80,225**

The most recent agreement between the State and the state employee bargaining units is a 4-year contract that provides cost-of-living adjustment (COLA) increases of 2.0 percent retroactive to January 2018, 2.5 percent in January 2019, 2.0 percent in July 2019, and 1.0 percent in January 2020. The current agreement is projected to increase general revenue expenditures by \$80,225 within the CRMC.

Federal Fund Changes **(\$1.1 million)**

The Budget includes a decrease of \$1.1 million in federal fund grant awards, including the following:

- **Quonochontaug Pond:** The Budget includes \$944,103 in FY2019 and \$40,000 in FY2020, an increase of \$2,000 and decrease of \$902,103 respectively from the enacted budget, in federal funds from the National Oceanic and Atmospheric Administration's (NOAA'S) Coastal Resilience Grant program. The project involves the restoration of 30.0 acres of degraded salt marsh in Quonochontaug (Quonnie) Pond and the adjacent area for recreational fishing. Restoration involves depositing dredge material on the marsh surface to fill man-made ditches and elevate the marsh, and then replanting the area with native species. Restoring the natural function of the salt marsh and enhancing vegetation will increase the lifespan and resiliency of the wetland in the face of future storm surge and sea level rise. Projected completion is scheduled for October 31, 2019.
- **Stormtools:** The Budget provides \$178,109 in federal grant funding in FY2019, an increase of \$21,151 from the enacted level, toward the development of stormtools design elevation (SDE) maps. No funding is provided in FY2020 as project completion is scheduled for June 30, 2019, reflecting a decrease of \$156,957 from the enacted. The funding will allow CRMC, in collaboration with URI Ocean Engineering, to develop a series of maps for sea level rise (SLR) for the entire coast of Rhode Island. Current Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps do not account for sea level rise and therefore underestimate future risk. The SDE map project will develop recommended base flood elevations (BFE) in the STORMTOOLS platform to account for SLR and future risk for comparison with FEMA maps. The SDE maps will provide a better tool to aid in coastal construction resiliency against coastal hazards.
- **Beach SAMP Coastal Resilience:** The Budget provides \$180,796 in FY2019 in federal funding, an increase of \$85,801 from the enacted level, to allow CRMC, in partnership with the URI Coastal Resources Center, to provide technical support to state and municipal staff and other decision makers in applying CRMC Beach SAMP planning guidance and decision making tools to enhance the resiliency of Rhode Island communities from coastal hazards. Since the project is scheduled for completion by June 31, 2019, no funding is provided in FY2020, reflecting a decrease of \$94,995 from the enacted level.

CAPITAL PROJECTS

The Budget provides Rhode Island Capital Plan (RICAP) funding totaling \$1.0 million in FY2019 and \$550,000 in FY2020 for capital projects, including the following:

- **Coastal Storm Risk Study:** In response to Hurricane Sandy and other coastal storms, the United States Army Corps of Engineers (USACE) is investigating solutions to reduce future flood risk by developing the long-term resilience and sustainability of coastal ecosystems. The Budget provides RICAP funds totaling \$525,000 in FY2019 and \$500,000 in FY2020 as the state share for the cost of the study being conducted by the USACE. Through the North Atlantic Coast Comprehensive Study (NACCS), the USACE identified high-risk areas on the Atlantic Coast for a more in-depth analysis into potential management solutions to reduce the coastal storm risk to the existing shorefront development. The study breaks Rhode Island into two planning reaches (or zones). The first reach covers the Narragansett Bay area, starting at the Massachusetts border and ending at Point Judith. The second reach encompasses the south shore, including South Kingstown, Charlestown, and Westerly.
- **Narragansett Bay SAMP:** The Budget includes \$250,000 in RICAP funds in FY2019, an increase of \$50,000 relative to the enacted level, to update the Rhode Island Coastal Resources Management Program (RICRMP) to current federal standards and develop a Narragansett Bay Special Area Management Plan (SAMP) to protect the Bay's fisheries, as well as recreation- and marine-based resources. Due to the creation of the original Ocean SAMP, Rhode Island, through the Council, has legal standing for a role in management of federal waters up to 30 miles offshore, instead of only within the traditional three-mile limit. SAMPs are resource management plans and implementation programs developed to manage specific geographic areas with specific resources. In May 2016, the Council marked the five-year anniversary of the Ocean SAMP: the first SAMP in the nation to venture out into federal offshore waters for future uses and preservation. However, the Ocean SAMP starts at the mouth of the Narragansett Bay, leaving a significant gap in the Council's ability to manage the Bay's resources. The Bay is managed pursuant to the federally-approved RICRMP which was developed in the early 1970's; consequently, some of the policies are outdated and inconsistent with current regulations of the National Oceanic Atmospheric Administration (NOAA), the federal agency that regulates federal coastal waters. Since this project is scheduled for completion in FY2019, no funding is provided in FY2020.
- **RI Beach SAMP:** The Budget provides \$200,000 in new RICAP funds in FY2019 and \$50,000 in FY2020; however, there is not project description.

Analyst Note: It appears that this project was added to the Budget in error. CRMC does not have this project in their capital plan.

- **Green Pond Dredging Study:** The Budget provides \$28,875 in RICAP funds in FY2019 to complete the study of dredging of Green Hill Pond. The study is aimed at lifting the shell fishing ban in Green Hill Pond and Eastern Ninigret. Total State RICAP funding for this project is \$50,000, with \$21,125 spent in FY2018. The State funds will be matched by the towns of Charlestown and South Kingstown each contributing \$25,000.

Department of Transportation

Expenditures By Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$9.2	\$11.2	\$13.6	\$2.4	20.9%	\$13.7	\$2.4	21.7%
Infrastructure- Engineering	352.5	454.0	459.0	5.0	1.1%	462.5	8.5	1.9%
Infrastructure- Maintenance	90.6	119.9	157.4	37.4	31.2%	151.0	31.0	25.8%
Management and Budget	1.1	5.8	2.4	(3.4)	-58.9%	2.4	(3.5)	-59.6%
Total	\$453.5	\$591.0	\$632.4	\$41.4	7.0%	\$629.5	\$38.5	6.5%

Expenditures By Source								
Federal Funds	241.8	299.5	324.5	25.0	8.3%	327.0	27.5	9.2%
Restricted Receipts	1.6	3.0	3.0	-	0.0%	3.0	-	0.0%
Other Funds	210.1	288.4	304.9	16.4	5.7%	299.5	11.0	3.8%
Total	\$453.5	\$591.0	\$632.4	\$41.4	7.0%	\$629.5	\$38.5	6.5%

Authorized FTE Levels	775.0	755.0	755.0	-	-	785.0	30.0	4.0%
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\$ in millions. Totals may vary due to rounding.

The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 1,173 bridges in the State. The Department inspects all State and municipal bridges greater than 20 feet (751 bridges). RIDOT provides services ranging from snow removal to pothole repair, and from installation and maintenance of traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of rail, water, bicycle, and pedestrian transportation; coordinates with RIPTA on transit projects; and, engages in air quality planning and coordination.

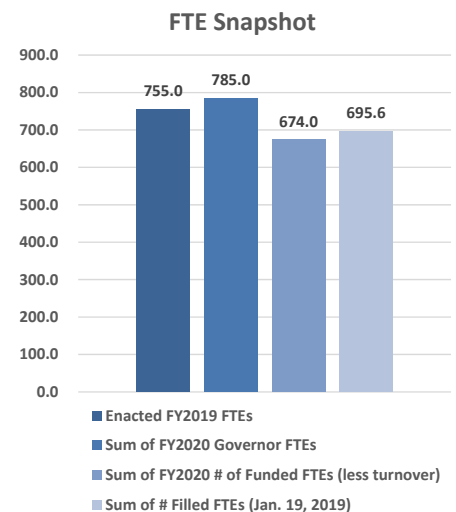
Established in FY1994, the Intermodal Surface Transportation Fund (ISTF) accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used for the maintenance, upgrading, and construction of the State’s highway system. It also is funded from proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, and related expenditures. The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the ISTF.

Funds are used to finance all RIDOT personnel, and operating, and ongoing repair and renovation expenditures for RIDOT facilities throughout the state, as well as highway debt service, and motor fuel tax proceeds allocated to the Rhode Island Public Transit Authority (RIPTA), the Rhode Island Turnpike and Bridge Authority, and the Department of Human Services.

MAJOR ISSUES AND TRENDS

The Budget allocates a total of \$629.5 million to RIDOT, an increase of \$38.5 million in total funds from the FY2019 Budget as Enacted (6.5 percent).

The Budget includes an FTE authorization of 785.0, an increase of 30.0 FTE positions relative to the FY2019 Budget as Enacted. The additional positions are intended to help the Department reduce their reliance on private contractors. The increase includes an additional 1.0 Administrative Officer positions within Central Management. There is an increase of 22.0 positions within Infrastructure Engineering including, 1.0 Community Liaison, 1.0 Construction Manager, 1.0 Economic and Policy Analyst, 13.0 Engineering Technicians, 1.0 Managing Engineer, 3.0 Civil Engineers, 1.0 Project Manager, and 1.0 Material Standards Supervisor. The Budget provides an additional increase of 7.0 positions within Infrastructure Maintenance including, 6.0 Highway Maintenance Operators, and 1.0 Mason.



Motor Fuel Tax Increase

A portion of the Department’s funding is provided by the motor fuel tax (gas tax). The FY2019 Budget as Enacted included a gas tax of 33.5 cents per gallon with a penny yield of \$4.5 million.

The gas tax revenue is determined by applying the gas tax (cents per gallon) to the motor fuel tax yield (per penny yield). Both of these factors can change independently of one another. In FY2019 there was no increase in the 33.5 cents per gallon from FY2018, but there was an increase of \$46,826 in the per penny yield from FY2018.

In FY2014, RIDOT received 21.75 cents of this tax, with RIPTA/DHS receiving 10.75 cents. Beginning in FY2015, 3.5 cents of the gasoline tax is transferred to the Rhode Island Turnpike and Bridge Authority to be used for maintenance operations, capital expenditures, and debt service on any of its projects in lieu of a toll on the Sakonnet River Bridge. This reduced RIDOT’s share of the gasoline tax to 18.25 cents per gallon.

Beginning in FY2016, the tax is adjusted every other year based on the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U), rounded to the nearest 1.0 cent increment. The Department of Revenue’s Office of Revenue Analysis (ORA) is responsible for both estimating the gas tax yield as well as determining the impact of the CPI-U.

Year	Motor Fuel Tax Yield (per penny)
2009	\$4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013	4,137,712
2014	4,236,402
2015	4,397,823
2016	4,367,305
2017	4,417,413
2018	4,493,241
2019*	4,520,641
2020*	4,540,067

* Dept. of Revenue Estimate

The most recent estimate from ORA assumes inflation will change significantly enough in FY2020 to warrant a 1.0 cent increase, raising the gas tax rate from 33.5 to 34.5 cents per gallon. The ORA also expects the motor fuel tax to generate a per penny yield of \$4.5 million in FY2020, an increase of \$65,612 per penny over the FY2019 enacted level.

Under current law the additional penny of the gas tax is directed to the Department of Transportation (RIDOT). Article 8 mandates the additional penny be split evenly between RIPTA and RIDOT, increasing their shares to \$0.1025 and \$0.1975, respectively.

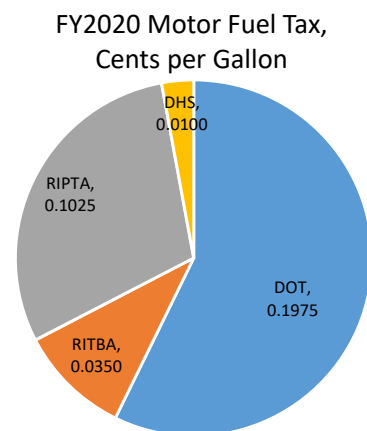
The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

Motor Fuel Tax Allocations: Cents per Gallon					
	DOT	RITBA	RIPTA	DHS	Total
FY2015	\$0.1825	\$0.0350	\$0.0975	\$0.0100	\$0.3250
FY2016	0.1925	0.0350	0.0975	0.0100	0.3350
FY2017	0.1925	0.0350	0.0975	0.0100	0.3350
FY2018	0.1925	0.0350	0.0975	0.0100	0.3350
FY2019	0.1925	0.0350	0.0975	0.0100	0.3350
FY2020	0.1975	0.0350	0.1025	0.0100	0.3450
FY2021	0.1975	0.0350	0.1025	0.0100	0.3450
FY2022	0.2075	0.0350	0.1025	0.0100	0.3550

Note: DOT includes 0.020 for GARVEE Debt Service

Note: RIPTA includes 0.005 for Underground Storage Tank Fee

Source: Budget Office



The changes result in an additional \$6.7 million in gas tax funding, of this \$4.5 million is generated by the additional 1.0 penny and \$2.2 is generated from the \$65,612 per penny increase in the per penny yield. The following table shows the use of motor fuel tax revenue in FY2020:

Motor Fuel Tax Revenue	FY2017 Actuals	FY2018 Actuals	FY2019 Enacted	FY2019 Revised	FY2020 Gov.	Change from FY2019	
DOT	\$85.0	\$86.5	\$86.1	\$87.0	\$89.7	\$3.5	4.1%
RITBA	\$15.5	\$15.7	\$15.7	\$15.8	\$15.9	0.2	1.5%
RIPTA	\$43.0	\$43.8	\$43.6	\$44.0	\$46.5	2.9	6.7%
DHS	\$4.4	\$4.5	\$4.5	\$4.5	\$4.5	0.1	1.5%
Total	\$147.9	\$150.5	\$149.9	\$151.4	\$156.6	\$6.7	4.5%

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

Overweight and Oversize Vehicle Permits

Article 8 of the Budget makes changes to the issuance and fee amounts for overweight and oversized vehicle permits. Under current law, the DOT may approve the issuance of special permits for the operation of vehicles exceeding 80,000 lbs. The article expands the DOT's ability to approve permits for vehicles exceeding 130,000 lbs.

The article also increases the per-trip fee for overweight and oversize vehicle permits (OOVP). The fee for non-divisible loads exceeding 80,000 lbs. increases from \$20.00 to \$40.00, and the per-trip fee for non-divisible loads exceeding 130,000 lbs. increases from \$20.00 to \$300.00. In addition, the article increases the annual fee for non-divisible loads of less than 130,000 lbs. from \$300.00 to \$400.00. The operator of the overweight/oversize vehicle may pay the annual fee in lieu of individual per-trip fees.

The DOT issues OOVPs, but the Division of Motor Vehicles (DMV) collects the associated fees. The fee changes are estimated to generate an additional \$501,840 which will be payable to the DMV and deposited as general revenue.

Overweight, Oversize Vehicle Permit Fees	Original Trips	Original Fee	Fee Increase	Proposed Fee Total	Additional Revenue
Single Trip (80,000 - 130,000 lbs.)	8,181	\$20.00	\$20.00	\$40.00	\$163,620
Single Trip (over 130,000 lbs.)	1,164	20.00	280.00	300.00	325,920
Annual Trip Fee (under 130,000 lbs.)	123	300.00	100.00	400.00	12,300
Total					\$501,840

Source: RI Dept. of Transportation

Analyst Note: The Budget does not include any additional FTE positions or funds for this expansion. The Department estimates that it would need 5.0 FTEs to work on the additional permits, along with additional funding to update infrastructure including acquiring the appropriate software.

RhodeWorks

The General Assembly enacted "The Rhode Island Bridge Replacement, Reconstruction and Maintenance Fund Act of 2016," in February 2016. The legislation, also known as "RhodeWorks", does the following:

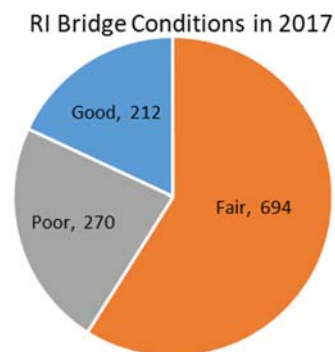
- Allows the Rhode Island Department of Transportation (RIDOT) to establish and collect tolls on commercial trucks, vehicle class 8 and larger, traveling on Rhode Island bridges, raising approximately \$25.0 million annually.
- Allows for the refinancing and restructuring of previously existing GARVEE bonds to realize approximately \$120.0 million in additional resources during the first three years post-refinancing.
- Allows the Rhode Island Commerce Corporation to issue new GARVEE bonds, not to exceed \$300.0 million, for bridge replacement, reconstruction, maintenance, and operations. These bonds have an expected term of fifteen years, with interest-only payments in the first nine years, and will be repaid from future toll revenues and reimbursements.

Truck Toll Gantries: The truck-only tolling plan received formal federal approval in September 2016 at which time the RIDOT executed a series of Memoranda of Understanding with the Federal Highway

Administration regarding which bridge locations toll revenue could be used to maintain. In December 2016, RIDOT issued the RFP for the Design-Build-Operate-Maintain (DBOM) contract for the tolling program, including gantry design and construction; all operational elements, testing and acceptance; and long-term maintenance of the tolling equipment and facilities. In 2017, the Department awarded a contract to Kapsch TrafficCom to design, build, operate, and maintain the gantries for 10 years. A total of 14 toll gantries will be built. Currently two toll gantries in Richmond and Hopkinton are operational and collecting tolls. Two additional toll gantries are expected to be constructed in late FY2019 and nine are anticipated to be completed in FY2020. The construction of the final toll gantry is delayed due to other construction projects.

State Transportation Improvement Program-Major Projects

The Department includes major projects the State intends to implement in their yearly State Transportation Improvement Program (STIP). The STIP includes projects for 10 years, however only the first four years are fiscally constrained, meaning the costs of the projects may not exceed the anticipated funding that is expected to be available in the four-year time period. The current STIP runs FFY2018-FFY2027. The Department anticipated releasing a major STIP amendment in April 2019 that will include updated funding for scheduled projects.



Source: State Transportation Improvement Plan

Bridge Capital Program: The largest project included in the STIP for FY2019 is the Bridge Capital Program. In 2015, Rhode Island was ranked last in the nation for overall bridge condition with about 24.0 percent of bridges ranked as structurally deficient. The Bridge Capital Program is focused on reducing the percentage of structurally deficient bridges to 10.0 percent by 2025. As of 2017, 270 of the State's 1,176 bridges were in poor condition, 694 bridges were in fair condition and 212 where in good condition. The State would need to repair 152 bridges over the next seven years to reach the goal of 90.0 percent structurally sound bridges throughout the State. The Bridge Capital Program will identify and develop a structured sequence of preservation, repair, rehabilitation, and replacement actions that will achieve and sustain a state of good repair for the State's bridges at a minimum cost. The Bridge Capital Project is anticipated to cost \$1.5 billion from FY2018 through FY2027. The STIP includes \$160.7 million in FY2020.

Debt Service: The second largest expense in the STIP is debt service. The current STIP includes two Grant Anticipation Revenue Vehicle (GARVEE) bond issuances, the refinancing of the existing GARVEE debt to extend the term by three years from FY2021 to FY2024, and the issuance of a new \$300.0 million GARVEE bond. Both issuances create more federal resources for near-term bridge construction and maintenance costs. The goal of issuing these funds now is to save the State money in future bridge repair and replacement costs. Debt service is anticipated to cost \$900.1 million from FY2018 through FY2027. The STIP includes \$99.2 million in FY2020.

Route 6/10 Project: The STIP includes funding in FY2019 for the Route 6/10 interchange project. The project involves the replacement of nine structures, five of which are structurally deficient. The project will also create 1.4 miles of bike paths and clear over four acres of land for development. The total project is expected to cost \$400.0 million from FY2018 through FY2024. In FY2020, the STIP includes \$92.2 million for this project, \$26.2 million in GARVEE bonds, \$14.4 million in RICAP funds, \$20.9 million in Highway Maintenance Account funds, and \$31.0 in toll revenues.

Analyst Note: The FY2020 Budget only includes \$25.0 million from toll revenues, a decrease from earlier projections due to project delays. The major STIP amendment should reallocate toll revenue to be within Budgeted amounts.

Pavement Capital Program: The Pavement Capital Program includes funds for design and construction projects to maintain the State's roadways. Pavement sufficiency targets were approved and phased-in in May 2018. The Department uses an asset management approach described as applying the "right treatment, to the right pavement, at the right time" to prevent roadway failure. Rhode Island currently has 6,528 miles of roadway, the Department maintains approximately 1,100 miles of those roadways. The Pavement Capital Program will allow for additional miles to be paved and will improve the State's Pavement Structural Health Index, which is held at 80.0 percent per mile. The total project is anticipated to cost \$867.2 million from FY2018 through FY2027. The STIP includes \$69.2 million in FY2020.

Pavement Repair Cost	
Crack Sealing	\$1
Resurfacing (areas with no sidewalk)	35
Resurfacing (areas with sidewalk)	45
Reclaiming	45
Reconstructing	138

Cost based on 1 square yard

Source: State Transportation Improvement Plan

Rhode Island Highway Maintenance Account (HMA)

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the Intermodal Surface Transportation Fund (ISTF). The FY2015 Budget as Enacted provided additional funding for transportation projects through increased deposits into the HMA including a surcharge of \$25 on all dismissals based upon a good driving record, in addition to the \$5 administration fee; an increase in the vehicle inspection fee from \$39 to \$55; transfer of existing revenue from inspection stickers (\$16.00 per inspection), motor vehicle title (\$50.00 per title), and car rental surcharges (8.0 percent of gross receipts per rental vehicle for the first thirty days) from the general fund to the HMA; and, the phased-in transfer of all vehicle license and registration fees into the HMA beginning in FY2016.

Rhode Island Highway Maintenance Account

	FY2017	FY2018	FY2019	FY2020
<i>New Fees and Surcharges</i>	Actual	Final	Enacted	Estimate
Good Driving Surcharge	\$0.5	\$0.5	\$0.5	\$0.5
Inspection Sticker Increase	\$5.8	\$5.8	\$5.8	\$5.8
License and Registration Surcharge	\$19.4	\$19.4	\$19.4	\$19.4
Total New Fees	\$25.7	\$25.6	\$25.7	\$25.7
<i>Existing General Revenue being Transferred to the Highway Maintenance Account</i>				
Inspection Sticker Increase	\$5.8	\$5.8	\$5.8	\$5.8
Motor Vehicle Title Fee	10.3	10.5	10.7	10.7
Rental Car Surcharge	4.0	3.2	3.3	3.3
License and Registration Transfer	25.7	30.5	51.5	51.5
Duplicate and Update License Fee	0.3	0.4	-	-
Total Revenue Transferred from General Fund	\$46.1	\$50.4	\$71.4	\$71.4
Total Revenue to Highway Maintenance Account	\$71.8	\$76.0	\$97.0	\$97.0

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

Source: Office of Revenue Analysis and Budget Office

Providence to Newport Ferry

Starting in FY2017, RIDOT piloted a nine-week ferry service from Providence to Newport that ran seven days a week through Labor Day. The pilot was made possible through a \$500,000 federal Congestion Mitigation and Air Quality Improvement grant (CMAQ); however, the funding for this project will end in FFY2021 unless otherwise extended. RIDOT contracted with New Jersey-based SeaStreak, the operator of the New Bedford-to-Martha's Vineyard ferry, to be the ferry operator. RIDOT pays SeaStreak a monthly per-diem subsidy to operate the ferry. The per-diem subsidy amount RIDOT pays does not change regardless of ridership or peak season. Over 30,000 trips were made during the pilot. RIDOT will once

again use CMAQ funding to continue the pilot in the summer of 2019 (FY2020) and will extend the service to run through October.

CENTRAL MANAGEMENT

The Central Management Program includes Legal Counsel, Human Resources, the Real Estate Section, External Affairs, the Safety Section, the Office on Highway Safety, the Office of Civil Rights, and the Director's Office. The Legal Counsel office works closely with the Office of the Attorney General in legal proceedings involving RIDOT and also provides support within RIDOT for program development, property management and acquisition, contracts, litigation, arbitration, and contracted outside legal services. Human Resources administers labor relations, human resource development and training, all equal opportunity programs, and payroll and fringe benefit programs. The Real Estate section deals with acquisition, appraisal, negotiation, and relocation for property purchases (including easements and larger parcels) and property sales. The External Affairs office handles all media inquiries, speaking engagements, legislative correspondence and special events for the Departments, as well as managing the Department's website. The Safety Section is responsible for promoting public safety. The Office on Highway Safety develops and coordinates programs with local, state and federal agencies to reduce highway deaths and injuries, and to promote public awareness of the correlation between highway safety and alcohol and substance abuse through the development and distribution of educational information. The Civil Rights office supports contractors, consultants, and sub-recipients to ensure full compliance with federal and state civil rights laws and equal employment requirements. The Director's Office provides leadership and policy development for the Department to ensure the State's public transportation services are safe, effective and environmentally prudent.

	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted		FY2020 Governor	Change from Enacted	
Central Management								
Federal Funds	\$4.6	\$6.5	\$6.3	(\$0.2) -2.9%		\$6.0	(\$0.5) -8.4%	
Other Funds	4.6	4.7	7.3	2.5 53.6%		7.7	3.0 63.0%	
Total	\$9.2	\$11.2	\$13.6	\$2.4 20.9%		\$13.7	\$2.4 21.7%	

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

The Budget includes 68.0 FTE positions in the Central Management program, an increase of 1.0 FTE above FY2019 enacted levels. The additional position is a 1.0 FTE Administrative Officer.

Central Management	All Funds
FY2019 Enacted	\$11,244,350
Target and Other Adjustments	-
Gas Tax (other funds)	2,987,339
NHTSA Initiatives (federal funds)	(547,957)
FY2020 Governor	\$13,683,732

Gas Tax (other funds)

\$3.0 million

The Budget includes a total of \$7.7 million in gas tax funds, a net increase of \$3.0 million above the FY2019 Budget as Enacted. The Budget includes a \$4.0 million increase in gas tax funding that is mainly related to changes from the most recent gas tax estimate from the Office of Revenue Analysis (ORA). ORA assumes inflation will change significantly enough in FY2020 to warrant a 1.0 cent increase, raising the gas tax rate from 33.5 to 34.5 cents per gallon. The ORA also expects the motor fuel tax to generate a per penny yield of \$4.5 million in FY2020, an increase of \$65,612 per penny over the FY2019 enacted level.

Under current law the additional penny of the gas tax is directed to the Department of Transportation (RIDOT). Article 8 mandates the additional penny be split evenly between RIPTA and RIDOT, increasing their shares to \$0.1025 and \$0.1975, respectively.

The Budget also includes an additional \$989,000 for legal services related to anticipated challenges regarding the tolling program and other initiatives, and an addition of \$89,009 in gas tax funding to support 1.0 new FTE Administrative Officer position.

The additional costs are partially offset by a \$1.0 million decrease related to an increase in the Department's indirect cost recovery rate. The Department is able to recoup federal funds from the Federal Highway Administration (FHWA) for certain allowable expenses. The recouped costs completely offset gas tax expenditures resulting in no net impact to the overall budget. The FHWA authorizes updated indirect cost recovery rates each year. The Department has not updated the rate used to determine cost recovery funds in a few years. The following table illustrates how the costs are allocated to each program. The cost recovery rate has increased from 90.0 percent to 112.0 percent.

	FY2019 Enacted	FY2019 Governor	FY2020 Governor	Change from Enacted
FHWA Cost Recovery	\$10,231,330	\$15,130,507	\$15,170,677	\$4,939,347
Gas Tax Credit - Infra Eng	(5,118,392)	(6,151,337)	(6,167,620)	(1,049,228)
Gas Tax Credit - Cntrl Mngmt	(2,999,923)	(3,996,538)	(4,007,194)	(1,007,271)
Gas Tax Credit - Mngmt and Budget	(2,113,014)	(4,982,632)	(4,995,863)	(2,882,849)
	\$1	\$0	\$0	-\$1

NHTSA Initiatives (federal funds)

(\$547,957)

The Budget includes \$6.0 million in federal funds, a decrease of \$547,957 from the FY2019 Budget as Enacted. This decrease is related to a number of initiatives funded by the National Highway Transportation Safety Administration ending. Some of the ending initiatives include Minimum Penalties for Repeat Offenders, the Fatality Analysis Reporting System, Primary Seat Belt Law, and the Child Safety and Booster Seat Incentive.

INFRASTRUCTURE - ENGINEERING

The Infrastructure Engineering program works to develop the State's roads and bridges into an advanced ground transportation system. The program consists of multiple divisions and sections encompassing design, planning, and construction of the Project Management Division. The Project Management division oversees all phases of a project from start to finish, including design, construction, and materials testing. The Construction Management section is responsible for the administration and inspection of highway, bridge, traffic signal and destination signing and freight/commuter rail construction activities throughout the State. The Materials Unit conducts sampling and quality assurance testing. The Research and Technology section evaluates new technologies, provides research for national, regional, and local programs, and provides training in new technology. The Office of Stormwater Management is responsible for the scope, plan, design, and maintenance of storm water systems. The Occupational Safety, Health, and Work Zone Safety section administers the Department's safety and health programs. The Planning Division develops and monitors the Department's Ten-Year Plan to ensure successful implementation. Finally, the Office of Transit, New Starts, and Operations section develops and implements planning projects by working to develop an integrated transportation system that provides convenient transitions between different modes of transportation.

	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted		FY2020 Governor	Change from Enacted	
Infrastructure- Engineering								
Federal Funds	\$237.1	\$293.0	\$318.2	\$25.2	8.6%	\$321.1	\$28.0	9.6%
Restricted Receipts	1.6	3.0	3.0	(0.0)	-0.9%	3.0	(0.0)	-0.9%
Other Funds	113.8	157.9	137.8	(20.1)	-12.7%	138.4	(19.5)	-12.4%
Total	\$352.5	\$454.0	\$459.0	\$5.0	1.1%	\$462.5	\$8.5	1.9%

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

The Budget includes 393.0 FTE positions in the Infrastructure Engineering program, an increase of 22.0 FTEs above FY2019 Enacted levels. The additional positions include 1.0 Managing Engineer, 1.0 Economic and Policy Analyst, 1.0 Community Liaison Officer, 5.0 Engineering Technician I, 6.0 Engineering Technician II, 2.0 Engineering Technician III, 1.0 Supervisor of Material Standards, 1.0 Construction Management Resident, 1.0 Senior Civil Engineer, 2.0 Principle Civil Engineers, and 1.0

Project Manager I. The additional positions are expected to cost \$2.1 million. The Department anticipates that it will be able to generate a savings by hiring these additional positions instead of contracting out the services. Therefore, no additional funding is required instead funding is shifted from purchased services to salaries and benefits.

Infrastructure- Engineering	All Funds
FY2019 Enacted	\$454,004,691
<i>Target and Other Adjustments</i>	
TIGER and BUILD Grants (federal funds)	(269,013)
Toll Revenue (other funds)	21,500,000
FHWA Cost Recovery (federal funds)	(16,000,000)
RICAP (other funds)	4,939,347
CMAQ Insurance (federal funds)	(4,587,447)
Gas Tax (other funds)	1,900,000
FY2020 Governor	\$462,487,578

TIGER and BUILD Grants (federal funds) \$21.5 million

The Budget includes an additional \$21.5 million in federal Transportation Investment Generating Economic Recovery (TIGER) and Better Utilizing Investments to Leverage Development (BUILD) grants. In 2018 the Department was awarded a \$20.0 million BUILD grant for the Pell Bridge ramps. The project will include improvements to the ramps and supporting roadways of the Pell Bridge. The Department was also awarded a \$20.0 million TIGER grant in 2018, this grant will support improvements to Route 37 as well as the Pawtucket/Central Falls train station.

Toll Revenue (other funds) (\$16.0 million)

The Budget includes \$25.0 million in toll revenues, a decrease of \$16.0 million for the FY2019 Enacted levels. The Budget anticipates two additional toll gantries being completed in FY2019 and nine gantries in FY2020.

The gantries charge a toll on tractor trailer trucks, vehicle class 8 or larger. The tolls will be limited to once per-toll-facility per-day in each direction. Tolls will also be limited to \$20 for a one-way border-to-border trip from Connecticut to Massachusetts. Individual tolled vehicles will not exceed \$40 in tolls per day. Currently, two toll gantries, located in Richmond and Hopkinton, are operational and charge trucks a one-way toll of \$3.25 and \$3.50 respectively. Revenue generated from the truck tolls will be used for bridge maintenance and improvements throughout the State. Two gantry installations will be delayed for an unknown amount of time and are not included in the revenue estimates.

Analyst Note: From June 2018 through March 2019, the gantries have tolled 1.6 million trucks (22,490 more than anticipated) and collected a total of \$5.4 million in toll revenues (\$29,382 less than anticipated).

The legislation limits the assessment of tolls for trucks with an RFID (E-ZPass) to once per day in each direction. While more trucks are being counted than anticipated, some transactions have no charge as they are from the 2nd time that truck passes under a toll gantry.

FHWA Cost Recovery (federal funds) \$4.9 million

The Budget includes \$15.2 million in federal funds to reflect an increase in the indirect cost recovery rate the Department receives from the Federal Highway Administration (FHWA). This is an additional \$4.9 million above the FY2019 enacted levels. The Department is able to recoup funds from the FHWA for certain allowable expenses. The recouped costs completely offset gas tax expenditures resulting in no net impact to the overall budget. The FHWA authorizes updated indirect cost recovery rates each year. The Department has not updated the rate used to determine cost recovery funds in a few years. The Department was previously using a rate of 90.0 percent, the most recent update increases the Department's rate to 112.0 percent. The following table illustrates how the costs are allocated to each program.

	FY2019 Enacted	FY2019 Governor	FY2020 Governor
FHWA Cost Recovery	\$10,231,330	\$15,130,507	\$15,170,677
Gas Tax Credit - Infra Eng	(5,118,392)	(6,151,337)	(6,167,620)
Gas Tax Credit - Cntrl Mngmt	(2,999,923)	(3,996,538)	(4,007,194)
Gas Tax Credit - Mngmt and Budget	(2,113,014)	(4,982,632)	(4,995,863)
	\$1	\$0	\$0

RICAP (other funds)**(\$4.6 million)**

The Budget includes a decrease of \$4.6 million in Rhode Island Capital (RICAP) funds. The Budget includes RICAP funds for the Department's projects and projects the Department works on with RIPTA. The majority of the Department's decrease is related to \$3.4 million less in funding for the Highway Improvement Program (HIP). This decrease is in line with the Department's capital improvement plan. The decrease is partially offset by an increase of \$400,000 for bike path maintenance. The remaining \$1.6 million decrease is related to projects the Department works on with RIPTA. This decrease is mainly due to the anticipated completion of the Providence Transit Connector. RIPTA anticipates service along the Connector will be running in January 2020.

CMAQ Insurance (federal funds)**\$1.9 million**

Federal Congestion Mitigation and Air Quality (CMAQ) funds are used to fund and support transportation projects that help meet the requirements of the Clean Air Act. The Budget includes an additional \$1.9 million in CMAQ funds due to an increase in insurance costs, the Department added the Pawtucket/Central Falls train station to their insurance policy.

Gas Tax (other funds)**\$1.1 million**

The Budget includes a total of \$77.0 million in gas tax funds, a net increase of \$1.1 million above the FY2019 Budget as Enacted. The Budget includes a \$2.2 million increase in gas tax funding related to changes from the most recent gas tax estimate from the Office of Revenue Analysis (ORA). ORA assumes inflation will change significantly enough in FY2020 to warrant a 1.0 cent increase, raising the gas tax rate from 33.5 to 34.5 cents per gallon. The ORA also expects the motor fuel tax to generate a per penny yield of \$4.5 million in FY2020, an increase of \$65,612 per penny over the FY2019 enacted level.

Under previous law the additional penny of the gas tax would be directed to the Department of Transportation (RIDOT). Article 8 mandates the additional penny be split evenly between RIPTA and RIDOT, increasing their shares to \$0.1025 and \$0.1975, respectively.

This increase is partially offset by a \$1.0 million decrease related to an increase in the Department's indirect cost recovery rate. The Department is able to recoup funds from the FHWA for certain allowable expenses. The recouped costs completely offset gas tax expenditures resulting in no net impact to the overall budget. The FHWA authorizes updated indirect cost recovery rates each year. The Department has not updated the rate used to determine cost recovery funds in a few years. The Department was previously using a rate of 90.0 percent, the most recent update increases the Department's rate to 112.0 percent. The following table illustrates how the costs are allocated to each program.

	FY2019 Enacted	FY2019 Governor	FY2020 Governor	Change from Enacted
FHWA Cost Recovery	\$10,231,330	\$15,130,507	\$15,170,677	\$4,939,347
Gas Tax Credit - Infra Eng	(5,118,392)	(6,151,337)	(6,167,620)	(1,049,228)
Gas Tax Credit - Cntrl Mngmt	(2,999,923)	(3,996,538)	(4,007,194)	(1,007,271)
Gas Tax Credit - Mngmt and Budget	(2,113,014)	(4,982,632)	(4,995,863)	(2,882,849)
	\$1	\$0	\$0	-\$1

INFRASTRUCTURE - MAINTENANCE

The Infrastructure Maintenance program is comprised of multiple divisions that are responsible for keeping all state roads and bridges well-maintained and functional. The Automotive section is responsible for the up keep and repair of the program's fleet of heavy trucks and equipment. The Engineering and Support office is a multi-faceted section responsible for resolution of drainage problems, inspection of work permits, coordination of requests for pavement projects, maintenance of guardrails, fences, and highway related equipment along the state highway, highway illumination, and state-wide beautification projects. The Field Operations sections, which is comprised of staff who operate from multiple field offices across the State, is responsible for sweeping, litter collection, and snow plowing, as well as bridge, pothole, and guardrail repairs. In recent years the Department has worked to bring tasks performed by the Infrastructure Maintenance program in-house rather than contracting services from outside vendors.

Infrastructure- Maintenance	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted	FY2020 Governor	Change from Enacted
Other Funds	\$90.6	\$120.0	\$157.4	\$37.4 31.2%	\$151.0	\$31.0 25.9%

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

The Budget includes 288.0 FTE positions in the Infrastructure Engineering program, an increase of 7.0 FTEs above FY2019 enacted levels. The additional positions include 4.0 Highway Maintenance Officer I positions, 2.0 Highway Maintenance Officer II positions, and 1.0 Mason position. The additional positions are expected to cost \$561,338. The Department anticipates that it will be able to generate a savings by hiring these additional positions instead of contracting out the services. Therefore, no additional funding is required instead funding is shifted from purchased services to salaries and benefits.

Infrastructure- Maintenance	All Funds
FY2019 Enacted	\$119,949,888
<i>Target and Other Adjustments</i>	<i>776,011</i>
Highway Maintenance Account	27,677,324
Gas Tax	2,552,660
FY2020 Governor	\$150,955,883

Highway Maintenance Account (other funds)**\$27.7 million**

The Budget includes \$124.7 million in Highway Maintenance Account funds, an increase of \$27.7 million over the FY2019 Budget as Enacted. The additional funds are due to an anticipated carryover of unspent funds from FY2019. Highway Maintenance Account funds within the Infrastructure Maintenance program are generated from motor vehicle fees collected by the DMV including fees on good driver dismissals, license and registration transfers, vehicle titles, inspection stickers, and rental car surcharges. The transfer of these fees from the general fund to the HMA were being phased in beginning in FY2016 and was complete in FY2019, with 100.0 percent of the fees going to the HMA. HMA funds are shared between DOT and RIPTA, with RIPTA receiving 5.0 percent of the funds deposited and DOT receiving the remaining 95.0 percent.

Transfers to RIPTA and the DMV are budgeted within the HMA.

Transfers to RIPTA: The Budget includes \$12.9 million to be transferred from the HMA to RIPTA. RIPTA receives 5.0 percent of the funds deposited into the HMA. In FY2018, the Budget included the transfer of additional funds to support RIPTA's debt service and the operating costs of the Free-Fare program, which provides transportation to the senior and disabled population. In FY2018 and FY2019, RIPTA received \$5.0 million from the HMA for these costs. The Budget further extends this transfer to FY2020. The Budget also includes an additional \$3.1 million transfer to RIPTA from the HMA. The additional funds will be used by RIPTA as a match for federal funds to purchase 29 fixed-route buses. The estimated price per vehicle is \$548,146.

The transfers to support the Free-Fare program and the bus purchase match increase the transfers to RIPTA by \$8.1 million above the originally mandated 5.0 percent of funds deposited into the HMA.

RIPTA Transfers from HMA	FY2017	FY2018	FY2019	FY2020
5.0% of HMA	\$3,544,081	\$3,697,726	\$4,850,362	\$4,850,362
Transfer for Free-Fare Program	-	5,000,000	5,000,000	5,000,000
Bus Purchase Match	-	-	-	3,070,095
Total	\$3,544,081	\$8,697,726	\$9,850,362	\$12,920,457

Transfer to DMV: The Budget transfers \$4.5 million from the HMA to the DMV. This transfer is meant to reimburse the DMV for the salary and benefit costs associated with customer service representatives who collect fees that are deposited into the HMA. The Budget assumes there are a total of 62.5 FTE customer service representative positions at the DMV who collect HMA fees.

Gas Tax (other funds)

\$2.6 million

The Budget includes a total of \$21.5 million in gas tax funds, an increase of \$2.6 million above the FY2019 Budget as Enacted. The increase in gas tax funding is due to changes from the most recent gas tax estimate from the Office of Revenue Analysis (ORA). ORA assumes inflation will change significantly enough in FY2020 to warrant a 1.0 cent increase, raising the gas tax rate from 33.5 to 34.5 cents per gallon. The ORA also expects the motor fuel tax to generate a per penny yield of \$4.5 million in FY2020, an increase of \$65,612 per penny over the FY2019 enacted level.

Under previous law the additional penny of the gas tax would be directed to the Department of Transportation (RIDOT). Article 8 mandates the additional penny be split evenly between RIPTA and RIDOT, increasing their shares to \$0.1025 and \$0.1975, respectively.

MANAGEMENT AND BUDGET

Management and Budget houses the Department's Financial Management Division responsible for the oversight and management of the Department's operations and capital budget expenditures. Management and Budget also oversees the Education Advancement section, the Office of Contracts and Specifications, and the Information Technology section. The Education Advancement section is responsible for internal education and advancement initiatives and facilitates administrative and programming coordination. The Office of Contracts and Specifications establishes business arrangements between the Department and the supplies of good and services in the private sector. The Information Technology section maintains and operates all computer software and hardware as well as purchasing and upgrading all information technology platforms for the Department.

	FY2018	FY2019	FY2019	Change from	FY2020	Change from
Management and Budget	Actual	Enacted	Governor	Enacted	Governor	Enacted
Other Funds	\$1.1	\$5.8	\$2.4	(\$3.4) -58.8%	\$2.4	(\$3.5) -59.6%

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

The Budget includes 36.0 FTE positions in the Management and Budget program, equal to FY2019 enacted levels.

Management and Budget	All Funds
FY2019 Enacted	\$5,822,202
<i>Target and Other Adjustments</i>	<i>0</i>
Gas Tax	(3,468,934)
FY2020 Governor	\$2,353,268

Gas Tax (other funds)

(\$3.5 million)

The Budget includes \$2.4 million in gas tax funds, a decrease of \$3.5 million from the FY2019 Budget as Enacted. The decrease in funds is related to an increase in the Department's indirect cost recovery rate. The Department is able to recoup funds from the FHWA for certain allowable expenses. The recouped costs completely offset gas tax expenditures resulting in no net impact to the overall budget. The FHWA authorizes updated indirect cost recovery rates each year. The Department has not updated the rate used to

determine cost recovery funds in a few years. The Department was previously using a rate of 90.0 percent, the most recent update increases the Department's rate to 112.0 percent. The following table illustrates how the costs are allocated to each program.

	FY2019 Enacted	FY2019 Governor	FY2020 Governor	Change from Enacted
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	\$1	\$0	\$0	-\$1

CAPITAL PROJECTS

Capital projects are an integral part of the RIDOT budget. In addition to the projects included in the Transportation Improvement Program (TIP), the following projects are also part of the RIDOT capital program.

Highway Improvement Program: The Budget includes \$32.5 million in FY2020 in Rhode Island Capital Plan (RICAP) funding for the Highway Improvement Program (HIP). This is a \$3.4 million decrease from FY2019 enacted levels. The HIP implements projects outlined in the State's 10-year Transportation Improvement Plan (STIP). The STIP is a list of transportation projects that the State intends to implement using Federal Highway Administration (FHWA) funds and Federal Transit Administration (FTA) funds. The current STIP runs from FY2018-FY2027 and includes projects such as truck toll operations and bridge preservation and maintenance.

Salt Storage Facilities: The Budget includes \$1.0 million of RICAP funding in FY2020 and \$5.0 million through FY2024 to construct covered salt storage facilities across the state where salt is currently stored uncovered. The Department plans to construct four new facilities with locations in Pawtucket, Newport, East Providence and Portsmouth.

Vehicle Equipment Replacement Plan: The Budget includes \$1.5 million in RICAP funds in FY2020, \$7.5 million through FY2024, for the purchase or lease of heavy trucks, sweepers, loaders, backhoes, and tractors to replace aging equipment in the Maintenance Division. This funding will allow RIDOT to follow a structured replacement plan to replace its aging fleet. On average, the necessary new vehicles cost \$103,560 each. According to the Department, more than 50.0 percent of its fleet and equipment was purchased before 2003.

Train Station Maintenance: The Budget includes \$350,000 in Rhode Island Capital Plan (RICAP) funding in FY2020 for train station maintenance. The Department is responsible for maintaining four train stations throughout the state including the Woonsocket Depot, Kingston Station, Wickford Junction, and the Westerly Station. Maintenance projects for FY2020 include the replacement of windows at the Westerly Station, the installation of ADA push buttons on entrance doors at the Kingston Station, and HVAC repairs at the Woonsocket Station.

Bike Path Maintenance: The Budget includes \$400,000 in Rhode Island Capital Plan (RICAP) funding in FY2020 for bike path maintenance. The Department is responsible for maintenance and rehabilitation of state-owned bike paths. Some sections of the state-owned bike path have deteriorated and

become unpassable, efforts to repair these sections are beyond day-to-day maintenance. The Department will conduct the repairs needed to keep the bike paths in usable condition.

INFORMATIONAL

Federal Funding – FAST Act

The largest source of the RIDOT's infrastructure funding is through the Federal Highway Administration's Highway Trust Fund (HTF). These funds are primarily used to build the State's infrastructure and require a 20.0 percent state match. Although the Highway Trust Fund was intended to be self-sustaining through a federal gasoline tax of 18.4 cents per gallon and a diesel tax of 24.4 cents per gallon, approximately \$64.0 billion in supplemental general revenue has been paid into the Federal Highway Trust Fund since 2008. The taxes have not been raised since 1993, and inflation has eroded their value.

Originally set to expire at the end of federal fiscal year (FFY) 2009, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was a multi-year federal transportation funding authorization bill that mapped out the federal allocations and priorities for the distribution of Highway Trust Fund dollars. According to the Government Accounting Office (GAO), since FY2005, Rhode Island received the third highest amount of Federal Highway funding for each dollar in federal fuel tax collected (\$2.96), behind only Washington D.C. and Alaska.

Ten extensions of SAFETEA-LU were enacted, ranging from three to six months, and in June 2012, Congress approved a new two-year transportation authorization called "Moving Ahead for Progress in the 21st Century (MAP-21)." Although an improvement over the short-term extensions of SAFETEA-LU, the two-year authorization was still too short to do effective long-term planning based on the availability of future federal resources.

An impending shortfall of the fund was expected to occur in September 2014; however the United States Congress and ultimately the President approved a nearly \$11.0 billion short-term fix to address the looming shortfall and extend surface transportation programs through May 31, 2015. Congress approved an additional 2-month extension, extending the program through July 31, 2015.

On December 4, 2015, the Fixing America's Surface Transportation (FAST) Act was signed into law authorizing Federal Highway, highway safety, transit, and rail programs for five-years from FFY2016 through FFY2020. The Department estimated from FFY2018-FFY2021 Federal Highway Funding will provide the State about \$1.1 billion in funding, with the FAST Act providing \$271.0 million on average.

RhodeWorks

The General Assembly enacted "The Rhode Island Bridge Replacement, Reconstruction and Maintenance Fund Act of 2016," in February 2016. The legislation, also known as "RhodeWorks", does the following:

- Allows the Rhode Island Department of Transportation (RIDOT) to establish and collect tolls on commercial trucks, vehicle class 8 and larger, traveling on Rhode Island bridges, raising approximately \$45.0 million annually, assuming a 25.0 percent diversion rate. Revenue collected under the tolling provision will be deposited into a newly established Rhode Island Bridge Replacement, Reconstruction, and Maintenance Fund, to be used for the replacement, reconstruction, maintenance, and operations of bridges, and for costs associated with operation and maintenance of toll facilities.

RhodeWorks Proposal - 5 years	
Maximum Toll Through State	\$20 one way
Number of Tolling Locations	14 locations
Projected Annual Toll Revenue	\$45.0 million
Projected Annual Operating Cost	\$4.4 million
Toll Revenue (FY2016-FY2020)*	\$135.0 million
Operating Cost (FY2016-FY2020)*	\$13.2 million
Toll Gantry Pay-go Construction	\$38.0 million
Pay-Go (FY2016-FY2020)	\$83.8 million
Anticipated Federal Increase	\$102.7 million
Anticipated GARVEE Debt Service	\$64.0 million
Anticipated Unallocated Federal Funds	\$38.7 million
Federal GARVEE Bond - New Money	\$300.0 million
Federal GARVEE Bond - Refinance	\$120.0 million
Benefits - First 5 years	\$542.5 million

*Tolling begins in FY2018

- Allows for the refinancing and restructuring of previously existing GARVEE bonds to realize approximately \$120.0 million in additional resources during the first three years post-refinancing.
- Allows the Rhode Island Commerce Corporation to issue new GARVEE bonds, not to exceed \$300.0 million, for bridge replacement, reconstruction, maintenance, and operations. These bonds would have an expected term of fifteen years and be repaid from future Federal Highway Administration (FHWA) funds. The FAST Act increases federal funding for states for surface transportation infrastructure improvements for the five years from FFY2016 through FFY2020. RIDOT estimates future federal funding increases based on these increased FAST Act amounts. The enhanced federal funding allows for the issuance of GARVEE bonds: a federally-approved financing mechanism that uses future federal grants to borrow in order to hasten project completion.

RhodeWorks allows RIDOT to assess tolls on commercial trucks Class 8 or larger. The collection of tolls on other vehicles, including passenger cars, motorcycles, and all other vehicle classes one (1) through seven (7) pursuant to the Federal Highway Administration vehicle classification schedule, is expressly prohibited. The legislation states that no act authorizing tolls on passenger vehicles can take effect until it has been approved by the majority of voters in a statewide referendum.

This legislation authorizes the Rhode Island Turnpike and Bridge Authority (RITBA) to enter into contracts with the State to operate or manage toll facilities on state roads or bridges that are not owned, leased, or under the control of the Authority. However, the legislation provides clarity that any revenue generated by facilities under the control of RITBA shall only be used for the purposes of RITBA, effectively restating that tolls collected on the Newport/Pell Bridge may only be used for project costs associated with maintaining bridges under RITBA control: Newport/Pell; Mt. Hope; Jamestown/Verrazano; and Sakonnet River.

Sustainable Transportation Funding

The FY2015 Budget as Enacted provided a long-term solution to funding of road and bridge maintenance by making several changes to transportation funding. The following changes are currently estimated to yield more than \$60.0 million annually in additional transportation funding once fully implemented in FY2019.

- Transfers existing revenue from inspection stickers, motor vehicle title, and car rental surcharges from the general fund to the Rhode Island Highway Maintenance Account (HMA), beginning in FY2015.
- Imposes a surcharge of \$25 on all dismissals based upon a good driving record, in addition to the current \$35 administration fee. The additional funds will be deposited into the HMA, beginning in FY2015.
- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, beginning in FY2015.
- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority for operational support, beginning in FY2016.
- Adjusts the gasoline tax every two years according to the consumer price index to the nearest cent beginning in FY2016; however, the tax cannot go below 33 cents per gallon.
- Requires that any funds remaining from previous general obligation bond issues that have not been otherwise allocated shall be transferred from the Intermodal Surface Transportation Fund to the HMA.
- Removes the authority of the Rhode Island Turnpike and Bridge Authority (RITBA) to toll the Sakonnet River Bridge and transfers 3.5 cents of the gasoline tax to the RITBA for operations and debt service in lieu of tolls on the Sakonnet River Bridge.
- Debt service expenses, which were being shifted to general revenue funds under the Department of Administration (DOA) budget, will be paid from the increased general revenue transferred to RIDOT.

- Allows more flexible use of the HMA, which was established in 2011 to provide the non-bonded match to the State federal program.
- Phases in the transfer of all vehicle license and registration fees, beginning in FY2016, to the HMA. This revenue was previously deposited into the general fund.

Rhode Island Public Transit Authority

Revenues by Source	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Revised	Enacted		Board	Enacted	
Motor Fuel Tax*	\$43.7	\$42.9	\$43.6	\$0.7	1.6%	\$43.4	\$0.4	1.0%
Passenger Revenue	25.8	26.5	24.9	(1.6)	-5.9%	26.4	(0.1)	-0.2%
Special Revenue	0.7	0.7	0.7	0.1	12.3%	0.7	0.1	12.5%
Other Revenue	10.3	10.6	11.5	0.8	7.7%	11.0	0.4	3.4%
Federal Funds	27.5	29.3	31.5	2.3	7.8%	32.9	3.6	12.4%
Department of Human Services	0.8	1.0	1.0	0	5.7%	1.0	0.0	3.7%
State Highway Fund Revenues	5.3	5.9	6.3	0.3	5.5%	6.5	0.6	9.7%
Special Projects- Local	-	0.1	2.2	2.1	2117.9%	1.6	1.5	1542.0%
Special Projects- Federal	-	0.4	7.3	6.9	1720.7%	5.5	5.1	1277.3%
Total	\$114.2	\$117.4	\$129.1	\$11.7	10.0%	\$129.1	\$11.7	10.0%
Expenditures By Category								
Salaries, Wages and Benefits	\$86.5	\$82.8	\$83.8	\$1.0	1.2%	\$87.0	\$4.2	5.1%
Contract Services	9.0	9.3	9.8	0.6	6.4%	9.1	(0.2)	-2.1%
Operating Costs	14.8	15.9	16.3	0.4	2.4%	16.9	1.0	6.4%
Utilities	1.8	1.7	1.9	0.2	13.2%	2.0	0.3	16.3%
Insurance and Settlements	5.8	5.2	4.7	(0.4)	-8.2%	4.4	(0.7)	-14.1%
Capital Match	-	0.4	0.4	0.0	11.1%	0.1	(0.2)	-62.4%
Revolving Loan Fund	-	0.4	0.4	0.0	-	0.5	0.1	14.3%
Debt Service	0.5	1.4	1.4	(0.0)	-1.6%	1.6	0.1	9.0%
Self-Insurance Reserve	-	0.3	0.3	-	-	0.3	-	-
Other	0.0	0.0	0.0	-	-	0.0	0.0	29.5%
Special Projects- Local	-	0.1	2.2	2.1	2117.9%	1.6	1.5	1542.0%
Special Projects- Federal	-	0.4	7.3	6.9	1720.7%	5.5	5.1	1277.3%
Total	\$118.4	\$117.9	\$128.6	\$10.7	9.1%	\$129.1	\$11.2	9.5%
Surplus/(Deficit)	(\$4.23)	(\$0.49)	\$0.50			\$0.02		
Authorized FTE Levels	813.0	825.0	841.0	16.0	1.9%	842.0	17.0	2.1%

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

* Note: Motor Fuel Tax Revenues are understated by about \$1.4 million. The most recent estimates were not available when RIPTA's Board approved the FY2020 Budget. With the additional Motor Fuel Tax revenues RIPTA would have an operating surplus of \$1.4 million in FY2020.

The Rhode Island Public Transit Authority (RIPTA) was established in 1964 and is currently governed by an eight (8) member Board of Directors. As defined under RIGL 39-18-3, RIPTA is responsible for:

- Providing public transit services to meet the mobility needs of the people of the State
- Increasing access to employment opportunities
- Connecting different modes of public transportation, including rail, air and water services
- Promoting community design that features public transit services
- Facilitating energy conservation and efficient energy use through public transit services
- Mitigating traffic congestion and enhancing air quality

RIPTA operates and maintains two facilities in Providence and one in Newport.

MAJOR ISSUES AND TRENDS

The FY2020 Board-Approved Budget includes \$129.1 million in revenues for FY2020, an increase of \$11.7 million from the FY2019 Board-Approved Budget, and \$129.1 million in expenditures, an increase of \$11.2 million from the FY2019 Board-Approved Budget, leading to a \$25,000 surplus.

Salary and benefits increase by \$4.2 million relative to the FY2019 Board-Approved Budget. About \$2.0 million of this increase is related to the addition of 17.0 new FTE positions within the Department, including 11.0 new bus driver positions. The remainder of the increase is due to contractual obligations for the local Teamsters 618 Union and the local LiUNA 808 Union.

RIPTA's FY2020 Budget includes an additional \$1.1 million for diesel fuel costs due to the implementation of a new contract. RIPTA's previous contract, which expired in January 2019, provided 3.4 million gallons of diesel at a cost of \$1.74 per gallon. As of January 2019, RIPTA has a new 18 month contract with an increased price of \$2.27 per gallon. Although the price per gallon has increased in RIPTA's most recent contract, it is still below the average national price for diesel of \$2.97 per gallon.

Article 4 of the FY2018 Enacted Budget provided RIPTA with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income senior and disabled persons. The legislation required the creation of a Coordinating Council to develop recommendations for the sustainable funding of the program while maximizing the use of federal funds available to support the transportation needs of this population. The Council was due to present its funding recommendations to the Governor and General Assembly by November 1, 2018; however, RIPTA did not present their findings until December 31, 2018. Within the submitted report the main recommendation for sustainable funding was to divert an additional penny of the gas tax to RIPTA for this program. Article 8 of the Governor's FY2020 Budget extends the \$5.0 million in HMA funding to RIPTA through FY2020.

The FY2015 Budget as Enacted included a provision that RIPTA would receive 5.0 percent of available proceeds from revenue deposited into the Rhode Island Highway Maintenance Account (HMA) beginning in FY2016. RIPTA's share of this account was \$9.3 million in FY2019, for FY2020, RIPTA's share of this account increases by \$1.6 million, to \$11.0 million. RIPTA uses \$3.4 million of this funding to support the senior and disabled bus pass program, \$1.6 million for debt service, and \$4.9 million for other operating expenses.

Motor Vehicle Fuel Tax

The Governor's FY2020 Budget includes an increase in the current gas tax allocations. Pursuant to RIGL 31-36-7, beginning in FY2016, and each year after, the motor fuel tax (gas tax) is adjusted by the percentage increase in the Consumer Price Index for Urban Consumers (CPI-U). In December 2018, the Division of Taxation determined that the CPI-U increased by 2.3 percent for the applicable time period ending September 30, 2018. The current gas tax is \$0.33 per gallon. The 2.3 percent increase applied to the gas tax beginning in July 2019 will increase the gas tax to \$0.34 per gallon. Article 8 mandates the additional penny be split evenly between RIPTA and DOT, increasing their shares to \$0.1025 and \$0.1975, respectively.

Motor Fuel Tax Allocations: Cents per Gallon

	DOT	RITBA	RIPTA	DHS	Total
FY2015	\$0.1825	\$0.0350	\$0.0975	\$0.0100	\$0.3250
FY2016	0.1925	0.0350	0.0975	0.0100	0.3350
FY2017	0.1925	0.0350	0.0975	0.0100	0.3350
FY2018	0.1925	0.0350	0.0975	0.0100	0.3350
FY2019	0.1925	0.0350	0.0975	0.0100	0.3350
FY2020	0.1975	0.0350	0.1025	0.0100	0.3450
FY2021	0.1975	0.0350	0.1025	0.0100	0.3450

Note: DOT includes 0.020 for GARVEE Debt Service

Note: RIPTA includes 0.005 for Underground Storage Tank Fee

Source: Budget Office

Analyst Note: Due to the increase in the gas tax, the Budget allocates an additional \$2.4 million in gas tax revenues to RIPTA. The revenue assumption RIPTA included in their FY2020 Board-Approved Budget for the increase in gas tax is \$1.4 million less than the actual amount they will receive. The additional funding will be included in their FY2020 Revised Budget.

Volkswagen Funds

In January 2018, the State was awarded \$14.4 million from the national Volkswagen (VW) settlement. VW illegally installed software in their vehicles that was able to sense when the car was undergoing emissions testing and activate equipment to reduce emissions: about 3,000 cars in Rhode Island were affected. The settlement established an Environmental Mitigation Trust (EMT), which will be administered by the Department of Environmental Management (DEM) and used within in a 10-year period. Of the total settlement, about \$10.7 million will be used to replace diesel RIPTA buses with zero emission vehicles (ZEV); \$1.5 million for charging infrastructure; and, \$2.1 million for administrative expenses at DEM, RIPTA, and OER. In the fall of 2018, RIPTA began a pilot program to lease three ZEV buses. During the pilot, RIPTA will collect data on the efficiency and viability of ZEV buses with the goal of understanding if it is possible to transition RIPTA's fleet from diesel buses to ZEV buses. RIPTA's FY2019 Revised and FY2020 Budgets include \$818,759 for the lease of the three electric buses. RIPTA anticipates utilizing the buses for fixed route service in the spring of 2019.

Fare Changes

No fare changes are proposed for FY2020. In 2015, RIPTA conducted a comprehensive study of the fare products offered to customers, as well as the rates charged. The goals of the fare study were to simplify fare products; improve reliability of fare media; introduce needed products; make boarding a bus fast, convenient, and reliable; implement new fare technologies; and, maximize revenue and ridership. RIPTA's Board adopted a new fare structure in December 2016 that eliminated the 15-ride pass and RIPTIKs (packages of 10 one-way tickets including free transfers that did not expire), created a 10-ride pass, increased the price of a 7-day pass and bus transfers, and recommended charging seniors and people with disabilities \$0.50 per trips. While other changes were implemented, the charge to seniors and people with disabilities caused concern among advocacy groups and was never executed. The General Assembly included additional funds in the FY2017 Budget to continue the free fare program.

RIPTA Fares	FY2015	FY2016	FY2017	FY2018	FY2019
1- Day Pass	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
7- Day Pass	23.00	25.00	25.00	25.00	25.00
10- Ride Pass	-	25.00	20.00	20.00	20.00
15- Ride Pass (discontinued in FY2016)	26.00	-	-	-	-
RIPTIKs (discontinued in FY2016)	20.00	-	-	-	-
Monthly Pass	62.00	70.00	70.00	70.00	70.00
Ride/Paratransit	-	4.00	4.00	4.00	4.00
Transfers	0.50	1.00	1.00	1.00	1.00
Cash Fare for buses & trolleys	2.00	2.00	2.00	2.00	2.00
Reduced Fare for Seniors and Disabled*	10.00	10.00	10.00	10.00	10.00

* Cost to renew pass, must be done every 2 years

Free Fare Program

RIPTA provides free bus rides to qualifying low-income seniors and people with disabilities through the Free-Fare Program. RIPTA estimates that nearly 15,000 individuals have free-fare bus passes, 10,607 individuals with disabilities and 4,285 seniors. These pass holders take approximately 6.4 million trips annually. Passes issued through the program are good for two years and include a \$10 processing fee to renew. To qualify as a low-income senior, applicants must be over age 65 and provide proof of income through either an SSI award letter, a Medicaid eligibility notice letter, or a Supplemental Income Verification Notice. The applicant's total household income may not be more than 200.0 percent of the Federal Poverty Level, or \$33,820 for a family of 2, as of 2019. To qualify as a disabled person, the applicant must provide either a Medicare card with a disability code, a Supplemental Security Income award letter, or a Certification of Disability completed by the Providence Center.

RIPTA also offers half-fare boarding to seniors and people with disabilities, regardless of income, during off-peak hours. Participants must enroll in the program and will be issued a valid identification card. Participants are required to pay full fare during peak service hours (7am-9am and 3pm-6pm weekdays).

Free Fare Program Changes: The Reduced Fare program was originally scheduled to begin in July 2016. Previously, eligible low-income seniors and disabled had their rides fully subsidized under RIPTA's Free Fare program; however, the program contributed significantly to RIPTA's operating deficits. The Reduced Fare model was expected to help alleviate the deficit. Due to outcry from local advocacy groups, transitioning from the Free Fare program to the Reduced Fare model was effectively delayed for seven months when the General Assembly appropriated \$900,000 to RIPTA for the program in the FY2017 Budget as Enacted. Article 4 of the FY2018 Budget as Enacted provides the Rhode Island Public Transit Authority (RIPTA) with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019: \$3.4 million to fund the free-fare program for low-income senior and disabled persons, and the remaining \$1.6 million for debt service payments that were shifted back to the Authority. Article 8 of the Governor's FY2020 Budget extends the \$5.0 million in HMA funding to RIPTA through FY2020.

Transportation Coordinating Council: Pursuant to Article 4 of the FY2018 Enacted Budget, RIPTA established a coordinating council to develop recommendations for the sustainable funding of the Free Fare Bus Pass Program while maximizing the use of federal funds available to support the transportation needs of the State's elderly and disabled populations. The Council was due to report their recommendations to the Governor, Speaker of the House and Senate President by November 1, 2018; however, RIPTA did not present their findings until December 31, 2018.

The Council consisted of members from multiple State agencies including RIPTA; the Department of Human Services; the Executive Office of Human Services; the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals; the Office of Veteran's Affairs; and, the Division of Elderly Affairs. The Council broke into two "working groups", the Communications working group and the Bus Pass Program Funding working group. Although the legislation was passed in June 2017 the Council did not begin meeting until January 2018. The entire Council met a total of six times from January through December of 2018.

RIPTA estimates that the total funding gap within the Free-Fare Program will be about \$4.4 million in FY2020. Within the submitted report the main recommendation for sustainable funding was to divert an additional penny of the gas tax, or an equal amount of funding from another source, to RIPTA.

The No-Fare Bus Pass Coalition, an advocacy group that was also a member of the Council, made the following recommendations:

- A dedicated stream of state lottery or gambling revenues, such as a scratch ticket to promote public transit or earmarking a percentage of anticipated gaming revenues for RIPTA.
- Establishing a tax on ride-sharing companies, such as Uber and Lyft, with funds collected allocated to RIPTA.
- Establishing a tax on parking lots, or increasing the cost of parking, and allocating additional funds collected to RIPTA.

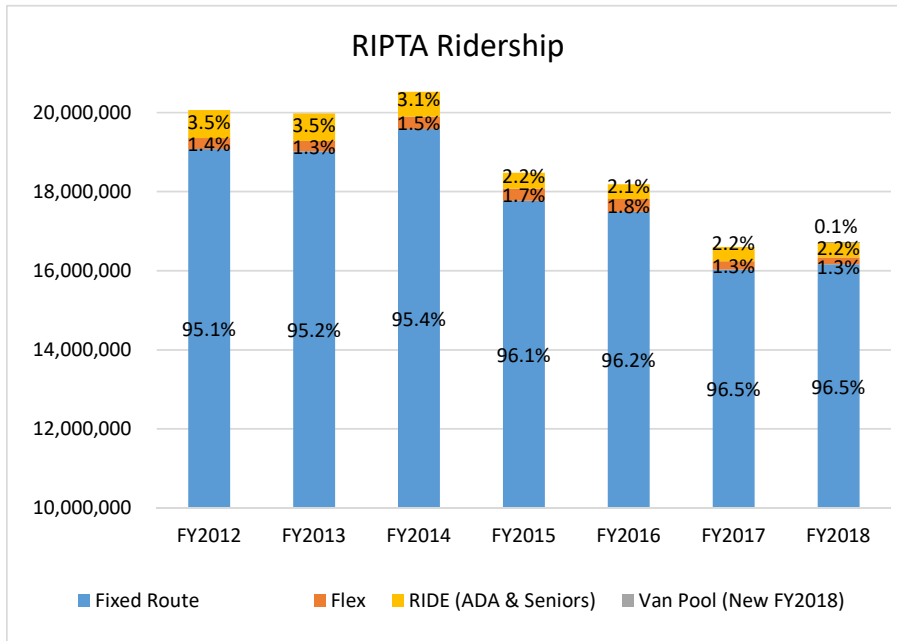
Although the Council was aware of these recommendations, there was no follow-up with relative Departments such as the Lottery or the Department of Revenue.

Ridership

RIPTA offers four types of transit service: fixed route, flex service, the RIdE Program, and van pool services. Fixed route service consists primarily of regular bus service on established routes. Flex service provides van transportation within a limited geographic area. The RIdE program provides transportation to eligible senior citizens and individuals with disabilities. Van pool services, which started in FY2018, allows a group of commuters to lease a shared vehicle through Enterprise and use the vehicle daily while

commuting to work. The van pool program is mainly used by Electric Boat in Quonset Park; however, RIPTA hopes to expand this program into other areas of the State in the next few years.

In FY2018, RIPTA’s total ridership was 16.7 million passengers, a net increase of 0.7 percent from FY2017. The largest decrease, 14.8 percent, was in Flex services. RIPTA attributes this to increasing popularity of services such as Uber and Lyft. Flex services are most directly affected by this trend; however, the Department is working to reconfigure Flex services and allow customers to schedule rides with 15 minutes notice rather than 24 hours. The following table shows ridership, by category, for RIPTA for FY2012 through FY2018.



Analyst Note: According to RIPTA, the 19.0 percent decline in ridership between FY2014 and FY2017 is related to the hiring of LogistiCare by the State in 2014, which had a strong impact on both the fixed route and RIDE. Prior to this RIPTA served as both the broker of ADA services and as a provider. LogistiCare had been the designated broker since FY2014 and shifted trips away from RIDE as a provider. For business reasons RIPTA decided to cease being a LogistiCare provider in FY2017.

SELECTED CAPITAL PROJECTS

RIPTA’s FY2020 Budget includes \$35.4 million in capital expenditures, of which \$28.9 million is funding by the Federal Transit Administration (FTA) the remaining \$6.5 million is funded by other sources including Rhode Island Capital Plan (RICAP) funds.

Bus Purchases: The Budget includes \$14.4 million in FY2020 for the purchase of 29 fixed-route buses. RIPTA maintains a fixed-route fleet of about 245 vehicles. Federal Transit Administration (FTA) guidelines recommend that fixed route vehicles are replaced at the end of their 12-year useful life. RIPTA often uses buses past their 12-year recommended lifespan due to funding constraints.

Paratransit Vehicles: RIPTA maintains a fleet of about 111 vehicles for the paratransit program, also known as RIDE. Federal Transit Administration (FTA) guidelines recommend that Paratransit vehicles be retired at the end of their 5-year useful life. In spite of uncertainties within the paratransit program, the age of the Paratransit fleet requires the continued replacement of vehicles.

Paratransit vehicles are funded via a fee charged for all trips provided through the paratransit program. The proceeds from this fee are put into the Paratransit Revolving Loan fund, an internal RIPTA mechanism

which funds the match for paratransit vehicles. Proceeds from this fee have fallen as the trip volume under the program have been reduced. RIPTA continues to review this funding mechanism to determine the long-term impact on paratransit fleet replacement.

The Budget includes \$2.4 million in FY2020 for Paratransit bus purchases. The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match from its revolving loan fund.

Downtown Providence Transit Connector: The Downtown Providence Transit Connector will provide high-frequency transit service between the Providence Station and the Hospital District in Upper South Providence, a major employment hub within the State. The new Transit center will feature high visibility stops, real-time bus arrival language, and bike share stations.

The Budget includes \$10.0 million in FY2019 and \$6.6 million in FY2020 for this project. Federal funding comes from a 2014 USDOT Transportation Investments Generating Economic Recovery (TIGER) grant. This project is included in the Department of Transportation's 10-year Transportation Improvement Program (TIP).

Fare Technology Upgrades: The Budget includes \$2.8 million in FY2020 to expand fare technology upgrades. The FTA funds 80.0 percent of this project and RIPTA pays the remaining 20.0 percent match from its revolving loan fund. RIPTA's current fare collection system is unable to accept smart cards and mobile payments. This upgrade will allow RIPTA to begin accepting more widely used payment methods including mobile payments. The upgrades began in February 2019 and are expected to be completed in FY2020.

College Hill Bus Tunnel: The East Side/College Hill bus tunnel is in need of structural and drainage repairs, and safety improvements. The tunnel was originally constructed in 1914, and the last major maintenance to the tunnel was in 1992. The tunnel is designated for RIPTA buses only and carries two-way traffic, the tunnel supports about 300 trips daily. Construction on the tunnel is expected to begin in FY2020 and finish in FY2022.

The Budget includes \$4.2 million in FY2020 for the College Hill tunnel. The FTA supports 80.0 percent of the cost and RIPTA pays a 20.0 percent match from RICAP funds and RIPTA operating funds.



SPECIAL REPORTS

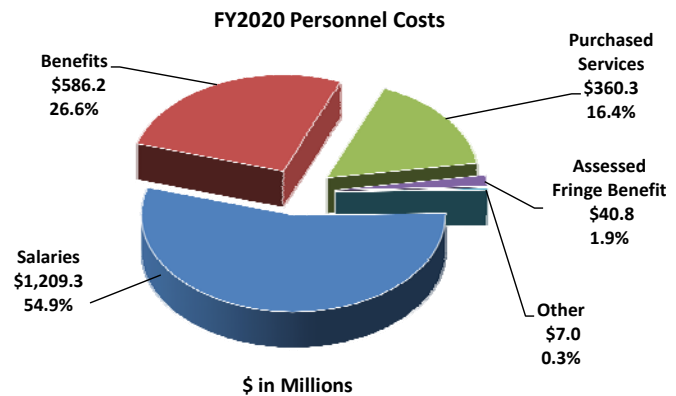
Personnel

The Governor's FY2020 Budget includes a total of \$2,203.6 million for personnel expenditures, an increase of \$69.7 million compared to the FY2019 Budget as Enacted, and \$46.4 million more than the Governor's FY2019 Revised Budget recommendation. Salaries and benefits total \$1,795.5 million and comprise 81.5 percent of FY2020 personnel expenditures (42.4 percent of the salaries and benefits costs are supported by general revenue).

The Governor's FY2019 Supplemental Budget includes \$2,129.8 million for personnel expenditures, an increase of \$87.2 million compared to the FY2019 Budget as Enacted. Salaries and benefits total \$1,714.5 million and comprise 80.5 percent of FY2019 revised personnel expenditures (42.3 percent of the salaries and benefits costs are supported by general revenue). Purchased services increase \$80.0 million, (\$8.9 million in general revenue), largely due to increasing restricted receipt and federal funding for information technology services within the Executive Office of Health and Human Services.

PERSONNEL EXPENDITURE TRENDS

Expenditures for salaries in FY2020 total \$1,209.3 million, comprising 54.9 percent of total personnel costs, an increase of \$69.7 million (6.1 percent) from the FY2019 Budget as Enacted, reflecting an increase in the number of authorized FTE positions, overtime, and salary inflation. Total benefit costs, excluding assessed fringed benefits and other costs, amount to \$586.2 million and comprise 26.6 percent of total personnel costs. Benefits increase \$10.0 million, 1.7 percent, from the FY2019 Budget as Enacted, primarily due to increased retirement costs. Purchased services costs are \$360.3 million, 16.4 percent, of the total personnel costs. Purchased services increase \$80.0 million, 28.5 percent, from the FY2019 Budget as Enacted.



Expenses by Description	FY2017 Actual	% of Total	FY2018 Actual	% of Total	FY2019 Enacted	% of Total	FY2019 Governor	% of Total	FY2020 Governor	% of Total
Salaries	\$1,065.3	55.5%	\$1,100.3	55.6%	\$1,139.6	55.8%	\$1,162.9	54.6%	\$1,209.3	54.9%
Benefits	542.3	28.3%	515.3	26.0%	576.2	28.2%	551.6	25.9%	586.2	26.6%
Purchased Services	265.2	13.8%	319.4	16.1%	280.3	13.7%	366.4	17.2%	360.3	16.4%
Assessed Fringe Benefits	39.4	2.1%	40.3	2.0%	42.2	2.1%	41.9	2.0%	40.8	1.9%
Other	5.7	0.3%	5.1	0.3%	4.3	0.2%	7.0	0.3%	7.0	0.3%
Total	\$1,917.9	100.0%	\$1,980.4	100.0%	\$2,042.6	100.0%	\$2,129.8	100.0%	\$2,203.6	100.0%

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

Expenses by Function	FY2017	FY2018	FY2019 Enacted	FY2019 Governor	FY2020 Governor	% of Pers. Budget	FY2020	
							General Revenue	FY2020 General Revenue %
General Government	\$277.2	\$234.3	\$256.7	\$255.9	\$271.0	12.3%	\$152.1	56.1%
Human Services	455.2	499.0	495.4	567.3	577.6	26.2%	225.3	39.0%
Education	575.8	635.5	644.2	660.2	687.1	31.2%	181.7	26.4%
Natural Resource	56.8	56.5	62.7	61.5	65.3	3.0%	36.9	56.5%
Public Safety	442.3	432.9	454.4	453.4	466.1	21.2%	429.6	92.2%
Transportation	110.6	122.2	129.2	131.5	136.5	6.2%	-	-
Total	\$1,917.9	\$1,980.4	\$2,042.6	\$2,129.8	\$2,203.6	100.0%	\$1,025.6	46.5%

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

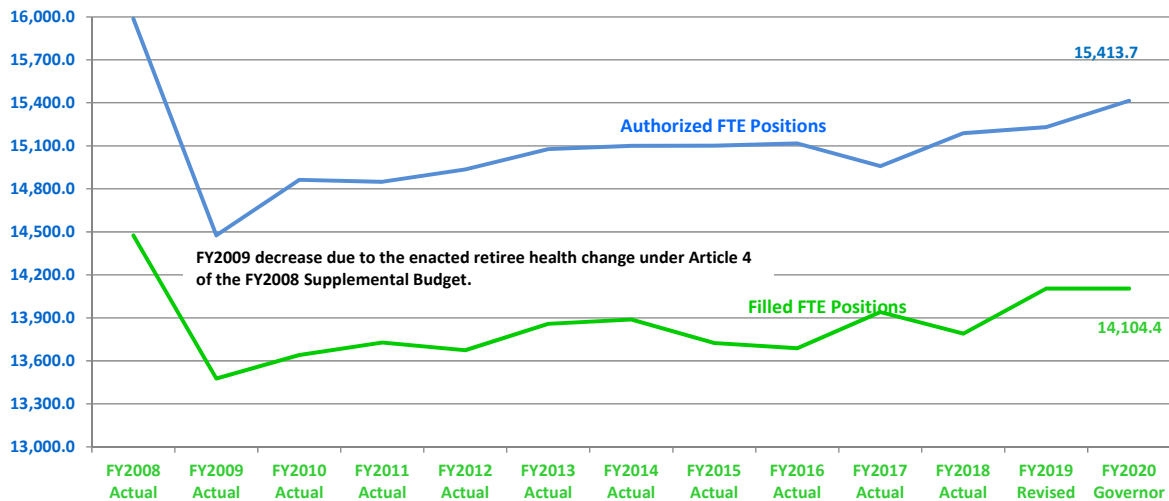
FILLED FTE POSITION TRENDS

In 2018, the Governor initiated a voluntary retirement incentive (VRI) payment to state employees who were eligible to retire on or before December 31, 2017. The VRI was intended to achieve strategic and budgetary objectives by prioritizing the filling of the resulting vacancies while allowing the State to recognize the long-term service of its employees and provide them with the flexibility to retire. The Governor identified 941 executive branch employees who matched the eligibility requirement. By June 9, 2018, 361 executive and non-executive branch employees accepted the VRI. The number of filled FTE positions was 13,791.0.

As of January 19, 2019, the number of filled FTE positions is 14,104.4, or 313.4 more filled FTE positions than at the point that the VRI impact was measured on June 9, 2018.

FTE POSITIONS

The FY2019 Budget as Enacted authorizes 15,209.7 FTE positions. At the start of the fiscal year, 13,846.9 FTE positions (91.9 percent of the original enacted authorized amount) were filled, leaving 1,366.5 FTE positions vacant, a rate of 8.1 percent. Over the past decade, the state vacancy rate has averaged 8.1 percent, or 1,216.3 FTE positions. As of January 19, 2019, 14,104.4 FTE positions (92.7 percent of the authorized amount) were filled, leaving 1,105.3 FTE positions vacant. From the start of the fiscal year to January 19, 2019, the State had a net increase of 248.4 filled FTE positions.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2019 Enacted	FY2019 Governor	Change to Enacted	FY2020 Governor	% of Total	FY20/FY19	FY20/FY19
						Governor Change	Enacted Change
General Government	2,438.9	2,441.9	3.0	2,513.9	16.3%	72.0	75.0
Human Services	3,682.6	3,698.6	16.0	3,711.6	24.1%	13.0	29.0
Education	3,959.4	3,699.2	(260.2)	3,706.2	24.0%	7.0	(253.2)
Public Safety	3,160.0	3,160.0	-	3,210.0	20.8%	50.0	50.0
Natural Resources	425.0	425.0	-	436.0	2.8%	11.0	11.0
Transportation	755.0	755.0	-	785.0	5.1%	30.0	30.0
Subtotal	14,420.9	14,179.7	(241.2)	14,362.7	93.2%	183.0	(58.2)
Sponsored Research	788.8	606.0	(182.8)	606.0	3.9%	-	(182.8)
Auxiliary Enterprise	-	445.0	445.0	445.0	2.9%	-	445.0
Total FTE Positions	15,209.7	15,230.7	21.0	15,413.7	100.0%	183.0	204.0

FY2019: The Governor's FY2019 Revised Budget proposes 15,230.7 FTE positions, a net increase of 21.0 FTE positions from the FY2019 Budget as Enacted. The FTE changes include:

- **An increase of 445.0 FTE positions in Higher Education Auxiliary Enterprise:** In an attempt to align the FTE positions at the University of Rhode Island with the appropriate program funding, the Budget establishes a new Higher Education Auxiliary Enterprise FTE category and shifts 262.2 FTE positions from Higher Education and 182.8 URI – Sponsored Research positions into this new Auxiliary Enterprise FTE category with 445.0 FTE positions.
- **A decrease of 262.2 FTE positions in Public Higher Education:** In an attempt to align the FTE positions at the University of Rhode Island with the appropriate program funding, the Budget establishes a new Higher Education Auxiliary Enterprise FTE category and shifts 262.2 FTE positions from Higher Education into this new Auxiliary Enterprise FTE category.
- **A decrease of 182.8 FTE positions in Higher Education Sponsored Research positions:** In an attempt to align the FTE positions at the University of Rhode Island with the appropriate program funding, the Budget establishes a new Higher Education Auxiliary Enterprise FTE category and shifts 182.8 URI – Sponsored Research positions into this new Auxiliary Enterprise FTE category with 445.0 FTE positions
- **An increase of 10.0 FTE positions in the Department of Human Services:** The Revised Budget includes a net increase of 10.0 FTE positions within the Department of Human Services. An increase of 12.0 FTE positions for the Veterans' Home is slightly offset by a transfer of 2.0 Program Planner positions from the Department of Human Services to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals.
- **An increase of 3.0 FTE positions in the Executive Office of Health and Human Services:** The Budget adds 3.0 Senior Legal Counsel positions, of which two positions are transferred from the Department of Children, Youth, and Families.
- **An increase of 3.0 FTE positions in the Department of Health:** There is an increase of 3.0 FTE positions within the Department of Health. These additional positions are to increase the number of inspections to state-licensed health facilities.
- **An increase of 2.0 FTE positions in the Department of Administration:** The Budget increases the Department's FTE positions by two positions, reflecting the addition of a 1.0 Programming Services Officer to manage the employee benefits co-share accounting system. The other position is a 1.0 Programmer/Analyst Manager position to manage the upgrades to the state E-procurement system. Both positions shall be funded centralized internal service funds.
- **A decrease of 2.0 FTE positions in the Department of Children, Youth, and Families:** The Budget transfers 2.0 Senior Legal Counsel positions to the Executive Office of Health and Human Services, as this is where the positions are funded.
- **An increase of 2.0 FTE positions in the Department of Behavioral Health, Developmental Disabilities, and Hospitals:** The Budget transfers 2.0 FTE program planner positions from the Department of Human Services to BHDDH. The employees have already been working within the Department, but the positions were never formally transferred.
- **An increase of 2.0 FTE positions in Elementary and Secondary Education:** The Budget includes 2.0 new FTE positions in FY2019. The new positions include, 1.0 federally funded FTE position is part of a \$9.0 million, five-year grant from the United States Department of Health and Human Services to support stronger mental and behavioral health services for Rhode Island students; and, 1.0 federally funded FTE position as part of a Safe and Drug-Free Schools grant.

- **An increase of 1.0 FTE positions in the Department of Business Regulation:** The Budget adds 1.0 FTE position to handle all fiscal matters in the Division of Building, Design, and Fire Professionals.

FY2020: The Governor's FY2020 Budget proposes 15,413.7 FTE positions, a net increase of 204.0 FTE positions from the FY2019 Budget as Enacted, and an increase of 183.0 FTE positions from the Governor's recommendation for the FY2019 Revised Budget. Following are changes in the Governor's proposal:

- **An increase of 445.0 FTE positions in Higher Education Auxiliary Enterprise:** In an attempt to align the FTE positions at the University of Rhode Island with the appropriate program funding, the Budget establishes a new Higher Education Auxiliary Enterprise FTE category and shifts 262.2 FTE positions from Higher Education and 182.8 URI – Sponsored Research positions into this new Auxiliary Enterprise FTE category with 445.0 FTE positions.
- **An increase of 287.1 FTE positions in the Executive Office of Health and Human Services (EOHHS):** The Budget transfers the Divisions of Elder and Veterans' Affairs from the Department of Human Services (DHS) and establishes them as offices within EOHHS. This involves the transfer of 283.1 FTE positions from DHS, 31.0 from Elder Affairs and 252.1 from Veterans' Affairs. The net increase in EOHHS also includes the addition of 4.0 Senior Legal Counsel positions, 3.0 of which are added in the FY2019 Revised Budget and 1.0 of which is added in FY2020.
- **A decrease of 265.1 FTE positions in the Department of Human Services:** The Budget includes a net decrease of 265.1 FTE positions within the Department of Human Services (DHS), reflecting a decrease of 252.1 positions related to the transfer of the Office of Veterans Affairs from DHS to the Executive Office of Health and Human Services (EOHHS), and a decrease of 31.0 positions related to the transfer of the Division of Elderly Affairs from DHS to EOHHS. These decreases are offset by an increase of 8.0 FTE positions due to the transfer of the Childcare Licensing Unit from the Department of Children, Youth and Families to DHS.
- **A decrease of 260.2 FTE positions in Public Higher Education:** In an attempt to align the FTE positions at the University of Rhode Island with the appropriate program funding, the Budget establishes a new Higher Education Auxiliary Enterprise FTE category and shifts 262.2 FTE positions from Higher Education into this new Auxiliary Enterprise FTE category.

In addition, the Budget includes 3.0 new FTE positions at the Westerly Education Center and 1.0 new FTE position at the new Northern Rhode Island Higher Education Center. This increase is partially offset by a reduction of 2.0 FTE positions in the Commissioner's Office. This results in a net decrease of 260.2 FTE positions in Public Higher Education.

- **A decrease of 182.8 FTE positions in Higher Education Sponsored Research positions:** In an attempt to align the FTE positions at the University of Rhode Island with the appropriate program funding, the Budget establishes a new Higher Education Auxiliary Enterprise FTE category and shifts 182.8 URI – Sponsored Research positions into this new Auxiliary Enterprise FTE category with 445.0 FTE positions
- **An increase of 42.0 FTE positions in the Department of Labor and Training:** The Budget adds 42.0 positions reflecting the transfer of 37.0 FTE positions in the Employer Tax Division from the Department of Revenue to the Department of Labor and Training, and 5.0 new FTE positions for the implementation of the Medicaid Employer Assessment.
- **An increase of 31.0 FTE positions in the Department of Public Safety:** There is an increase of 31.0 FTE positions within the Department consisting of 30.0 new Trooper FTE positions slated to graduate from the 2019 Rhode Island State Police Training Academy in July and 1.0 Grants Manager position within Central Management.

- **An increase of 30.0 FTE positions in the Department of Transportation:** The Budget adds 30.0 FTE positions within the Department of Transportation. The increase includes an additional 1.0 Administrative Officer positions within Central Management. An increase of 22.0 positions within Infrastructure Engineering including, 1.0 Community Liaison, 1.0 Construction Manager, 1.0 Economic and Policy Analyst, 13.0 Engineering Technicians, 1.0 Managing Engineer, 3.0 Civil Engineers, 1.0 Project Manager, and 1.0 Material Standards Supervisor. As well as an increase of 7.0 positions within Infrastructure Maintenance including, 6.0 Highway Maintenance Operators, and 1.0 Mason.
- **An increase of 26.0 FTE positions in the Department of Business Regulation:** The Budget adds 26.0 FTE positions to the department including 1.0 FTE position to handle all fiscal matters in the Division of Building, Design, and Fire Professionals, 17.0 FTE positions for the proposed Office of Cannabis Regulation, 7.0 positions dedicated to improving business-friendliness in Rhode Island, and the transfer of 1.0 FTE position for the Small Business Omnibus from the Office of Management and Budget.
- **A decrease of 17.0 FTE positions in the Department of Revenue:** The Budget decreases a net 17.0 FTE positions in FY2020. This reflects the transfer of 37.0 FTE positions from the Division of Taxation to the Department of Labor and Training (DLT) associated with the shifting of the Employer Tax Unit to DLT; an increase of 1.0 Legal Counsel within the Division of Collections; an increase of 4.0 FTE positions in the Division of Taxation to assist with the revenue aspects of the new Adult-use Marijuana program; a decrease of 5.0 FTEs positions within the Division of Municipal Finance; an increase of 6.0 FTE positions associated with the Budget's sales tax initiatives, including 1.0 Senior Legal Counsel, 1.0 Legal Counsel, 1.0 Taxpayer Service Specialist, and 3.0 Revenue Agent I; and 4.0 new FTE positions related to vaping excise tax enforcement, including 1.0 Tax Investigator, 1.0 Legal Counsel, and 1.0 Tax Aide I; and includes an additional 8.0 Customer Services Representatives related to the implementation of the federally mandated Real ID compliance and 2.0 Control Inspectors that will be assigned to enforcement of license plate visibility and reflectivity standards and vehicle inspection enforcement.
- **An increase of 15.0 FTE positions in the Department of Administration:** The Budget increases the Department's number of full-time employees by a net 15.0 FTE positions. The Budget adds 18.0 FTE positions for the Human Resource, Information Technology, and Capital Asset Management service centers that will be funded from the various centralized internal service funds. The Budget also adds 2.0 FTE positions to operate the proposed Litigation Oversight Unit under the Legal Services program and a Data Analyst I position to assist with the Census 2020 program in Planning. The increase is offset with the transfer of the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers, the elimination of 2.0 FTE positions related to cybersecurity in Central Management, and the transfer of the Small Business Ombudsman position from the Office of Management and Budget to the Department of Business Regulation.
- **An increase of 11.0 FTE positions in the Department of Environmental Management:** The Budget provides 11.0 new FTE positions reflecting additional maintenance workers, civil engineers, and a plumber in the Parks and Recreation Division.
- **An increase of 10.0 FTE positions in the Department of Corrections:** The Budget adds 10.0 FTE Correctional Officer positions. The additional positions will allow the Department to hire the expected 70.0 graduates of the next correctional officer class.
- **An increase of 7.0 FTE positions in Public Utilities Commission:** The Budget adds 7.0 new FTE positions in FY2020 including 3.0 FTE positions reflecting the transfer of the Water Resources Board functions from the Division of Planning in the Department of Administration to the Division of

Public Utilities and Carriers (DPUC). The Budget also adds 2.0 Engineer positions, 1.0 Consumer Agent, and a 1.0 Public Utilities Analyst. 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, and to help consumers facing termination of utility services, and to assist rate payers in communicating with utilities.

- **An increase of 7.0 FTE positions in Elementary and Secondary Education:** The Budget adds 7.0 new FTE positions in FY2020, including 1.0 FTE position for the School Building Authority; 4.0 FTE positions to support the universal pre-K initiative; 1.0 federally funded FTE position that is part of a \$9.0 million, five-year grant from the United States Department of Health and Human Services to support stronger mental and behavioral health services for Rhode Island students; and, 1.0 federally funded FTE position that is part of a Safe and Drug-Free Schools grant. The federally funded positions are added in FY2019 Revised Budget.
- **An increase of 6.0 FTE positions in Military Staff:** The Budget includes 6.0 new federally funded FTE positions in FY2020. The new positions are: 2.0 Security Managers to maintain the electronic security system, 2.0 Planning Positions to provide environmental compliance on major capital projects, and 2.0 Program Managers to support control of National Guard facilities.
- **An increase of 6.0 FTE positions in the Department of Health:** The Budget adds 6.0 FTE positions within the Department of Health. This includes 2.0 Environmental Food Inspector positions and 1.0 Senior Environmental Health Food Specialist position that will be associated with the adult-use marijuana program. In addition, there is an additional increase of 3.0 Inspector positions to be utilized to increase the number of inspections to state-licensed health facilities.
- **An increase of 3.0 FTE positions in the Department of Behavioral Health, Developmental Disabilities, and Hospitals:** The Budget transfers 2.0 FTE program planner positions from the Department of Human Services to BHDDH. The employees have already been working within the Department, but the positions were never formally transferred. The Budget also includes 1.0 FTE Substance Use Disorder Program Administrator position to be funded through revenues associated with the adult-use marijuana proposal.
- **An increase of 2.0 FTE positions in the Executive Office of Commerce:** The Budget increases 2.0 FTE positions in the Executive Office of Commerce, adding 2.0 FTE positions within the Executive Office of Commerce to run the proposed Simplify and Streamlining initiative in partnership with the Department of Business Regulation.
- **A decrease of 2.0 FTE positions in the Department of Children, Youth, and Families (DCYF):** The Budget reduces DCYF's FTE authorization by 2.0 FTE positions relative to the FY2019 Budget as Enacted. This is related to the transfer of 2.0 Senior Legal Counsels included in the FY2019 Revised Budget.
- **An increase of 2.0 FTE positions in the Office of the Attorney General:** The Budget adds 2.0 FTE positions including 1.0 Principal Clerk Stenographer to work as an intake clerk and 1.0 Staff Attorney to work as a traffic safety resource prosecutor.
- **An increase of 1.0 FTE positions in the Office of the Public Defender:** The Budget increases the Department's FTE positions by 1.0 FTE position, reflecting the conversion of a contracted social services case worker to a full-time state position to provide continuity of educational and social services to juvenile clients to alleviate long term detentions.

STATE EMPLOYEE CONTRACT AGREEMENT

The current state employee contract agreements between the State and the state employee bargaining units includes a 4-year contract that provides cost-of-living adjustment (COLA) increases of 2.0 percent retroactive to January 2018, 2.5 percent in January 2019, 2.0 percent in July 2019, and 1.0 percent in January 2020.

The current agreement is projected to increase general revenue expenditures by \$6.4 million in FY2018, \$19.8 million in FY2019, and \$23.9 million in FY2020.

AVERAGE COST PER FTE

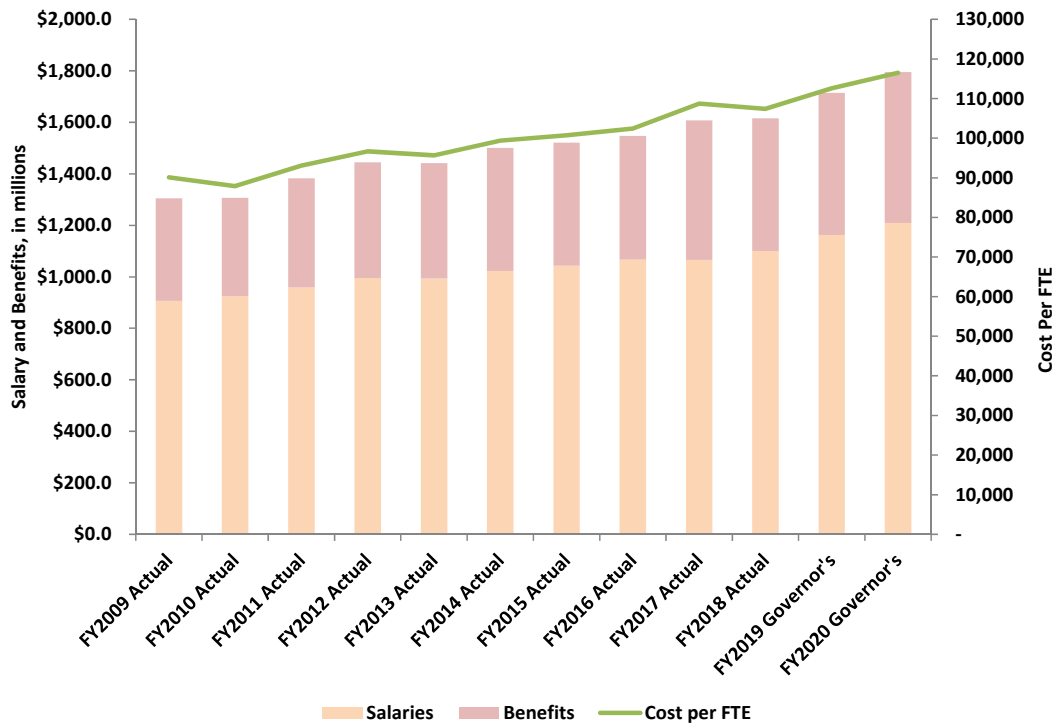
The projected average cost per FTE position is \$116,483 in FY2020, reflecting an increase of 3.5 percent over the FY2019 Governor’s Revised Budget. Statewide, total salary costs annually increased on average by 2.7 percent and benefit costs increased 3.7 percent since 2009. The cost per FTE position decreased slightly in FY2018 possibly as a result of the volunteer retirement incentive package initiated by the Governor.

Effective Date	Percentage Increase
30-Jun-02	4.5%
27-Jun-04	1.5%
25-Jun-05	2.5%*
26-Jun-05	4.0%
25-Jun-06	3.0%
24-Jun-07	3.0%
21-Jun-09	2.5%
2-Jan-11	3.0%
19-Jun-11	3.0%
6-Apr-14	2.0%
5-Oct-14	2.0%
4-Oct-15	2.0%
1-Jan-18	2.0%**
1-Jan-19	2.5%
1-Jul-19	2.0%
1-Jan-20	1.0%

*Not compounded on 1.5%

** Retroactive payment to January 1, 2018

Average Cost per FTE



PURCHASED SERVICES

Purchased services expenditures provide for contractors (non-state employees) who deliver special expertise to the State or where the work is temporary or project-specific. There are 10 categories of purchased services: 4 of the 10 categories, Management and Consultant Services, Training and Educational Services, Design and Engineering, and Information Technology, comprise 77.5 percent of the total FY2020 purchased service expenditure recommendation in the Governor’s FY2020 budget.

	FY2016	FY2017	FY2018	FY2018	FY2019	FY2019	FY2020	FY20 to
Purchased Services	Actual	Actual	Enacted	Actual	Enacted	Governor	Governor	FY19
								Change
Design & Engineering	\$47.9	\$44.9	\$46.8	\$49.7	\$49.1	\$50.9	\$48.0	(\$1.1)
Management & Consultant Services	79.3	79.1	70.8	83.6	69.2	77.7	74.1	4.9
Training & Educational Services	48.5	45.9	43.2	50.5	50.1	58.2	57.3	7.2
Information Technology	107.4	29.6	51.0	66.1	39.9	97.8	99.7	59.8
Medical Services	15.5	15.7	18.2	15.8	18.1	20.9	19.9	1.8
Other Contracts	12.7	15.6	15.2	16.0	17.9	19.7	20.7	2.8
Clerical & Temporary Services	3.7	4.3	5.1	6.4	6.7	5.8	5.3	(1.4)
Buildings & Grounds Maintenance	5.6	6.0	6.7	6.1	5.9	7.5	7.2	1.3
Legal Services	4.9	7.1	5.0	5.6	5.5	6.5	6.3	0.8
University & College Services	14.0	16.8	15.7	18.3	17.9	21.4	21.8	3.9
Total	\$339.5	\$265.2	\$277.5	\$318.0	\$280.3	\$366.4	\$360.3	\$80.0

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

Does not include Internal Service Funds

For the FY2020 Budget, the Governor recommends \$360.3 million for purchased service expenses, of which \$68.5 million (19.0 percent) is general revenue. The FY2020 Budget recommendation reflects an increase of \$80.0 million from the FY2019 Budget as Enacted and a decrease of \$6.1 million from the Governor's FY2019 Budget as Revised. Approximately \$290.5 million (80.6 percent) of the appropriation funds services in seven state departments.

Purchased Services

Department	FY2019 Enacted	FY2019 Governor	FY2020 Governor	FY2020 General Revenue
Office Health and Human Services	\$72.0	\$126.2	\$131.0	\$17.1
Elementary and Secondary Education	42.9	45.0	46.9	7.0
Transportation	41.6	44.8	42.3	-
Administration	8.4	11.2	8.6	3.1
Human Services	16.3	25.5	21.2	3.3
BHDDH	2.8	6.6	7.3	2.5
Community College of Rhode Island	4.3	3.9	3.6	1.6
Corrections	14.7	16.6	15.4	14.3
Health	10.0	14.6	11.1	1.6
Environmental Management	6.9	7.3	7.1	0.3
Children, Youth, and Families	4.9	5.5	5.5	3.3
Labor and Training	4.9	4.9	4.5	0.1
University of Rhode Island	19.3	21.2	22.6	2.5
Revenue	7.6	5.1	8.7	5.0
All Other Agencies	23.7	28.0	24.5	6.8
Total	\$280.3	\$366.4	\$360.3	\$68.5

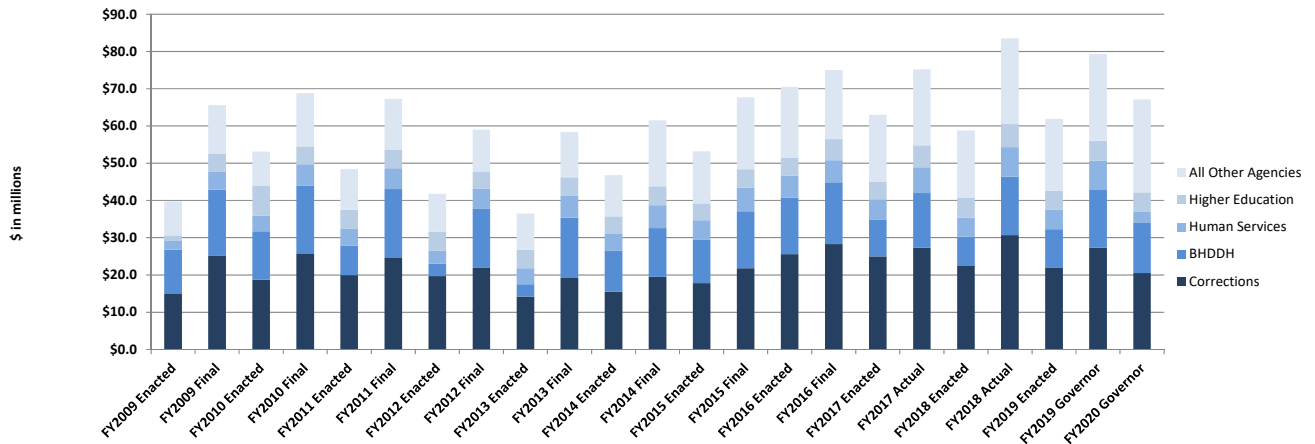
\$ in Millions

Does not include ISFs

OVERTIME

Overtime costs in FY2020 are projected to total \$67.1 million, \$5.2 million more than the FY2019 Budget as Enacted and \$12.2 million less than proposed in the Governor's FY2019 Revised Budget. General revenue supports 58.9 percent of overtime expenses. 30.6 percent of the total FY2020 projected overtime expenditures for the State occur with the Department of Corrections, which is projected to decrease 6.8 percent in FY2020.

Overtime Costs



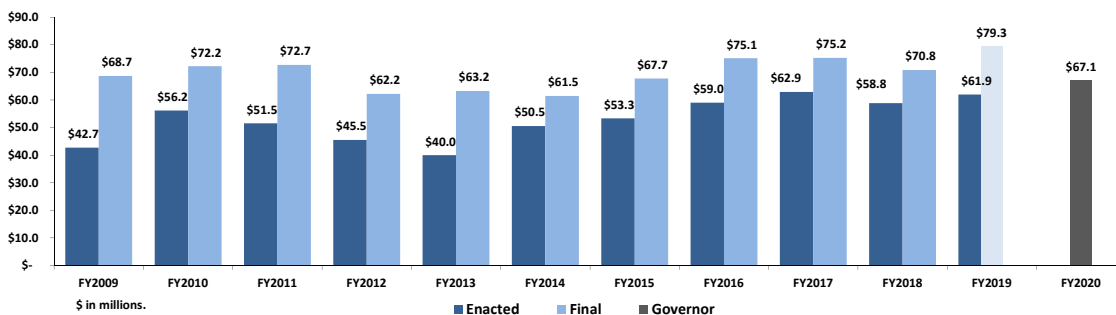
State agencies regularly over spend their overtime appropriation. Over the last eight fiscal years, overtime expenditures have exceeded enacted amounts by an average of \$18.3 million (30.1 percent).

The Department of Corrections and Behavioral Healthcare, Developmental Disabilities, and Hospitals generally exceed their overtime appropriations by the largest amounts. Overtime costs often result from staffing shortages, due either to high turnover rates or insufficient FTE authorizations in the enacted budget. Where there are state or federally mandated minimum staffing levels (such as at Eleanor Slater Hospital in BHDDH), or caseload-driven personnel requirements (such as inmate population levels at the Department of Corrections) agencies must use overtime or contract personnel to provide adequate coverage.

The FY2020 Budget includes a decrease of \$1.5 million in overtime costs within the Department of Corrections. The Budget includes the renovation of the Department’s High Security facility, the facility will be closed for three quarters of FY2020 resulting in fewer shifts that would need to be covered, and the High Security correctional officers would be available to cover shifts in other facilities at standard time rates. The Budget also includes an additional 10.0 FTE correctional officer positions to address the Department’s attrition rate, these additional correctional officers will be available to cover shifts resulting in a lower need for overtime.

The following chart illustrates the variances between the enacted and actual expenditures for overtime costs:

Overtime Expenditures, in Millions



STATE EMPLOYEE HEALTH INSURANCE RATES

As of January 1, 2019, the State now has three different medical plan coverage to state employees (Anchor, Anchor Plus, and Anchor Choice) as well as three different dental plans and two vision plans.

Since information on which plan each employee chose was not available at the time of the FY2020 budget preparation, the Budget Office used the equivalent plan that most employees had the previous fiscal year (Anchor Plus) to project the change in the cost. The FY2020 projected rates for individual and family health insurance are 0.4 percent higher than the rates enacted in FY2019.

Health Insurance Rates Annual Employer Cost per Employee

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2019	FY2020	% Change
Individual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	FY20/FY19
Medical	\$6,558	\$6,559	\$7,062	\$6,967	\$7,525	\$7,358	\$7,601	\$8,363	\$8,432	\$8,297	\$8,448	0.2%
Dental	349	350	376	382	405	393	405	373	369	377	389	5.4%
Vision	83	84	63	59	60	57	79	57	57	58	59	3.5%
Total	\$6,991	\$6,993	\$7,501	\$7,408	\$7,990	\$7,808	\$8,085	\$8,793	\$8,858	\$8,732	\$8,896	0.4%
Family												
Medical	\$18,386	\$18,386	\$19,799	\$19,531	\$21,093	\$20,626	\$21,307	\$23,445	\$23,637	\$23,259	\$23,682	0.2%
Dental	978	978	1,052	1,068	1,132	1,100	1,133	963	955	975	1,007	5.4%
Vision	177	177	173	161	165	157	162	157	157	158	162	3.2%
Total	\$19,540	\$19,541	\$21,024	\$20,760	\$22,390	\$21,883	\$22,602	\$24,565	\$24,749	\$24,392	\$24,851	0.4%

Source: State Budget Office

State Employee Health Plan Costs

The FY2020 proposed total employer expenditure for state employee health plan costs is \$196.4 million, of which \$98.3 million is general revenue. This is \$11.4 million lower than the FY2019 Budget as Enacted, but \$7.7 million more than the Governor's proposed FY2019 Revised Budget. The health cost rates changed on January 1, 2019, resulting in lower expenses for FY2019 and in FY2020.

State Employee Health Plan Total Costs

Health Plan	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2019	FY2020	FY20 to FY19	% Change
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	Change	FY20/FY19
Medical	\$148.6	\$145.9	\$155.2	\$162.1	\$157.5	\$162.3	\$174.7	\$170.1	\$197.3	\$179.0	\$186.2	(\$11.1)	-5.6%
Dental	9.2	9.2	9.3	9.8	9.7	9.6	8.4	7.9	9.1	8.4	8.8	(0.3)	-3.3%
Vision	1.6	1.5	1.4	1.4	1.4	1.3	1.3	1.3	1.4	1.3	1.4	-	0.0%
Total	\$159.4	\$156.6	\$165.9	\$173.3	\$168.6	\$173.3	\$184.4	\$179.3	\$207.8	\$188.7	\$196.4	(\$11.4)	-5.5%

\$ in millions

State Employee Health Co-shares

Since 2005, state employees are required to pay a co-share for health insurance. The rate charged to each employee is based on a percent of premium cost and assessed by salary range. These rates increased between FY2010 and FY2012, and remained constant through 2018. As of January 1, 2019, the State now has three different medical plan coverage to state employees (Anchor, Anchor Plus, and Anchor Choice) as well as three different dental plans and two vision plans. Along with the new medical plans and health cost rates, there are new employee health insurance co-share rates that are illustrated in the following tables.

Family Plan Co-share - Salary Ranges

Post - January 1, 2019	Anchor	Anchor Plus	Anchor Choice	Anchor Dental	Anchor Dental Plus	Anchor Dental Platinum	Anchor Vision	Anchor Vision Plus
Below \$51,930	\$115.97	\$124.08	\$115.13	\$5.74	\$10.40	\$16.98	\$0.91	\$3.52
\$51,930 - \$99,825	154.63	165.55	153.51	7.65	12.31	18.89	1.21	3.82
Over \$99,825	193.28	206.80	191.89	9.56	14.22	20.80	1.52	4.13

Individual Plan - Salary Ranges

FY2010	Anchor	Anchor Plus	Anchor Choice	Anchor Dental	Anchor Dental Plus	Anchor Dental Platinum	Anchor Vision	Anchor Vision Plus
Less than \$99,825	\$55.16	\$59.01	\$54.76	\$2.95	\$4.75	\$7.29	\$0.44	\$1.38
Over \$99,825	68.94	73.77	68.45	3.69	5.49	8.03	0.55	1.49

Deductibles

Effective January 1, 2019, the new medical deductibles are: Anchor \$1,000/\$2,000, Anchor Plus \$500/\$1,000, and Anchor Choice \$1,500/\$3,000 for an individual/ family plan. In addition, the new point of service co-payments are as follows:

Point of Service	5/1/2005	10/1/2008	7/1/2014	Anchor		Anchor Choice
				Anchor 1/1/2019	Plus 1/1/2019	
Primary Care	\$10	\$10	\$15	\$15	\$15	Coinsurance after deductible
Specialist Visit	10	20	25	25 / 50	25 / 50	10%/30% after deductible
Urgent Care	10	35	50	50	50	Coinsurance after deductible
Emergency Co-payment (waived if admitted)	25	100	125	150	125	Coinsurance after deductible
Key: Individual / Family						
Pharmacy						
Tier 1 generic	5	5	7	10	10	10 after deductible
Tier 2 preferred brand	12	20	25	35	35	35 after deductible
Tier 3 non-preferred brand	30	40	45	60	60	60 after deductible
Tier 4 specialty				100	100	100 after deductible

STATE EMPLOYEES AND TEACHERS ACTUARIAL VALUATION

Gabriel Roeder Smith and Company (GRS), actuary to the State Retirement Board, performed the June 30, 2018, actuarial valuation reports covering state employees, teachers, municipal employees, state police, and judges.

The actuarial valuation impacts the employer contribution rates approved by the Board (certified) for FY2021. There is no impact to the FY2020 certified employer contribution rates. The GRS analysis reflects no changes in the assumptions for investment rate assumptions, inflation, and payroll growth. The assumed investment return remains 7.0 percent; assumed inflation is 2.5 percent, and payroll growth is 3.0 percent for state employees and 2.5 percent for teachers.

Employer Contribution Rates	FY2019 Certified	FY2020 Certified	FY2021 Certified	Change
State Employees	25.75%	26.39%	27.54%	1.15%
Teachers - State Share	10.06%	9.84%	10.75%	0.91%
Teachers - Local Share	13.45%	14.77%	14.50%	-0.27%
Total Teachers	23.51%	24.61%	25.25%	0.64%

Source: GRS June 30, 2018, Actuarial Valuation

Projected Employer Contribution	FY2019	FY2020	FY2021	Change
State Employees	\$190.3	\$197.1	\$207.9	\$10.8
Teachers - State	107.8	114.1	119.4	5.3
Total State Cost	\$298.1	\$311.2	\$327.3	\$16.1
Teachers - Local	\$144.1	\$153.7	\$161.1	\$7.4
Total State and Local Cost	\$442.2	\$464.9	\$488.4	\$23.5

Source: GRS June 30, 2018, Actuarial Valuation

\$ in millions

Active Employee to Retiree Ratio

According to GRS, the ratio of active employees to retirees continues to negatively impact the State Retirement Fund. Beginning in 1999, the active employee ratios have decreased for state employees and teachers. The 2018 valuation illustrates the flat ratio of active state employee per state retiree and active teachers per teacher retiree. This trend translates into less available payroll to spread out the impacts of volatile markets, leading to increased employer contribution rates.

Membership		1999	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change
State Employees																
Active	13,369	12,817	12,572	11,970	11,142	11,122	11,233	11,166	11,280	11,301	11,194	11,083	11,152	10,978	-174	
Retired	9,067	10,041	10,163	10,396	11,023	11,421	11,271	11,200	11,139	11,103	11,041	11,058	11,078	11,260	182	
Active to Retiree Ratio	1.5	1.3	1.2	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0		
Teachers																
Active	13,282	14,343	14,146	13,999	13,689	13,530	13,381	13,212	13,193	13,266	13,272	13,206	13,310	13,297	-13	
Retired	6,043	8,873	9,118	9,337	9,749	10,213	10,347	10,622	10,776	10,838	10,902	11,087	11,211	11,320	109	
Active to Retiree Ratio	2.2	1.6	1.6	1.5	1.4	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2		

Source: GRS June 30, 2018, Actuarial Valuation

Fund Value

In 1999, the funded ratio of the system was over 80.0 percent. By 2010, the pre-RIRSA funded ratio was 48.4 percent for state employees and teachers. After passage of the pension reforms in 2011, the post-RIRSA funded ratio became 59.8 percent for state employees and 61.8 percent for teachers. It was projected that there would be a continued decrease in the funded rate after passage of RIRSA and then begin to increase. Passage of the pension settlement act in 2015 precipitated an increased in the Unfunded Actuarial Accrued Liability (UAAL).

According to GRS, the June 30, 2018, funded ratio is 52.9 percent for state employees and 54.9 percent for teachers. For state employees, the unfunded actuarial accrued liability (UAAL) increased from \$2,212.7 million to \$2,239.3 million and for teachers the UAAL increased from \$3,115.9 million to \$3,135.8 million. The increase in the UAAL is attributable to the fund not reaching the 7.0 percent assumed rate of return (actual ROR was 6.3 percent) and a continued decrease in the projected payroll.

SUMMARY OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

The Unfunded Actuarial Accrued Liability (UAAL) payment for state employees is \$2,239.3 million reflecting an increase of \$26.6 million over last year. The amortization payment for FY2019 remains \$154.1 million in FY2019, an increase of \$7.8 million over FY2018; \$162.4 million in FY2020; and \$174.8 million in FY2021. The figures for FY2019 and FY2020 are consistent with the 2017 valuation report. The following table illustrates the components of the UAAL payment over the next three fiscal years.

ERSRI Value History	State	
	Employees	Teachers
1999	84.5%	82.1%
2000	81.6%	80.6%
2001	77.9%	77.4%
2002	71.7%	73.2%
2003	64.5%	64.2%
2004	59.6%	59.3%
2005	56.3%	55.4%
2006	54.6%	52.7%
2007	57.5%	55.4%
2008	61.8%	60.3%
2009	59.0%	58.1%
2010	48.4%	48.4%
2010*	59.8%	61.8%
2011	57.4%	59.7%
2012	56.3%	58.8%
2013	56.5%	59.0%
2014	56.1%	58.2%
2015	56.6%	58.8%
2016	56.0%	58.3%
2017	52.9%	54.8%
2018	52.9%	54.9%
2019	53.4%	55.2%
2020	54.1%	55.8%
2021	55.0%	56.6%
2022	56.2%	57.6%
2023	57.6%	58.9%
2024	59.4%	60.4%
2025	61.4%	62.1%
2026	63.6%	64.0%
2027	66.0%	66.0%
2028	68.6%	68.1%

Projected June 30, 2018 Valuation

Source: GRS
* Reflects post-RIRSA values

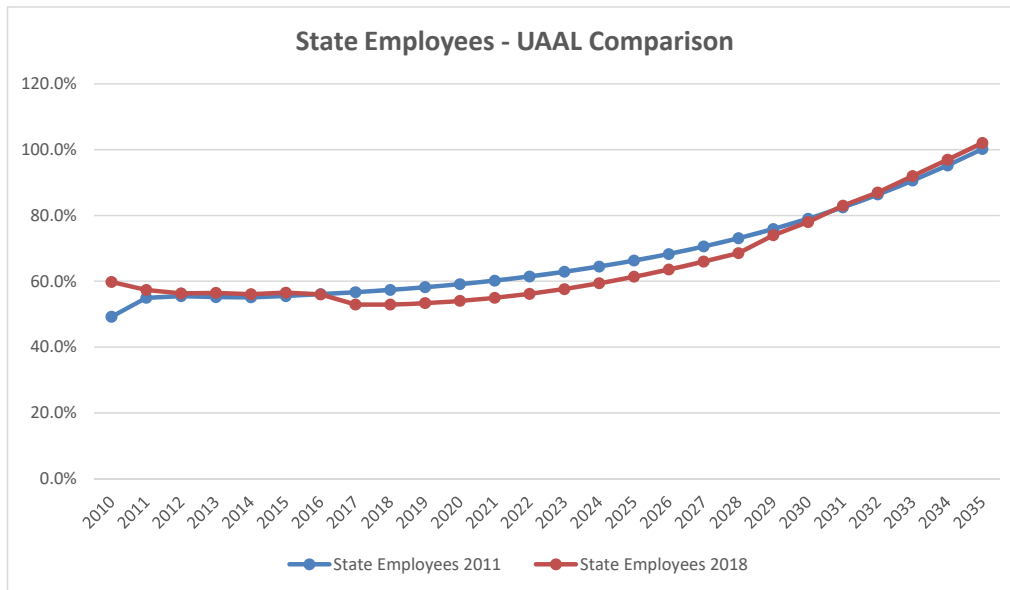
State Employees

Purpose	Remaining Balance as of June 30, 2018	FY2019 Amortization Payment	FY2020 Amortization Payment	FY2021 Amortization Payment	FY2021 Amortization Years Remaining
FY1991 and FY1992 Deferrals	\$28.4	\$2.3	\$2.4	\$2.4	15
Original 2011 RIRSA Base	1,795.8	145.7	150.0	154.5	15
2014 Experience Study	(48.9)	(3.8)	(3.9)	(4.0)	16
2014 Mediation Settlement	117.2	9.1	9.4	9.7	16
2015 Experience Base	(34.7)	(2.6)	(2.7)	(2.8)	17
2016 Experience Base	47.2	3.4	3.5	3.6	18
2016 Assumption Change - FY20 Stagger	30.8	-	2.4	2.5	19
2016 Assumption Change - FY21 Stagger	66.0	-	-	5.7	19
2016 Assumption Change - FY22 Stagger	66.0	-	-	-	19
2016 Assumption Change - FY23 Stagger	66.0	-	-	-	19
2016 Assumption Change - FY24 Stagger	66.0	-	-	-	19
2017 Experience Base	16.4	-	1.3	1.3	19
New Experience Base FY2018	23.1	-	-	1.9	20
UAAL	\$2,239.3	\$154.1	\$162.4	\$174.8	

Source: GRS 2018 Actuarial Valuation
\$'s in millions
Totals may vary due to rounding.

The following charts compare the current June 30, 2018, actuarial valuation report for state employee and teachers produced by GRS to the valuation report issued by GRS on November 14, 2011, for the Rhode Island Retirement System Act (RIRSA of 2011). The chart illustrates the slight decrease in the funding

ratio as compared to the 2011 forecast as the current valuation includes actual return on investments data and includes the 5-year smoothing decrease of the assumed rate of return from 7.5 percent to 7.0 percent.



The Unfunded Actuarial Accrued Liability (UAAL) payment for teachers is \$205.9 million in FY2019, reflecting an increase of \$7.5 million from last year; \$221.2 million in FY2020 and \$235.0 million in FY2022. The following table illustrates the components of the UAAL payment over the next three fiscal years.

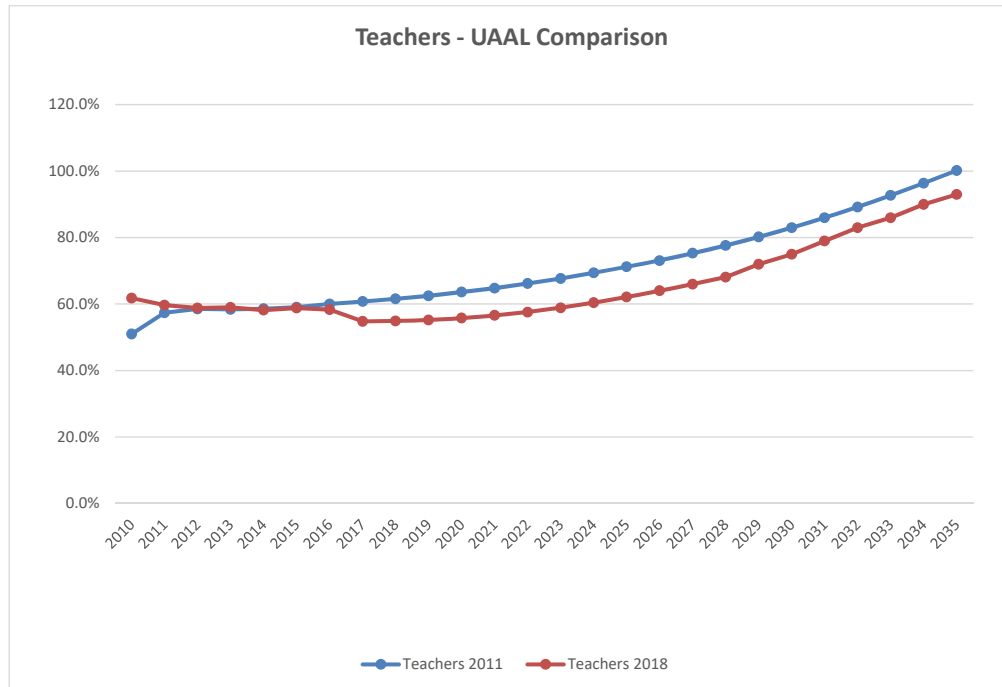
Teachers

Purpose	Remaining Balance as of June 30, 2018	FY2019 Amortization Payment	FY2020 Amortization Payment	FY2021 Amortization Payment	Amortization Years Remaining
FY1991 and FY1992 Deferrals - State	\$37.1	\$3.1	\$3.2	\$3.3	15
Original 2011 RIRSA Base - State	984.4	82.6	84.7	86.8	15
Original 2011 RIRSA Base - Local	1,528.6	111.9	114.7	117.5	19
2014 Experience Study - State	(16.4)	(1.3)	(1.4)	(1.4)	16
2014 Experience Study - Local	(24.9)	(1.8)	(1.9)	(1.9)	19
2014 Mediation Settlement - State	67.2	5.4	5.6	5.7	16
2014 Mediation Settlement - Local	102.1	7.4	7.7	7.9	19
2015 Experience Base	(50.8)	(3.9)	(4.1)	(4.2)	17
2016 Experience Base	33.6	2.5	2.6	2.7	18
2016 Assumption Change - FY20 Stagger	60.7	-	4.9	5.0	19
2016 Assumption Change - FY21 Stagger	85.8	-	-	7.7	19
2016 Assumption Change - FY22 Stagger	85.8	-	-	-	19
2016 Assumption Change - FY23 Stagger	85.8	-	-	-	19
2016 Assumption Change - FY24 Stagger	85.8	-	-	-	19
2017 Experience Base	64.0	-	5.2	5.3	19
New Experience Base FY2018	7.0	-	-	0.6	20
UAAL	\$3,135.8	\$205.9	\$221.2	\$235.0	

Source: GRS 2018 Actuarial Valuation

\$'s in millions

Totals may vary due to rounding



Analyst Note: The impact on contribution rates resulting from the approved changes to the assumed investment return rates, inflation rates, and payroll inflation rates in 2018 are uniformly reflected over a five-year “smoothing” period.

10-YEAR PROJECTIONS

The following tables illustrate the 10-year projection of State Employee and Teacher fund value and contribution rates providing all factors remain steady as projected in the June 30, 2018, valuation. Amounts and ratios will change when alterations occur regarding actual investment returns and actual payroll costs are re-examined in the actuarial valuation each year.

State Employees

Fiscal Year	UAAL	Funded Ratio	Contribution Rate	Market		Employer Contribution	Employee Contribution	Benefit Payments	Net Cash Flow
				Value of Fund	Payroll				
2019	\$2,239.3	52.9%	25.8%	\$2,490.6	\$711.7	\$183.3	\$39.0	\$345.9	(\$123.6)
2020	2,238.7	53.4%	26.4%	2,565.0	733.1	193.5	39.0	350.1	(117.6)
2021	2,228.5	54.1%	27.5%	2,622.9	755.1	207.9	39.1	354.6	(107.6)
2022	2,203.6	55.0%	28.2%	2,695.2	777.7	219.3	39.2	362.1	(103.6)
2023	2,164.9	56.2%	28.9%	2,776.7	801.1	231.9	39.4	366.5	(95.2)
2024	2,110.3	57.6%	29.8%	2,872.5	825.1	245.6	39.6	370.0	(84.7)
2025	2,037.6	59.4%	29.7%	2,985.9	849.9	252.0	39.9	373.8	(81.9)
2026	1,953.2	61.4%	29.6%	3,110.2	875.3	258.6	40.3	380.8	(81.8)
2027	1,856.1	63.6%	29.5%	3,243.3	901.6	265.5	40.8	385.2	(78.8)
2028	1,745.2	66.0%	29.4%	3,388.8	928.7	272.7	41.4	391.8	(77.6)
2029	1,619.2	68.6%	29.3%	3,545.7	956.5	280.2	42.2	398.1	(75.7)

Teachers

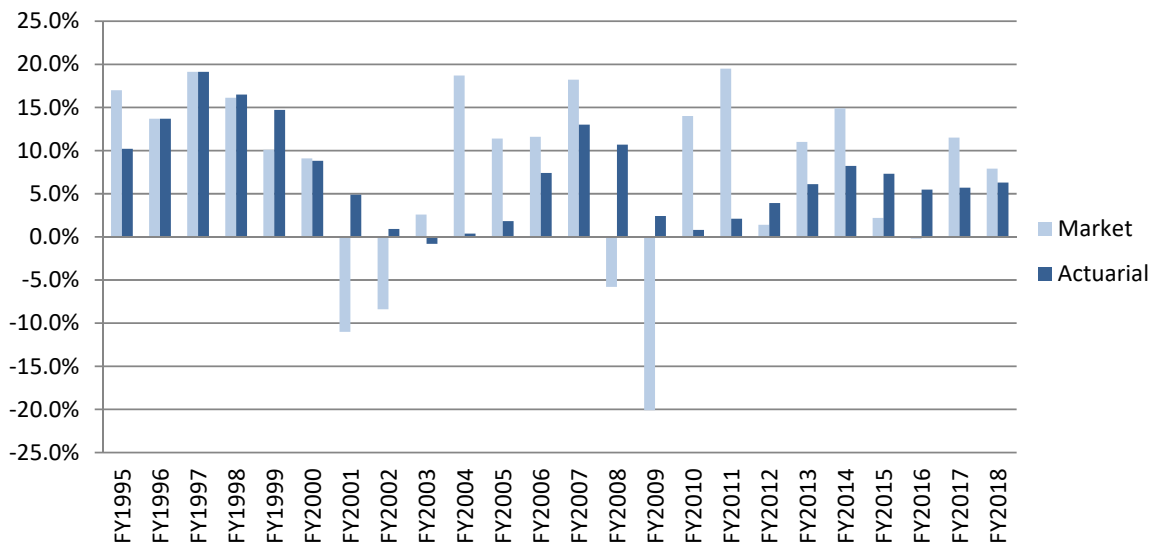
Fiscal Year	UAAL	Funded Ratio	Contribution Rate	Market Value of		Employer Contribution	Employee Contribution	Benefit Payments	Net Cash Flow
				Fund	Payroll				
2019	\$3,135.8	54.9%	23.5%	\$3,781.6	\$1,057.2	\$248.5	\$49.3	\$496.3	(\$198.5)
2020	3,143.1	55.2%	24.6%	3,877.5	1,093.6	266.7	49.5	498.1	(181.9)
2021	3,133.2	55.8%	25.3%	3,960.7	1,110.7	280.5	49.7	500.4	(170.2)
2022	3,109.5	56.6%	25.9%	4,061.9	1,138.5	294.4	49.9	508.7	(164.3)
2023	3,069.2	57.6%	26.5%	4,176.2	1,166.9	309.5	50.2	511.0	(151.3)
2024	3,010.0	58.9%	27.3%	4,312.0	1,196.1	326.3	50.4	512.7	(136.0)
2025	2,928.8	60.4%	27.2%	4,473.2	1,226.0	332.9	50.7	515.1	(131.6)
2026	2,834.7	62.1%	27.1%	4,650.2	1,256.7	339.9	50.9	523.3	(132.5)
2027	2,726.5	64.0%	26.9%	4,838.7	1,288.1	347.0	51.3	526.4	(128.0)
2028	2,603.1	66.0%	26.8%	5,044.9	1,320.3	354.4	51.8	534.4	(128.2)
2029	2,463.2	68.1%	26.8%	5,265.5	1,353.3	362.0	52.5	542.0	(127.5)

The projected UAAL begins to decrease in 2022. In addition, as the fund amount increases each year, the net cash flow, i.e. funds removed from investments, decrease.

RETURN ON INVESTMENTS

The market rate on the return on investments was 7.9 percent in FY2018, slightly above the 7.0 percent projected rate of return that is adopted by the State Retirement Board. The actuarial rate of return was 6.3 percent based on a 5-year average smoothing rate. Last year the market rate on the return on investments was 11.5 percent in FY2017, above the 7.0 percent projected rate of return that is adopted by the State Retirement Board. The actuarial rate of return was 5.7 percent based on a 5-year average smoothing rate.

24-year Return on Investments



- The FY2021 employer contribution rates increase but are lower than originally anticipated in the experience study.
- The 2018 actuarial investment performance was below the 7.0 percent expectation with the shortfall (deferred loss) amortized over future contribution payments.

- The cost of living adjustments (COLA) limit still increases. For 2019, it is \$26,687 and increase by 1.86 percent to \$27,183 in 2020.
- Plans are projected to be 80.0 percent funded as of June 30, 2031. Interim COLAs are scheduled to occur in 2020, 2024, and 2028. Interim COLAs will be granted to all units and plans every fourth year following the fourth consecutive year of the UAAL average being below 80.0 percent.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM ACTUARIAL VALUATION

The June 30, 2018, actuarial valuation analysis of the retirement system covering municipal employees impacts the employer contribution rates approved by the Board (certified) for FY2021. The GRS analysis indicates that over the past year, there was one new unit created, there were no closed or merged unit changes, and there were no new COLA elections in the units participating under the Municipal Employees' Retirement System (MERS). For MERS, the 2018 UAAL for all units combined is \$407.0 million compared to last year's figure of \$409.0 million, a decrease of \$2.0 million, because COLAs were suspended on units that less than 80.0 percent funded, The funded ratio for all MERS increased from 78.6 percent to 79.4 percent in 2018. GRS provided a list detailing the employer contribution rates for each component unit in each community.

The average employer contribution rate for general employees increased from 12.43 percent for 2020 to 12.58 percent for FY2021, and for police and fire personnel the average employer contribution rate increased from 19.31 percent in 2020 to 19.59 percent for FY2021.

- According to the actuary, 66 units possess a funding ratio exceeding 80.0 percent, there were 64 last year and 26 units have a funding ratio over 100.0 percent, no change from last year.

JUDICIAL RETIREMENT BENEFITS TRUST ACTUARIAL VALUATION

The June 30, 2018, actuarial valuation analysis of the retirement system covering judges impacts the employer contribution rates approved by the Board (certified) for FY2021.

There is no impact to the previously certified FY2020 employer contribution rate. The analysis does not include benefits for state judges hired before January 1, 1990, as they are funded on a pay-as-you-go basis from the State's general assets. A separate valuation is performed for these active and retired judges. Approximately 69.0 percent of the plan

participants are active judges, who are contributing 12.0 percent of their salary to the Trust. The actuarial analysis increased the employer contribution rates reflecting the previously approved decreases of payroll and investment rate assumptions.

	FY2020	FY2021
Certified Employer Contribution Rates	Certified	Certified
Judges	21.30%	21.61%

Source: GRS June 30, 2018, Actuarial Valuation

Membership	30-Jun-17	30-Jun-18	Change
Active	55	53	(2)
Retiree and Beneficiaries	20	23	3
Inactive	0	1	1
Total	75	77	2
Projected Payroll for Contributions	\$9.6	\$9.2	(\$0.4)
Unfunded Liability	\$4.9	\$2.5	(\$2.4)
GASB Funded Ratio	93.3%	96.7%	3.4%

RHODE ISLAND JUDICIAL RETIREMENT FUND TRUST VALUATION REPORT

Although not required by state law, GRS provided an actuarial valuation for a Rhode Island Judicial Retirement Fund Trust (RIJFT), a pension trust fund for judges hired prior to 1990 and who are currently receiving benefits through a pay-as-you-go (pay-go) system. There has been minimal advance funding for this closed group of seven judges. The accrued liability is \$19.0 million. The total market value of assets is \$806,246 leaving an unfunded accrued liability of \$18.2 million.

STATE POLICE RETIREMENT BENEFITS TRUST ACTUARIAL VALUATION

The June 30, 2018, actuarial valuation summary regarding the retirement systems covering the State Police impacts the employer contribution rates to be certified for FY2021. The Board approved the certified employer contribution rates for FY2021. The analysis reflects all recent pension changes enacted since 2008, but does not include benefits for State Police hired before July 1, 1987, as they are funded on a pay-as-you-go basis from annual general revenue appropriations.

The GRS analysis increased the employer contribution rates reflecting the previously approved decreases of the investment rate assumptions.

Certified Employer Contribution Rates	FY2020	FY2021
	Certified	Certified
State Police	18.48%	19.82%

Source: GRS June 30, 2018, Actuarial Valuation

Membership	30-Jun-17	30-Jun-18	Change
Active	232	226	(6)
Retiree and Beneficiaries	71	73	2
Inactive	47	46	(1)
Total	350	345	(5)
Projected Payroll for Contributions	\$22.6	\$23.5	\$0.9
Unfunded Liability	\$24.7	\$27.5	\$2.8
GASB Funded Ratio	84.1%	83.5%	-0.6%

STATE POLICE RETIREMENT FUND TRUST VALUATION REPORT

Public Law 2016, Chapter 142 authorized the creation of the State Police Retirement Fund Trust (SPRFT), a pension trust fund for State Police troopers hired prior to 1987 and who are currently receiving benefits through a pay-as-you-go (pay-go) system. Members' benefits will remain unchanged; but the proposal transitions the current system to a more traditional retirement fund whereby contributions are amortized, in this case, over 18 years.

The FY2016 Budget as Enacted included an initial deposit of \$15.0 million came from Google forfeiture funds. The accrued liability is \$182.6 million. The total market value of assets totals \$16.3 million leaving an unfunded accrued liability of \$166.3 million. The schedule continues with an appropriation of \$16.4 million in general revenue per year from FY2016 through FY2036, at which point the trust will be fully-funded.

TEACHER SURVIVOR BENEFIT PLAN VALUATION REPORT

The Teacher Survivor Benefit Plan (TSBP) provides survivor benefits for teachers who do not participate in Social Security. Participation is mandatory for all eligible teachers within the 24 school districts that are not covered by Social Security. The annual contribution is 2.0 percent of salary, up to \$230 per year. The contribution is split equally between the member and the employer, i.e. each contributing \$115 per year.

The June 30, 2018, actuarial valuation provided by GRS states the plan as an asset value of \$327.8 million and an actuarial accrued liability of \$219.9 million, resulting in a plan surplus of \$107.9 million. Because the asset value for the TSBP is at 149.1 percent, exceeding the Plan's value of benefits, current member and employer contribution are sufficient; the Plan does not have an Annual Required Contribution (ARC) incurred by the employer.

Revenue

The Governor's FY2020 Budget increases general revenue collections by an estimated \$67.8 million above the November 2018 revenue estimate of \$3,950.3 million, excluding the annually enacted hospital license fee. The Governor includes \$180.8 million for the fee, consistent with the Enacted budget. Revenue initiatives include significant changes to sales tax collections on purchases made through remote sellers, a new assessment on employers of Medicaid beneficiaries, new excise taxes on e-cigarettes and firearms, and the transfer of reserves from several quasi-public agencies.

Governor's Recommended Revenue Changes	FY2020
Hospital License Fee	\$180.8
Sales Tax Changes	22.4
Employer Public Assistance Assessment	15.6
Quasi-Public Reserve Transfers	7.0
Marijuana Program Revenue	6.5
Cigarette & Other Tobacco Revenue Changes	4.6
Hotel Tax Changes	4.4
Beverage Containers and Hard to Dispose of Materials	3.1
Lottery Changes	2.8
Professional License Fee Increases	1.8
DEM Fee Increases	1.5
Enhanced Research and Development Tax Credit	(1.3)
Medicaid Revenue Changes	(1.1)
DMV Revenue Changes	(0.9)
Firearms Excise Tax	0.8
DOR Revenue Enhancements	0.8
SARA Fees	(0.1)
Total	\$248.6

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

Hospital License Fee

\$180.8 million

The Budget includes \$180.8 million in revenue from the annually enacted hospital licensing fee. The fee is a provider tax that the State levies on hospitals. In past fiscal years, it has been used to generate State funds that are then matched with federal Medicaid funds and returned to hospitals for their care for the uninsured and indigent through the Disproportionate Share Hospital (DSH) program. It is calculated as a percent of gross patient services revenues, which includes revenue from patient care activity but excludes revenue from non-patient activity such as research, academic activity, and investment earnings.

- The fee is set in the budget each year, so annual legislative action is required for the fee to continue.
- Hospitals pay the fee in a single payment each fiscal year.
- The fee is imposed only on hospitals licensed pursuant to RIGL 23-17 with the exception of those hospitals whose primary services and patient beds are psychiatric in nature. Thus, Bradley and Butler Hospitals do not pay the fee.
- The federal government limits hospital licensing fees to 6.0 percent. Article 19 maintains the rate at 6.0 percent (except for hospitals in South County, where the fee is discounted 37.0 percent for an effective rate of 3.78 percent).

Hospital Licensing Fee Revenue		
Fiscal Year	Rate	Revenue
2008	3.480%	\$73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.313%	138.5
2014	5.246%	145.9
2015	5.745%	155.3
2016	5.862%	169.1
2017	5.652%	168.0
2018	5.652%	181.0
2019	6.000%	180.8
2020	6.000%	180.8

\$ in millions

Though the State's largest hospitals are non-profit and do not pay corporate income taxes or property taxes, the hospital license fee has become a considerable source of revenue for the State since its substantial increase in FY2009. In FY2020, it is estimated to generate \$180.8 million. The Budget assumes that \$66.3 million of this revenue will be returned to hospitals in the form of DSH payments.

Sales Tax Changes

\$22.4 million

The Budget includes \$22.4 million in new revenue associated with a series of changes to the State's sales and use taxes. The changes are made within Article 5 of the Budget and include subjecting "digital downloads" and certain new categories of services to the State's 7.0 percent sales tax. It also makes significant changes to how sales taxes are collected on purchases made from remote sellers.

Analyst Note: At the time the Budget was submitted in February, the Office of Management and Budget (OMB) had estimated that the sales tax changes would yield \$22.3 million. Since then, OMB has indicated that its revenue estimate for commercial building services and interior design services were understated and its estimate for lobbying services was overstated. In addition, the Governor's Budget Amendment dated February 25, 2019, included a new proposal to eliminate the \$10 fee required to obtain a sales tax permit. These adjustments bring the net revenue increase associated with sales tax changes in the Budget to \$25.6 million. The adjustments are outlined below.

Fiscal Impact - Sales Tax Changes			
Revenue Change	Original	Adjusted	Change
Remote Sellers Changes	\$11.5	\$11.5	-
Commercial Building Services	6.2	10.1	3.9
Digital Downloads	2.6	2.6	-
Interior Design	0.5	0.8	0.3
Hunting and Shooting	0.6	0.6	-
Lobbying	0.9	0.3	(0.6)
Sales Tax Permit Fee Elimination	-	(0.3)	(0.3)
Total	\$22.4	\$25.6	\$3.2

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

Remote Sellers: The Budget includes \$11.5 million in additional revenue associated with changes to responsibilities of remote sellers for collecting and remitting sales tax on sales made into the State.

Historically, states have been prohibited from imposing sales taxes on purchases made from out-of-state sellers. Federal jurisprudence held that such taxes were unconstitutional because they create an undue burden on interstate commerce. The U.S. Supreme Court maintained that states may only impose sales taxes on those sellers who have a physical presence in the state.

This standard began to change in 2016, when the 10th U.S. Circuit Court of Appeals upheld an approach used by Colorado to encourage remote sellers to voluntarily collect and remit sales and use taxes. The primary feature of the approach was a series of complicated notification requirements placed on those remote sellers who chose not to collect taxes. The objective was to make collection and remittance more palatable than complying with the notifications.

In 2017, the General Assembly enacted a framework based on this Colorado approach. It provided for three categories of entities with varying obligations relative to the sales tax. In all categories, the sales tax provisions applied to entities with at least \$100,000 in gross Rhode Island revenue or at least 200 transactions. The entities and obligations are:

- **Non-Collecting Retailers:** A non-collecting retailer is an out-of-State entity that sells, leases, or delivers products or services into Rhode Island to Rhode Island customers, either directly to customers, via retail sales facilitators, or through referrers (e.g. Amazon or catalogs). Non-collecting retailers are required to either collect and remit, or comply with extensive taxpayer notifications.
- **Retail Sale Facilitators:** A retail sale facilitator is an entity that contracts with retailers to list and/or advertise for sale products and services (via internet or catalog) and either directly or indirectly collects

payments from in-State purchasers and transmits payments to the retailer. Retail sales facilitators are required to provide the Division of Taxation with lists of retailers that do and do not collect sales tax.

- **Referrers:** A referrer is an entity that contracts with retailers to list and/or advertise for sale products and services (via internet or catalog) and charges a fee to the retailer for the listing/advertisement, but does not transact payments between retailers and in-State customers. Referrers are required to notify retailers that their sales are likely subjected to Rhode Island’s sales and use tax.

In June 2018, the Supreme Court of the United States upheld a South Dakota law in a case involving the online retailer Wayfair. In doing so, the Court overturned its previous rulings on the physical presence standard and held that the imposition of sales and use taxes no longer constitutes an undue burden on interstate commerce as long as the following conditions are met:

- The state provides a safe harbor to those who only sell small amounts into the state.
- The state does not require the retroactive collection of sales taxes.
- The state has a single, state-level administration of the sales tax.
- The state maintains a simplified tax rate structure.
- The state applies uniform definitions and rules.
- The state gives access to software provided by the state, with immunity to those who rely on it

Article 5 of the Budget simplifies current sales tax by aligning with the new standards set forth in the *Wayfair* decision. Specifically, the Budget:

- **Updates definitions:** Article 5 redefines the categories of entities involved in remote sales.
 - Marketplace Facilitators – an entity that contracts with sellers to facilitate the sale of the seller’s products through a physical or electronic marketplace.
 - Marketplace Seller – an entity which contracts with a marketplace facilitator and makes retail sales through a marketplace owned, operated, or controlled by a marketplace facilitator.
 - Non-collecting Retailers – this definition is eliminated on or after July 1, 2019.
- **Updates requirements:** Article 5 makes several changes to ensure conformity with the new *Wayfair* standards. These include:
 - Compelling all entities to register with the Division of Taxation for the purposes of collecting and remitting sales tax.
 - Codifying safe harbor provisions so that entities with less than \$100,000 in gross revenue or less than 200 RI transaction are not required to collect and remit taxes.
 - Updating current law to include 2018 sales tax expansion changes involving “software as a service”.

The Office of Revenue Analysis (ORA) estimates that the amount of e-commerce not currently being collected will be worth approximately \$11.5 million in FY2020. The estimate is derived by taking an ORA estimated amount of total e-commerce sales in Rhode Island and deducting an estimated fraction of those sales attributed to non-collecting retailers. This estimate is further adjusted for to account for a level of non-compliance. The estimate is contingent upon a July 1, 2019, start date.

Commercial Building Services: Article 5 requires sales tax to be collected on a large array of services that are provided to commercial buildings. The specific services as delineated by the North American Industry Classification System (NAICS) are janitorial services, landscaping services, carpet/upholstery cleaning services, extermination/pest control services, and other building services.

Services provided to a residential building are exempt. For mixed-use property, taxes would apply. Services supplied by a building owner to a business leasing office space are taxed upon the entire rental charge, unless separately stated.

ORA utilized NAICS and U.S. Census data to determine the percentage each service sector represented in Rhode Island. From this estimate, ORA calculated a “leakage” factor, to account for a reduction in the use of these services due to the tax, and a non-compliance factor. At the time of the Budget’s submission, ORA’s estimate of sales tax revenue was \$6.2 million, based on a January 1, 2020, start date.

Analyst Note: The estimate for sales tax revenue derived from commercial building services was revised by the Office of Management and Budget in February 2019. The new estimate is \$10.1 million.

Digital Downloads: Rhode Island has taken several steps to modernize the State’s sales and use tax in an effort to align with technological advances in the way commerce is conducted. For example, the 2018 General Assembly defined vendor-hosted prewritten computer software as a “service” that is subject the sales tax. Likewise, the enactment in 2018 of new framework aimed at facilitating tax collections on remote, internet-based sales was an attempt to keep up with modern retail.

FY2020 Revenue - Digital Content	
Video	\$1.5
Music	0.6
Books	0.5
Total	\$2.6
<i>\$ in millions</i>	

Article 5 continues this modernization by expanding the sales tax to digitally downloaded content. According to the Office of Revenue Analysis (ORA), half of all states currently tax this content. This 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.

ORA utilized 2017 data from three industry groups – the Digital Entertainment Group, the Recording Industry Association of America, and AuthorEarnings – to determine an estimate on the value of digital content consumption in the U.S. ORA then scaled the value to Rhode Island using census data. From this estimate, ORA’s modeling projects \$2.6 million in sales tax collection as a result of this initiative based on an October 1, 2019, start date.

Interior Designers: Sales tax is expanded to include interior design services. The specific services as delineated by NAICS are specialized design services (interior design). ORA estimates \$460,999 in FY2020 revenue based on a January 1, 2020, start date.

Analyst Note: The estimate for sales tax revenue derived from interior design services was revised by the Office of Management and Budget in February 2019. The new estimate is \$754,836.

Hunting and Shooting: Article 5 expands the sales tax base to include rod and gun clubs, shooting ranges, and hunting, fishing, and game preserves.

Rhode Island has nine private hunting and game reserves and 27 shooting ranges. The Department of Environmental Management also owns a shooting range that is open to the public. For the purposes of Article 5, the services subject to the tax are those delineated by NAICS as “hunting and trapping” services. The sales tax would apply to charges paid for the right or privilege to access a place where these services are provided. This includes dues and membership fees. Special assessments of club members for capital improvements are exempt; however, any of these funds left unexpended would be taxable three years after

the assessment. ORA's modeling projects \$604,088 in FY2020 revenue based on an October 1, 2019, start date.

Lobbying: For purposes of the sales tax, lobbying means “acting directly or soliciting others to act for the purpose of promoting, opposing, amending, or influencing any action or inaction by any member of the executive or legislative branch of state government or any public corporation”, or “any regional or municipal government, agency, or board”. It does not include these activities if directed towards the federal government, another state, or another country. It also does not include political consulting, public relations services, or public relations consulting services.

There are approximately 328 registered lobbyists in the State. Using an October 1, 2020, start date, ORA estimates \$942,274 in new revenue.

Analyst Note: The estimate for sales tax revenue derived from lobbying services was revised by the Office of Management and Budget in February 2019. The new estimate is \$297,151.

Employer Public Assistance Assessment

\$15.6 million

The Budget includes \$15.6 million in revenue associated with the proposed employer public assistance assessment. Article 16 of the Budget amends RIGL 40-8.4 to create the assessment effective October 1, 2019. Employers who do not offer sponsored health insurance, or whose premiums are too expensive for some employees, create incentives for those employees to enroll in subsidized health care programs, such as Medicaid, which shifts the financial burden to the State. This proposal would require large, for-profit companies to compensate the State for each employee enrolled in Medicaid. This includes companies with at least 300 employees but excludes non-profit and government entities.

The assessment would require employers to pay 10.0 percent of wages for each employee enrolled in Medicaid, up to an annual maximum of \$1,500 per employee. This applies to both part-time and full-time staff, but does not apply to employees who are enrolled in Medicaid due to a disability. Employers would be assessed on a quarterly basis. According to EOHHS, this would apply to approximately 140 companies in Rhode Island.

The article also establishes a right of appeal for employers who are deemed liable for the assessment. Specifically, the employer must submit a request for appeal with the Department of Labor and Training (DLT) within fifteen days of receipt of their quarterly bill. The article also enables employers to issue a request for review of Medicaid eligibility with the Department of Human Services (DHS). Employers are strictly prohibited from taking adverse action against an employee on the basis of the employee's status as a Medicaid beneficiary.

This proposal would require coordination between the Departments of Administration, Revenue, Human Services, and Labor and Training, along with the Executive Office of Health and Human Services. The assessment is estimated to generate \$15.6 million in new revenues in FY2020, offset by approximately \$1.1 million in implementation costs. This estimate is based on FY2018 Medicaid enrollment data from EOHHS and wage data from the Employer Tax Division at the Department of Revenue.

The estimate only included non-disabled employees who were over the age of 18, were enrolled in Medicaid for a full quarter, and earned a minimum of \$500 within each quarter of FY2018.

Given the October 2019 start date, the first assessment would apply to enrollment and wage data from the second quarter of FY2020, or October through December of 2019. The estimate accounts for the fact that there would only be a three-quarter year impact. Future year estimates include the full-year impact, increased by wage and salary growth rates adopted by the November 2018 Revenue Estimating Conference.

Analyst Note: Based on this methodology, the fourth quarter assessment would be based on data from March through June of 2020, which would not be available until after the end of the fiscal year. This would mean that employers would not be notified of their liability, and assessments would not be paid, until July 2020 at the earliest. Unless the revenue is booked as a receivable, this assessment would not have a three-quarter year impact in FY2020.

Quasi-Public Reserve Transfers**\$7.0 million**

The Budget requires that several quasi-public entities transfer reserves to the State Controller by June 30, 2020, to be deposited into the General Fund. This includes \$4.0 million from the Rhode Island Infrastructure Bank, \$1.5 million from Rhode Island Housing and Mortgage Finance Corporation, and \$1.5 million from Rhode Island Student Loan Authority. The transfers combine for a total of \$7.0 million in new revenue for FY2020. The following table shows the mandated quasi-public transfers in both FY2019 and FY2020.

Agency	FY2019	FY2019	Change	FY2020	Change
	Enacted	Governor		Governor	
Health and Educational Building	-	\$2.0	\$2.0	-	-
Infrastructure Bank	4.0	4.0	-	4.0	-
RI Housing	-	2.5	2.5	1.5	1.5
Quonset Development Corporation	-	2.0	2.0	-	-
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)
Total	\$4.8	\$21.2	\$16.4	\$7.0	\$2.2

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

Marijuana Program Revenue**\$6.5 million**

The Budget includes \$6.5 million in revenue associated with the proposed Adult-Use Marijuana program. The revenue impact results from a combination of new excise taxes, increased sales tax activity, and fees. All marijuana revenue would be transferred into the Marijuana Trust Fund; 25.0 percent of the funds would be allocated for State expenditures to be distributed to the appropriate agencies based on need, 15.0 percent of funds would be dedicated to municipalities, and 60.0 percent of funds would be transferred to the general fund. In FY2020, general revenues are offset by \$3.8 million for the implementation costs of the adult-use marijuana program.

Initiative	Impact
Revenues from CBD, Medical Marijuana Changes and Adult-Use Marijuana Market	\$15,994,740
Adult-Use Additional Year 1 Expenditures	(3,761,694)
Share Dedicated to Expenditures (25%)	(3,578,924)
Share Dedicated to Municipalities (15%)	(2,147,354)
Total	\$6,506,768

Revenues from CBD, changes to the Medical Marijuana program, and new Adult-Use Marijuana market are estimated to be \$16.0 million before distribution to municipalities and other statutory recipients. The revenue streams are summarized in the following table:

FY2020 Revenue Impact of Article 20

Initiative	Impact
Adult-Use Tax Revenue	\$7,216,809
Medical Marijuana Cultivator Excise Tax Revenue	4,240,212
Adult-Use Licensing Fee Revenue	3,653,700
Medical Marijuana Processor Fees	390,000
Restricted Medical Home Growth	203,165
New Compassion Center Application & License Fees	190,000
Cannabidiol Wholesale Tax	100,854
Total	\$15,994,740

Adult-Use Tax Revenue: The Budget includes \$7.2 million in retail tax revenue, including a 10.0 percent excise tax, a 7.0 percent sales tax rate, and a weight-based cultivator tax. The cultivation tax includes a \$10 fee per ounce of flower, which is used to make products that are smoked, and a \$3 tax on each ounce of trim, which is used for other products. The retail taxes and the cultivation taxes equal a total effective tax rate of approximately 20.0 percent.

Medical Marijuana Cultivator Excise Tax Revenue: The Budget includes \$4.2 million from a cultivator tax on marijuana that is grown for medical marijuana patients. Estimated revenues are from both new and existing compassion centers.

Adult-Use Licensing Fee Revenue: The Budget includes \$3.7 million in application fees and licensing fees from changes to medical marijuana licenses and new adult-use marijuana licenses. License fees are required for marijuana retailers, processors, cultivators, and employees who work in the marijuana industry.

License	Revenue
Cultivator	\$1,440,000
Retail	1,000,000
Manufacturer	955,200
Delivery	100,000
Employee	73,500
Lab	85,000
Total	\$3,653,700

Medical Marijuana Processor Fees: The Budget includes \$390,000 in revenues from the new \$25 medical marijuana processor licensing fee, which is required to process the plants into marijuana products.

Restricted Medical Home Growth: The Budget includes a net revenue impact of \$203,165 from the changes to the home growth of marijuana for medical marijuana patients. An increase of \$453,165 in sales tax revenue is offset by an estimated \$250,000 decrease in revenue from medical marijuana plant tags.

New Compassion Center Application and License Fees: The Budget includes \$190,000 from the licensing of six new medical marijuana compassion centers. All new compassion centers will be required to pay an application fee of \$10,000 and a licensing fee of \$50,000. The licensing fee is decreased from \$250,000 to \$50,000 in FY2020.

Cannabidiol Wholesale Tax: The Budget includes \$100,854 in revenues from the wholesale tax on cannabidiol products, or cannabis with tetrahydrocannabinol (THC) levels less than 0.3 percent, at a wholesale tax rate of 80.0 percent.

Cigarette & Other Tobacco Revenue Changes **\$4.6 million**

The Budget includes \$4.6 million in revenue from an increase in the cigarette excise tax and other tobacco taxes, including the expansion of the excise tax on electronic cigarettes.

Cigarette, OTP, and E-Cig Licensing Fiscal Impact	
Cigarette Excise Tax Increase	\$3,079,250
Max Cigar Excise Increase	647,705
Cigarette, OTP, and E-Cig Licensing Fee	535,000
Increase and Other Changes	
E-Cigarette Excise Tax	353,746
Total	\$4,615,701

Excise Tax on Cigarettes: Article 5 increases the excise tax levied on cigarettes by \$0.25 per pack of cigarettes, raising the total tax from \$4.25 to \$4.50 per pack of twenty, or to the equivalent of \$0.23 per cigarette. According to ORA, the total retail price will increase by \$0.30, from \$10.52 to \$10.82 per individual pack. According to the Department of Revenue, this amount is \$0.60 less than the average total retail price in Massachusetts, and \$0.35 per pack below Connecticut. Floor stock tax is assessed at the same rate per pack of cigarettes. The additional excise, floor, and associated sales taxes from this change is estimated to generate an additional \$3.1 million in revenue.

Cigarette Tax Revenue Impact	
Revenue Item	FY2020
Cigarette Excise Tax	\$2.5
Cigarette Floor Tax	0.7
Sales and Use Tax	(0.1)
Total	\$3.1

\$ in millions
Source: Office of Revenue Analysis

Impact of Cigarette Excise Increase and Regional State Comparison

	Rhode Island		Massachusetts		Connecticut		
	Current	Proposed					
Base Price per Pack in \$	\$4.78	\$4.78		\$4.86		\$4.78	
Excise Tax in \$	4.25	4.50		3.51		4.35	
<i>Subtotal base price + Excise</i>	9.03	9.28		8.37		9.13	
Wholesale Markup	2.0%	0.18	0.19	2.0%	0.17	6.5%	0.59
Wholesale Cartage	0.75%	0.07	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.56	0.57	25.0%	2.15	8.0%	0.78
<i>Total Base Cost</i>	9.83	10.11		10.75		10.50	
Sales Tax	7.0%	0.69	0.71	6.25%	0.67	6.35%	0.67
Total Price per Pack	\$10.52	\$10.82		\$11.42		\$11.16	

Source: ORA

Note: The Office of Revenue Analysis calculated base price per pack using available data on states' websites. No base price for CT was available, so it was assumed that CT would have the same base price as RI.

In determining the revenue estimate, ORA takes into consideration the elasticity of the price of cigarettes. The \$0.25 excise tax increase amounts to a 5.9 percent price increase. Applying elasticity from decreased demand as calculated from previous tax increases results in a net estimated revenue increase of 2.2 percent.

Cigars: The Budget increases the maximum tax imposed on cigars sold in the State. The current maximum tax is set at \$0.50 per cigar. Article 5 raises it to \$0.80 effective August 1, 2019. According to the ORA, cigars with a wholesale cost of over \$0.625 per cigar are taxed at the maximum rate. In FY2018, approximately 2.2 million cigars were taxed at this level. Cigars with a wholesale cost less than \$0.625 are taxed at the standard OTP rate of 80.0 percent of the wholesale. ORA estimates increasing the maximum cigar tax will generate \$647,705 in new general revenue in FY2020.

E-Cigarettes: Article 5 increases the regulation of electronic cigarette (e-cigarette) related products.

- **Definitions:** The article establishes the following legal definitions for e-cigarette related products for the purposes of State-level regulation:

- **Electronic nicotine delivery system:** An electronic device that may be used to simulate smoking in the delivery of nicotine or other substance to a person inhaling from the device, including, but not limited to, electronic versions of cigarettes, cigars, cigarillos, pipes, hookahs, e-liquid, or any related device or cartridge, or component of such device.
- **E-liquid and e-liquid products:** Any liquid or substance placed in or sold for use in an electronic delivery system which generally utilizes a heating element that vaporizes or combusts a liquid or other substance containing nicotine or nicotine derivative whether sold separately or in combination with a vaporizer, inhaler, or electronic nicotine delivery system.
- **New Excise Tax:** Article 5 subjects e-liquid products to the “other tobacco products” (OTP) excise tax at the rate of 40.0 percent of the wholesale cost. This is half the rate applied to the other categories of OTP. Using e-liquid and e-cigarette revenue data from other states, ORA projects that excise taxes associated with e-cigarettes will generate \$353,746 in general revenue in FY2020.

Consolidated Tobacco/E-cigarette Regulation and Licensing: Licensing and transaction regulations for dealers and distributors of cigarettes, vaping products, cigars and other tobacco products vary significantly under current law. Article 5 makes several changes to this regulation. The various classes of licensees that are subject to the changes in fees and regulation are defined in RIGL 44-20-1.

Class	Definition
Stamping	Cigarettes require Taxation stamp. Refers to all classes involved with the sale of cigarettes in RI.
Non-Stamping	OTP and electronic cigarette related products do not require stamps. Refers to all classes involved with their sale in RI.
Dealer	Any person, whether located within or outside of this state, who sells or distributes cigarettes, other tobacco products to a consumer in this state.
Distributor	Any person, whether located within or outside of this state, other than a dealer, who: <ol style="list-style-type: none"> 1) Sells or distributes cigarettes and/or other tobacco products within or into this state; 2) Sells cigarettes and/or other tobacco products directly to consumers in this state by means of at least twenty-five (25) vending machines; 3) Engages, in this State, in the business of manufacturing cigarettes and/or other tobacco products or any person engaged in the business of selling cigarettes and/or other tobacco products to dealers, or to other persons, for the purpose of resale only; provided, that seventy-five percent (75%) of all cigarettes and/or other tobacco products sold by that person in this state are sold to dealers or other persons for resale and selling cigarettes and/or other tobacco products directly to at least forty (40) dealers or other persons for resale; or 4) Maintains one or more regular places of business in this state for that purpose; provided, that seventy-five percent (75%) of the sold cigarettes and/or other tobacco products are purchased directly from the manufacturer and selling cigarettes and/or other tobacco products directly to at least forty (40) dealers or other
Manufacturer	Any person who manufactures, fabricates, assembles, processes, or labels a finished cigarette and/or other tobacco products.
Importer	Any person who imports into the United States, either directly or indirectly, a finished cigarette or other tobacco product for sale or distribution

Article 5 makes the following changes:

- **Regulatory Agency:** Dealers and distributors of cigarettes and OTP are currently required to be licensed through the Division of Taxation. E-cigarette related product dealers and distributors are licensed by the Department of Health. The Budget shifts this regulatory function to the Division of Taxation, but does not include any transfer of funding or staff.

- Transactions Requiring a License:** Currently, manufacturers or importers of cigarettes are only permitted to sell their products into Rhode Island if they are purchased by a licensed cigarette dealer or distributor. That is not currently the case for OTP and e-cigarettes. Similarly, in-State dealers, distributors, and importers are not permitted to purchase or receive cigarettes from manufacturers or importers that are not licensed by the Division of Taxation. This also is not currently the case for OTP and e-cigarette-related products.

Class	Fee	Current	Article 5	Change
Importer	Application	\$1,000	\$1,000	-
Distributor	Application	1,000	1000	-
Non-stamping Distributor	Application	150	250	100
Dealer	Application	25	75	50
Dealer	License	-	250	250
Dealer	Renewal	25	250	225

Note: According to the OMB the \$250 non-stamping distributor and dealer license fees are supposed to be \$400. An amendment is expected. The revenue estimate is based on the \$400 amount. GBA dated 2.25.19 corrects the amounts.

Article 5 makes all OTP and e-cigarette related products subject to the same transaction rules as cigarettes. OTP and e-cigarettes would only be allowed to be purchased by in-State dealers, distributors, manufacturers, and importers who are licensed by the Division of Taxation. Smoking bars, however, are specifically exempted by Article 5 from being required to have a specific license to receive OTP from out-of-State manufacturers or importers.

- Fee Changes:** Article 5 increases fees related to the various classes of businesses associated with cigarette, OTP, and e-cigarette-related products. The Office of Management and Budget (OMB) estimates that these changes will yield \$535,000 in FY2020, based on the assumptions related to the number of licensees shown in the table to the right.

Class	Licensees
Non-Stamping Distributor/Dealer	900
E-Cig Product Dealers	400
Non Compliant Dealers becoming Compliant	100
New Dealers	100
Total	1,500

Analyst Note: Article 5 raises three separate fees – dealer application, dealer renewal, and non-stamping distributor. The Office of Management and Budget indicates that the new fee amount as it currently appears in the article is incorrect. Section 14 of the article raises the fees to \$250. OMB States that it should be \$400. OMB notes that the revenue estimate of \$535,000 was based on the \$400 amount and that a Governor’s Budget Amendment request will be forthcoming.

Hotel Tax Changes**\$4.4 million**

The Budget includes \$4.4 million associated with the proposal to increase the State's hotel tax an additional 1.0 percent. Section 10 of Article 5 raises the State's hotel tax rate from 5.0 percent to 6.0 percent. Section 7 alters the distribution of the State hotel tax.

State Hotel Tax Increase: Article 5 increases the State hotel tax from 5.0 percent to 6.0 percent. All revenue raised from the additional 1.0 percent is to be deposited into the general fund. The Budget assumes an estimated \$4.5 million in additional general revenue in FY2020 from this tax increase.

State Hotel Tax Distribution: Article 5 also changes State hotel tax share ratios in order to ensure that the entire increase in the hotel tax goes to the general fund and not to the various entities under the current formula. The adjustments to the shares are summarized in the table to the right. These adjustments essentially provide the entities the same amount they would have received had the State hotel tax remained at 5.0 percent.

Location of Room Rental/ State Hotel Tax Recipient	Current Share of Hotel Tax (5.0 %)	Article 5 Share of Hotel Tax (6.0%)
Providence		
Providence Convention Authority	30.0%	25.0%
City of Providence	25.0%	20.8%
RI Commerce Corporation	21.0%	17.5%
Providence Warwick Convention Visitors Bureau	24.0%	20.0%
General Revenue	0.0%	16.7%
Warwick		
Warwick Department of Economic Development	30.0%	25.0%
City of Warwick	25.0%	20.8%
RI Commerce Corporation	21.0%	17.5%
Providence Warwick Convention Visitors Bureau	24.0%	20.0%
General Revenue	0.0%	16.7%
Omni Hotel (Providence)		
Providence Convention Authority	30.0%	25.0%
RI Commerce Corporation	50.0%	41.6%
Providence Warwick Convention Visitors Bureau	20.0%	16.7%
General Revenue	0.0%	16.7%
Statewide District*		
Municipality of Room Rental	25.0%	20.8%
RI Commerce Corporation	70.0%	58.3%
Providence Warwick Convention Visitors Bureau	5.0%	4.2%
General Revenue	0.0%	16.7%
All Other Locations in the State		
Regional Tourism District of Room Rental	45.0%	37.5%
Municipality of Room Rental	25.0%	20.8%
RI Commerce Corporation	25.0%	20.8%
Providence Warwick Convention Visitors Bureau	5.0%	4.2%
General Revenue	0.0%	16.7%
Rental Via Hosting Platform (ie. Airbnb)		
Municipality of Room Rental	25.0%	20.8%
RI Commerce Corporation	75.0%	62.5%
General Revenue	0.0%	16.7%

*Rooms rentals in Cranston, Foster, Johnston, N. Providence, Scituate, and W. Warwick

Analyst Note: According to OMB, the changes made to the distribution shares were calculated in such a way as to ensure that each entity would receive the amount of funds it would have if the tax had remained at 5.0 percent. In order for this to be true, however, the share percentage must be carried out to at least the ten-thousandths of a percentage point level, otherwise the amount received by the municipalities and other entities falls short by a marginal amount, with the difference going to the general fund. The article rounds to a tenth of a percent.

Beverage Containers and Hard to Dispose of Materials**\$3.1 million**

The Budget includes \$3.1 million in revenue resulting from the proposed increase in fees and taxes associated with hard to dispose of materials and cases of beverage containers.

Revenue	Impact
Beverage Container Fee Increase	\$2.1
Hard to Dispose of Materials Tax Increase	1.0
Total	\$3.1

\$ in millions.

The Taxation of Beverage Containers, Hard-to-Dispose Material, and Litter Control Participation Permittee Act (RIGL 44-44) was enacted in 1984 to provide funding for the litter reduction and recycling program and the hard-to-dispose material – control and recycling program.

Collections are deposited as general revenue. The table below outlines revenue collections associated with the Act:

	FY2017	FY 2018	FY 2019 YTD
Vehicle Title Fee	\$188,362	\$174,624	\$85,775
Antifreeze Tax	24,928	30,320	11,447
Organic Solvents	942	1,581	441
Motor Oil	487,453	608,223	233,214
Tire Sales	303,148	330,788	140,236
Beverage Container & Participation Fees	2,195,318	2,572,689	1,853,364
Total	\$3,200,151	\$3,718,225	\$2,324,477

Beverage Containers: A tax of four cents (\$0.04) is currently levied on each case of beverage containers sold by a beverage wholesaler to a beverage retailer or consumer within this State, excluding reusable and refillable beverage containers. The tax is collected by the beverage wholesaler and deposited as general revenue. The tax is applicable to beer, other malt beverages, and all non-alcoholic drinks except for milk. Section 17 of Article 5 doubles the tax to \$0.08 yielding an estimated \$2.1 million in new revenue.

Hard to Dispose of Materials: A tax is collected upon the sale by hard-to-dispose material wholesalers to hard-to-dispose material retailers. Every hard-to-dispose material retailer selling, using, or otherwise consuming any hard-to-dispose material in Rhode Island is liable for the tax imposed by this Act. The following table outlines the current tax rate for materials subject to collections and shows the changes proposed under Article 5, Section 17.

Material	per Unit of Measurement	Current Rate	Article 5	Change
Lubricating Oils	Quart (32.0 ounces)	\$0.05	\$0.10	\$0.05
	Liter	0.052	0.106	0.054
Antifreeze	Gallon	0.10	0.20	0.1
	Liter	0.0264	0.0528	0.0264
Organic Solvents	Gallon	0.0025	0.005	0.0025
	Liter	0.00066	0.00132	0.00066
Tire	per Tire	0.50	1.00	0.5
Vehicle Title Fee	each New Vehicle Sale	3.00	6.00	3.00
Beverage Containers*	per Case	0.04	0.08	0.04

*Does not include reusable and refillable containers

Lottery Changes

\$2.8 million

The Budget includes \$2.8 million in revenue in FY2020 associated with the expansion of sports betting to include mobile and remote wagering and mobile versions of traditional lottery games. The authorizing legislation is included in Article 3 of the FY2019 Supplemental Budget in order to facilitate timely implementation to realize the full revenue in FY2020.

Lottery Changes

Revenue Item	Impact
Article 3 Changes	\$3.0
Lottery Adjustment	(1.1)
Mobile App - Lottery Games	0.9
Total	\$2.8

Article 3 Changes: Gamblers in Rhode Island are currently permitted to place sports wagers only while physically on the premises of either of the State's two casinos and through sportsbook personnel, kiosks, or mobile devices. Article 3 expands the permission to include bets made online or through a mobile device while physically being within the geographic boundaries of the State.

Under the proposal, adults wishing to gamble on sporting events would be required to establish an account in person at the Twin River Lincoln or Tiverton facilities. Players would deposit funds into the account from which bets would be withdrawn. Payouts would be deposited into the account as well. All remote online or mobile wagers would be transacted through computer servers housed at the casinos.

- **Sports Betting Service Provider:** International Game Technology (IGT), in partnership with William Hill, was awarded the contract as the sports betting service provider in May 2018. As the provider, IGT is responsible for developing, putting into service, maintaining, and operating the remote betting platform for the State. This technology will first be implemented on premises at Twin River Lincoln and Tiverton. The platform will use geo-fencing technology to ensure that bets are confined to the legally authorized areas. Geo-fencing uses global positioning system (GPS) technology to determine where mobile devices and computers are located.

- **Revenue Projection Methodology:** The Office of Management and Budget (OMB) projects that mobile sports wagering will yield an additional \$3.0 million in revenue in FY2020. There is no impact in FY2019. In preparing its revenue estimate, OMB utilized a study conducted by Oxford Economics for the American Gaming Association, titled “Economic Impact of Legalized Sports Betting”. The study systematically looked at sports betting across the 50 states. The estimates for Rhode Island included in this study provide the foundation for OMB’s calculations.

The total amount wagered is known as the handle. According to the study, estimates of the sports betting handle for Rhode

Island range between \$813.6 million (for limited, location-based betting) to \$1,384.5 million (for convenient, statewide remote betting).

OMB adjusts the study’s estimated handle based on several factors associated with current and proposed conditions in Rhode Island. First, OMB applies a 39.0 percent marginal increase to the base handle to account for both the addition of mobile sports betting as proposed by Article 3 and the fact that Rhode Island will already have a limited form of remote betting in place at the start of FY2020. OMB then adjusts the handle further to account for the proposed January 1, 2020, start date. The estimate uses 2018 data from Nevada which shows that 46.0 percent of annual sports wagers take place between January and June. Based on these factors OMB estimates an adjusted handle of \$1,064.7 million.

After all winnings are paid, the amount of money left over is known as the hold. OMB uses a 5.9 percent hold percentage based on data from New Jersey’s experience with implementing mobile sports betting. This hold percentage is a reduction from the hold applied at the November 2018 Revenue Estimating Conference. The percentage is applied to the handle resulting in a hold of \$62.8 million.

Sports wagering revenue is the hold net certain offsets and distributions. The offsets include federal taxes, marketing expenses of the Lottery, and a specified share to hosting communities (\$100,000 each

Handle & Hold	OMB Estimate
Base Handle	\$902.6
Growth Rate of Handle	39.0%
Increase to Handle Related to Online Betting	\$352.4
Half-Year of Mobile Sports Betting %	46.0%
Half-Year of Mobile Sports Betting \$	\$162.1
Article 3 Handle	\$1,064.7
Hold Percentage	5.9%
Article 3 Hold	\$62.8
Offsets	
Federal Tax (.25% applied to Handle)	(\$2.7)
Marketing Expenses	(\$0.6)
Local Community Share (\$100K each: Lincoln and Tiverton)	(\$0.2)
Total Offsets	(\$3.5)
Distribution	
Article 3 Sports Betting Revenue (Net Total)	\$59.4
Twin River Share (17%)	\$10.1
IGT Share (32%)	\$19.0
State Share (51%) - Article 3	\$30.3
State Share (51%) - Nov. 18 REC	27.3
Article 3 Marginal Increase to the State Share	\$3.0

\$ in millions

for Lincoln and Tiverton). OMB estimates these to total \$3.5 million. The distributions are made to Twin River and IGT of sports betting revenue. These are estimated to be \$10.1 million and \$19.0 million, respectively. OMB calculates the State's total sports wagering share, inclusive of a half year of mobile sports wagering, to be \$30.3 million. The estimate then backs out the November 2018 Revenue Estimate Conference estimate for FY2020 of \$27.3 million, which does not include mobile sports betting. This yields a fiscal impact of \$3.0 million in general revenue from mobile sports betting.

Lottery Adjustment: The Budget includes a \$1.1 million reduction attributable to an error in the calculation of the final lottery transfer from casinos from the November 2018 Revenue Estimating Conference.

Mobile App – Lottery Games: The Budget includes \$900,956 in new revenue associated with the sale of traditional lottery products via a mobile application for smart phones and computers. Traditional lottery products include games such as Keno and instant scratch tickets. The Department of Revenue and the Office of Management and Budget have not provided details on the implementation of this initiative.

Professional License Fee Increases **\$1.8 million**

The Budget include \$1.8 million in new revenue associated with the proposed increase in licensing fees for mortgage loan originators and debt collectors.

- **Mortgage Loan Originators:** The current annual license fee for mortgage loan originators is \$100. Article 5 raises the fee to \$400. The increase is expected to generate \$1.3 million based on an assumption of approximately 3,119 licensees per year.
- **Debt Collectors:** The current annual license fee for mortgage loan originators is \$100. Article 5 raises the fee to \$750. The increase is expected to generate \$577,850 based on approximately 1,445 licensees per year

License	Current Annual License Fee	Article 5 Proposal	Estimated Revenue
Mortgage Loan Originator	\$100	\$400	\$1,247,400
Debt Collector	100	750	577,850
Total			\$1,825,250

DEM Fee Increases **\$1.5 million**

The Budget includes \$1.5 million in additional revenue collection based on an increase in various fees imposed and collected by the Department of Environmental Management (DEM). These fees are related to use of State camping grounds, beaches, and other State recreational facilities.

The Budget includes an increase in various user fees across the State parks system. The revenue generated from these increases is proposed to be invested pursuant to the recommendations from a State-commissioned report in 2018 report titled *Rhode Island State Parks Organization Management and Operations Study*. This report identifies investments needed to develop a sustainable approach to maintain State parks and beaches. The fee increases are intended to have those who use these resources support these new investments, especially users from out of State. According to the Department, the majority of State beach goers are from out of State, as are two-thirds of the campers. The fee increase includes increasing beach parking fees by \$2 a day or \$10 per season pass for residents, and \$4 a day or \$20 per season pass for non-residents. Camping fees would increase by \$4 to \$16 for residents, based on the desirability of the campground, and by \$16 to \$40 for non-residents. The proposal would also increase pavilion, golf, and other fees at Goddard and Newport. The fee increases are projected to raise an additional \$1.5 million in general revenue in FY2020.

Park Fee Increases	
Beach Parking	\$737,801
Camping Fees	692,338
Pavillion Golf, Etc.	104,757
Total	\$1,534,896

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

Rhode Island offers a tax credit incentive to attract and retain businesses focused on research and development (R&D). The credit, as currently configured, is 22.5 percent for the first \$111,111 of qualified R&D expenses. For expenses above \$111,111, the tax credit rate drops to 16.9 percent. The credit may be carried forward for seven years.

Article 12 changes the R&D tax credit structure in two ways. First, it expands the carryforward period from seven to fifteen years. It also creates a new transferable tax credit available to early stage companies.

The proposed new credit would be up to 22.5 percent of qualified R&D expenses and would be available starting July 1, 2019, to taxpayers that are either early stage companies or companies which are “substantially increasing” investment in R&D in Rhode Island.

Analyst Note: Article 12 does not define “early stage company” or a “company substantially increasing its investment in research and development in the state”. Rather, it notes that both terms will be defined by the RI Commerce Corporation through regulation.

Taxpayers awarded the credit may:

- Apply the tax credit, in whole or in part, to their tax liability; or
- Carry the credit forward for up to 15 years; or
- Sell, assign, transfer, or convey the tax credit.

Proceeds from the sale of these tax credits would be exempt from taxation by the State. Eligibility criteria for the credit are to be determined by the RI Commerce Corporation and set by regulation as are the rules for the selling and transferring of credits. Article 12 limits the amount of credits awarded annually to \$1.3 million. The Budget reduces revenue by the same amount in FY2020.

Analyst Note: According to Executive Office of Commerce (EOC), an early stage company is one that is in a nascent phase of capital raising and typically lacks enough business activity to generate a meaningful tax liability. The value of transferable R&D credits to such a firm is that they can be monetized through their sale, thereby making additional resources available to the company immediately. Commerce states that a 22.5 percent credit would be the highest in the Northeast, making Rhode Island more competitive in attracting R&D type companies.

Medicaid Revenue Changes**(\$1.1 million)**

The Budget includes a \$1.1 million revenue reduction due to proposed reductions in provider payment rates and other Medicaid savings initiatives. The following table summarizes the impacts:

Medicaid Revenue Changes	
Initiative	Impact
Nursing Home Provider COLA	(\$371,508)
Limit Hospice Rate Increase	(302,500)
Hospital Rate Freeze	(279,531)
Elimination of the Performance Goal Program	(102,758)
Dual Eligible Utilization Management	(55,103)
Reduction in C-Section Births	(5,700)
Total	(\$1,117,100)

Analyst Note: These initiatives are explained in greater detail in the Executive Office of Health and Human Services departmental budget analysis within the Departmental Summaries section of this report.

DMV Revenue Changes**(\$905,080)**

The Budget includes a net \$905,080 loss in revenue associated with several changes related to fees and requirements administered by the Division of Motor Vehicles (DMV).

DMV Revenue Changes

Initiative	Impact
License Plate Reissuance Elimination	(\$1.8)
Overweight and Oversize Vehicle Fees	0.5
DMV Tax Block	0.4
Total	(\$0.9)

License Plate Reissuance Elimination: Pursuant to RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. Enacted in 2009, the law required the first reissuance in 2011. This requirement has been delayed six times. In the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted delayed the reissuance until September 1, 2015; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017; the FY2018 Budget as Enacted delayed it until January 1, 2019; and the FY2019 Budget as Enacted delayed it until January 1, 2020. Article 7 of the Budget eliminates the reissuance requirement altogether.

The purpose of the reissuance includes the reduction in motor vehicle registration fraud, revenue generation, and improving law enforcement's ability to identify vehicles. Each of the delays, however, has been accompanied by a different, overriding rationalization.

The net fiscal impact of eliminating the license plate reissuance is an approximate loss of \$600,000 in FY2020. This reflects a \$1.8 million loss in departmental fees associated with the \$6.00 per plate reissuance fee, and a savings of \$1.2 million in operational and personnel implementation costs.

Overweight and Oversize Vehicle Permit Fees: Under current law, the Department of Transportation (DOT) may approve the issuance of special permits for the operation of vehicles exceeding 80,000 lbs. Article 8 expands the DOT's ability to approve permits for vehicles exceeding 130,000 lbs.

The article 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 per-trip fee for non-divisible loads exceeding 130,000 lbs. increases from \$20 to \$300. The article also increases the annual fee for non-divisible loads of less than 130,000 lbs. from \$300 to \$400. The operator of the overweight/oversize vehicle may pay the annual fee in lieu of individual per-trip fees.

The DOT issues OOVPs, but the Division of Motor Vehicles (DMV) collects the associated fees. The fee changes are estimated to generate an additional \$501,840 which will be payable to the DMV and deposited as general revenue.

Overweight, Oversize Vehicle Permit Fees	Trips	Original Fee	Fee Increase	Proposed Fee Total	Additional Revenue
Single Trip (80,000 - 130,000 lbs.)	8,181	\$20.00	\$20.00	\$40.00	\$163,620
Single Trip (over 130,000 lbs.)	1,164	20.00	280.00	300.00	325,920
Annual Trip Fee (under 130,000 lbs.)	123	300.00	100.00	400.00	12,300
Total					\$501,840

Source: RI Dept. of Transportation

DMV Tax Block: The Division of Motor Vehicles (DMV) blocks individuals from conducting vehicle registration transactions if local personal property or excise taxes on a motor vehicle remains unpaid. The 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 provided free of charge to municipalities.

Article 5 authorizes the DMV to charge municipalities \$5.00 per individual to block vehicle registrations on those delinquent in their property tax payments. In FY2018, 125,605 blocks were placed by the DMV. DMV estimates that the initiative will yield \$406,250 in FY2020 revenue.

Firearms Excise Tax

\$804,305

The Budget includes \$804,305 in new revenue associated with the proposed new excise tax to be imposed on the sale of firearms and ammunition in Rhode Island.

Collection and Remittance: A 10.0 percent surcharge would 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. Retail dealers must remit the sales taxes on the 20th day following the month in which the sale was made. Article 5 also establishes a framework for claiming refunds and filing appeals.

Revenue: ORA used a tax simulation model that estimated the size of the firearms market in Rhode Island and took into account several factors. The model looked at the sales distribution across long guns (rifles and shotguns) and handguns. Long guns may be purchased out-of-State but a Rhode Islander may only purchase a handgun from an in-State licensed dealer. Because RI would be the first state in the region with such an excise tax, ORA factored into its estimate elasticity for out-of-State purchases. Based on an October 1, 2019, start date, ORA estimates that the excise tax would yield \$804,306.

Exemptions: Article 5 exempts weapon and ammunition purchases made by the military, military personnel, veterans' organizations associated with the military, and law enforcement from the excise tax. Starter pistols are also exempt.

DOR Revenue Enhancements

\$750,000

The Budget includes \$750,000 in additional revenues which are estimated to be collected as a result of personnel and operations enhancements within the Division of Collections at the Department of Revenue (DOR).

Article 4 of the Governor's FY2019 Budget proposal provided the Division of Collections with the authority to enter into external contingency contracts. The ability to enlist outside professionals was a tool to enhance debt collection. The General Assembly did not provide this authorization in the FY2019 Budget as Enacted. Department officials argue that this prevents the unit from contracting legal services of any type. Based on this argument, DOR requested, and the Governor recommends, adding an attorney to the Division. The Budget includes \$115,823 from general revenues to cover the personnel costs of the new attorney.

The Division was established with 7.0 FTE positions in FY2019. A Chief of Legal Services runs the unit. The other staff include an Administrative Officer, a Billing Specialist, 2.0 Accountants and 2.0 Senior Accountants. According to the Department, the unit had not generated additional revenue through November 2018 but is expected to meet its budgeted revenue target of \$1.3 million in FY2019.

The Budget also provides for a new custom case management IT system. Currently, the unit uses general cloud-based services to address their casework and workflow. The Department argues that a tailored system would increase productivity and efficiency. Operational funding of \$111,000 in FY2020 is split between computer/software equipment costs (\$51,000) and IT programming costs (\$60,000).

SARA Fees

(\$86,500)

The Budget establishes a new restricted receipt account for fees associated with distance learning education courses. The fees are currently deposited as general revenue. The Budget reduces general revenue by \$86,500.

Section 3 of Article 2 of the Budget amends RIGL 16-59-6 to create the State Authorization Reciprocity Agreement (SARA) fees restricted receipt account within the Office of the Postsecondary Commissioner. SARA is an agreement among member states, the 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.

The following institutions have been approved to participate in RI-SARA: Brown University, Bryant University, Johnson & Wales University, New England Institute of Technology, Roger Williams University, Salve Regina University, and the University of Rhode Island. RI-SARA institutions pay an application fee to RI-SARA and a national fee to NC-SARA. Once an institution is approved, these fees provide reciprocity for the Rhode Island institutions to operate in every NC-SARA. Approved RI-SARA institutions pay an annual fee to remain authorized.

All fees related to interstate reciprocity agreements regarding postsecondary distance will be deposited and disbursed from this account. Projected receipts are \$86,500 and the account will be exempt from the indirect cost recovery provisions of RIGL 35-4-27.

FY2019 SUPPLEMENTAL CHANGES

Transfers

\$16.4 million

The FY2019 Supplemental Budget includes \$21.1 million of quasi-public reserve and other transfers. This is \$16.4 million more than the FY2019 Budget as Enacted level.

Article 1 proposes additional transfers to be made to the State Controller by June 30, 2019, to support the General Fund. The article also proposes the transfer of funds from two restricted receipt funds and the transfer of unexpended bond proceeds to the General Fund. This includes \$5.0 million from the Rhode Island Resource Recovery Corporation, \$2.5 million from Rhode Island Housing and Mortgage Finance Corporation, \$2.0 million from the Quonset Development Corporation, \$2.0 million from the Health and Education Building Authority, \$1.5 million from Rhode Island Student Loan Authority, and \$3.4 million from transfers of unexpended restricted receipt accounts and bond proceeds. The following table illustrates the required transfers for FY2018 and FY2019:

Agency	FY2019 Enacted	FY2019 Governor	Change
Health and Educational Building	-	\$2.0	\$2.0
Infrastructure Bank	4.0	4.0	-
RI Housing	-	2.5	2.5
Quonset Development Corporation	-	2.0	2.0
RI Resource Recovery	-	5.0	5.0
RI Student Loan Authority	-	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	-
Total	\$4.8	\$21.2	\$16.4

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

Lottery Adjustment

(\$128,364)

The FY2019 Supplemental Budget includes a \$128,364 reduction attributable to an adjustment to the final lottery transfer from casinos from the November 2018 Revenue Estimating Conference.

Limit Hospice Rate Increase

(\$126,650)

The FY2019 Supplemental Budget includes a \$126,650 reduction attributable to a technical correction in the calculation of a rate increase to hospice providers. This adjustment reduces payments to certain providers in nursing homes, resulting in a loss of revenue from the 5.5 percent nursing home provider tax.

Municipal Aid

The Budget modifies or reduces several of the State's municipal aid programs in FY2020. Article 9 of the Budget makes significant changes to the Motor Vehicle Excise Tax Phase-out program that results in \$16.3 million general revenue savings in FY2020, but reduces expected tax relief for vehicle owners by the same amount. The Budget funds the Payment in Lieu of Taxes (PILOT) program at \$40.8 million, which is \$5.3 million less than the Enacted level. The Airport Impact Aid program is also reduced in FY2020 by \$247,396 as compared to the FY2019 Enacted level.

Distressed Community Relief Aid and Library Grant-in-Aid are level-funded in FY2020. The Meal and Beverage Tax and Hotel Tax collections are projected to decrease by a total of \$2.5 million for FY2020 based on estimated collection rates.

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

Program	FY2018	FY2019	FY2019	Change from		FY2020	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Payment in Lieu of Taxes	\$45.2	\$46.1	\$46.1	-	-	\$40.8	(\$5.3)	-11.5%
Distressed Communities	12.4	12.4	12.4	-	-	12.4	-	-
Motor Vehicle Excise Tax	36.0	54.7	56.2	1.5	2.8%	77.9	23.2	42.4%
State Aid to Libraries								
Grant-in-Aid	9.4	8.6	8.6	-	-	8.6	-	-
Library Construction	2.2	2.2	2.2	-	-	1.9	(0.3)	-13.6%
Total Direct Aid	\$105.2	\$123.9	\$125.5	\$1.5	1.2%	\$141.6	\$17.6	14.2%
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%
Total Indirect Aid	\$53.1	\$56.1	\$52.5	(\$3.6)	-6.4%	\$53.7	(\$2.5)	-4.5%
Total Aid	\$158.3	\$180.0	\$178.0	(\$2.1)	-1.2%	\$195.3	\$15.1	8.4%

\$ 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 decreases by \$5.3 million from the FY2019 Enacted level, to \$40.8 million. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. PILOT is funded at 23.6 percent in FY2020. This is the first time it has been funded below the 27.0 percent cap since FY2016.

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	9.8%	27.0%
2020	40.8	-2.7%	23.6%

\$ in millions.

Analyst Note: Article 9 of the Budget provides municipalities with the authority to levy property taxes on non-mission related property owned by large non-profit hospitals and universities. This reduction in PILOT, however, is not related to any specific, corresponding estimate of reduced property tax revenue related to non-mission, nonprofit higher education or hospital property.

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
	Governor	Governor	
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)
Total	\$12,384,458	\$12,384,458	-

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.

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.

Article 9 of the FY2020 Budget makes several changes to the phase-out formula. These include:

- **Assessment Ratio:** When determining the value of a vehicle for purposes of the motor vehicle excise tax levy, municipalities typically use an amount that is a function of the “clean retail” value reported in the National Automobile Dealers Association Official Used Car Guide-New England Edition. The car tax phase-out formula places a graduated cap on the percentage of “clean retail” that assessors may use. Article 9 modifies these caps from 85.0 percent to 87.5 percent in FY2020, 80.0 percent to 84.0 percent in FY2021, 75.0 percent to 79.0 percent in FY2022, and 70.0 percent to 67.5 percent in FY2023.
- **Exemption Minimum:** Municipalities typically permit a partial minimum exemption on the value of a vehicle for purposes of levying their property taxes. The car tax phase-out formula establishes graduated minimum levels over the seven year phase-out. Article 9 reduces the FY2020 minimum from \$3,000 to \$2,800, the FY2021 minimum from \$4,000 to \$3,800, and the FY2022 minimum from \$5,000 to 4,800.
- **Excise Rate Cap:** The various municipal property tax excise rates in effect in 1998, when the first car tax reforms were enacted, were frozen until the FY2018 Budget as Enacted. At that time, an excise tax cap was established and gradually reduced until the complete phase-out in FY2024. Article 9 modifies the annual cap for FY2020, raising it from \$35 per \$1,000 of value to \$40. It also raises the cap in FY2023 from \$20 per \$1,000 value to \$25.

These changes essentially shift the large general revenue impact scheduled for FY2020 out to FY2022. Under the current formula, the general revenue supported car tax phase-out State aid grows 82.1 percent in FY2020 and only 26.2 percent in FY2022. The formula, as modified by Article 9, grows State aid by 46.9 percent in FY2020 and a 72.6 percent in FY2022. Overall, Article 9 moderates the year-over-year increases as compared to the current formula. The following table outlines the various changes to the car tax formula in Article 9 and their impact:

Assessment Ratio			
Fiscal Year	Current	Article 9	Change
FY2018 Baseline	100.0%	100.0%	-
FY2018	95.0%	95.0%	-
FY2019	90.0%	90.0%	-
FY2020	85.0%	87.5%	2.5%
FY2021	80.0%	84.0%	4.0%
FY2022	75.0%	79.0%	4.0%
FY2023	70.0%	67.5%	-2.5%
FY2024	N/A	N/A	N/A

Exemption Minimum			
Fiscal Year	Current	Article 9	Change
FY2018 Baseline	\$500	\$500	-
FY2018	1,000	1,000	-
FY2019	2,000	2,000	-
FY2020	3,000	2,800	(200)
FY2021	4,000	3,800	(200)
FY2022	5,000	4,800	(200)
FY2023	6,000	6,000	-
FY2024	N/A	N/A	N/A

Excise Rate Cap			
Fiscal Year	Current	Article 9	Change
FY2018 Baseline	N/A	N/A	N/A
FY2018	\$60	\$60	-
FY2019	50	50	-
FY2020	35	40	5
FY2021	35	35	-
FY2022	30	30	-
FY2023	20	25	5
FY2024	N/A	N/A	N/A

Comparison Between Current Law and Governor's Proposed Motor Vehicle Tax Phase-out

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Current Law							
State Assessment Ratio	95.0%	90.0%	85.0%	80.0%	75.0%	70.0%	-
Rate Cap	\$60	\$50	\$35	\$35	\$30	\$20	-
Exemption Amount	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	-
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$84,275,463	\$105,314,412	\$132,917,367	\$167,127,304	\$224,421,893
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$37,993,163	\$21,038,949	\$27,602,955	\$34,209,936	\$57,294,589
Taxed Car Count	602,385	593,702	568,413	514,521	451,273	389,426	-
Cars Dropped from Tax Roll	150,923	8,683	25,289	53,892	63,248	61,848	389,426
Governor's Proposal							
State Assessment Ratio	95.0%	90.0%	87.5%	84.0%	79.0%	67.5%	-
Rate Cap	\$60	\$50	\$40	\$35	\$30	\$25	-
Exemption Amount	\$1,000	\$2,000	\$2,800	\$3,800	\$4,800	\$6,000	-
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$67,989,394	\$93,708,856	\$122,751,500	\$161,506,088	\$224,421,893
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$21,707,094	\$25,719,462	\$29,042,644	\$38,754,588	\$62,915,805
Statewide Aid Variance			(\$16,286,069)	(\$11,605,556)	(\$10,165,867)	(\$5,621,216)	-
Taxed Car Count	602,385	593,953	578,408	537,996	478,892	384,023	-
Variance from Current	-	251	9,995	23,475	27,619	(5,403)	-
Cars Dropped from Tax Roll	150,923	8,432	15,545	40,412	59,105	94,869	384,023
Variance from Current	-	(251)	(9,744)	(13,480)	(4,143)	33,021	(5,403)

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	11.7	0.9%
2019	9.4	2.2	11.7	-
2020	8.6	1.9	10.5	-9.8%

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

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

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. 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, decreasing to \$29.8 million in FY2020.

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.

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.

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

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).

Section 10 of Article 5 raises the State's hotel tax rate from 5.0 percent to 6.0 percent. Section 7 alters the distribution of the state hotel tax.

State Hotel Tax Increase: Article 5 increases the State hotel tax from 5.0 percent to 6.0 percent. All revenue raised from the additional 1.0 percent is to be deposited into the general fund. The Budget assumes an estimated \$4.5 million in additional general revenue in FY2020 from this tax increase.

State Hotel Tax Distribution: Article 5 also changes State hotel tax share ratios in order to ensure that the entire increase in the hotel tax goes to the general fund and not to the various entities under the current formula. The adjustments to the shares are summarized in the table below. These adjustments essentially provide entities with the same

amount they would have received had the state hotel tax remained at 5.0 percent. The total distribution to municipalities is estimated to be \$10.3 million for FY2019 and \$10.5 million for FY2020.

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.

Location of Room Rental/ State Hotel Tax Recipient	Current Share of Hotel Tax (5.0 %)	Article 5 Share of Hotel Tax (6.0%)
Providence		
Providence Convention Authority	30.0%	25.0%
City of Providence	25.0%	20.8%
RI Commerce Corporation	21.0%	17.5%
Providence Warwick Convention Visitors Bureau	24.0%	20.0%
General Revenue	-	16.7%
Warwick		
Warwick Department of Economic Development	30.0%	25.0%
City of Warwick	25.0%	20.8%
RI Commerce Corporation	21.0%	17.5%
Providence Warwick Convention Visitors Bureau	24.0%	20.0%
General Revenue	-	16.7%
Omni Hotel (Providence)		
Providence Convention Authority	30.0%	25.0%
RI Commerce Corporation	50.0%	41.6%
Providence Warwick Convention Visitors Bureau	20.0%	16.7%
General Revenue	-	16.7%
Statewide District*		
Municipality of Room Rental	25.0%	20.8%
RI Commerce Corporation	70.0%	58.3%
Providence Warwick Convention Visitors Bureau	5.0%	4.2%
General Revenue	-	16.7%
All Other Locations in the State		
Regional Tourism District of Room Rental	45.0%	37.5%
Municipality of Room Rental	25.0%	20.8%
RI Commerce Corporation	25.0%	20.8%
Providence Warwick Convention Visitors Bureau	5.0%	4.2%
General Revenue	-	16.7%
Rental Via Hosting Platform (ie. Airbnb)		
Municipality of Room Rental	25.0%	20.8%
RI Commerce Corporation	75.0%	62.5%
General Revenue	-	16.7%

*Room rentals in Cranston, Foster, Johnston, N. Providence, Scituate, and W. Warwick

Analyst Note: According to OMB, the changes made to the distribution shares were calculated in such a way as to ensure that each entity would receive the amount of funds it would have if the tax had remained at 5.0 percent. In order for this to be true, however, the share percentage must be carried out to at least the ten-thousandths of a percentage point level, otherwise the amount received by the municipalities and other entities falls short by a marginal amount, with the difference going to the general fund. The article rounds to a tenth of a percent.

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 are 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 of Warwick.

Airport Impact Fees

The Budget provides \$762,500 from general revenues for the State's Airport Impact Aid program, a reduction of \$247,396 (24.5 percent) from the FY2019 Budget as Enacted.

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 (\$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.

Article 1 of the Budget amends this formula beginning in FY2020. The 60/40 percent distribution is retained, however, it no longer refers to the first \$1.0 million, but rather to the total amount appropriated. The Budget also eliminates the \$25,000 minimum share.

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

Municipality	FY2019	FY2020	Change
Warwick T.F. Green	\$784,239	\$597,982	(\$186,257)
Block Island	35,701	27,222	(8,479)
Middletown-Newport Airport ¹	47,087	35,904	(11,183)
North Central - Smithfield	25,000	15,290	(9,710)
North Central - Lincoln	25,000	15,290	(9,710)
North Kingstown-Quonset	47,435	36,170	(11,265)
Westerly	45,434	34,643	(10,791)
Total	\$1,009,896	\$762,500	(\$247,396)

¹ 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.

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

Municipal Road and Bridge Fund

Borrower	Fiscal Year	Amount			Credit Limit Remaining
		Requested	Amount Borrowed	Loan Outstanding	
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
TOTAL		\$62,753,515	\$55,853,515	\$50,272,515	\$21,442,989
Loans to Close in May 2019					
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
		\$18,500,000	\$18,500,000	\$18,500,000	\$18,500,000

Central Falls Retiree Payments

The FY2012 Revised Budget included a \$2.6 million Stabilization Payment to the City of Central Falls that was deposited into a restricted account to provide transition payments over five years to municipal retirees who sustained significant pension reductions as a result of a "Settlement and Release Agreement." Parties to the agreement 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.

Main Street Streetscape		
Budget	Appropriation	Awarded
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	-	-
Total	\$3,000,000	\$2,953,368

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

Project Name	Board	
	Approval Date	Funding
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
Total		\$2,953,368

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:

Project	Municipality	Board Approval Date	Board Approval Amount	Total Investment Leveraged
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
Total			\$606,426	\$412,905,703

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 FY2020
Barrington	\$1,332,945	\$14,447	-	\$1,393,446	\$373,393	\$111,619	\$1,892,905	\$559,960
Bristol	2,325,010	1,330,772	-	760,420	190,040	291,806	2,573,038	248,028
Burrillville	1,637,087	88,867	-	1,418,525	169,792	246,621	1,923,805	286,718
Central Falls	804,818	687	201,648	910,126	31,384	-	1,143,845	339,027
Charlestown	294,798	-	-	296,996	51,294	-	348,290	53,492
Coventry	1,681,211	-	-	1,853,555	226,403	-	2,079,958	398,747
Cranston	13,262,326	4,771,444	2,547,805	8,176,804	608,335	-	16,104,388	2,842,063
Cumberland	1,864,309	-	-	1,753,921	276,601	31,952	2,062,474	198,166
East Greenwich	1,227,166	572,247	-	448,824	126,645	53,215	1,200,931	(26,236)
East Providence	2,376,689	217,998	-	3,065,776	411,056	57,953	3,752,782	1,376,093
Exeter	660,074	-	-	671,816	51,067	75,968	798,851	138,777
Foster	501,871	-	-	527,773	32,632	-	560,406	58,535
Glocester	661,264	-	-	709,347	77,756	-	787,103	125,839
Hopkinton	473,878	-	-	529,210	35,868	-	565,078	91,200
Jamestown	222,894	-	-	107,578	104,748	-	212,326	(10,567)
Johnston	3,758,235	-	532,972	3,407,574	116,724	-	4,057,270	299,035
Lincoln	1,045,460	-	-	929,616	204,936	-	1,134,552	89,093
Little Compton	97,257	-	-	68,672	34,958	-	103,630	6,373
Middletown	492,496	-	-	304,650	141,336	47,786	493,771	1,275
Narragansett	464,868	-	-	311,670	181,959	-	493,629	28,761
Newport	2,401,871	1,408,819	-	393,148	400,306	188,609	2,390,882	(10,989)
New Shoreham	189,620	-	-	59,257	89,742	62,532	211,530	21,910
North Kingstown	1,126,512	1,006	-	750,345	290,338	-	1,041,689	(84,824)
North Providence	3,763,834	0	914,169	3,596,326	193,727	-	4,704,222	940,388
North Smithfield	1,048,126	-	-	1,196,840	77,263	-	1,274,102	225,976
Pawtucket	7,491,237	513,532	1,400,733	8,257,768	406,135	-	10,578,169	3,086,932
Portsmouth	490,934	-	-	492,441	113,429	-	605,870	114,936
Providence	51,907,494	29,400,443	5,155,694	17,901,898	1,296,609	-	53,754,643	1,847,149
Richmond	385,256	-	-	442,459	24,428	-	466,888	81,632
Scituate	429,981	-	-	295,623	103,534	-	399,157	(30,825)
Smithfield	2,130,802	666,009	-	1,360,064	297,671	-	2,323,743	192,941
South Kingstown	1,043,579	184,978	-	667,813	219,988	-	1,072,780	29,201
Tiverton	732,859	-	-	312,900	122,228	309,052	744,180	11,321
Warren	591,467	-	-	658,021	56,214	-	714,235	122,768
Warwick	6,292,483	1,510,326	-	5,684,875	754,730	-	7,949,931	1,657,448
Westerly	2,035,087	148,835	-	1,595,754	309,803	296,482	2,350,874	315,786
West Greenwich	348,215	-	-	351,431	38,140	-	389,571	41,356
West Warwick	2,305,488	-	859,102	1,687,468	158,885	-	2,705,456	399,968
Woonsocket	4,028,795	-	772,334	4,537,013	198,313	163,636	5,671,295	1,642,500
Total	\$123,928,296	\$40,830,409	\$12,384,458	\$77,887,741	\$8,598,411	\$1,937,229	\$141,638,248	\$17,709,952

FY2019 Revised Direct Municipal Aid to Cities and Towns

Municipality	FY2019 Enacted	Payment In Lieu of Taxes	Distressed		Motor Vehicle Excise Tax	Library Grant- in-Aid	Library		Total FY2020 Municipal Aid	Change from FY2020
			Communities Relief Fund				Construction Aid			
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	1,282,046	-		52,048,466	140,973
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
Total	\$123,928,296	\$46,089,504	\$12,384,458		\$56,211,793	\$8,598,411	\$2,176,470		\$125,460,636	\$1,532,340

FY2020 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	\$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)
Total	\$56,100,468	\$13,308,972	\$29,838,224	\$10,546,907	\$53,694,103	(\$2,406,366)

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)
Total	\$56,100,468	\$13,308,972	\$28,817,377	\$10,392,526	\$52,518,875	(\$3,581,594)

Education Aid

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provided a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, the distribution of state funds changes annually based on shifts in enrollment. This formula applies to all public schools, charter schools, the Davies Career and Technical School, and the Metropolitan Career and Technical Center. The Act does not change the funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

Beginning in FY2012, the formula established a per-pupil spending amount and allocated this funding based on student enrollment, adjusting for poverty (as measured by the number of families whose income is below 185.0 percent of the federal poverty guidelines). The formula also adjusts for local revenue generating capacity and overall poverty level, as well as the concentration of children living in poverty.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time for school districts and municipal governments to adjust for gains or losses in education aid. The plan provides a transition period of ten years from the formula implementation in FY2012 for those districts projected to receive less school aid than they did in the previous year, and seven years for those districts projected to receive more.

In FY2020, the formula aid to the districts, charter schools, and state schools increases by \$29.9 million, categorical aid increases by \$10.1 million, and group home aid decreases by \$377,673. FY2020 represents the ninth year of the transition period; consequently, the Budget assumes the formula is fully phased in for those districts that received an increase in FY2019. Accordingly, communities that received an increase in FY2019 but have a decrease in FY2020 will get the full decrease in FY2020, while those that decreased in in both FY2018 and FY2019, and continue to do so in FY2020 will be phased in.

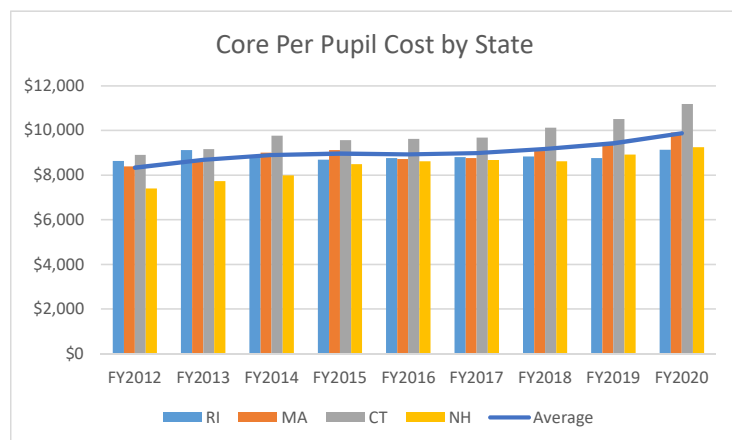
HOW THE FORMULA WORKS

Step 1 - Student Enrollment: Student enrollment is based on resident average daily membership (RADM), which refers to the average number of students who are residents of the community and were enrolled in the school district during the prior school year. The Budget is based on enrollment data as of March 2018 with projected charter school enrollments and will be updated based on the March 2019 data.

Step 2 - Core Instruction Amount: The core instruction amount provides a base level of funding per pupil (\$9,871 in FY2020, a 4.8 percent increase from the FY2019 Budget as Enacted). It is derived from the average of northeast regional expenditure data from Rhode Island, Massachusetts, Connecticut and New Hampshire, as published by the National Center for Education Statistics (NCES).

Step 3 - High Need Student Weight (40.0 percent): The Act includes a single factor to adjust the core instruction amount to

address the effects of poverty and other factors influencing educational need. The student success factor, also referred to as the high need student weight, increases the core instruction amount by 40.0 percent, or \$3,948 based on the FY2020 core instruction amount of \$9,871 ($\$9,871 \times 0.40 = \$3,948$), for each student whose family income is at or below one hundred eighty-five percent (185%) of federal poverty guidelines.



Step 4 - Total Foundation Budget: The total foundation budget for each school district is calculated by adding the product of the total core instruction amount and the total student success factor weight.

$$\text{Total Foundation Budget} = (\$9,871 \times \text{RADM}) + (0.40 \times \$9,871 \times \text{students in poverty})$$

Step 5 - State Share Ratio: The Education Adequacy Act creates a new share ratio by adding a wealth measure, based on the concentration of children living in poverty, to the single equalized weighted assessed valuation (EWAV) previously used to determine a district's ability to pay for the cost of education. The total foundation budget equals the student enrollment and the high-need student weight of the district multiplied by the core instruction amount. The State's share of the total foundation budget is the state share ratio calculated as follows:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{\text{EWAV}^2 + \%PK - 6\text{poverty}^2}{2}}$$

By squaring each factor, the formula amplifies the greater of the two variables. Consequently, school districts with less capacity to raise revenue than the State as whole and a higher concentration of child poverty look relatively poorer, while districts with a higher capacity to raise revenue and lower concentrations of poverty look relatively wealthier. Those poorer districts with the higher SSR will receive a greater portion of the calculated education costs as state aid than the wealthier districts.

The EWAV share ratio is based on each community's total assessed property value and median family income, relative to districts across the State. The total community property value includes motor vehicles, personal property and State payments in lieu of taxes. These values are brought to full market value based on market experience and then adjusted by the median family income. The higher the EWAV share ratio, the less capacity the community has relative to the rest of the state for generating locally derived revenue to support schools and the more state aid the community will receive. While similar to the share ratio used in the school construction formula to determine the state's share of debt service obligations, the Education Adequacy Act adjusted the EWAV calculation to increase the State share of total education budget.

The distribution includes an update to the median family income (MFI) component of the EWAV based on the socio-economic data from the American Community Survey (ACS) provided by the United States Census Bureau. The index used to adjust for MFI is the ratio of the median family income of the municipality relative to the median family income statewide as reported in the American Community Survey (ACS) provided by the United States Census Bureau.

Step 6 - State Share of Foundation Budget: The State's share of the total foundation budget equals the state share ratio, discussed above, times the total foundation budget. Unlike many foundation formulas, the statute neither requires a minimum nor sets a maximum local spending level beyond the limits in the maintenance of effort requirements found in RIGL 16-7-23 and 16-7-23.1. Nonetheless, a municipality is responsible, to some degree, for the difference between the state share and the total foundation amount.

TABLE

The table on the following page provides a step-by-step calculation of each district's recommended formula distribution for FY2020.

FY2020 Governor's Education Aid Calculator¹

Districts	PK-12 RADM (Projected based on March 2018 Data)		Poverty RADM (Projected based on March 2018 Data)		Core Instruction Funding (C = \$9,871)		Student Success Factor Funding (F = 0.4*\$9,871 = \$3,948)		FY2019 Enacted (excludes group home and categorical)		FY2020 (Year 9) formula Change If + is L/1; if - is L/2	
	A	B	A	B	A	B	A	B	H*J	K	J-K=L	
Barrington	3,367	145	\$33,235,657	\$572,518	\$33,808,175	4.8%	23.5%	17.0%	\$5,733,900	\$5,290,812	\$443,088	\$443,088
Burrillville	2,249	703	22,199,879	2,775,725	24,975,604	35.3%	62.3%	50.6%	12,645,871	12,310,750	335,121	335,121
Charlestown	818	195	8,074,478	769,938	8,844,416	25.7%	0.0%	18.2%	1,607,264	1,598,581	8,683	8,683
Coventry	4,670	1,405	46,097,570	5,547,502	51,645,072	33.4%	58.2%	47.4%	24,505,029	22,643,353	1,861,676	1,861,676
Cranston	10,179	4,103	100,476,909	16,200,285	116,677,194	42.7%	65.0%	55.0%	64,163,387	60,596,918	3,566,469	3,566,469
Dorchester	4,564	898	45,051,244	3,545,663	48,596,907	22.5%	56.9%	43.3%	21,025,844	20,634,323	391,521	391,521
East Greenwich	2,480	160	24,480,080	631,744	25,111,824	8.0%	11.5%	9.9%	2,487,529	2,950,351	(462,822)	(462,822)
East Providence	5,263	2,669	51,951,073	10,538,280	62,489,353	51.5%	64.8%	58.5%	36,574,399	34,957,824	1,616,575	1,616,575
Foster	278	58	2,744,138	229,007	2,973,145	20.5%	54.5%	41.2%	1,224,145	1,101,212	122,933	122,933
Glocester	533	77	5,261,243	304,027	5,565,270	14.8%	50.4%	37.1%	2,067,106	2,294,441	(227,335)	(113,667)
Hopkinton	1,103	245	10,887,713	967,358	11,855,071	25.1%	54.8%	42.6%	5,052,716	5,222,822	(170,106)	(85,053)
Jamestown	654	56	6,455,634	221,110	6,676,744	8.9%	0.0%	6.3%	420,184	464,161	(43,977)	(43,977)
Johnston	3,288	1,389	32,455,848	5,484,328	37,940,176	42.8%	50.5%	46.8%	17,759,265	17,985,420	(226,155)	(226,155)
Lincoln	3,035	779	29,958,485	3,075,804	33,034,289	29.8%	51.6%	42.1%	13,918,769	12,031,312	1,887,457	1,887,457
Little Compton	364	54	3,593,044	213,214	3,806,258	15.6%	0.0%	11.0%	419,863	355,487	64,376	64,376
Middletown	2,199	635	21,706,329	2,507,234	24,213,563	30.3%	31.1%	30.7%	7,434,195	7,718,262	(284,067)	(142,034)
Narragansett	1,267	269	12,506,557	1,062,120	13,568,677	24.0%	0.0%	17.0%	2,302,681	2,280,362	22,319	22,319
Newport	2,160	1,371	21,321,360	5,413,256	26,734,616	67.6%	0.0%	47.8%	12,779,258	12,234,060	545,198	545,198
New Shoreham	119	20	1,174,649	78,968	1,253,617	13.2%	0.0%	9.3%	117,010	156,532	(39,522)	(39,522)
North Kingstown	3,757	733	37,085,347	2,894,177	39,979,524	25.3%	24.2%	24.8%	9,897,375	10,044,602	(147,227)	(73,613)
North Providence	3,568	1,562	35,219,728	6,167,401	41,387,129	45.0%	64.7%	55.7%	23,063,978	22,862,888	201,090	201,090
North Smithfield	1,707	312	16,849,797	1,231,901	18,081,698	21.3%	40.2%	32.2%	5,816,759	6,040,807	(224,048)	(224,048)
Pawtucket	8,631	6,401	85,196,601	25,273,708	110,470,309	75.0%	87.1%	81.3%	89,785,283	87,472,187	2,313,096	2,313,096
Portsmouth	2,308	380	22,782,268	1,500,392	24,282,660	18.6%	0.0%	13.2%	3,193,701	3,637,712	(444,011)	(222,006)
Providence	22,368	18,986	220,794,528	74,964,322	295,758,850	86.5%	87.0%	86.8%	256,571,868	250,190,833	6,381,035	6,381,035
Richmond	1,138	171	11,233,198	675,176	11,908,374	18.2%	51.4%	38.6%	4,591,447	4,596,330	(4,883)	(2,442)
Smithfield	1,313	216	12,960,623	852,854	13,813,477	13.3%	19.3%	16.6%	2,289,415	3,238,501	(949,086)	(474,543)
South Kingstown	3,075	570	30,353,325	2,250,588	32,603,913	19.6%	0.2%	13.9%	4,518,907	5,840,706	(1,321,799)	(660,899)
Tiverton	1,830	498	18,063,930	1,966,303	20,030,233	30.6%	42.7%	37.1%	7,440,430	6,667,683	772,747	772,747
Warwick	8,906	3,055	87,911,126	12,062,362	99,973,488	36.7%	40.6%	38.7%	38,688,900	36,725,883	1,963,017	1,963,017
Westerly	2,806	990	27,698,026	3,908,916	31,606,942	39.2%	0.0%	27.7%	8,760,997	8,566,631	194,366	194,366
West Warwick	3,599	1,804	35,525,729	7,122,914	42,648,643	53.2%	72.1%	63.4%	27,021,626	26,108,923	912,703	912,703
Woonsocket	5,838	4,420	57,626,898	17,451,928	75,078,826	74.5%	90.7%	83.0%	62,312,576	62,092,562	220,014	220,014
Bristol-Warren ²	3,218	1,092	31,764,878	4,311,653	36,076,531				12,813,083	13,259,906	(446,823)	(223,412)
Exeter-West Greenwich ²	1,658	263	16,366,118	1,038,429	17,404,547				5,068,085	4,728,793	339,292	339,292
Charlino	-	-	-	-	-	-	-	-	-	76,641	(76,641)	(38,321)
Foster-Glocester	1,156	217	11,410,876	856,803	12,267,679	18.2%	51.8%	38.8%	4,762,704	4,576,385	186,319	186,319
Central Falls	2,534	2,394	25,013,114	9,452,470	34,465,584	92.2%	97.5%	94.9%	32,703,362	32,468,650	234,712	234,712
District Total	130,387	59,645	\$1,287,050,077	\$235,502,318	\$1,522,552,395				\$837,502,489	\$819,561,244	\$17,941,245	\$19,999,968
Charter School Total	10,157	7,224	100,259,747	28,523,242	128,782,989				101,350,310	90,493,299	10,857,011	10,907,680
Davies	848	508	8,370,608	2,005,787	10,376,395				8,194,255	9,393,120	(1,198,865)	(599,432)
Met School	779	483	7,689,509	1,907,077	9,596,586				6,952,304	7,942,855	(990,551)	(495,276)
Urban Collaborative	135	112	1,332,585	442,221	1,774,806				1,534,754	1,423,688	111,066	111,066
Total	142,306	67,972	\$1,404,702,526	\$268,380,645	\$1,673,083,171				\$955,534,111	\$928,814,206	\$26,719,905	\$29,924,007

¹ Based on March 2018 enrollment updated for projected charter school growth. Will be updated for March 2019 data.

² 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

CHARTER AND STATE SCHOOLS

The education funding formula calculation for charter and state schools funds students as if they were still in the sending district, with the same core instruction amount, high-need student weight, and state share ratio. The aid, however, is distributed directly to the charter or state school. In FY2020, the Budget provides \$101.4 million in funding formula aid to charter schools, an increase of \$10.9 million representing roughly one third of total statewide increase. This increase is primarily driven by enrollment. Charter school enrollment increases by 681 students, relative to the FY2019 Budget as Enacted.

Sending District Tuition: Under the formula, the funding mechanism for charter and state schools changed significantly. Previously sending district tuition per-student was based on the per-pupil expenditure of the sending district, without deductions, the formula allowed sending districts to retain 5.0 percent of the per-pupil expenditure as indirect aid. The indirect aid was intended to cover residual costs from the transfer of the student from the district to the charter school. Today, the sending district tuition is calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district resident average daily membership (RADM), or enrollment: there is no indirect aid retained by the sending district.

$$\text{Tuition} = (\text{local appropriation to education} - \text{debt service} - \text{capital projects} / \text{District RADM}) - \text{local tuition reduction}$$

Local Charter and State School Tuition Reduction: Article 11 of the FY2017 Budget changed the above calculation to subtract a district-specific amount from the tuition paid for each student attending a charter or state school. The amount of the reduction is calculated based on differences in expenses between each district and charter schools. The expenditure data used for the calculation is the prior previous fiscal year; consequently, the calculation of unique costs for FY2020 is based on FY2018 data from the Uniform Chart of Accounts (UCOA). The reduction will be the greater of 7.0 percent of the district's per-pupil funding or the per-pupil value of each district's costs in the delineated expenditure categories. The categories include each district's costs for non-public textbooks, transportation for non-public students, retiree health benefits, out-of-district special education tuition and transportation, services for students age eighteen to twenty-one, pre-school screening and intervention, career and technical education tuition and transportation costs, debt service, and rental costs minus the average charter school expenses for the same categories. For districts using the reduction for costs categories, there is an additional reduction for tuition payments to mayoral academies, where teachers do not participate in the state's teacher retirement system, equivalent to the per-pupil, unfunded liability cost. The local tuition rates for FY2020 were not available for this publication but should be provided in the enacted budget.

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, however, the State payment to these state schools is calculated by the same method used to calculate school district and charter school payments. The formula requires local districts to pay state school tuition, but allows the districts to charge the state and charter schools for transportation costs. Local payments are made to the charter or state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence.

In FY2011, prior to the implementation of the current funding formula, charter school funding was based on the per-pupil expenditure of the sending district; however, the State paid 5.0 percent of the per-pupil expenditure as indirect aid to the sending district, and a portion of the remaining 95.0 percent based on the share ratio of the sending district. The expenditure was based on the reference year as defined in RIGL 16-7-16(11) providing a two-year lag. Each quarter, the charter school billed the sending district for the portion of the per-pupil expenditure not paid by the State.

Please see the following examples for further clarification of the charter school formula used in FY2011.

Calculation	District A	District B
Per Pupil Expenditure:	\$8,000	\$8,000
Share Ratio:	70.0%	30.0%
Indirect Aid to Sending District:	\$400 (5.0% of \$8,000)	\$400 (5.0% of \$8,000)
State Share to Charter School:	\$5,320 (70.0% of (\$8,000 minus 5.0%))	\$2,280 (30.0% of (\$8,000 minus 5.0%))
District Share to Charter School:	\$2,280 (30.0% of (\$8,000 minus 5.0%))	\$5,320 (70.0% of (\$8,000 minus 5.0%))

NON-FORMULA PROVISIONS

Group Homes: 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. When enacted, the Act maintained the current funding for group homes as a categorical grant program; however, the FY2017 Budget as Enacted increased the per-bed funding amount. The Group Home aid category provides \$17,000 annually per bed, except for group home beds associated with Bradley Hospital Children’s Residential and Family Treatment (CRAFT) Program, which received \$26,000 per bed.

The FY2020 Budget includes \$3.2 million to fund group home beds. This is \$342,593 less than the FY2019 Budget as Enacted. This adjustment represents the most recent update on the number of group home beds per district and the decrease 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.

District	FY2019 Enacted			Group Home Aid					FY2020 Enacted Total Aid
	FY2019 Enacted	Number of Beds	Aid based on bed count	FY2020 Number of Beds	Number of Beds	Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(ii)	Total Change	
Burrillville	\$81,848	8	\$136,000	8	-	\$0	(\$1,826)	(\$1,826)	\$80,022
Coventry	87,528	8	136,000	8	-	-	(3,985)	(3,985)	83,543
Cranston	39,375	4	68,000	4	-	-	(1,773)	(1,773)	37,602
East Providence	523,497	39	740,000	39	-	-	(13,943)	(13,943)	509,554
Lincoln	107,866	9	153,000	8	(1)	(17,000)	(1,448)	(18,448)	89,418
Middletown	183,909	14	238,000	-	(14)	(238,000)	54,091	(183,909)	-
Newport	149,465	14	238,000	14	-	-	(3,945)	(3,945)	145,520
North Providence	150,389	16	272,000	16	-	-	(1,608)	(1,608)	148,781
North Smithfield	104,209	8	136,000	8	-	-	(3,774)	(3,774)	100,435
Pawtucket	245,140	40	680,000	22	(18)	(306,000)	187,761	(118,239)	126,901
Portsmouth ¹	465,947	30	510,000	36	6	102,000	(10,689)	91,311	557,258
Providence	568,961	103	1,751,000	95	(8)	(136,000)	43,143	(92,857)	476,104
Smithfield	205,184	16	272,000	16	-	-	13,953	13,953	219,137
South Kingstown	115,989	8	136,000	8	-	-	2,344	2,344	118,333
Warwick	286,252	24	408,000	24	-	-	(6,604)	(6,604)	279,648
Woonsocket	45,243	8	136,000	8	-	-	(999)	(999)	44,244
Bristol-Warren	101,418	8	136,000	8	-	-	(10,442)	(10,442)	90,976
Exeter-West Greenwich ¹	113,526	8	136,000	9	1	17,000	(4,849)	12,151	125,677
Total	\$3,575,747	365	\$6,282,000	331	(34)	(578,000)	235,407	(\$342,593)	\$3,233,154

¹ 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.

Categorical Programs: When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but pursuant to other methodologies intended to address the priorities and funding needs of the districts. These categories include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. Article 11 of the FY2017 Budget as Enacted added two new aid categories: English Learners and Density Fund. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant sections of this analysis.)

Governor's FY2020 Education Aid		
Categorical	Change from Enacted	Total Funding
Transportation	\$0.0	\$7.4
Early Childhood	9.3	15.6
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	2.3	5.0
Public School Choice Density	(0.5)	0.0
Regionalization Bonus	-	-
Group Home Aid	(0.3)	3.2
School Resource Officer Support	(1.0)	1.0
Total	\$9.8	\$41.2

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

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$7.4 million in FY2020, consistent with the FY2019 Budget as Enacted.

- **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. To support Phase 1 of the Governor’s universal prekindergarten initiative as provided in Article 10, the Budget funds this category at \$15.6 million in FY2020, an increase of \$9.3 million over the FY2019 Budget as Enacted. Of the increase, \$3.6 million is to expand the number of prekindergarten seats, and \$5.8 million is to replace federal funding needed to support the current seats. Included in the \$15.6 million is \$385,832 in salaries and benefits for 4.0 new FTE positions to support the expansion.

Analyst Note: It seems unlikely that the \$385,832 included in the Budget for personnel costs will be sufficient to support 4.0 FTE positions, since the average cost per FTE position in the Department in FY2020 is \$141,713 (a salary of about \$85,000). The amount in the Budget only provides \$96,458 per FTE, which is an average salary of about \$55,000.

As part of the universal prekindergarten expansion in Article 10, the Budget also contains \$697,000 to increase the preschool tiered reimbursement rates.

- **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 FY2019 Budget as Enacted.

- **Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2020, level with the previous year

- **English Learners:** Article 11 of the FY2017 Budget as Enacted established a 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. In FY2020, the per-pupil weight is \$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; however, due to a reported 61.4 percent increase in English Learner enrollments across the State, another \$3.4 million would be needed to fully fund this category. The Department provides four primary reasons for the increase in EL enrollment:

- An increase in the number of students enrolling in schools who are English Learners (RADM enrollment has decreased by 0.6 percent across the State.)
 - The new screener, which has been in use for two years, is better at identifying EL students.
 - Districts may be paying closer attention to the identification of ELs since Providence was the subject of a US Department of Justice investigation and Providence, as well as other districts, are paying particular attention to be sure ELs are not slipping through the cracks.
 - Our state assessment for ELs; the ACCESS assessment, which is required by federal law, was revised two years ago to better align with the Common Core State Standards (CCSS). As a result the test became more rigorous and it has been harder for ELs to exit status. We will be examining our entry and exit criteria this year now that we have two years of data under our belt and may be recommending some changes.
- **Public School of Choice Density Aid:** Article 11 of the FY2017 Budget as Enacted established a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment is generally scattered across schools and grades within a district. In FY2020, due to the phase-down of the aid category, the Budget does not include density aid to Central Falls, Charlestown, Cumberland, Lincoln, North Providence, Pawtucket, Providence, or Woonsocket. This represents a decrease of \$478,350 from the FY2019 Budget as Enacted.
 - **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. This category has not been funded since FY2014, as no new regional districts have been formed.

- School Resource Officer Support:** Article 9 of the FY2019 Budget as Enacted establishes a new 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 < 1,200 students, only one resource officer position is eligible for reimbursement. Schools with \geq 1,200 students may receive reimbursement for up to 2 positions. Each resource officer can only be assigned to one school. The Budget includes \$1.0 million for this category in FY2020, a reduction of \$1.0 million from the enacted to reflect projected expenditures. The FY2019 Revised Budget reduces this category by \$1.8 million to reflect projected expenditures of \$213,230. In FY2019, three districts applied for aid: East Providence, Narragansett, and North Smithfield.

DCYF Education Aid Withholding (Article 15): Article 15 amends RIGL 16-64-1.1 to hold districts responsible for some of the costs associated with educating children in the care of the Department of Children, Youth, and Families (DCYF). Currently, educational costs at both the Rhode Island Training School (RITS) and Ocean Tides are borne by DCYF. The Budget assumes 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. Using an average per-pupil special education cost of \$35,000 and September 2018 enrollment, the gross charge to the districts would be approximately \$1.9 million. This charge is partially offset by the amount each district would be reimbursed if students were to be added into the funding formula. Thus, the proposal is estimated to reduce education aid by a total of \$1.3 million in FY2020. If LEAs assume financial responsibility for these youth, DCYF would lose its status as a limited purpose LEA; consequently, the proposal assumes \$415,374 in federal funding will shift from DCYF to the sending districts thus partially offsetting the withholding, for an estimated net impact of \$915,610 on the sending districts. It is unclear, however, if the federal funds lost by DCYF would be guaranteed to the districts, and if they would be distributed in the same way they are currently.

LEA	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 Kingstov	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	-	-	-
Total	61	\$1,890,000	\$559,016	(\$1,330,984)

FY2019 Audit Adjustment: 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, the correction to individual districts varies significantly and can be seen in the education aid tables provided in this report. According to the Administration, new procedures have been implemented to prevent such errors in the future; however, no further details were provided.

The following table shows the education aid including the formula distribution, categorical aid, group home aid, DCYF aid withholding, and the FY2019 audit adjustment.

FY2020 Governor's Education Aid¹

FY2019 Enacted (excludes group home and categoricals)	FY2020 (Year 9) Formula Change	High-cost		Public School Choice Density	Stabilization Funding ⁴	Article 15 DCYF Aid Withholding	FY2019 Audit Adjustment	FY2020 Aid
		Special Education (>\$69,100)	Group Home Aid ²					
		\$	\$	\$	\$	\$	\$	\$
Barrington	\$5,290,812	\$443,088	\$89,901	\$86,831	\$0	\$0	(\$110,642)	\$5,802,480
Burrillville	12,310,750	335,121	57,537	99,609	80,022	-	-	12,943,720
Charlestown	1,598,581	8,683	-	-	-	-	-	1,607,584
Coventry	22,643,353	1,861,676	9,887	31,586	83,543	-	-	24,757,142
Cranston	60,596,918	3,566,469	767,021	358,443	37,602	-	(164,402)	64,848,555
Cumberland	20,634,323	391,521	64,197	52,066	-	-	(29,021)	21,350,317
East Greenwich	2,950,351	(462,822)	65,132	127,445	-	-	-	2,537,035
East Providence	34,957,824	1,616,575	2,056	240,520	509,554	-	-	37,449,744
Foster	1,101,212	122,933	16,679	48,539	-	-	-	1,292,991
Glocester	2,294,441	(113,667)	18,702	89,319	-	-	-	2,293,624
Hopkinton	5,222,822	(85,053)	-	-	-	-	-	5,150,338
Jamestown	464,161	(43,977)	-	40,076	-	-	-	460,260
Johnston	17,985,420	(226,155)	210,445	154,382	-	-	(28,531)	18,223,496
Lincoln	12,031,312	1,887,457	-	53,230	89,418	-	-	14,183,417
Little Compton	355,487	64,376	-	-	-	-	-	419,928
Middletown	7,718,262	(142,034)	-	46,830	-	-	-	7,621,704
Narragansett	2,280,362	22,319	-	37,420	-	-	-	2,340,599
Newport	12,234,060	545,198	-	4,318	145,520	-	-	12,897,802
New Shoreham	156,532	(39,522)	-	1,875	-	-	-	119,379
North Kingstown	10,044,602	(73,613)	-	68,817	-	-	(63,158)	10,383,487
North Providence	22,862,888	201,090	145,220	162,128	148,781	-	-	23,619,876
North Smithfield	6,040,807	(224,048)	10,923	54,110	100,435	-	-	6,029,023
Pawtucket	87,472,187	2,313,096	187,773	906,355	126,901	-	(47,536)	91,477,076
Portsmouth	3,637,712	(222,006)	-	62,428	557,258	-	-	4,056,690
Providence	250,190,833	6,381,035	314,329	731,507	476,104	-	(713,360)	259,508,084
Richmond	4,596,330	(2,442)	-	-	-	-	-	4,606,717
Scituate	3,238,501	(474,543)	25,059	31,792	-	-	-	2,842,143
Smithfield	7,537,638	(1,574,061)	85,863	70,005	219,137	-	-	6,402,309
South Kingstown	5,840,706	(660,899)	112,448	97,103	118,333	-	-	5,518,825
Tiverton	6,667,683	772,747	-	71,478	-	-	-	7,555,842
Warwick	36,725,883	1,963,017	4,249	275,420	279,648	-	(29,652)	39,493,172
Westerly	8,566,631	194,366	-	100,789	-	-	-	8,867,319
West Warwick	26,108,923	912,703	64,184	-	-	-	-	27,122,948
Woonsocket	62,092,562	220,014	12,488	61,743	44,244	-	(52,488)	62,492,442
Bristol-Warren ³	13,259,906	(223,412)	1,510,946	95,476	90,976	-	(117,652)	14,766,622
Exeter-West Greenwich ³	4,728,793	362,025	1,152,963	42,047	125,677	-	-	6,401,665
Charlho	76,641	(38,321)	1,936,219	80,119	-	-	-	2,054,658
Foster-Glocester	4,576,385	186,319	504,929	58,113	-	-	-	5,338,829
Central Falls	32,468,650	234,712	42,211	54,570	-	-	-	41,609,529
District Total	\$819,561,244	\$19,999,968	\$7,411,362	\$4,496,488	\$3,233,153	\$0	(\$1,330,984)	\$866,447,330
Charter School Total	90,493,299	10,907,680	-	3,511	-	-	(100,278)	101,717,408
Davies	9,393,120	(599,432)	-	-	-	-	-	13,697,834
Met School	7,942,855	(495,276)	-	-	-	-	-	9,353,100
Urban Collaborative	1,423,688	111,066	-	-	-	-	-	1,535,028
Total	928,814,206	\$29,924,007	\$7,411,362	\$4,500,000	\$3,233,153	\$0	\$15,180,010	\$992,750,699

¹ Based on March 2018 enrollment. Will be updated for March 2019 data.
² Based on final 12/31/2018 report from Rhode Island Department of Education. 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.
³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.
⁴ Stabilization funds include FY2019 Audit Adjustments for Central Falls of \$5,812 and Davies \$1,861.
 Source: Rhode Island Department of Education

The following table shows the difference in education aid relative to the FY2019 Budget as Enacted.

FY2020 Education Aid - Change to FY2019 Budget as Enacted¹

Districts	FY2019 Enacted	FY2020	Transportation	High-cost Special Education	Group Home ²	English Learners	Public School Choice Density	Stabilization Funding ³	Article 15 DCYF Aid Withholding	FY2019 Audit	Total Change	FY2020
	(includes group home and categorical)	(Year 9) Formula Change								Adjustment		Education Aid
Barrington	\$5,481,236	\$443,088	(\$6,100)	(\$6,605)	\$0	\$1,503	\$0	\$0	\$0	(\$110,642)	\$321,244	\$5,802,480
Burrillville	12,467,771	335,121	17,872	64,874	(1,826)	119	-	-	-	59,789	475,950	12,943,721
Charlestown	1,602,569	8,683	-	-	-	320	-	-	-	-	9,003	1,611,572
Coventry	22,790,523	1,861,676	1,152	(17,477)	(3,985)	3,449	-	-	-	121,803	1,966,618	24,757,142
Cranton	61,904,927	3,566,469	(12,860)	(42,932)	(1,773)	53,728	-	-	(164,402)	(454,600)	2,943,629	64,848,556
Cumberland	20,796,258	391,521	(29,822)	23,956	-	8,712	(25,400)	-	(29,021)	214,114	554,060	21,350,318
East Greenwich	3,167,384	(462,822)	(10,134)	(13,520)	-	(163)	-	-	-	(143,710)	(630,350)	2,537,035
East Providence	35,710,484	1,616,575	374	49,208	(13,943)	21,566	-	-	-	65,480	1,739,260	37,449,744
Foster	1,164,308	122,933	(1,966)	4,089	-	-	-	-	-	3,628	128,684	1,292,992
Glocester	2,323,354	(113,667)	12,099	67,009	-	-	-	-	-	4,829	(29,730)	2,293,624
Hopkinton	5,223,049	(85,053)	-	-	-	250	-	-	-	12,319	(72,484)	5,150,565
Jamestown	522,234	(43,977)	-	(17,851)	-	(146)	-	-	-	-	(61,974)	460,260
Johnston	18,398,579	(226,155)	(42,316)	19,143	-	5,349	-	-	(28,531)	97,428	(175,082)	18,223,497
Lincoln	12,325,265	1,887,457	-	(116,358)	(18,448)	4,334	(14,400)	-	-	115,567	1,858,153	14,183,418
Little Compton	355,524	64,376	-	-	-	27	-	-	-	-	64,403	419,927
Middletown	7,979,347	(142,034)	-	(26,636)	(183,909)	8,729	-	-	-	(13,793)	(357,643)	7,621,704
Narragansett	2,313,574	22,319	-	4,208	-	498	-	-	-	-	27,025	2,340,599
Newport	12,433,122	545,198	-	(21,466)	(3,945)	30,074	-	-	(85,183)	-	464,679	12,897,801
New Shoreham	156,926	(39,522)	-	1,875	-	99	-	-	-	-	(37,547)	119,378
North Kingstown	10,127,666	(73,613)	-	(11,494)	-	3,788	-	-	(63,158)	400,298	255,821	10,383,487
North Providence	23,428,293	201,090	(21,480)	(66,817)	(1,608)	10,733	-	-	-	69,666	191,584	23,619,876
North Smithfield	6,219,135	(224,048)	(4,308)	(3,558)	(3,774)	1,235	-	-	-	44,340	(190,113)	6,029,022
Pawtucket	88,331,184	2,313,096	43,163	774,869	(118,239)	218,384	(94,200)	-	(47,536)	56,353	3,145,891	91,477,075
Portsmouth	4,178,680	(222,006)	-	(12,097)	91,311	(32)	-	-	-	20,834	(121,990)	4,056,691
Providence	253,712,259	6,381,035	24,854	(57,092)	(92,857)	1,353,182	(242,700)	-	(713,360)	(857,236)	5,795,826	259,508,084
Richmond	4,596,526	(2,442)	-	-	-	226	-	-	-	12,602	10,387	4,606,913
Scituate	3,369,504	(474,543)	(9,189)	(64,963)	-	-	-	-	-	21,334	(527,361)	2,842,142
Smithfield	7,854,976	(1,574,061)	10,638	34,189	13,953	151	-	-	-	62,464	(1,452,666)	6,402,309
South Kingstown	6,293,429	(660,899)	(26,075)	(99,930)	2,344	1,914	-	-	-	8,042	(774,605)	5,518,825
Tiverton	6,779,517	772,747	-	(38,957)	(6,604)	127	-	-	-	42,408	776,325	7,555,842
Warwick	37,379,213	1,963,017	(772)	(72,937)	-	8,795	-	-	(29,652)	252,111	2,113,958	39,493,171
Westerly	8,766,881	194,366	-	(97,248)	-	3,320	-	-	-	-	100,438	8,867,319
West Warwick	26,186,038	912,703	22,289	(21,705)	-	7,318	-	-	(52,488)	68,793	936,910	27,122,948
Woonsocket	62,454,134	220,014	(2,232)	(74,622)	(999)	111,662	(21,550)	-	(117,652)	(76,354)	38,268	62,492,402
Bristol-Warren ³	14,912,238	(223,412)	49,037	12,444	(10,442)	2,487	-	-	-	24,269	(145,617)	14,766,621
Exeter-West Greenwich ³	6,071,143	362,025	68,752	(101,528)	12,151	434	-	-	-	(11,313)	330,522	6,401,665
Charlho	2,126,257	(38,321)	(36,425)	3,147	-	(511)	(3,900)	-	-	-	(76,010)	2,050,248
Foster-Glocester	5,199,951	186,319	(25,960)	(34,183)	-	(381)	-	-	-	13,083	138,878	5,338,829
Central Falls	41,173,119	234,712	(20,590)	(42,546)	-	241,034	(76,200)	100,000	-	-	436,410	41,609,529
District Total	\$846,276,578	\$19,999,968	\$0	(\$3,511)	(\$342,593)	\$2,102,315	(\$478,350)	\$100,000	(\$1,330,984)	\$123,906	\$20,170,752	\$866,447,330
Charter School Total	90,741,599	10,907,680	-	3,511	-	164,896	-	-	-	(100,278)	10,975,809	101,717,408
Davies	13,667,655	(599,432)	-	-	-	(6,714)	-	636,326	-	-	30,180	13,697,834
Met School	9,355,134	(495,276)	-	-	-	(2,034)	-	495,276	-	-	(2,034)	9,353,100
Urban Collaborative	1,432,045	111,066	-	-	-	(3,402)	-	-	-	(4,681)	102,983	1,535,029
Total	\$961,473,011	\$29,924,007	\$0	(\$0)	(\$342,593)	\$2,255,063	(\$478,350)	\$1,231,602	(\$1,330,984)	\$18,947	\$31,277,690	\$992,750,699

¹ Based on March 2018 data updates.
² 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.
³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.
⁴ Stabilization funds include FY2019 Audit Adjustments for Central Falls of \$5,812 and Davies of \$1,861.
 Source: Rhode Island Department of Education

School Construction Aid: In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2020, as projected by the Department, the minimum state share is 40.0 percent and the maximum is 93.8 percent for Central Falls: the state share for charter schools is 30.0 percent.

Analyst Note: The 40.0 percent minimum may reflect assumptions included in the projection due to the increase in available bonuses provided through Article 9 of the FY2019 Budget as Enacted. An inquiry was sent to the Department on February 25, 2019, and has not been received as of March 1, 2019.

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

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

between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

For FY2020, the Budget provides \$80.0 million, level funded with the FY2019 Budget as Enacted. The Department projects expenditures of \$79.0 million in school housing aid, an increase of \$9.5 million from the FY2019 Budget as Enacted. Pursuant to law, the surplus \$1.0 million must be deposited into the School Building Authority Capital Fund.

Analyst Note: The FY2020 housing aid projection provided by the Department totals \$82.9 million in reimbursements. The source of the additional funding is unclear. An inquiry was sent to the Department on February 25, 2019, and has not been received as of March 1, 2019.

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 (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 Budget adds another 1.0 FTE position. The new position will 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.

There is no limit on the amount or type of expenses that will be funded through the RIHEBC. The FY2019 Budget provided \$697,171 in this account for the cost of the 4.0 FTE positions and about \$48,658 for non-personnel overhead expenses. In FY2020, the Budget provides \$904,239 for the salaries and benefits of the 5.0 FTE positions, an increase of \$207,068 or 29.7 percent.

Analyst Note: Currently, RIHEBC only charges municipalities for the out-of-pocket costs at closing, such as underwriters and bond counsel; however, due to the need to raise funds for the expenses of the School Building Authority, the RIHEBC anticipates extending the administrative fee currently charged to non-profit borrowers to include municipalities. The fee that can be charged to municipalities is capped at one tenth of one percent (0.001) of the principal amount. Revenues raised from the fee are not expected to completely support the expenses of the SBA. Furthermore, since fees charged to the borrower are generally rolled into the bond issuance, the expenses paid may accrue interest.

FY2019 Supplemental Budget

Expenditures by Source	FY2018 Final	FY2019 Enacted	FY2019 Governor	Change	% Change
General Revenue	\$3,798.7	\$3,908.2	\$3,947.0	\$38.8	1.0%
Federal Funds	2,996.5	3,208.2	3,339.6	131.4	4.1%
Other Funds	1,978.4	2,174.5	2,227.8	53.3	2.5%
Restricted Receipts	258.6	281.8	294.3	12.5	4.4%
Total	\$9,032.2	\$9,572.7	\$9,808.7	\$236.0	2.5%

Expenditures by Function	FY2018 Final	FY2019 Enacted	FY2019 Governor	Change	% Change
General Government	\$1,429.3	\$1,534.3	\$1,583.3	\$49.0	3.2%
Health and Human Services	3,934.3	4,068.1	4,175.6	107.5	2.6%
Education	2,559.3	2,658.9	2,674.1	15.2	0.6%
Public Safety	570.2	605.3	636.0	30.7	5.1%
Natural Resources	85.7	115.1	107.3	(7.8)	-6.8%
Transportation	453.4	591.0	632.4	41.4	7.0%
Total	\$9,032.2	\$9,572.7	\$9,808.7	\$236.0	2.5%

FTE Authorization	15,187.2	15,209.7	15,230.7	21.0	0.1%
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\$ in Millions. Totals may vary due to rounding.

FY2019 opened with \$21.2 million in additional surplus funds above the budgeted surplus of approximately \$31.3 million. The November 2018 Revenue Estimating Conference identified \$5.3 million less in anticipated general revenue collections for FY2019. Decreases in revenue were compounded by an additional \$11.7 million in projected human services costs from the Caseload Estimating Conference.

The Governor's budget recommends a \$38.9 million increase in general revenue expenditures compared to the FY2019 Budget as Enacted. Increases are largely due to increased costs in several human service agencies: \$12.0 million in DCYF, \$9.0 million in DHS, \$6.5 million in BHDDH; and \$6.4 million in Executive Office of Health and Human Services. Offsetting these increases is a \$16.7 million reduction in the Department of Administration, reflecting lower debt service expenses.

The remainder of this report provides an overview of the major changes proposed by the Governor to the FY2019 Budget as Enacted, organized by department.

FY2019 Governor's Recommended General Revenue Changes

Expenditures	Change to Enacted
Reappropriations from FY2018	\$10.1
Caseload Conference Changes	11.7
Other Expenditures Changes (department-wide)	17.1
Total	\$38.9

Revenues

Additional Opening Surplus Funds	\$21.2
Revenue Conference Changes	(5.3)
Reappropriations from FY2018	10.1
Additional Transfer to Rainy Day Fund	(1.0)
Other Revenue Changes (department-wide)	16.2
Total	\$41.2

FY2019 Enacted Free Surplus	\$0.6
Additional Free Surplus	2.3
FY2019 Revised Free Surplus	\$2.9

\$ in millions

DEPARTMENT OF ADMINISTRATION

Personnel and Operating Savings

\$16.9 million

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. The FY2019 Budget as Enacted included \$20.1 million in statewide general revenue savings to be identified in the current fiscal year. 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.

The Revised Budget adds \$16.9 million in general revenue back to the Department, recognizing the amount of achieved savings that was distributed to the appropriate state agency budget accounts, and leaves \$3.2 million in unassigned savings remaining in the Department of Administration's budget. The Department entered into a contract with Civic Initiatives from Austin, Texas on May 2, 2018, to undertake this study and assist the department to obtain the enacted savings initiative.

Debt Service ***(\$16.7 million)***

The Budget decreases general revenue funded debt service payments by \$16.7 million. The reduction reflects adjustments to several debt service accounts including: a reduction of \$12.3 million for State general obligation debt service that primarily reflects the delay of a new bond issuance originally slated for FY2019; a decrease of \$3.4 million in Historic Structures Tax Credit debt based on projections by the Office of Revenue Analysis that a new debt issuance was not required in FY2019, and a decrease of \$450,000 in Fidelity Job Rent Credits reflecting fewer jobs claimed by Fidelity Investments. These items are offset by a net increase of \$5.0 million, reflecting items as new debt for the Port of Providence, Cultural Arts and Economy, Affordable Housing, and Recreation bonds.

Centralized Services Adjustment ***(\$2.2 million)***

The Budget decreases general revenue expenditures by \$2.2 million to reflect the decentralization of statewide services provided by and previously centralized within the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$13.3 million for these expenses, which is reduced by \$2.2 million to \$11.1 million in the FY2019 proposed budget.

Turnover ***(\$1.2 million)***

The Budget decreases general revenue by \$1.2 million based on anticipated turnover savings for the Department of Administration. This is a new listing in the budget as the Budget as Enacted did not contain separate line items delineating turnover. There is an additional turnover reduction of \$381,010 in all other funds.

Civic Initiatives ***\$500,000***

The revised budget includes an appropriation of \$500,000 in general revenue to fund a contracted management consultant to review the state's purchasing practices to reduce costs. 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 from Austin, Texas on May 2, 2018, to undertake this study and assist the department to obtain the enacted savings initiative.

Disparity Study ***\$219,029***

The Budget includes \$219,029 in general revenue to fund the first 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 initiative was not included in the FY2019 Budget as Enacted. Regardless, the Department initiated a \$499,029 contract with Mason Tillman Associates, LTD of Oakland, CA to perform the study on May 30,

2018, and the Department approved the contract on July 3, 2018, and July 6, 2018. To fund the ongoing study, the Budget adds \$219,029 to the FY2019 Revised Budget and \$280,000 for FY2020.

RICAP Project Adjustments (other funds)

\$27.9 million

The Budget includes \$58.3 million in RICAP funds for various capital projects in FY2019 reflecting an increase of \$27.9 million from the FY2019 Budget as Enacted. Significant project changes include:

- **Pastore Center Campus Projects:** Adds \$13.3 million to fund various major maintenance and repairs to 35 structures at the Pastore Government Center.
- **Medical Examiner/Board of Elections:** Reduces the appropriation to \$670,000, a \$6.5 million decrease from the FY2019 Budget as Enacted. The structure is presently occupied by the Board of Elections. However, the proposal is to renovate the structure and move in the State Medical Examiner's Office. The reduction reflects a delay in the project.
- **Capital Hill Campus Projects:** Adds \$4.9 million to fund various infrastructure upgrades to structures listed as the Capital Hill Campus, including the Cannon Building, Old State House, Chapin Health Lab, State Office Building (DOT), and the William Powers Building.
- **Hospital Consolidation:** Adds \$2.2 million to fund the Hospital Reorganization and Consolidation project to improve the quality of care and obtain operational efficiencies. The total project cost is \$43.4 million (\$21.4 million RICAP funds and \$22.0 million from Certificates of Participation (COPs)).
- **Rhode Island Convention Center Authority Venues:** Adds \$1.5 million in RICAP funds for continued asset protection, upgrades, renovations, and funding of the renewal and replacement bond covenant for the Dunkin Donuts Center.
- **Cranston Street Armory:** Adds \$517,247 for continued structural stabilization work on the facility.
- **McCoy Stadium:** Includes \$600,000 for continued structural repairs and water penetration remediation work.

Information Technology (restricted receipts)

\$7.4 million

The Budget adds \$7.4 million in restricted receipts for the Information Technology Investment Fund (ITIF) to finance the adjusted current year phasing in of several major State information technology projects, including RIMS REAL ID enhancement; E-procurement; project management staffing; and Integrated Budget Development System.

Rhode Island Health Benefits Exchange (restricted receipts)

\$1.7 million

The Budget includes \$8.0 million in restricted receipts for the personnel and operating costs of 16.0 FTE positions. This reflects a net increase of \$1.7 million from the FY2019 Budget as Enacted, and includes increases of \$1.3 million for contracted services, \$377,989 for personnel costs, and a net decrease of \$34,541 for operating and computer costs. The assessment is used to fund the operational costs of HealthSource RI, the state-based health benefits marketplace for individual and small group health insurance and the avenue through which Rhode Islanders access federal health insurance subsidies.

Miscellaneous Expense (restricted receipts)

(\$540,000)

The Budget eliminates \$540,000 in restricted receipts reflecting the loss of funds derived from the MPA 1.0 percent administrative fee. The FY2019 Budget as Enacted includes a restricted receipt appropriation of \$540,000 derived from the MPA Fund established under Article 7, Section 11 of the FY2018 Budget as Enacted.

Article 7 authorized the state Chief Purchasing Officer to collect from contractors listed on the master price agreement, an administrative fee not to exceed 1.0 percent of the total value of the annual expense against

a contract awarded to a state contractor. The fee collected shall be deposited into a restricted receipt account, used to implement and support a new online e-procurement system. The Budget Office assumed that the fee would be collected beginning in FY2018.

Analyst Note: The Department decided not to implement the fee after the Governor's FY2019 Budget recommendation was submitted to the General Assembly. The FY2019 Budget as Enacted included the \$540,000 restricted receipt expense raised through the imposition of the enacted fee. The Governor chose to implement the fee in the third quarter of FY2020, thereby requiring the elimination of the \$540,000 appropriation from the Revised FY2019 Budget. No funding is included in the FY2020 Budget as well.

DEPARTMENT OF BUSINESS REGULATION

Contractor's Licensing Board Online System (restricted receipts) ***\$75,000***

The Budget provides a total of \$75,000 in restricted receipts to fund the one-time implementation costs of an online licensing system for the Contractor's Licensing Board to transition the Contractor's Licensing Board from a paper system to an online licensing system. The new system will create efficiencies and decrease processing times.

DEPARTMENT OF LABOR AND TRAINING

Workforce Regulation and Safety Personnel ***\$1.2 million***

The Budget includes an additional \$1.2 million in general revenue for personnel expenditures. The additional funding will fully fund this program with general revenues. In the past this program was supported by Tardy and Interest restricted receipts in addition to the general revenue. Fully funding this program with general revenue will allow Tardy and Interest restricted receipt funding to support UI Administration. The Tardy and Interest restricted receipt account is funded via penalties and interest on employers' taxes (i.e. Unemployment Insurance, Temporary Disability Insurance, and Job Development Fund) when paid late.

DEPARTMENT OF REVENUE

Statewide Adjustments – Operating ***(\$2.2 million)***

The Budget includes a general revenue savings of \$2.2 million in FY2019 based on the Governor's recommended statewide adjustments related to Department of Information Technology centralized services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The reduction of \$2.2 million is based on year-to-date billings through December 2018 and projected charges through year-end.

State Aid – Motor Vehicle Excise Tax Phase-out ***\$1.5 million***

The Budget include \$1.5 million in additional general revenue State aid to municipalities under the Motor Vehicle Excise Tax Phase-out program in FY2019. The FY2019 Budget as Enacted included \$44.7 million for the program. The Office of Revenue Analysis and the Division of Municipal Finance have revised the estimated amount required under the program based on updated data on the inputs to the phase-out formula, particularly in the number of vehicles currently subject to the provisions of the program.

Commissions and Prize Payments (other funds) (\$20.5 million)

The Budget includes a net decrease of \$20.5 million in Lottery Funds (other funds) for commissions and prize payments. This decrease is based on the November 2018 Revenue Estimating Conference (REC) estimates of video lottery terminal (VLT) income, table game revenue, traditional lottery games (scratch tickets, etc.), and the newly authorized sports betting.

Net revenue from VLTs is estimated to be total \$307.0 million. Traditional lottery games are estimated to yield \$62.3 million. Table games are budgeted at \$18.6 million and sports betting is estimated to yield \$11.5 million.

OFFICE OF THE GENERAL TREASURER**Unclaimed Property Revenue Collections and Expenditures (restricted receipts) (\$481,221)**

The Budget adjusts 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. The transfer to the General Fund decreases \$481,221, based on the calculations included in the Budget. There is no change in the projected claim payouts or the surplus transfer to the general fund. The change in liability (the amount required by general accounting rules that the fund must carry forward to the next fiscal year for claim payouts), decreases \$481,221, resulting in a net decrease of \$489,221.

Crime Victims Compensation Program (restricted receipts) (\$350,000)

The Budget includes a reduction of \$350,000 in restricted receipts for claim payments in response to declining court revenues of the same amount.

BOARD OF ELECTIONS**General Election Adjustments (\$737,934)**

The Budget decreases general revenue expenditures by \$737,934 to reflect revised public financing of election costs, personnel, and operating expenditures for voter operating supplies and expenses for the recent General Election year. These expenses increase in odd-numbered fiscal years when there is a statewide general election; more so every 4th year when the constitutional offices are up for election.

Election Costs	FY2019 Enacted	FY2019 Revised	Change
Public Finance of Elections	\$2,620,856	\$1,830,998	(\$789,858)
Operating	166,601	194,121	27,520
Seasonal Staff	335,596	360,000	24,404
Printing	175,000	175,000	-
Equipment Delivery	215,000	215,000	-
Total	\$3,513,053	\$2,775,119	(\$737,934)

OFFICE OF THE GOVERNOR**Personnel Adjustments \$706,571**

The Budget adds a net increase of \$706,571 in general revenue for personnel costs within the Governor's Office. This reflects \$1.3 million in added personnel costs, including \$788,303 in personnel costs that the Governor previously attempted to allocate against ten state agencies, as a means to supplement the Governor's Office personnel budget. The FY2019 Budget as Enacted did not include these personnel cost allocations. Also, the Budget includes \$518,675 in other statewide adjustments including the last step of

the contracted cost of living (COLA) to state employees. In addition, the Budget offsets the increase with a reduction of \$600,407 for projected turnover savings.

Contingency Fund

\$50,000

The Budget adds \$50,000 in general revenue to increase the total the contingency fund appropriation to \$250,000. The Governor's Office is annually appropriated general revenue for a contingency fund to cover unforeseen expenses. This is a discretionary spending account. The FY2019 Budget as Enacted included \$200,000 in general revenue. As of March 14, 2019, a total of \$111,012 is spent from the fund leaving a balance of \$88,988. The following table illustrates the contingency fund appropriations and expenditures over the past five years:

Budget Year	Enacted/Request	Revised Changes	Total	Actual	Variance
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	161,012	88,988

Source: Budget Data Tables

FY2019 Expenditures as of March 15, 2019

Italics reflects proposed amounts or non-finalized amounts

PUBLIC UTILITIES COMMISSION

Budgetary Cap Increases (restricted receipts)

\$618,896

The Budget adds \$618,896 in restricted receipts, reflecting an increase in budgetary caps to the Public Utilities Reserve Account. RIGL 31-1-26 allows the Public Utilities Commission to assess each utility up to \$750,000 per year to fund the operations of both the Commission and Division as well as to engage expert witnesses and consultants required to administer the various hearings before the Commission. The Budget increases restricted receipts to provide sufficient funding for the projected contract services required in FY2019. The following table illustrates the adjustments:

Public Utilities Reserve Account	FY2019	FY2019	Change
	Enacted	Governor	
Financial Services	\$1,514,012	\$2,042,908	\$528,896
Legal Services	260,000	350,000	90,000
Total	\$1,774,012	\$2,392,908	\$618,896

RIGL 42-98-17 allows the Public Utilities Commission to assess utilities for all costs associated with a matter before the Commission. The Commission is allowed to pre-invoice utilities the assessment. This item reflects a projected estimate for costs that may occur at the Commission. This is an accounting method to insure sufficient funding is available during the fiscal year.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES

Caseload Estimating Conference

\$11.9 million

The Governor increases general revenue expenditures by \$11.9 million to reflect the consensus estimate from the November 2018 Caseload Estimating Conference. Additional expenditures are largely attributable to the modification of Medicaid's Hepatitis C policy, coupled with increases in hospital and long-term care services. These increases are partially offset by savings in managed care programs, driven by an anticipated decline in overall caseload.

Hepatitis C Treatment**(\$2.9 million)**

The Governor recommends \$2.9 million in general revenue savings (\$10.7 million all funds) to reflect a price reduction for Hepatitis C treatment related to the introduction of a generic drug. This lowers treatment costs significantly compared to the estimate adopted by the Caseload Estimating Conference.

Medicaid Management Information System (MMIS) Funding**\$1.2 million**

The FY2019 Budget as Enacted included \$3.8 million from general revenues to support the Medicaid Management Information System (MMIS), which tracks claims and billing for the Medicaid program. The State is required to operate this system in order to receive federal funding. FY2018 actual general revenue expenditures for the MMIS totaled \$5.1 million. The Governor includes \$1.2 million to align the system with historical expenditures.

Limit Hospice Rate Increase**(\$1.1 million)**

The FY2019 Budget as Enacted included a rate increase for certain home care and hospice providers. For those who provide hospice care in a nursing facility, the rate includes a separate room and board payment which is passed directly to the facility. As interpreted by EOHHS, the rate increase applied to all components of the hospice rate, including the room and board payment. Later conversations revealed that this was not the legislative intent of the rate increase, as it resulted in higher room and board payments for hospice versus non-hospice patients in nursing homes. The Governor's Budget corrects this issue by exempting the room and board payment from the rate increase in Article 16 of the FY2020 recommendation. This results in \$1.1 million general revenue savings in the current year.

Analyst Note: Supporting documentation indicates that savings will be achieved in FY2019 because the intent is to apply this change retroactively to January 2019. However, the effective date of the article is July 1, 2019, and the language does not include a provision to apply the rate change retroactively. As of March 2019, it appears that EOHHS is still providing the enhanced rate for room and board payments.

Consent Decree Court Monitor**\$75,000**

The FY2019 Budget as Enacted shifted the contract for the Consent Decree Court Monitor from the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to the Executive Office of Health and Human Services (EOHHS). This included the addition of \$150,000 from general revenues; however, general revenue funding for the court monitor contract totals \$225,000. The Governor adds \$75,000 to correct this error. The correct funding was removed from BHDDH in the Enacted Budget. It is unclear why the total funding for the contract was not shifted to EOHHS at this time.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES**Caseload Adjustment****\$15.3 million**

The Department requested \$15.3 million more from general revenues in the assistance and grants category in FY2019. Assistance and grants fund the entirety of DCYF's direct services, including residential care, adoption, and behavioral health. The request for additional funding is primarily driven by the Child Welfare and Children's Behavioral Health Services programs, both of which have experienced drastic caseload increases over the last two fiscal years. The Governor recommends the funding, offset by \$2.9 million related to several savings initiatives, including: \$1.3 million in general revenue savings related to the acceleration of the Voluntary Extension of Care program, \$938,774 resulting from the realignment of foster care supports, and \$641,013 due to the modification to the Department's home-based services policy.

Accelerate Voluntary Extension of Care**(\$1.3 million)**

The Governor recommends \$1.3 million in general revenue savings by transferring youth who are currently in independent or semi-independent living programs (ILP/SILP) into the Voluntary Extension of Care (VEC) program established in the Enacted Budget. The average monthly cost to support a young adult in an independent or semi-independent living program is \$6,589, compared to \$1,200 per month in the VEC program. The difference in costs is related to the fact that youth in ILP/SILP are placed with contracted providers, whereas the VEC program is administered in-house. In addition, the Department is able to draw down more federal funding for VEC placements. This initiative is also included in FY2020.

Centralized Service Charges**\$1.0 million**

The Budget increases general revenue expenses by \$1.0 million to reflect the decentralization of statewide services provided by and previously centralized within the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$3.4 million for these expenses, which is increased by \$1.0 million to \$4.4 million in the FY2019 proposed budget.

Realign Foster Care Supports**(\$938,774)**

In order to address a current year deficit, the Department proposed an initiative to realign foster care supports. The proposal involves terminating contracts which are not being utilized to their full extent and providing services through a newly-established internal kinship support unit, saving \$938,774 from general revenues (\$1.0 million all funds) in FY2019. Implementation is already underway and DCYF has issued termination letters to five providers.

Home-Based Services Length of Stay**(\$641,013)**

The Department modified its reauthorization policy for home-based services effective January 1, 2019. Prior to this change, families received an initial authorization for these intensive and preventive services for a period of six months, with extension requests automatically granted for an additional six months. The Department found that some families do not need services for the entirety of the six month reauthorization period, which resulted in the Department paying for more services than necessary. Instead, the Department modified the policy to grant reauthorizations every 60 days in order to reassess needs more frequently. This does not limit the duration for which a family may receive services; the new policy simply requires that requests be submitted more frequently in order to enhance the Department's oversight. This is expected to save \$641,013 in general revenues in FY2019.

DEPARTMENT OF HEALTH**Nursing Care Evaluators (restricted receipts)****\$122,520**

The Budget adds 3.0 FTE Nursing Care Evaluator positions and \$122,520 in restricted receipt funds to reduce a backlog of uninvestigated complaints, facility-reported incidents, and routine annual inspections of certain state-licensed hospitals, assisted living facilities, and other health facilities. The positions will be hired in the beginning of the third quarter, therefore the Revised Budget does not include the full funding for the positions. The positions are funded by restricted receipt revenues raised from fees charged to healthcare facilities that were found to be in violation of state law and/or regulations. The funding provided in the Budget will assist the Department in investigating complaints and incidents that it currently does not possess adequate staffing levels to complete. Presently, there are only 1.2 FTE positions assigned to inspect facilities, and there is a backlog of 1,700 complaints. An increase in staffing will allow the Department to provide increased oversight, and is expected to decrease poor practices by facilities.

DEPARTMENT OF HUMAN SERVICES***UHIP Cost Recovery******(\$8.3 million)***

The Budget shifts \$8.3 million from general revenues to the United Health Infrastructure Project (UHIP) cost recovery restricted receipt account in the Individual and Family Support program. The UHIP cost recovery account is intended to fund UHIP-related operating costs, including a portion of salary and benefits associated with 143.0 FTEs. In FY2018, the Budget included an additional 143.0 FTE positions, mainly eligibility technicians and other support staff to work on UHIP related programs. UHIP cost recovery funds are based on current and anticipated settlement funds from Deloitte Consulting, the primary developer of the system.

The Budget also includes \$1.3 million in restricted receipts for an anticipated UHIP settlement from Deloitte Consulting.

Veteran's Affairs Contract Services***\$1.7 million***

The FY2019 Supplemental Budget includes an increase of \$1.7 million to reflect an update in anticipated costs for contract services at the Veteran's Home. This increase includes an additional \$550,560 for janitorial services and \$1.1 million for medical services including doctors and dentists.

Centralized Service Charges***\$1.1 million***

The Budget increases general revenue expenses by \$1.1 million to reflect the decentralization of statewide services provided by and previously centralized within the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$4.8 million for these expenses, which is increased by \$1.1 million to \$5.9 million in the FY2019 proposed budget.

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS***Transfer of Program Planner Positions******\$138,270***

The FY2019 Revised Budget transfers 2.0 FTE positions and \$138,270 in general revenues from the Department of Human Services to Central Management to reflect the formal transfer of the Quality Management program to BHDDH.

RICARES***\$100,000***

Recognizing the ongoing need for recovery housing and the associated program administrative costs, the Supplemental Budget includes an increase of \$100,000 in general revenue to fund a contract with Rhode Island Communities for Addiction Recovery Efforts (RICARES) to certify recovery houses, as recommended from the Governor's Overdose Taskforce. Recovery houses provide a sober, safe, and healthy living environment to promote recovery from alcohol and substance use disorder.

Developmental Disabilities Caseload***\$1.7 million***

The Budget increases general revenues by \$1.7 million to support the program's projected needs for FY2020. This reflects population growth and scheduled SIS-A reevaluations of almost 900 individuals who receive services. The SIS-A evaluates the practical support requirements of individuals with intellectual disabilities through an interview process to provide a recommendation for services. The scheduled assessments are expected to place individuals in a higher tier of services than they are currently assigned, resulting in higher spending per individual.

Home Health Aide Increase**\$276,718**

The Budget includes a general revenue increase of \$276,718 to reflect a growth in projected expenditures caused by higher rates paid to licensed practical nurses (LPN) in home health care settings.

Increased Funding for Eleanor Slater Hospital (ESH) Staff**\$2.5 million**

To reduce the risk of non-compliance with Joint Commission on Accreditation of Hospitals (JCAHO) standards, the Budget includes \$2.5 million in additional general revenue funding for ESH staff due to an increase in forensic patients (those who have been deemed unfit to stand trial). The added funds will allow ESH to meet standards that are required for accreditation.

COMMISSION ON THE DEAF AND HARD OF HEARING**Emergency and Public Communications Access Program (restricted receipts)****\$30,843**

The Emergency and Public Communication Access Program (EPCAP) was enacted as part of the FY2014 Budget as Enacted. The EPCAP is funded by an annual transfer in the amount of \$80,000 from the Public Utilities Commission, pursuant to RIGL 39-1-42 and 23-1.8-4. The funds are raised by wireless providers who collect and then remit a nine cent surcharge per month per access line. The program is intended to provide the deaf and hard of hearing population with access to communication. The FY2019 Governor's Budget includes \$110,843, reflecting an increase of \$30,843 from the FY2019 Budget as Enacted, to provide state customer service locations with iPads to provide interpreting services.

OFFICE OF THE CHILD ADVOCATE**Centralized Service Charges****(\$35,342)**

The Budget decreases general revenue expenses by \$35,342 to reflect the decentralization of statewide services provided by and previously centralized within the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2019 Budget as Enacted appropriated \$96,122 for these expenses, which is decreased by \$35,342 to \$60,780 in the FY2019 proposed budget.

Turnover**(\$19,315)**

The FY2019 Budget as Enacted added two positions to the Office of the Child Advocate to assist with the Office's expanded responsibilities, particularly in light of the Children's Rights Settlement. One position is funded through general revenues. These positions were not filled immediately, resulting in general revenue turnover savings of \$19,315 (\$36,867 all funds) in FY2019.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**School Resource Officer Support****(\$1.8 million)**

Article 9 of the FY2019 Budget as Enacted established a new aid category to support new Resource Officers at public middle and high schools. The FY2019 Revised Budget reduces this category by \$1.8 million to reflect projected expenditures of \$213,230. In FY2019, three districts applied for aid: East Providence, Narragansett, and North Smithfield. An application was received from Bristol-Warren for \$16,706 after the Governor's Budget was released. As of March 27, an amendment has not been received.

Teacher Retirement **\$635,098**

The State pays 40.0 percent of the employer's share of the teacher retirement contribution each year. The Budget adds \$635,098 in general revenue to offset a projected deficit in FY2019 due to updated wage growth projections based on actual wage data.

Textbook Reimbursement Adjustment **(\$151,424)**

The State reimburses school committees for the cost of providing free English/language arts and history/social studies textbooks to students in kindergarten through 12th grade who reside in the community. The FY2019 Budget as Enacted provided \$240,000 in state funding for the reimbursement of costs for textbooks. The Budget reduces funding for this program by \$151,424 to reflect actual costs in FY2019.

Education Aid - New England Laborer's Charter School **\$124,045**

The Budget provides an additional \$124,045 in education aid to the New England Laborer's Charter School. Pursuant to RIGL 16-7.2-5(a), if the October 1 actual enrollment data for any charter public school shows a ten percent (10%) or greater change from the prior year enrollment, which is used as the reference year average daily membership, the last six (6) monthly payments to the charter public school will be adjusted to reflect actual enrollment.

Group Home Aid **\$119,000**

The Budget increases group home aid by \$119,000 to reflect the addition of six new beds in Portsmouth (\$102,000) and one new bed in Exeter-West Greenwich (\$17,000).

School for the Deaf **\$100,099**

The Budget adds \$100,099 in general revenue for unachieved turnover at the School for the Deaf to prevent cuts in the current year.

Davies P-Tech Grant **\$100,000**

The Budget includes \$100,000 in funds from the Commerce Corporation as part of the Pathways in Technology Early College High School (P-Tech) program. The funds will be used to further the development of the Advanced Manufacturing Center at Davies.

DEPARTMENT OF THE ATTORNEY GENERAL**Google Forfeiture Funds (federal funds)** **\$2.3 million**

The FY2019 Supplemental includes an increase of \$2.3 million in google forfeiture federal funds (a total of \$11.4 million) for the design and construction of a new customer service center in the Pastore Complex. The building was completed in the summer of 2018. The funds are also used for the ongoing redesign and renovation of the Department's main headquarters at 150 South Main Street in Providence.

DEPARTMENT OF CORRECTIONS**Centralized Service Charges** **(\$2.3 million)**

The Budget decreases general revenue expenses by \$2.3 million to reflect the decentralization of statewide services provided by and previously centralized within the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular

program or agency. The FY2019 Budget as Enacted appropriated \$14.1 million for these expenses, which is decreased by \$2.3 million to \$11.9 million in the FY2019 proposed budget.

Pharmaceutical Expenses

\$513,574

The Budget includes an additional \$513,574 for pharmaceutical expenses, bringing the Department's total amount for pharmaceuticals to \$4.6 million. The Governor includes an additional \$1.1 million related to expanded treatment for Hepatitis C. This increase is partially offset by \$127,135 in savings related to a per-diem reduction based on a revised inmate population estimate and a \$470,060 decrease to reflect actual costs for pharmaceuticals in FY2018.

RHODE ISLAND EMERGENCY MANAGEMENT

Disaster and Emergency Preparedness Grants (federal funds)

\$5.9 million

The Budget includes \$12.7 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events. This appropriation is \$5.9 million more than the appropriation in the FY2019 Budget as Enacted. These funds also reimburse preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events. The preparedness efforts are intended to improve and enhance the State's ability to prevent, deter, respond to, and recover from threats and incidents. Federal grant funds vary from year to year depending upon the number and severity of natural disasters and the availability of federal funds for non-disaster grants. The following table highlights the more significant changes in FY2019.

RIEMA Federal Grants	FY2019 Enacted	FY2019 Governor	Change
FEMA Flood Reimbursement - Federal Match	\$575,000	\$5,722,483	\$5,147,483
Homeland Security Grant Program 2017	2,252,000	1,138,020	(1,113,980)
Blizzard Juno Disaster	-	773,749	773,749
Emergency Management Performance Grant 2018	660,000	179,733	(480,267)
Homeland Security Grant Program 2018	355,000	800,000	445,000
FEMA Flood Hazard Mitigation	-	400,187	400,187
Emergency Management Performance Grant 2017	690,000	350,000	(340,000)
All Other Grants	2,329,436	3,372,275	1,042,839
Total	\$6,861,436	\$12,736,447	\$5,875,011

DEPARTMENT OF PUBLIC SAFETY

Gaming Enforcement Unit

\$1.8 million

The Budget shifts \$1.8 million in lottery funding (other funds) in FY2019 to general revenue to pay for the staffing costs of approximately 10.0 FTE positions in the Gambling Enforcement Unit (GEU) within the Detective Bureau. Funding for the GEU has historically been part of the Lottery's operating costs, which are deducted from the total amount of lottery revenue transferred to the State. Because of this, the cost of manning and operating the GEU appears as a reduction in revenue rather than an expenditure.

The November 2018 Revenue Estimating Conference revised the way in which the GEU is budgeted. The principals agreed to reflect the costs as a budgeted expenditure within the State Police.

Opioid Response Programs (federal funds)

\$1.1 million

The Budget includes an increase of \$523,896 in federal funds in FY2020 and \$1.1 million in FY2019 to help address the opioid addiction in Rhode Island.

In October 2018, the Governor announced a new statewide initiative aimed at combating the opioid epidemic. The program, called the HOPE Initiative (Heroin-Opioid Prevention Effort), employs law

enforcement personnel in a proactive outreach strategy in the community. According to the Department, it brings together substance abuse professionals and police in partnership to reach out to those who are at risk of over-dosing and encouraging them to be treated.

The U.S. Department of Health and Human Services (HHS) has awarded Rhode Island \$12.6 million in substance abuse grants targeted at opioid addiction. The grants are administered by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) and the Department of Public Safety is a sub-recipient under the program. The following table list the HOPE grants and their amounts:

Grant	FY2019 Enacted	FY2019 Revised	FY2020 Recommended
Hope Initiative - Comprehensive Addiction/Recovery	\$0	\$175,076	\$175,612
Hope Initiative - Medication Assisted Treatment PDOA	-	30,177	41,477
Hope Initiative - Opioid Response Prevention	-	157,419	52,684
Hope Initiative - Prescription Drug Monitoring Program	-	200,461	143,756
Hope Initiative - Opioid Response Grant	-	552,458	110,367
Total	\$0	\$1,115,591	\$523,896

DEPARTMENT OF TRANSPORTATION

Truck Tolls (other funds) ***(\$34.0 million)***

The Budget includes \$7.0 million in toll revenues, a decrease of \$34.0 million from the FY2019 Enacted levels. The Budget anticipates two additional toll gantries being completed in FY2019. The gantries will charge a toll on tractor trailer trucks, vehicle class 8 or larger. Currently, two toll gantries, located in Richmond and Hopkinton, are operational and charge trucks a one-way toll of \$3.25 and \$3.50 respectively. Revenue generated from the truck tolls will be used for bridge maintenance and improvements throughout the State.

Highway Maintenance Account (other funds) ***\$33.7 million***

The FY2019 Supplemental Budget includes \$130.7 million in Highway Maintenance Account (HMA) funding, an increase of \$33.7 million. The increase in funding is due to a carry forward of unspent funds. The Highway Maintenance Account is used to fund programs that will eliminate structural deficiencies of the State's bridge, road and maintenance systems, and infrastructure.

Federal Funds ***\$25.2 million***

The Budget includes \$318.2 million in federal funds, an increase of \$25.2 million from the FY2019 Budget as Enacted. This increase is associated with additional Transportation Investment Generating Economic Recovery (TIGER) and Better Utilizing Investments to Leverage Development (BUILD) grants. In 2018 the Department was awarded a \$20.0 million BUILD grant for the Pell Bridge ramps. The project will include improvements to the ramps and supporting roadways of the Pell Bridge. The Department was also awarded a \$20.0 million TIGER grant in 2018; this grant will support improvements to Route 37 as well as the Pawtucket/Central Falls train station.



FY2020 BUDGET ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2020

Article 1 outlines the appropriation amounts from all fund sources for FY2020. 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; out-year appropriation changes in Rhode Island Capital Plan Fund projects; expenditure limits for internal service funds; and, disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds.

This article also:

- Sets the airport impact aid formula at a reduced amount.
- Authorizes 15,413.7 FTE positions reflecting an increase of 204.0 FTE positions as compared to the authorized level set in the FY2019 Budget as Enacted.
- 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 FY2021. 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.
- Caps 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 \$1.2 million. It requires the Judiciary to provide \$230,000 to the 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 and Mortgage Finance Corporation continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The Article requires 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.
- Includes a total appropriation of \$8.4 million in general revenue for community service objective grants in FY2020. This reflects a net increase of \$60,000 from the previously enacted budget. The Governor eliminates the \$160,000 award to Urban Ventures and increases the award by \$200,000 for the Veterans at Risk program.
- Requires the following transfers be made to the State Controller by June 30, 2020: \$1.5 million from the Rhode Island Housing and Mortgage Finance Corporation, \$4.0 million from the Rhode Island Infrastructure Bank, and \$1.5 million from Rhode Island Student Loan Authority.

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2020.

Expenditures by Source	FY2018 Final	FY2019 Enacted	FY2020 Governor	Change to Enacted
General Revenue	\$3,798.7	\$3,908.2	\$4,075.1	\$166.9
Federal Funds	2,996.5	3,208.2	3,318.7	110.5
Other Funds	1,978.4	2,174.5	2,234.8	60.3
Restricted Receipts	258.6	281.8	301.4	19.6
Total	\$9,032.2	\$9,572.7	\$9,930.0	\$357.3

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

In addition, Article 1 provides for the annual appropriation of the Contingency Fund; Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); University and College Funds; and, Lottery Division funds for award winnings during FY2020.

Article 1 establishes 16 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. The FY2018 Budget as Enacted established centralized accounts for each agency and allows the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2019 Enacted	FY2020 Governor	Change
State Assessed Fringe Benefits	\$41,383,271	\$31,377,620	(\$10,005,651)
Administration Central Utilities	22,910,320	23,055,162	144,842
State Central Mail	6,539,120	6,290,947	(248,173)
State Telecommunications	3,602,419	3,450,952	(151,467)
State Automotive Fleet	12,549,973	12,740,920	190,947
Surplus Property	3,000	3,000	-
Health Insurance	251,953,418	252,562,111	608,693
State Fleet Revolving Loan Fund	273,786	273,786	-
Other Post-Employment Benefits	63,858,483	63,858,483	-
Capital Police	1,395,433	1,479,703	84,270
Corrections Central Distribution Center	6,769,493	6,798,359	28,866
Correctional Industries	8,050,590	8,191,195	140,605
Secretary of State Records Center	947,539	969,729	22,190
Human Resources Internal Service Fund	12,131,620	15,227,277	3,095,657
DCAMM Facilities Internal Service Fund	39,212,184	40,379,969	1,167,785
Information Technology Internal Service Fund	32,282,229	40,631,267	8,349,038
Total	\$503,862,878	\$507,290,480	\$3,427,602

- State Assessed Fringe Benefit:** According to the Budget Office the correct amount that should be stated under the FY2020 Governor's recommendation is \$37.9 million, reflecting a decrease of \$3.5 million from the FY2019 Budget as Enacted. The decrease from current year is the anticipated annualized savings from having Beacon Mutual manage the Worker's Compensation program.

Analyst Note: According to the Budget Office, within the State Assessed Fringe Benefits fund, the budget request is misstated as funding was not included in two accounts that were not corrected before the Governor submitted the budget. The effected accounts and amounts include the Severance Account and the Flex Plan account, which should be budgeted at \$6.45 million and at \$90,000, respectfully. This would bring the State Assessed Fringe Benefits fund budget to approximately \$37.9 million.

In addition, three other accounts list significant changes in the budget. The accounts are the Human Resources Internal Service Fund, DCAMM Facilities Internal Service Fund, and the Information Technology Internal Service Fund. The Budget Office has not provided a detailed explanation for the increase in these two funds. However, the Budget Office does state that there are a number of reasons for the increases, including funding for Microsoft 365 in the Information Technology Internal Service Fund and the COLA/benefit changes initiated in FY2019 that impact all three of the centralized service funds Human Resources Internal Service Fund, DCAMM Facilities Internal Service Fund, Information Technology Internal Service Fund.

FUND TRANSFERS

Article 1 requires transfers from several quasi-public entities be made to the State Controller by June 30, 2020, to support the General Fund. This includes \$4.0 million from the Rhode Island Infrastructure Bank, \$1.5 million from Rhode Island Housing and Mortgage Finance Corporation, and \$1.5 million from Rhode Island Student Loan Authority.

Agency	FY2019 Enacted	FY2019 Governor	Change	FY2020 Governor	Change
Health and Educational Building	\$0.0	\$2.0	\$2.0	\$0.0	\$0.0
Infrastructure Bank	4.0	4.0	-	4.0	-
RI Housing	-	2.5	2.5	1.5	1.5
Quonset Development Corporation	-	2.0	2.0	-	-
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 Rec. 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)
Total	\$4.8	\$21.2	\$16.4	\$7.0	\$2.2

\$ in millions

Rhode Island Infrastructure Bank: The Budget requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$4.0 million to the State Controller by June 30, 2020. The transfer in FY2020 would result in RIIB losing \$11.5 million of infrastructure funds over three fiscal years. RIIB transferred \$3.5 million to the State in June 2018, and in accordance with the enacted FY2019 budget, will transfer \$4.0 million to the State in June 2019.

According to RIIB these transfers do not directly impact RIIB's restricted lending programs in Clean and Drinking Water State Revolving Fund, Municipal Road and Bridge Revolving Fund, and Efficient Building Fund. Instead, the transfers impact the Bank's operating capital, which is used to supplement RIIB's restricted lending programs. RIIB has made \$26.3 million dollars in loans for eligible RIIB projects from these funds when program funds were unavailable. Without this operating capital, these projects would have been financed by the borrowers at higher interest rates. RIIB also uses operating capital to make lending commitments when municipalities require the financing, rather than having to wait for when the Bank may issue its annual program bonds. This makes the RIIB financing programs more responsive to the timing of infrastructure needs.

Rhode Island Housing and Mortgage Finance Corporation: Article 1 requires the Rhode Island Housing and Mortgage Finance Corporation (RIHousing) to transfer \$1.5 million to the State Controller for deposit in the General Fund by June 30, 2020. This is in addition to the Governor's supplemental budget recommendation transferring \$2.5 million to the State Controller by the end of FY2019.

RIHousing is a self-supporting agency that raises capital through the tax-exempt municipal market to fund loans and programs to help Rhode Islanders purchase homes and to finance housing development and preservation. Investors in RIHousing bonds rely heavily on credit ratings received from Standard & Poor's and Moody's Rating Services. According to the agency, reductions to RIHousing's net income could have a negative effect on the rating agencies' review, which could result in higher interest rates for RIHousing borrowers. The rating agencies have noted that prior transfers required by the State limited RIHousing's ability to pay future debt service on bonds and put RIHousing at a risk for downgrade which could impair its ability to issue bonds in the future and result in higher interest rates for homebuyers and housing

developers. Additionally, the transfer may limit RIHousing's ability to focus on its core mission of investing in housing production.

Rhode Island Student Loan Authority: The Budget requires the Rhode Island Student Loan Authority (RISLA) to transfer \$1.5 million to the State Controller for deposit in the General Fund by June 30, 2020. RISLA, a non-profit State authority, provides affordable higher education loans. Since 1998, RISLA has also provided free educational admissions and financial aid assistance for students and parents through the College Planning Center of Rhode Island (CPC), with several locations around the State. According to RISLA, the transferred funds were allocated to make education loans. Consequently, RISLA's next bond issue will have to be increased by any amounts transferred to the state. Borrowing costs will thereby increase by about \$100,000 annually. This additional cost may increase loans rates slightly for students and their families; however, the actual impact is indeterminable at this time. RISLA has indicated that a ratings downgrade is unlikely at this time; however, if the transfers become a regular occurrence there would be a negative impact on RISLA's ability to access low cost funding.

FTE POSITION CAP AND APPROVAL

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. Statewide, the Governor recommends a net increase of 204.0 FTE positions from the FY2019 Budget as Enacted. Following are the changes included in the Governor's proposal:

Expense by Function	FY2019 Enacted	FY2020 Governor	Change to Enacted
General Government	2,438.9	2,513.9	75.0
Human Services	3,682.6	3,711.6	29.0
Education	3,959.4	3,706.2	(253.2)
Public Safety	3,160.0	3,210.0	50.0
Natural Resources	425.0	436.0	11.0
Transportation	755.0	785.0	30.0
Subtotal	14,420.9	14,362.7	(58.2)
<i>Higher Ed. Sponsored Positions</i>	<i>788.8</i>	<i>606.0</i>	<i>(182.8)</i>
<i>Higher Ed. Auxiliary Enterprise Positions</i>	<i>0.0</i>	<i>445.0</i>	<i>445.0</i>
Total FTE Positions	15,209.7	15,413.7	204.0

COMMUNITY SERVICE OBJECTIVES

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

The FY2019 Budget as Enacted includes \$8.3 million in general revenue for CSO grant awards across 13 state agencies. The Governor recommends an appropriation of \$8.4 million in general revenue in FY2020, a net increase of \$60,000 from the previously enacted budget. The Governor recommends eliminating the \$160,000 award to Urban Ventures and increasing the award by \$200,000 for the Veterans at Risk program.

Agency	Grant Recipient	FY2019 Enacted	FY2019 Governor	FY2020 Governor	Change
Administration	City Year - Whole School Whole Child Program	\$130,000	\$130,000	\$130,000	\$0
Executive Office of Commerce	Polaris Manufacturing Technical Assistance Program	350,000	350,000	350,000	-
Executive Office of Commerce	Chafee Center at Bryant	476,200	476,200	476,200	-
Executive Office of Commerce	Urban Ventures	140,000	140,000	-	(140,000)
Secretary of State	Rhode Island Historical Society	125,000	125,000	125,000	-
Secretary of State	Newport Historical Society	18,000	18,000	18,000	-
Human Services - Elderly Affairs	Diocese of Providence - Elder Services	140,000	140,000	140,000	-
Human Services - Elderly Affairs	Alliance for Long Term Care Ombudsman Services	40,000	40,000	40,000	-
Human Services - Elderly Affairs	Elderly Housing Security	85,000	85,000	85,000	-
Human Services - Elderly Affairs	Meals on Wheels	530,000	530,000	530,000	-
Human Services - Elderly Affairs	Senior Center Support	800,000	800,000	800,000	-
Human Services - Elderly Affairs	Elderly Nutrition	50,000	50,000	50,000	-
Human Services	Coalition Against Domestic Violence	300,000	300,000	300,000	-
Human Services	Project Reach - Boys and Girls Club	250,000	250,000	250,000	-
Human Services	Day One	217,000	217,000	217,000	-
Human Services	RI Community Food Bank	175,000	175,000	175,000	-
Human Services	Crossroads Rhode Island	500,000	500,000	500,000	-
Human Services	Institute for the Study and Practice of Nonviolence	200,000	200,000	200,000	-
Human Services	Veterans' Organizations	200,000	200,000	400,000	200,000
Human Services	Community Action Fund	520,000	520,000	520,000	-
Education	Hasbro Children's Hospital - Hospital School	90,000	90,000	90,000	-
Education	Child Opportunity Zones	345,000	345,000	345,000	-
Office of Postsecondary Commissioner	Rhode Island College Crusade	355,000	355,000	355,000	-
Office of Postsecondary Commissioner	Best Buddies Rhode Island	60,000	60,000	60,000	-
University of Rhode Island	Small Business Development Center	350,000	350,000	350,000	-
University of Rhode Island	Special Olympics Rhode Island	50,000	50,000	50,000	-
Arts Council	WaterFire Providence	375,000	375,000	375,000	-
Historical Preservation	Fort Adam's Trust	30,000	30,000	30,000	-
Corrections	Crossroads Rhode Island	1,050,000	1,050,000	1,050,000	-
Judicial	Rhode Island Coalition Against Domestic Violence	230,000	230,000	230,000	-
Judicial	Rhode Island Legal Services	90,000	90,000	90,000	-
Environmental Management	Conservation Districts	50,000	50,000	50,000	-
Total		\$8,321,200	\$8,321,200	\$8,381,200	\$60,000

- Urban Ventures Community Service Obligation:** The Governor eliminates funding for the Urban Ventures organization based on the Executive Office of Commerce’s recommendation. Since FY2000, Urban Ventures received \$3.5 million in general revenue appropriations, as illustrated in the table to the right:
- Veterans at Risk:** The Governor includes \$400,000 from general revenues to support community service grants distributed by Veterans’ Affairs, an increase of \$200,000 relative to the FY2019 Budget as Enacted. In previous years, the funds provided have not been sufficient to support initiatives to reduce homelessness and increase employment.

Urban Ventures	
FY	Appropriation
2019	\$140,000
2018	140,000
2017	140,000
2016	140,000
2015	140,000
2014	73,011
2013	73,011
2012	97,348
2011	108,164
2010	108,164
2009	108,164
2008	216,328
2007	240,364
2006	250,000
2005	250,000
2004	250,000
2003	250,000
2002	250,000
2001	250,000
2000	250,000
Total	\$3,474,554

CAPITAL APPROPRIATIONS

Article 1 authorizes amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2021, June 30, 2022, June 30, 2023, and June 30, 2024. These amounts supersede appropriations provided for FY2020 within the FY2019 Budget as Enacted.

Subject to final General Assembly approval, any unexpended or unencumbered funds from the RICAP Fund project appropriations in excess of \$500 may be reappropriated to the next fiscal year and made available for the same purpose. Any remaining funding less than \$500 may be reappropriated at the discretion of the State Budget Officer.

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.
- Amends 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 will be deposited into this account.
- Amends 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.
- Establishes 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.
- Exempts twenty-one restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27. The proposed exemptions would apply 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, the article exempts Health System Transformation Project, Medical Marijuana Patient Licenses, Healthcare Information Technology, the De Coppet Estate Fund, Marijuana Cash Surcharge, and the State Authorization Reciprocity Agreement (SARA) restricted receipt accounts.
- 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.

Analyst Note: Article 14 Section 2 adds a new Health Insurance Market Integrity Fund restricted receipt account within the Department of Administration and amends general law to exempt this account from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27.

FISCAL IMPACT

The proposed exemptions applicable 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 would reduce general revenue indirect cost recovery receipts by \$651,000 in FY2020, increasing to \$2.3 million by FY2024.

ANALYSIS AND BACKGROUND

This article addresses various restricted receipts accounts. The changes are explained in detail below.

Real Estate Appraisers Registration – CLRA

Section 1 of this article amends RIGL 5-20.7-15 regarding the Real Estate Appraisers Registration – CLRA fee to create a restricted receipt account. Pursuant to general law and federal code, the Department of Business Regulation collects fees on the issuance of a new license and on renewal fees. The amount of the annual fee is \$240 that is collected on a 2-year basis (\$480). The fee, except for the annual \$40, is deposited into the general fund. The department remits the \$40 (\$80 2-year basis) to the federal Appraisal Subcommittee per Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

The Department projects revenue collections of \$124,650 in FY2019 and \$125,000 for FY2020. Passage of this article would shift the revenue to restricted receipts. The account will not be exempt from the indirect cost recovery provision of RIGL 5-4-27.

Appraisal Management Company – Registration

Section 2 amends RIGL 5-20.9-7 concerning the Appraisal Management Company – Registration fee to create restricted receipt account. Pursuant to general law and federal code the Department of Business Regulation collects fees on the issuance of a new license and on renewal fees to appraisal management companies. The revenue is remitted to the federal Appraisal Subcommittee per Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The amount of the annual fee is \$500, which is deposited into the general fund. The department currently deposits the annual fee into the general fund. Since the department essentially acts as a pass-through entity, passage of this article would shift the revenue to restricted receipts. The account will not be exempt from the indirect cost recovery provision of RIGL 5-4-27.

The Department projects revenue collections of \$25,000 in FY2019 and for FY2020 based on 50 registrants at \$500 per license fee.

State Authorization Reciprocity Agreement (SARA)

Section 3 of this article amends RIGL 16-59-6 to create the State Authorization Reciprocity Agreement (SARA) fees restricted receipt account within the Office of the Postsecondary Commissioner budget. 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.

The following institutions have been approved to participate in RI-SARA: Brown University, Bryant University, Johnson & Wales University, New England Institute of Technology, Roger Williams University, Salve Regina University, and the University of Rhode Island. RI-SARA institutions pay an application fee to RI-SARA and a national fee to NC-SARA. Once an institution is approved, these fees provide reciprocity for the Rhode Island institutions to operate in every NC-SARA. Approved RI-SARA institutions pay an annual fee to remain authorized.

All fees related to interstate reciprocity agreements regarding postsecondary distance will be deposited and disbursed from this account. Projected receipts are \$70,000 and the account will be exempt from the indirect cost recovery provisions of RIGL 35-4-27.

Health System Monitoring and Compliance

Section 4 of this article amends RIGL 16-59-6 to create the Health System Monitoring and Compliance restricted receipt account. The Health Systems Monitoring and Compliance fund is a new restricted receipt account that, according to the Department of Health (DOH), was established to deposit consent agreement fees paid by hospitals. The purpose of the fee is to oversee the corrective action plans in order to ensure compliance. These are one time fees that are used to monitor and provide quality assurance related to the consent agreements with the hospitals.

Healthcare Information Technology and Infrastructure Development Fund

Section 5 of this article amends RIGL 23-77-2 to clarify that the Healthcare Information Technology and Infrastructure Development Fund is a restricted receipt account. Public Law 2004, Chapter 397 created the Healthcare Information Technology and Infrastructure Development Fund within the Department of Health for the purpose of promoting the development and adoption of healthcare information technologies designed to improve the quality, safety and efficiency of healthcare services. The Health Information Technology (HIT) fund seeks to develop, maintain, expand and improve the State's HIT infrastructure. The current donations have been approved to support EOHHS's contract with Rhode Island Quality Institute PMPM work. The Executive Office of Health and Human Services (EOHHS) has been approved to use HIT Fund contributions as agreed upon by the Director of the Rhode Island Department of Health for state match to support activities in the approved EOHHS Medicaid HITECH Health Information Technology Implementation Advance Planning Document (IAPD).

Indirect Cost Recovery Exemptions

State law permits the assessment of a 10.0 percent indirect cost recovery charge on most state restricted receipt accounts in order to support the administrative overhead costs associated with the collection of funds and administration of the accounts. RIGL 35-4-27 enumerates those restricted receipts exempted from this assessment. Section 6 of this article expands the list to include the following accounts:

- **Medical Marijuana Licensing, Adult Use Marijuana Licensing, and Industrial Hemp Licensing:** Article 20 authorizes Medical Marijuana Licensing, Adult Use Marijuana Licensing, and Industrial Hemp Licensing restricted receipt accounts proposed 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.
- **Health System Transformation Project:** Section 7 of this article amends RIGL 42-7.2-10 to create the Health System Transformation Project (HSTP) restricted receipt account. The account will record federal financial participation associated with qualifying healthcare workforce development activities at the state's public institutions of higher education. The first round of HSTP from the federal Designated State Health Program (DSHP) matching financing is being initially recorded as a restricted receipt. The purpose of the restricted receipt account is to safeguard residual cash balances year to year, as any unexpended match will remain recognized in the account until they are disbursed. The restricted account would be used to be a "holding place" for federal dollars that have been earned through the quantification and documentation of eligible costs at the state's university and colleges for programs that train healthcare professionals that will ultimately provide services to Medicaid program participants. Those funds will then be subsequently used as the match for the federal reimbursement of the accountable entity payments.
- **Medical Marijuana Patient Licenses:** The Medical Marijuana Patient Licenses is an existing restricted receipt account created to support RIDOH's medical marijuana program. The revenue generated supports program costs. There is language in statute that any remaining balance at the end of the fiscal year is transferred to the general fund, however, there is usually minimal or no remaining balance.
- **Healthcare Information Technology:** Public Law 2004, Chapter 397 created the Healthcare Information Technology and Infrastructure Development Fund within the Department of Health for the

purpose of promoting the development and adoption of healthcare information technologies designed to improve the quality, safety and efficiency of healthcare services.

- **De Coppet Estate Fund:** This is a newly created restricted receipt account within the Department of Environmental Management (DEM) that was erroneously subsumed under a pre-existing restricted receipt account that was not exempt from the indirect cost recovery provision. The receipts in the fund relate to a bequest of land (Hillsdale) located in the Town of Richmond. The land consists of 1,825.2 acres was formally accepted as trust to the State in 2014, 75-years after the death of the property owner, Theakston de Coppet and after the passing of his last land tenant in 2010. Resolution 340 in 2014 placed the land in to the state and set that 8/40th of the annual trust income (approximately \$20,000) be used to provide support of the land. This action will exempt the trust income from the indirect cost recovery provisions.
- **Marijuana Cash Use Surcharge:** Article 20 Section 10 creates the Marijuana Cash Use Surcharge, a restricted receipt account within the Department of Revenue. The Marijuana Cash Use Surcharge is a 10.0 percent penalty imposed on licensees who make cash payments for excise taxes due to the Division of Taxation. Funds deposited into this account shall be used to finance processing and handling costs of the Division for the marijuana fees.

Health System Transformation Project

Section 7 of this article creates the Health System Transformation Project (HSTP) restricted receipt account within the Executive Office of Health and Human Services under RIGL 42-7.2-10. The account will record federal financial participation associated with qualifying healthcare workforce development activities at the state's public institutions of higher education. The project is part of the Governor's initiative to reinvent Medicaid. Funds will be used to promote improved access and quality of care for Medicaid beneficiaries in RI by supporting the education and training of the healthcare workforce.

The first round of HSTP from the federal Designated State Health Program (DSHP) matching financing is being initially recorded as a restricted receipt. The purpose of the restricted receipt account is to safeguard residual cash balances year to year, as any unexpended match will remain recognized in the account until they are disbursed. The restricted account would be used to be a "holding place" for federal dollars that have been earned through the quantification and documentation of eligible costs at the state's university and colleges for programs that train healthcare professionals that will ultimately provide services to Medicaid program participants. Those funds will then be subsequently used as the match for the federal reimbursement of the accountable entity payments.

Article 3: Relating to Government Reform

This article makes several changes to the Rhode Island General Laws regarding permits and licenses, regulatory authority, tax administration, and Injured on Duty benefits. Specifically, the article:

- Eliminates the permit fee required for parking facilities within the Warwick Airport Parking District.
- Amends licensing fees and requirements for various professions.
- Amends laws related to tax administration.
- Expands requirements for criminal background checks for those seeking employment in child care facilities.
- Clarifies language in RIGL 23-1.4 to require a credible threat based on scientific evidence in determining the environmental acceptability of sites for school construction.
- Adds civil penalties for violations to constable licensing regulations and increases penalties for violations for auto wrecking and salvage yard laws.
- Repeals legislation that required the Department of Revenue and the Division of Municipal Finance to monitor and report the compliance of the Town of Coventry Fire District.
- Consolidates regulatory authority for gas station inspections to the Department of Labor and Training (DLT).
- Amends Injured on Duty requirements for all state employees receiving injured on duty payments.

FISCAL IMPACT

Most of the statutory items with amendments have no direct savings attached to them. However, the changes to Injured on Duty (IOD) benefits for state employees is projected to generate general revenue savings of \$1.7 million in FY2020, including \$204,130 in Military Staff, \$1.4 million in the Department of Public Safety, and \$64,672 in the Department of Environmental Management.

The initiatives outlined in Article 3 would also decrease general revenue collections by an estimated \$51,680; however, the Governor's Budget does not account for these foregone revenues.

ANALYSIS AND BACKGROUND

Warwick Airport Parking District: Section 1 of the article eliminates fees associated with a permit to offer parking in a lot, garage, or other parking facility located within the Warwick Airport Parking District. Currently, this fee is \$10 per space, with a maximum of \$250 per permit. Although the fee would no longer be applicable, the permit would still be required. According to the Tax Administrator, no amount of the fee is passed through to the City of Warwick. The Department of Revenue collected \$1,250 in FY2018 and \$1,400 in FY2019 in permit fees. Elimination of the fee is estimated to reduce general revenue collections by \$1,500 in FY2020; however, the Governor's Budget does not account for these foregone revenues.

Licensing Changes: The article amends licensing fees and requirements for various professions.

- **Class P Liquor Licenses:** The article eliminates the \$1 fee for duplicate copies of caterer liquor licenses. According to the Department of Business Regulation (DBR), this fee has not been collected in the last two to three years; therefore, eliminating it would have no fiscal impact.
- **Hide and Leather Inspectors:** The article eliminates licensing and compensation requirements for hide and leather inspectors in certain towns. According to DBR, this language is outdated and unnecessary, as the state has not licensed hide and leather inspectors in many years.

- **Well-Drillers, Pump Installers, and Water-Filtration Contractors:** The article amends the requirements of well-drillers, pump installers, and water-filtration contractors by removing language requiring that contractors be “of good moral character,” which often creates the assumption that a criminal background check is required. The article also eliminates a notary requirement as part of the license application to simplify the process.
- **Certified Interpreters and Translators for the Deaf:** The article eliminates a requirement of Certified Interpreters and Translators for the Deaf to verify under oath that they meet the qualifications of the license. This is intended to ease the application process.
- **Bedding and Upholstered Furniture:** The article changes the requirements of licenses for the sterilization, disinfection, or disinfestation treatment of bedding and upholstered furniture. The article would change the requirement from a license to a registration. According to the Department of Business Regulation, this process currently brings in over \$1.0 million in revenue, with the majority from out of state. The fees associated with the registration would not be changed.
- **Gasoline Retail Sales:** The article eliminates two fees associated with gasoline permits in order to simplify business requirements in the state. This includes a \$10 license fee for a motor carrier fuel license, temporary license, or decal. The elimination of the associated fee with this license would result in a \$50,000 loss in general revenue collections, although the Governor’s Budget does not account for the loss in revenues. Section 13 of the article eliminates a \$5 license fee for the retail sale of gasoline, resulting in a \$180 loss in general revenues which is also not included in the Governor’s recommendation.
- **Mixed Martial Arts:** The article modifies Mixed Martial Arts (MMA) licensing requirements. The article would allow for the Department of Business Regulation (DBR) to create fees for referees and officials of MMA competitions. The article aligns the legislation with current legislation on boxing competitions by exempting amateurs from license requirements if prize winnings are less than \$25.
- **Contractors’ Registration and Licensing Board:** The article eliminates the requirement of a written affidavit in the Contractors’ Registration permit application. Instead, the article would require a signed statement. This change is meant to reduce the burden placed on contractors applying for permits. The article amends language to reflect the transfer of the Registration and Licensing Board from the Department of Administration to the Department of Business Regulation. There is no impact on general revenues; however, a change to an electronic system may increase efficiencies, thereby reducing restricted receipt expenditures.
- **Roofing Contractors:** The article makes several changes to the requirements of Roofing Contractors. The article eliminates the requirement that roofing contractors complete ten hours of an Occupational Safety and Health Administration (OSHA) course. The article changes continuing education requirements from every year to every two years, consistent with best practices.

The article also eliminates bonding requirements, which require roofing contractors to be insured against failure to complete work. This was previously set at \$100,000. The changes established in Article 3 in regard to roofing contractors are to align Rhode Island with neighboring states, which do not have bond requirements. The article simultaneously increases insurance requirements to \$2.0 million (currently \$1.5 million).

Penalty Changes: Article 3 amends penalties for failure to comply with licensing regulations.

- **Constables:** The article establishes civil penalties for constables, who are independent enforcement officers for court matters. According to the Department of Business Regulation, the only way to currently handle licensing violations is to revoke the certification of the constable. Between 2016 and 2019, six violations resulted in action taken by the Department, four of which were for the same individual. The proposed penalty amount varies, but can be as high as \$1,000. According to DBR, the

fee would likely be tiered based on the number of violations the constable has committed. This new penalty would result in a small increase in general revenue, but the precise impact is unknown.

- **Auto Wrecking and Salvage Yards:** The article increases penalties for violations of RIGL 42-14.2, entitled Department of Business Regulation – Automobile Wrecking and Salvage Yards, from \$500 to \$1,000. Penalties for wrecking and salvage yards would be applicable to those who fail to comply with requirements defined by DBR. According to DBR, these penalties would primarily be assessed against those entities acting as a wrecking and salvage yard without the proper permits. Due to a lack of data, an exact measure of the fiscal impact of the increase is difficult, but is estimated to be approximately \$7,500. This estimated increase in general revenue is not included in the Governor’s Budget.
- **Paper Filing:** The article establishes a penalty for companies who fail to electronically file their tax returns and who were taxed at least \$200 per month in the previous calendar year.

School Construction on Sites with Environmental Contamination: The article amends language to clarify the requirements of school construction sites that have been deemed contaminated. The changes would eliminate uncertainty and require a credible threat based on scientific evidence that the site is not fit for school-use. The language currently requires “reasonable potential” and is unclear as to what determines a site to be unsafe for a proposed school building. The changes in language would allow for the recently-approved bonds to be appropriated for the construction of school buildings.

Transfer of Regulatory Authority: The article 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. DLT has agreed to handle the regulatory responsibility since it already inspects the gas pumps.

The article transfers the Small Business Ombudsman from the Office of Regulatory Reform within the Office of Management and Budget to 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 would formally transfer the Ombudsman to DBR.

Background Checks: Article 3 adds the responsibility and authority to conduct background checks for applicants and current employees in state positions with access to federal tax information. The article also expands background checks to all employees of facilities registered with the Department of Children, Youth, and Families or the Department of Human Services. The article would require that all applicants, employees, and volunteers of child care facilities obtain a criminal background check with continuous checks every five years.

Tax Administration: The article would provide authority for the Division of Taxation to prepare a list of entities licensed to collect taxes, such as retail sales tax permit holders, cigarette dealers, and liquor licenses. The Division is also authorized to publish the list online.

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.

The article 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.

Coventry Fire Department: The article repeals language which required the monitoring of compliance of the Coventry Fire Department by the Division of Municipal Finance. The repeal of the language, according to the Division of Municipal Finance, was to remove redundancy. 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.

Injured on Duty: The article makes a number of amendments to Injured on Duty benefits. Under current law, state and municipal first responders who are injured on duty are guaranteed full pay and benefits, inclusive of accruals, step increases, and cost of living adjustments, until they recover. Those who do not to qualify for or who are denied accidental disability pensions may apply for disability retirement, which entitles the employee to 50.0 percent of their salary. However, many employees do not apply for disability pensions and continue receiving IOD benefits.

Under current law, there is no mechanism to terminate benefits after an appealed case has been denied accidental disability by the State Retirement Board. The changes in the article provide mechanisms for terminating IOD benefits and hiring positions that are held by the employees receiving IOD. The inability to fill these positions results in higher overtime spending and problematic scheduling for departments. Presently, there are five individuals who continue to receive long-term IOD benefits, as they were determined to have been injured on duty prior to amendments in 2011 that required certification of improvement to track progress toward returning to work.

The article amends all Injured on Duty payments, estimated to reduce general revenue expenditures by \$1.7 million in FY2020. There is no savings projection for municipalities regarding municipal first responders receiving IOD benefits. Specifically, Article 3:

- Requires an independent medical examiner to certify maximum medical improvement or permanency of the injury. The result of the examination may trigger an obligation to apply for accidental disability benefits from the State Retirement Board.
- Requires individuals receiving injured on duty benefits to apply for disability with the State Retirement Board no later than eighteen months after the injury. Those who have been receiving benefits for longer than eighteen months upon passage of the article would have 90 days to apply.
- Amends RIGL 45-19-1 to include termination of injured on duty benefits after final adjudication by the State Retirement Board.
- Adds language to clarify that injured on duty personnel are eligible for 50.0 percent or 66.7 percent of their benefits, depending on the extent of their disability.

Analyst Note: The Governor's Budget Amendment dated March 5, 2019, removes language that enjoins municipal police officers and firefighters into the proposed IOD changes. The amendment adds language to specify 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.

Still 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.

Article 4: Relating to Government Reorganization

This article makes several changes to the organization of state government. Specifically, this article:

- Clarifies that any time 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.
- Amends several sections of general law to allow the transfer of powers and duties of the Water Resources Board to the Division of Public Utilities and Carriers. In addition, the article transfers the administration and management of the Big River Reservoir from the Water Resources Board to the Department of Administration.
- 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. 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.
- Eliminates the Office of Federal Grants Management 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.
- Removes the Divisions of Elderly and Veterans' Affairs from the Department of Human Services and establishes them as offices within the Executive Office of Health and Human Services.
- Shifts the duties of licensing and monitoring day care facilities from the Department of Children, Youth, and Families to the Department of Human Services.

FISCAL IMPACT

Most of the statutory items selected for amendment have no direct savings attached to them. However, the transfer of the Water Resources Board to the Division of Public Utilities and Carriers transfers the funding source of the Water Resources Board from \$443,779 in general revenue to \$443,779 in restricted receipts.

ANALYSIS AND BACKGROUND

Transfer of Employer Tax Unit: This Article transfers 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) benefits and Temporary Disability Insurance (TDI) benefits. Although the Employer Tax Unit has been housed in DOR, the funding they collect is used for DLT benefit programs. The transfer is intended to centralize the unit's efforts related to UI and TDI benefits. The transfer includes 42.0 FTE positions. There is no funding included, as the Employer Tax Unit is already funded by DLT.

Water Resources Board: Sections 13, 17, 18, and 30 of the article authorize the transfer of the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers, as well transfer the responsibilities of administering the Big River Management Area from the Water Resources Board to the Department of Administration. The transfer of the Board also transfers the funding source of the Water Resources Board from \$443,779 in general revenue to \$443,779 in restricted receipts.

Motor Vehicle Inspection Commission: Section 10 eliminates the Motor Vehicle Inspection Commission. State statute provides for a seven-member panel appointed by the Governor, with the advice and consent of the Senate, to share in the role of overseeing the State's motor vehicle inspection system. The laws establishing the Commission were enacted in their current form in 2006. However, the Commission has never been officially constituted. According to the Division of Motor Vehicle, eliminating the Commission from law will have no operational impact. It will also better align statute with the existing regulatory framework. Inspections stations are currently regulated by DOR, through the DMV, pursuant to other sections of the General Laws contained in Chapters 31-38 and 31-47.1. Inspections are further governed by DMV regulations, 280-RICR-30-15-1 (Rhode Island Motor Vehicle Safety and Emission Control Regulation No. 1) and 280-RICR-30-15-3 (Official Manual for Vehicle Inspection).

Office of Federal Grants Management: Sections 11 and 12 eliminate the Office of Federal Grants Management 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. Currently, there is 1.0 FTE position in the Office of Federal Grants Management. According to the Department, the FTE position and funding will internally transfer between the two offices. According to the Office of Internal Audits, the transfer eliminates a potential conflict of interest because the Office of Federal Grants Management reported administratively to the Office of Internal Audits, thereby prohibiting the audit of the program. Generally accepted audit standards require the auditor to be independent and objective. Since Office of Internal Audit is responsible for oversight of the federal grants, there is no independence. By moving the responsibility for federal grants management to Accounts and Control, the conflict is avoided.

Division of Veterans' Affairs: Article 4 removes the Division of Veterans' Affairs as a function of the Department of Human Services (DHS) and creates it as the Office of Veterans' Affairs within the Executive Office of Health and Human Services (EOHHS). The Director of Veterans' Affairs shall be appointed by and report directly to the Governor, consistent with current practice, but the Office shall reside within EOHHS for administrative purposes.

The article adds two responsibilities to Veterans' Affairs and removes them from DHS by repealing current general laws 42-12-5 and 42-12-7. The first requires the Office to present all legal claims for benefits to the Veterans Benefits Administration of the United States. The second allows the director of Veterans' Affairs to control and supervise any special funds that may be provided for the purposes of decorating graves, burial expenses, or any other expenditures relating to veterans of the United States Armed Forces.

Analyst Note: These are the only duties which are transferred from DHS directly to Veterans' Affairs. All other responsibilities currently held by DHS are transferred to EOHHS.

In order to support the transfer of Veterans' Affairs to EOHHS, the article shifts certain responsibilities from the Director of DHS to the Secretary of EOHHS, where appropriate. Specifically, the article:

- Adds the Secretary of EOHHS to the Veterans' Services Strategic Plan Advisory Committee, which is responsible for ensuring that all state departments deliver comprehensive services and supports for veterans and their families.
- Transfers all responsibilities related to the Rhode Island Veterans' Home to the secretary of EOHHS. This allows the Secretary to appoint management staff for the Veterans' Home, accept gifts to be deposited into the Veterans' Home restricted receipt account, and promulgate rules and regulations governing admission of applicants to the facility.
- Establishes the Secretary as the custodian of the North Cemetery in Bristol and the Rhode Island Veterans' Memorial Cemetery in Exeter. The article also enables the Secretary to promulgate rules and regulations governing eligibility for burial in the Veterans' Memorial Cemetery.

- Section 7 repeals RIGL 30-27-1, which allowed 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.

Division of Elderly Affairs: Article 4 removes the Division of Elderly Affairs as a function of the Department of Human Services (DHS) and creates it as the Office of Elder Affairs within the Executive Office of Health and Human Services (EOHHS). The Director of Elder Affairs shall be appointed by and report directly to the Governor, consistent with current practice, but the Office shall reside within EOHHS for administrative purposes. The structure, roles, and responsibilities of the Office remain the same.

The article also makes 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 DHS in 2011.

Analyst Note: Section 19 repeals RIGL 42-12-1.3, which transferred the Elderly Transportation Program function to DHS when the Department of Elderly Affairs was consolidated. However, according to the Budget Office, the intent of the article is not to remove this responsibility from DHS. Since the program is not established elsewhere in statute and funding remains with DHS in FY2020, DHS will continue coordinating and providing transportation.

Licensing and Monitoring of Day Care Facilities: This article moves the authority to license and monitor child care providers from the Department of Children, Youth, and Families (DCYF) to the Department of Human Services (DHS). DCYF is still responsible for the licensing and monitoring of child-placing agencies, child caring agencies, foster and adoptive homes, and children’s behavioral health programs. The transfer includes 8.0 FTE positions and approximately \$800,000 for associated salary and benefit costs. DHS will be responsible for monitoring the operation, facilities, and programs of child care providers as well as issuing, denying, suspending and revoking licenses as deemed necessary. DHS is also responsible for creating and administering regulations pertaining to licensing and monitoring of the child care providers including compliance with fire regulation codes, staff to child ratios and workload assignments, program activities, immunization testing, among other regulations. The table below illustrates license fees and validity periods for each type of child care provider.

Child Day Care Licenses	License Fee	Validity Period
Child Day Care Center	\$500	1 Year
Group Family Day Care	\$250	1 Year
Family Day Care	\$100	2 Years

Article 5: Relating to Taxes, Revenues and Fees

This article increases taxes on cigarettes and other tobacco products, establishes an excise tax on firearms and makes changes and adjustments to several of the State’s tax laws and their enforcement. Specifically, Article 5:

- **Sales Tax Changes:** Subjects digital downloads of videos, music, and electronic books to the State’s sales tax. The article also subjects the hunting, trapping, and shooting services, lobbying services, and building services to the sales tax. The article also adjusts the statutory framework underpinning the obligations of remote sellers and online retail sales facilitators.
- **Cigarettes, Other Tobacco Products, and E-Cigarettes:** Increases the excise tax on cigarettes by \$0.25, which raises the tax from \$4.25 to \$4.50 per pack of twenty, subjects electronic cigarettes to the tobacco excise tax, and make numerous changes to the regulatory framework for all categories of products under RIGL 44-20.
- **Hotel Tax Changes:** Increases the 5.0 percent state hotel tax to 6.0 percent, authorizes the additional dollar to go to the general fund, and adjusts the tax distribution formula.
- **Beverage Containers and Hard to Dispose of Materials:** Doubles the taxes on hard to dispose of materials such as oil, antifreeze, and organic solvents. It also doubles the tax on beverage containers from four cents to eight cents.
- **Professional License Fee Increases:** Increases certain professional certifications and licensing fees administered by the Department of Business Regulation (DBR).
- **Firearms and Ammunition Surcharge:** Imposes a 10.0 percent surcharge on the first sale or use of firearms and ammunition in the state.
- **DMV Tax Block:** Authorizes the DMV to charge municipalities \$5.00 per individual to block vehicle registrations on those delinquent in their property tax payments.
- **DOR Collections Unit:** Adjusts the interest at which the Collections Unit at the Department of Revenue may place upon a delinquent debt referred to it by a State agency.
- **Jobs Development Assessment Expansion:** Applies the Jobs Development Assessment to non-profit and government employers (previously excluded) employing a minimum of 1,000 employees.

FISCAL IMPACT

The fiscal impact of Article 5 is summarized below

Article 5 Fiscal Impact	
Initiative	General Revenue
Sales Tax Changes	\$26.0
Cigarette, OTP, and E-Cigarette Changes	4.6
State Hotel Tax Increase	4.5
Beverage Containers and Hard to Dispose of Materials Fees	3.1
Professional Licenses Increases	1.8
Firearm Excise Tax	0.8
DMV Registration Block Fee	0.4
Total	\$41.2
Initiative	Other Funds
JDA Assessment of Non-Profits	\$1.2
Total	\$1.2

\$ in millions

ANALYSIS AND BACKGROUND

Sales Tax Changes

Article 5 makes several changes to sales and use taxes, including subjecting “digital downloads” and certain new categories of services to the State’s 7.0 percent sales tax.

Digital Downloads: Rhode Island has taken several steps to modernize the State’s sales and use tax in an effort to align with technological advances in the way commerce is conducted. For example, the 2018 General Assembly defined vendor-hosted prewritten computer software as a “service” that is subject the sales tax. Likewise, the enactment in 2018 of new framework aimed at facilitating tax collections on remote, internet-based sales was an attempt to keep up with modern retail.

FY2020 Revenue - Digital Content	
Video	\$1.5
Music	0.6
Books	0.5
Total	\$2.6

\$ in millions

Article 5 continues this modernization by expanding the sales tax to digitally downloaded content. According to the Office of Revenue Analysis (ORA), half of all states currently tax this content. This 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.

ORA utilized 2017 data from three industry groups – the Digital Entertainment Group, the Recording Industry Association of America, and AuthorEarnings – to determine an estimate on the value of digital content consumption in the U.S. ORA then scaled the value to Rhode Island using census data. From this estimate, ORA’s modeling projects \$2.6 million in sales tax collection as a result of this initiative based on an October 1, 2019, start date.

Services: Article 5 requires sales tax to be collected on commercial building services, interior designers, lobbying, and hunting/shooting. Over the last decade, Rhode Island has consistently expanded the types of professional services that are subject to the State’s sales tax (i.e. security services in 2018, Uber and Lyft in 2017, and pet care services in 2012). Article 5 continues this trend.

- **Commercial Building Services:** Article 5 requires sales tax to be collected on a large array of services that are provided to commercial buildings. The specific services as delineated by the North American Industry Classification System (NAICS) are janitorial services, landscaping services, carpet/upholstery cleaning services, extermination/pest control services, and other building services.

FY2020 Revenue - Services	
Commercial Building Services	\$10.1
Interior Design	0.8
Hunting & Shooting	0.6
Lobbying	0.3
Total	\$11.8

\$ in millions

Services provided to a residential building are exempt. For mixed-use property, taxes would apply. Services supplied by a building owner to a business leasing office space are taxed upon the entire rental charge, unless separately stated.

ORA utilized NAICS and U.S. Census data to determine the percentage each service sector represented in Rhode Island. From this estimate, ORA calculated a “leakage” factor, to account for a reduction in the use of these services due to the tax, and a non-compliance factor. ORA’s final estimate of sales tax revenue, based on a October 1, 2019, start date, is \$10.1 million.

- **Lobbying:** For purposes of the sales tax, lobbying means “acting directly or soliciting others to act for the purpose of promoting, opposing, amending, or influencing any action or inaction by any member of the executive or legislative branch of state government or any public corporation”, or “any regional or municipal government, agency, or board”. It does not include these activities if directed towards the federal government, another state, or another country. It also does not include political consulting, public relations services, or public relations consulting services.

There are approximately 328 registered lobbyists in the state. Using an October 1, 2019, start date, ORA estimates \$297,151 in new revenue.

- **Hunting and Shooting:** Article 5 expands the sales tax base to include rod and gun clubs, shooting ranges, and hunting, fishing, and game preserves.

Rhode Island has nine private hunting and game reserves and 27 shooting ranges. The Department of Environmental Management also owns a shooting range that is open to the public. For purposes of Article 5, the services subject to the tax are those delineated by NAICS as “hunting and trapping” services. The sales tax would apply to charges paid for the right or privilege to access a place where these services are provided. This includes dues and membership fees. Special assessments of club members for capital improvements are exempt; however, any of these funds left unexpended would be taxable three years after the assessment. ORA’s modeling projects \$604,088 in FY2020 revenue based on an October 1, 2019, start date.

Interior Designers: Sales tax is expanded to include interior design services. The specific services as delineated by NAICS are specialized design services (interior design). ORA estimates \$754,836 in FY2020 revenue based on a October 1, 2019, start date.

Remote Sellers: Historically, states have been prohibited from imposing sales taxes on purchases made from out-of-state sellers. Federal jurisprudence held that such taxes were unconstitutional because they create an undue burden on interstate commerce. The U.S. Supreme Court maintained states may only impose sales taxes on those sellers who have a physical presence in the state. In 2017, the Office of Revenue Analysis (ORA) estimated that the value of sales and use taxes on the purchases made by Rhode Islanders from out-of-state sellers (primarily via the internet) was worth no less than \$37.3 million. Given the legal prohibitions on remote sales tax collections, the shift from brick and mortar to e-commerce represented a significant threat to Rhode Island’s tax base.

This condition began to change in 2016, when the 10th U.S. Circuit Court of Appeals upheld an approach used by Colorado to encourage remote sellers to voluntarily collect and remit sales and use taxes. The primary feature of the approach was a series of complicated notification requirements placed on those remote sellers who choose not to collect taxes. The objective was to make collection and remittance more palatable than complying with the notifications.

In 2017, the General Assembly enacted a framework based on this Colorado approach. It provided for three categories of entities with varying obligations relative to the sales tax. In all categories, the sales tax provisions applied to entities with at least \$100,000 in gross Rhode Island revenue or at least 200 transactions. The entities and obligations are:

- **Non-Collecting Retailers:** A non-collecting retailer is an out-of-state entity that sells, leases, or delivers products or services into Rhode Island to Rhode Island customers, either directly, via retail sales facilitators, or referrers (e.g. Amazon or catalogs). Non-collecting retailers are required to either collect and remit, or comply with extensive taxpayer notifications.
- **Retail Sale Facilitators:** A retail sale facilitator is an entity that contracts with retailers to list and or advertise for sale products and services (via internet or catalog) and either directly or indirectly collects payments from in-state purchasers and transmits payments to the retailer. Retail sales facilitators are

required to provide the Division of Taxation with lists of retailers that collected and did not collect sales tax.

- **Referrers:** A referrer is an entity that contracts with retailers to list and or advertise for sale products and services (via internet or catalog), charges a fee to the retailer for the listing/advertisement, but does not transact payments between retailers and in-state customers. Referrers are required to notify retailers that their sales are likely subjected to Rhode Island's sales and use tax.

In June 2018 the Supreme Court of the United States upheld a South Dakota law in a case involving the online retailer Wayfair. In doing so the Court overturned its previous rulings on the physical presence standard and held the imposition of sales and use taxes no longer constitute an undue burden on interstate commerce as long as the following conditions are met:

- The state provides a safe harbor to those who only sell small amounts into the state.
- The state does not require the retroactive collection of sales taxes.
- The state has a single, state-level administration of the sales tax.
- The state maintains a simplified tax rate structure.
- The state applies uniform definitions and rules.
- The state gives access to software provided by the state, with immunity to those who rely on it

Article 5 simplifies current sales tax by aligning to the new standards set forth in the *Wayfair* decision. The article specifically:

- **Updates definitions:** Article 5 redefines the categories of entities involved in remote sales.
 - Marketplace Facilitators - entity that contracts with sellers to facilitate the sale of the seller's products through a physical or electronic marketplace.
 - Marketplace Seller – an entity who contracts with a marketplace facilitator and makes retail sales through a marketplace owned, operated, or controlled by a marketplace facilitator.
 - Non-collecting Retailers – this definition is eliminated on or after July 1, 2019.
- **Updates requirements:** Article 5 makes several changes to ensure conformity with the new *Wayfair* standards. These:
 - Compel all entities to register with the Division of Taxation for purposes of collecting and remitting sales tax.
 - Codify safe harbor provisions so that entities with less than \$100,000 in gross revenue or less than 200 RI transaction are not required to collect and remit taxes.
 - Update to include 2018 sales tax expansion changes involving “software as a service”.
- **Revenue Estimate:** The Office of Revenue Analysis (ORA) estimates that the amount of e-commerce not currently being collected is worth approximately \$11.5 million in FY2020. The estimate is derived by taking an ORA estimated amount of total e-commerce sales in Rhode Island and deducting an estimated fraction of those sales attributed to non-collecting retailers. This estimate is further adjusted for to account for a level of non-compliance. The estimate is contingent upon a July 1, 2019, start date.

Analyst Note: Article 5 does not address the State’s Marketplace Fairness “trigger” that is in current law. Marketplace Fairness refers to possible Congressional action to federally standardize e-commerce sales tax practices. In 2012 the General Assembly enacted provisions that called for automatic sales tax changes in the event that Congress passed a Marketplace Fairness act. The included, a reduction to the State sales tax to 6.5 percent, an elimination of the application of sales tax to certain clothing, and changes to the local meals and beverage tax and hotel tax calculations. . Since Article 5 closes the remote seller loophole, there would be no new remote sales tax revenue offset to the approximate \$80.0 million loss associated with the 0.5 percentage point drop in the rate.

Cigarettes, Other Tobacco Products, and E-Cigarettes

Article 5 makes numerous changes to the statutes governing the taxation of cigarettes and other tobacco products, including electronic cigarettes. The fiscal impact of these changes are summarized in the following table:

Cigarette, OTP, and E-Cig Licensing Fiscal Impact	
Cigarette Excise Tax Increase	\$3,079,250
Max Cigar Excise Increase	647,705
Cigarette, OTP, and E-Cig Licensing Fee	535,000
Increase and other Changes	
E-Cigarette Excise Tax	353,746
Total	\$4,615,701

Excise Tax on Cigarettes: This article increases the excise tax levied on cigarettes by \$0.25 per-pack of cigarettes, raising the total tax from \$4.25 to \$4.50 per pack of twenty, or to the equivalent of \$0.23 per cigarette. According to ORA, total retail price will increase by \$0.30, from \$10.52 to \$10.82 per individual pack. According to the Department of Revenue, this amount is \$0.60 less than the average total retail price in Massachusetts, and \$0.35 per pack below Connecticut. Floor stock tax is assessed at the same rate per pack of cigarettes. The additional excise, floor, and associated sales taxes from this change is estimated to generate an additional \$3.1 million in revenue.

Cigarette Tax Revenue Impact	
Revenue Item	FY2020
Cigarette Excise Tax	\$2.5
Cigarette Floor Tax	0.7
Sales and Use Tax	(0.1)
Total	\$3.1

\$ in millions

Source: Office of Revenue Analysis

Impact of Cigarette Excise Increase and Regional State Comparison

	Rhode Island		Massachusetts		Connecticut		
	Current	Proposed					
Base Price per Pack in \$	\$4.78	\$4.78	\$4.86		\$4.78		
Excise Tax in \$	4.25	4.50	3.51		4.35		
<i>Subtotal base price + Excise</i>	9.03	9.28	8.37		9.13		
Wholesale Markup	2.0%	0.18	0.19	2.0%	0.17	6.5%	0.59
Wholesale Cartage	0.75%	0.07	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.56	0.57	25.0%	2.15	8.0%	0.78
<i>Total Base Cost</i>	9.83	10.11	10.75		10.50		
Sales Tax	7.0%	0.69	0.71	6.25%	0.67	6.35%	0.67
Total Price per Pack	\$10.52	\$10.82	\$11.42		\$11.16		

Source: ORA

Note: The Office of Revenue Analysis calculated base price per pack using available data on states' websites. No base price for CT was available, so it was assumed that CT would have the same base price as RI.

In determining the revenue estimate, ORA takes into consideration the elasticity of the price of cigarettes. The \$0.25 excise tax increase amounts to a 5.9 percent price increase. Applying elasticity from decreased demand as calculated from previous tax increases results in a net estimated revenue increase of 2.2 percent.

Cigars: The Budget increases the maximum tax imposed on cigars sold in the state. The current maximum tax is set at \$0.50 per cigar. Article 5 raises it to \$0.80, effective August 1, 2019. According to the ORA, cigars with a wholesale cost of over \$0.625 per cigar are taxed at the maximum rate. In FY2018, approximately 2.2 million cigars were taxed at this level. Cigars with a wholesale cost less than \$0.625 are taxed at the standard OTP rate of 80.0 percent of the wholesale. ORA estimates increasing the maximum cigar tax will generate \$647,705 in new general revenue in FY2019.

E-Cigarettes: Article 5 increases the regulation of electronic-cigarette (e-cigarette) related products.

- **Definitions:** The article establishes the following legal definitions for e-cigarette related products for the purposes of state-level regulation:
 - **Electronic nicotine delivery system:** An electronic device that may be used to simulate smoking in the delivery of nicotine or other substance to a person inhaling from the device, and includes, but is not limited to, electronic versions of cigarettes, cigars, cigarillos, pipes, hookahs, e-liquid, or any related device or cartridge, or component of such device.
 - **E-liquid and e-liquid products:** Any liquid or substance placed in or sold for use in an electronic delivery system which generally utilizes a heating element that vaporizes or combusts a liquid or other substance containing nicotine or nicotine derivative whether sold separately or in combination with a vaporizer, inhaler, or electronic nicotine delivery system.
- **New Excise Tax:** Article 5 subjects e-liquid products to the “other tobacco products” (OTP) excise tax at the rate of 40.0 percent of the wholesale cost. This is half the rate applied to the other categories of OTP. Using e-liquid and e-cigarette revenue data from other states, ORA projects that excise taxes associated with e-cigarettes will generate \$353,746 in general revenue in FY2020.

Consolidated Tobacco/E-cigarette Regulation and Licensing: Licensing and transaction regulations for dealers and distributors of cigarettes, vaping products, cigars and other tobacco products vary significantly under current law. Article 5 makes several changes to this regulation. The various classes of licensees that are subject to the changes in fees and regulation are defined in RIGL 44-20-1.

Class	Definition
Stamping	Cigarettes require Taxaion stamp. Refers to all classes involved with the sale of cigarettes in RI
Non-Stamping	OTP and electronic-cigarette related products do not require stamps. Refers to all classes involved with their sale in RI
Dealer	Any person whether located within or outside of this state, who sells or distributes cigarettes, other tobacco products to a consumer in this state.
Distributor	Any person whether located within or outside of this state, other than a dealer, who: <ol style="list-style-type: none"> 1) Sells or distributes cigarettes and/or other tobacco products within or into this state; 2) Sells cigarettes and/or other tobacco products directly to consumers in this state by means of at least twenty-five (25) vending machines; 3) Engages in this state in the business of manufacturing cigarettes and/or other tobacco products or any person engaged in the business of selling cigarettes and/or other tobacco products to dealers, or to other persons, for the purpose of resale only; provided, that seventy-five percent (75%) of all cigarettes and/or other tobacco products sold by that person in this state are sold to dealers or other persons for resale and selling cigarettes and/or other tobacco products directly to at least forty (40) dealers or other persons for resale; or 4) Maintains one or more regular places of business in this state for that purpose; provided, that seventy-five percent (75%) of the sold cigarettes and/or other tobacco products are purchased directly from the manufacturer and selling cigarettes and/or other tobacco products directly to at least forty (40) dealers or other persons for resale.
Manufacturer	Any person who manufactures, fabricates, assembles, processes, or labels a finished cigarette and/or other tobacco products.
Importer	Any person who imports into the United States, either directly or indirectly, a finished cigarette or other tobacco product for sale or distribution

Article 5 makes the following changes:

- **Regulatory Agency:** Dealers and distributors of cigarettes and OTP are currently required to be licensed through the Division of Taxation. E-cigarette related product dealers and distributors are licensed by the Department of Health. The Budget shifts this regulatory function to the Division of Taxation, but does not include any transfer of funding or staff.

- **Transactions Requiring a License:** Currently, manufacturers or importers of cigarettes are only permitted to sell their products into Rhode Island if they are purchased by a licensed cigarette dealer or distributor. That is not currently the case for OTP and e-cigarettes. Similarly, in-state dealers, distributors, and importers are not permitted to purchase or receive cigarettes from manufacturers or importers that are not licensed by the Division of Taxation. This also is not currently the case for OTP and e-cigarette-related products.

Class	Fee	Current	Article 5	Change
Importer	Application	\$1,000	\$1,000	\$0
Distributor	Application	1000	1000	-
Non-stamping Distributor	Application	150	250	100
Dealer	Application	25	75	50
Dealer	License	-	250	250
Dealer	Renewal	25	250	225

Note: According to the OMB the \$250 non-stamping distributor and dealer license fees are supposed to be \$400. An amendment is expected. The revenue estimate is based on the \$400 amount.

Article 5 makes all OTP and e-cigarette related products subject to the same transaction rules as cigarettes. OTP and e-cigarettes would only be allowed to be purchased by in-state dealers, distributors, manufacturers, and importers who are licensed by the Division of Taxation. Smoking bars, however, are specifically exempted by Article 5 from being required to have a specific license to receive OTP from out-of-state manufacturers or importers.

- **Fee Changes:** Article 5 increases fees related to the various classes of businesses associated with cigarette, OTP, and e-cigarette-related products. The Office of Management and Budget (OMB) estimates that these changes will yield \$535,000 in FY2020, based on the assumptions related to the number of licensees shown in the table.

Class	Licensees
Non-Stamping Distributor/Dealer	900
E-Cig Product Dealers	400
Non Compliant Dealers becoming Compliant	100
New Dealers	100
Total	1,500

Analyst Note: Article 5 raises three separate fees – dealer application, dealer renewal, and non-stamping distributor. The Office of Management and Budget indicates that the new fee amount as it currently appears in the article is incorrect. Section 14 of the article raises the fees to \$250. OMB states that it should be \$400. OMB notes that the revenue estimate of \$535,000 was based on the \$400 amount and that a Governor’s Budget Amendment request will be forthcoming.

Hotel Tax Changes

Section 10 of Article 5 raises the State's hotel tax rate from 5.0 percent to 6.0 percent. Section 7 alters the distribution of the state hotel tax.

State Hotel Tax Increase: Article 5 increases the state hotel tax from 5.0 percent to 6.0 percent. All revenue raised from the additional 1.0 percent is to be deposited into the general fund. The Budget assumes an estimated \$4.5 million in additional general revenue in FY2020 from this tax increase.

State Hotel Tax Distribution: Article 5 also changes state hotel tax share ratios in order to ensure that the entire increase in the hotel tax goes to the general fund and not to the various entities under the current formula. The adjustments to the shares are summarized in the table to the right. These adjustments have the practical effect of providing the entities the same amount they would have received had the state hotel tax remained at 5.0 percent.

Location of Room Rental/ State Hotel Tax Recipient	Current Share of Hotel Tax (5.0 %)	Article 5 Share of Hotel Tax (6.0%)
Providence		
Providence Convention Authority	30.0%	25.0%
City of Providence	25.0%	20.8%
RI Commerce Corporation	21.0%	17.5%
Providence Warwick Convention Visitors Bureau	24.0%	20.0%
General Revenue	0.0%	16.7%
Warwick		
Warwick Department of Economic Development	30.0%	25.0%
City of Warwick	25.0%	20.8%
RI Commerce Corporation	21.0%	17.5%
Providence Warwick Convention Visitors Bureau	24.0%	20.0%
General Revenue	0.0%	16.7%
Omni Hotel (Providence)		
Providence Convention Authority	30.0%	25.0%
RI Commerce Corporation	50.0%	41.6%
Providence Warwick Convention Visitors Bureau	20.0%	16.7%
General Revenue	0.0%	16.7%
Statewide District*		
Municipality of Room Rental	25.0%	20.8%
RI Commerce Corporation	70.0%	58.3%
Providence Warwick Convention Visitors Bureau	5.0%	4.2%
General Revenue	0.0%	16.7%
All Other Locations in the State		
Regional Tourism District of Room Rental	45.0%	37.5%
Municipality of Room Rental	25.0%	20.8%
RI Commerce Corporation	25.0%	20.8%
Providence Warwick Convention Visitors Bureau	5.0%	4.2%
General Revenue	0.0%	16.7%
Rental Via Hosting Platform (ie. Airbnb)		
Municipality of Room Rental	25.0%	20.8%
RI Commerce Corporation	75.0%	62.5%
General Revenue	0.0%	16.7%

*Rooms rentals in Cranston, Foster, Johnston, N. Providence, Scituate, and W. Warwick

Analyst Note: According to OMB the changes made to the distribution shares were calculated in such a way as to ensure that each entity would receive the amount of funds it would have if the tax had remained at 5.0 percent. In order for this to be true, however, the share percentage must be carried out to at least the ten-thousandths of a percentage point level, otherwise the amount received by the municipalities and other entities falls short by a marginal amount, with the difference going to the general fund. The article rounds to a tenth of a percent.

Beverage Containers and Hard to Dispose of Materials

The Taxation of Beverage Containers, Hard-to-Dispose Material, and Litter Control Participation Permittee Act (RIGL 44-44) was enacted in 1984 to provide funding for the litter reduction and recycling program and the hard-to-dispose material – control and recycling program.

Collections are deposited as general revenue. The table below outlines revenue collections associated with the Act:

	FY2017	FY 2018	FY 2019 YTD
Vehicle Title Fee	\$188,362	\$174,624	\$85,775
Antifreeze Tax	24,928	30,320	11,447
Organic Solvents	942	1,581	441
Motor Oil	487,453	608,223	233,214
Tire Sales	303,148	330,788	140,236
Beverage Container & Participation Fees	2,195,318	2,572,689	1,853,364
Total	\$3,200,151	\$3,718,225	\$2,324,477

Beverage Containers: A tax of four cents (\$0.04) is currently levied on each case of beverage containers sold by a beverage wholesaler to a beverage retailer or consumer within this state, excluding reusable and refillable beverage containers. The tax is collected by the beverage wholesaler and deposited as general revenue. The tax is applicable to beer, other malt beverages, and all non-alcoholic drinks except for milk. Section 17 proposes to double the tax to \$0.08 yielding an estimated \$2.1 million in new revenue.

Hard to Dispose of Materials: A tax is collected upon the sale by hard-to-dispose material wholesalers to hard-to-dispose material retailers. Every hard-to-dispose material retailer selling, using, or otherwise consuming any hard-to-dispose material in Rhode Island is liable for the tax imposed by this Act. The following table outlines the current tax rate for materials subject to collections and shows the changes proposed under Article 5, Section 17.

Material	per Unit of Measurement	Current Rate	Article 5	Change
Lubricating Oils	Quart (32.0 ounces)	\$0.05	\$0.10	0.05
	Liter	0.052	0.106	0.054
Antifreeze	Gallon	0.10	0.20	0.1
	Liter	0.0264	0.0528	0.0264
Organic Solvents	Gallon	0.0025	0.005	0.0025
	Liter	0.00066	0.00132	0.00066
Tire	per Tire	0.50	1.00	0.5
Vehicle Title Fee	each New Vehicle Sale	3.00	6.00	3.00
Beverage Containers*	per Case	0.04	0.08	0.04

**Does not include reusable and refillable containers*

In the case of new motor vehicles, a fee of three dollars (\$3.00) per vehicle is levied and paid to the Division of Motor Vehicles in conjunction with titling of the vehicle.

Professional License Fee Increases

Article 5 raises the licensing fees associated for mortgage loan originators and debt collectors.

- **Mortgage Loan Originators:** The current annual license fee for mortgage loan originators is \$100. Article 5 raises the fee to \$400. The increase is expected to generate \$1.3 million based on an assumption of approximately 3,119 licensees per year.
- **Debt Collectors:** The current annual license fee for mortgage loan originators is \$100. Article 5 raises the fee to \$500. The increase is expected to generate \$577,850 based on approximately 1,445 licensees per year

Firearms Excise Tax

The Governor proposes a new excise tax to be imposed on the sale of firearms and ammunition in Rhode Island.

Collection and Remittance: A 10.0 percent surcharge would 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. Retail dealers must remit the sales taxes on the 20th day following the month in which the sale was made. Article 5 also establishes a framework for claiming of refunds and appeals.

Revenue: ORA used a tax simulation model that estimated the size of the firearms market in Rhode Island and took into account several factors. The model looked at the sales distribution across long guns (rifles and shotguns) and handguns. Long guns may be purchased out-of-state but a Rhode Islander may only purchase a handgun from an in-state licensed dealer. Because RI would be the first state in the region with such an excise tax, ORA factored into its estimate elasticity for out-of-state purchases. Based on an October 1, 2019 start date, ORA estimates that the excise tax would yield \$804,306.

Exemptions: Article 5 exempts weapon and ammunition purchases made by the military, military personnel, veterans' organizations associated with the military, and law enforcement from the excise tax. Starter pistols are also exempt.

DMV Tax Block

The Division of Motor Vehicles (DMV) blocks individuals from conducting vehicle registration transactions if local personal property or excise taxes on a motor vehicle remains unpaid. The 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 provided free of charge to municipalities.

Article 5 authorizes the DMV to charge municipalities \$5.00 per individual to block vehicle registrations on those delinquent in their property tax payments. In FY2018, 125,605 blocks were placed by the DMV. DMV estimates that the initiative will yield \$406,250 in FY2020 revenue.

DOR Collections Unit Interest Rate

The 2018 General Assembly authorized the creation of a dedicated Collections Unit within the DOR for the purposes of assisting state agencies in the collection of debts owed to the State.

The Collections Unit is authorized to enter into agreements with any State agency to collect any delinquent debt. The debt must arise from a debtor failing to make timely payments pursuant to a written settlement agreement, final administrative order, or final judgement from a court or department.

Currently, once a debt is referred to the Collections Unit it will accrue interest at an annual rate determined by adding 2.0 percent to the prime interest rate effective the preceding October 1. The interest rate cannot exceed 21.0 percent or be less than 18.0 percent per year.

Analyst Note: This proposal only impacts the interest rate charged by the Collections Unit at the DOR. The interest rate for the overdue taxes remains unchanged.

Article 5 establishes a new calculation that applies the greater of either 13.0 percent or the annual rate established by statute for the referring agency.

Nonprofits subject to Job Development Assessment

Effective January 1, 2020, Article 5 amends RIGL 28-43-29 to require nonprofit organizations, with 1,000 or more employees, to pay the Job Development Assessment. Under current law nonprofit organizations are not required to pay this assessment. The Budget includes an additional \$1.2 million related to this expansion.

Analyst Note: Although the change to the JDA to include nonprofit employers will not be effective until January 1, 2020, the Governor's Budget includes a full year of additional revenue. Per the Department of Labor and Training, the actual amount of revenue anticipated is approximately \$650,000.

Since 1989 Rhode Island employers have paid a Job Development Assessment (JDA) to support workforce development activities. The JDA is collected with the State's payroll and unemployment insurance taxes. The JDA is assessed as 0.21 percent of an employers' taxable wages, with 0.19 percent dedicated to job training programs operated by the Governor's Workforce Board (GWB) and 0.02 percent dedicated to costs associated with administering the State's Unemployment Insurance (UI) and employment service programs.

Under current law, for-profit employers of one or more employees are subject to the State's unemployment insurance taxes while nonprofit organizations are exempt, therefore they do not pay the JDA. Nonprofit organizations have been able to utilize the GWB's training programs and grants regardless of whether or not they pay the JDA.

The JDA is collected with employers' payroll and unemployment insurance taxes. Nonprofit organizations have two ways of paying for unemployment claims.

- They may be a contributory nonprofit, in which case they elect to pay unemployment insurance taxes like for-profit employers do. If an employee of a contributory nonprofit files an unemployment or temporary disability claim it is processed and paid for by DLT.
- Nonprofits may also elect not to pay unemployment insurance. In this case if an employee files an unemployment or temporary disability claim it is paid by DLT but the nonprofit must reimburse DLT for the claim dollar for dollar.

Contributory nonprofits are already paying the JDA, as it is collected as a part of the unemployment insurance taxes.

Article 6: Relating to Debt Management Act Joint Resolutions

This article authorizes the issuance of \$80.5 million in new revenue bonds to finance three projects at the University of Rhode Island (URI) and \$45.0 million in certificates of participation for the renovation of the high security center at the Department of Corrections.

FISCAL IMPACT

The article authorizes \$80.5 million in Rhode Island Health and Educational Building Corporation (RIHEBC) revenue bonds, authorized at up to 6.0 percent interest a period of up to 30 years, yielding a total debt service of \$174.7 million that will be financed primarily through University of Rhode Island unrestricted institutional revenue and auxiliary fee revenues. The article further authorizes the issuance of \$45.0 million in certificates of participation for the renovation of the high security center at the Department of Corrections, assuming an average interest rate of 5.0 percent over 15 years.

Proposed Debt Authorizations

Revenue Bonds	Department	Principal	Interest	Total Debt	Annual Debt	Loan
					Service	(years)
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
High Security Center Renovation	DOC	45.0	21.2	66.2	4.4	15.0
Total		\$125.5	\$115.3	\$240.8		

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

ANALYSIS AND BACKGROUND

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.

Department of Corrections – High Security Center Renovation (\$45.0 million)

The article provides for the issuance of \$45.0 million in certificates of participation (COPs) to renovate existing High Security housing units at the Department of Corrections to achieve operational efficiencies, reduce correctional officer to inmate ratios, provide energy/maintenance efficiencies, and increase the safety of correctional officers. Total debt service is not expected to exceed \$66.2 million over 15 years, with an assumed interest rate of 5.0 percent. For FY2020 the annual payment is assumed to be a single interest only payment of \$1.1 million, assuming six months of interest. Annual payments then increase to \$4.3 million through FY2035. Debt service will be financed through general revenue appropriations within the Department of Administration. Since total construction costs are projected at \$60.0 million, the article anticipates \$15.0 million in Rhode Island Capital Plan (RICAP) funds to be dedicated.

Article 7: Relating to Motor Vehicles

Article 7 makes a number of changes affecting the Division of Motor Vehicles (DMV).

- **License Plate Reissuance Requirement Eliminated:** The article eliminates the requirement that license plates be reissued no less than every ten years.
- **Technology Surcharge Fee Increased:** The DMV currently collects a \$1.50 surcharge on every fee transaction to defray costs associated with information technology projects. Article 7 raises the surcharge by an additional \$1.00 (\$2.50 total) per transaction.
- **Certificate of Title Required to Register Vehicles over 20 Years Old:** Under current law, once a vehicle is 20 years old a certificate of title is not required to get a registration. The article eliminates this exemption for vehicle model years 2001 and higher.

FISCAL IMPACT

The elimination of the requirement to reissue license plates every ten years results in a net loss of \$600,000 of general revenue in FY2020. This reflects a \$1.8 million loss in departmental fees associated with the \$6.00 per plate reissuance fee, and a savings of \$1.2 million in operational and personnel implementation costs.

The \$1.00 increase to the technology surcharge on DMV fee transactions is projected to yield an additional \$1.7 million in revenue in FY2020. This new revenue would be deposited into a new restricted receipt account at the DMV. Revenue from the existing \$1.50 surcharge would continue to go to the Information Technology Investment Fund (ITIF) and is projected to generate \$2.5 million in FY2020.

ANALYSIS AND BACKGROUND

License Plate Reissuance Requirement Eliminated

Pursuant to RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. Enacted in 2009, the law required the first reissuance in 2011. This requirement has been delayed six times. In the FY2012 Budget as En acted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted delayed the reissuance until September 1, 2015; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017; the FY2018 Budget as Enacted delayed it until January 1, 2019; and the FY2019 Budget as Enacted delayed it until January 1, 2020. Article 7 of the Budget eliminates the reissuance requirement altogether.

The purpose of the reissuance includes the reduction in motor vehicle registration fraud, revenue generation, and improving law enforcement’s ability to identify vehicles. Each of the delays, however, has been accompanied by a different, overriding rationalization (see table).

Session	Date	Delay Date	Reason
2011	9/2011	9/2013	\$3.3 million savings initiative
2013	9/2013	9/2015	Budget reduction target initiative
2015	9/2015	7/2016	Need to align plate design w/ state tourism campaign
2016	7/2016	4/2017	RIMs - Staff would have to be taken away from implementation
2017	4/2017	1/2019	Launch of RIMs System/Reprogramming legacy IT system
2018	1/2019	1/2020	Real ID - Staff would have to be taken away from implementation
2019	1/2020	Eliminated	Condition of license plate will be addressed at the time of a vehicle's inspection

Analyst Note: According to DMV officials, enforcing license plate visibility/reflectivity standards and the accuracy of registrations will be primarily accomplished through the vehicle inspection process. The Budget includes \$169,038 in general revenue funding and 2.0 new FTE control inspector positions at the DMV to support enhanced inspection enforcement.

The net fiscal impact of the eliminating the license plate reissuance is an approximate loss of \$600,000 in revenue in FY2020. This reflects a \$1.8 million loss in departmental fees associated with the \$6.00 per plate reissuance fee, and a savings of \$1.2 million in operational and personnel implementation costs.

Analyst Note: According to DMV officials, the price of a set of plates was artificially low. They indicated that the cost per plate is likely much higher than \$6.00 given the rising price of the metal that the plates are made of.

Technology Surcharge Fee Increased

Under current law the DMV is authorized to charge a \$1.50 surcharge on every DMV fee transaction.

Surcharge Collections	
Fiscal Year	Amount
2016	\$2,186,713
2017	2,201,946
2018	2,183,401
2019*	2,339,398
2020*	2,533,970
Total	\$11,445,428

*Estimated, not inclusive of fee increase

Source: Department of Revenue

Surcharge revenue is deposited into the State's Information Technology Infrastructure Fund (ITIF). Funds generated through the surcharge are specifically used to pay the original and ongoing costs associated with the DMV's information technology system, known as the Rhode Island Modernization System, or RIMS. Collection of the surcharge is only authorized through June 30, 2022.

Article 7 makes several changes related to the technology surcharge. The surcharge is increased by \$1.00, for a total of \$2.50 per DMV fee transaction. Revenue from the additional \$1.00 is to

be deposited in a new restricted receipt within the DMV to pay for IT project-related payments and/or ongoing maintenance of and enhancements to the DMV's computer system. The article removes the existing sunset and shifts the remaining \$1.50 to the DMV account beginning on July 1, 2022.

Based on DOR projections \$4.2 million in surcharge revenue, inclusive of the fee increase, will be generated in FY2020. The ITIF would receive \$2.5 million of this revenue and \$1.7 million would be deposited into the DMV restricted receipt account.

Analyst Note: The RIMS contract is set to expire June 30, 2020, and will have to be renegotiated. Hewlett Packard Prospecta is the current sole source vendor. According to DMV officials, the ongoing maintenance of RIMS, including upgrading to new releases, is typically more expensive than the costs of the initial system implementation. DOR indicates that the additional resources (represented by the \$1.00 surcharge increase) will help pay for what it anticipates will be a more expensive contract going forward.

Certificate of Title Required to Register Vehicles over 20 Years Old

Current law exempts all vehicle models older than 2001 from the requirement of having to have a DMV title. The law, however, also extends the exemption to all vehicles that are 20 years or older. This would mean that a 2001 model vehicle would no longer require a title beginning in 2021. Article 7 eliminates this exemption going forward, effectively requiring titles for all vehicles models from 2001 onward. DMV officials indicate that establishing titles for very old vehicles has historically been difficult to do and therefore was not required as condition for vehicle registration. It is less difficult for later models vehicles given better record keeping technology. Additionally, Rhode Island has required a title as a condition of registration for newer vehicle models for almost 20 years. Establishing title to a vehicle helps to ensure that the individual who is registering the vehicle is its proper owner.

Article 8: Relating to Transportation

This article makes a number of changes to transit oriented departments, including the Department of Transportation, the Rhode Island Public Transit Authority, and the Division of Motor Vehicles. Specifically, Article 13:

- Increases the per-trip fee for overweight and oversize vehicle permits (OOVP). The fee for non-divisible loads exceeding 80,000 lbs. increases from \$20.00 to \$40.00, and the fee for non-divisible loads exceeding 130,000 lbs. increases from \$20.00 to \$300.00.
- Increases the annual OOVP fee for non-divisible loads up to 130,000 lbs. from \$300.00 to \$400.00.
- Increases the Rhode Island Public Transit Authority's (RIPTA) share of the Motor Fuel Tax (Gas Tax) from \$0.0975 per gallon to \$0.1025 per gallon, provided that the gas tax increases from \$0.33 per gallon to \$0.34 per gallon on July 1, 2019.
- Extends RIPTA's \$5.0 million annual appropriation to support the Free-Fare program through FY2020.
- Mandates the DOT to reimburse the Division of Motor Vehicles for salary and benefit costs of customer service representatives who collect funds that are deposited into the Highway Maintenance Account.

FISCAL IMPACT

The changes to the overweight and oversize vehicle permit fees included in this article would increase general revenues within the Division of Motor Vehicles by \$501,840.

The Governor includes an additional \$2.3 million within DOT and RIPTA's budgets, \$4.6 million total, related to each department receiving an additional \$0.005 of the gas tax. The Governor also includes an additional \$373,951 in DOT's budget and \$189,239 in RIPTA's budget due to a projected increase in the per penny gas tax yield as estimated by the Department of Revenue.

The Governor transfers \$4.5 million from the DOT's Highway Maintenance fund to the DMV for customer service representative personnel costs.

The Article also extends RIPTA's annual appropriation of \$5.0 million from the Highway Maintenance Account through FY2020. This funding is used to support RIPTA's free-fare program which provides transportation to low-income seniors and disabled residents.

ANALYSIS AND BACKGROUND

Overweight and Oversize Vehicle Permit Fees:

Under current law, the DOT may approve the issuance of special permits for the operation of vehicles exceeding 80,000 lbs. Article 8 expands the DOT's ability to approve permits for vehicles exceeding 130,000 lbs.

The article increases the per-trip fee for overweight and oversize vehicle permits (OOVP). The fee for non-divisible loads exceeding 80,000 lbs. increases from \$20.00 to \$40.00, and the per-trip fee for non-divisible loads exceeding 130,000 lbs. increases from \$20.00 to \$300.00. The article also increases the annual fee for non-divisible loads of less than 130,000 lbs. from \$300.00 to \$400.00. The operator of the overweight/oversize vehicle may pay the annual fee in lieu of individual per-trip fees.

The DOT issues OOVPs, but the Division of Motor Vehicles (DMV) collects the associated fees. The fee changes are estimated to generate an additional \$501,840 which will be payable to the DMV and deposited as general revenue.

Overweight, Oversize Vehicle Permit Fees	Trips	Original Fee	Fee Increase	Proposed Fee Total	Additional Revenue
Single Trip (80,000 - 130,000 lbs.)	8,181	\$20.00	\$20.00	\$40.00	\$163,620
Single Trip (over 130,000 lbs.)	1,164	20.00	280.00	300.00	325,920
Annual Trip Fee (under 130,000 lbs.)	123	300.00	100.00	400.00	12,300
Total					\$501,840

Source: RI Dept. of Transportation

Increase in Motor Vehicle Fuel Tax:

Pursuant to RIGL 31-36-7, beginning in FY2016, and each year after, the motor fuel tax (gas tax) is adjusted by the percentage increase in the Consumer Price Index for Urban Consumers (CPI-U). In December 2018, the Division of Taxation determined that the CPI-U increased by 2.3 percent for the applicable time period ending September 30, 2018. The current gas tax is \$0.33 per gallon, with the 2.3 percent increase applied the gas tax beginning in July 2019 will be \$0.34 per gallon. Article 8 mandates the additional penny be split evenly between RIPTA and DOT, increasing their shares to \$0.1025 and \$0.1975, respectively.

Motor Fuel Tax Allocations: Cents per Gallon

	DOT	RITBA	RIPTA	DHS	Total
FY2015	\$0.1825	\$0.0350	\$0.0975	\$0.0100	\$0.3250
FY2016	0.1925	0.0350	0.0975	0.0100	0.3350
FY2017	0.1925	0.0350	0.0975	0.0100	0.3350
FY2018	0.1925	0.0350	0.0975	0.0100	0.3350
FY2019	0.1925	0.0350	0.0975	0.0100	0.3350
FY2020	0.1975	0.0350	0.1025	0.0100	0.3450
FY2021	0.1975	0.0350	0.1025	0.0100	0.3450

Note: DOT includes 0.020 for GARVEE Debt Service

Note: RIPTA includes 0.005 for Underground Storage Tank Fee

Source: Budget Office

Changes to the motor fuel tax are estimated to generate an additional \$5.2 million. The increase in gas tax from \$.033 per gallon to \$0.34 per gallon is anticipate to yield an additional \$4.6 million, to be evenly split between the DOT and RIPTA. The remaining \$650,607 is generated due to an increase in the per penny gas tax yield. The per penny gas tax yield is estimated by the Department of Revenue, and is projected to increase by \$19,426 per penny.

Motor Fuel Tax Revenue	FY2017	FY2018	FY2019	FY2020	Change from	
					FY2019	
DOT	\$85.0	\$86.5	\$87.0	\$89.7	\$2.6	3.0%
RITBA	15.5	15.7	15.8	15.9	0.1	0.4%
RIPTA	43.0	43.8	44.0	46.5	2.5	5.6%
DHS	4.4	4.5	4.5	4.5	0.0	0.4%
Total	\$147.9	\$150.5	\$151.4	\$156.6	\$5.2	3.4%

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

Estimate developed by Senate Fiscal Office

Transfer to DMV for Personnel Costs:

Beginning in FY2020, the DOT is required to reimburse the DMV for personnel costs associated with customer service representatives who collect fees that are deposited into the Highway Maintenance Account (HMA). In FY2020 there are a total of 62.5 FTE customer service representative positions at the DMV who collect HMA fees. The total salary and benefit cost for these positions is \$4.5 million.

Allocation to RIPTA for Free-Fare Program:

RIPTA operates the Free-Fare Bus Pass Program which allows eligible, low-income seniors (age 65+) or persons with a disability to ride a RIPTA bus free of charge. Federal law mandates that all persons who are over 65 or have a disability, regardless of income, be allowed to ride Federal Transit Administration (FTA) funded services for half-fare during off-peak hours.

In 2017, the General Assembly allowed RIPTA to implement a 50 cent fee for these rides, this change was part of a new fare structure intended to help RIPTA decrease their deficit. The General Assembly provided RIPTA with \$5.0 million annually in FY2018 and FY2019 to fund the Free-Fare program, and the 50 cent fee was rescinded.

The General Assembly also required RIPTA to convene a coordinating council charged with developing recommendations for the sustainable funding of the Free-Fare Program. The council was due to report their recommendations to the Governor, Speaker of the House, and Senate President by November 1, 2018; however, due to internal conflicts RIPTA did not present their findings until December 31, 2018. The major finding in the report determined that an additional penny of the gas tax allocated to RIPTA would adequately fund the Free-Fare program.

Article 8 extends \$5.0 million in funding for the Free-Fare program to RIPTA through FY2020.

Article 9: Relating to Local Aid

This article authorizes municipalities to levy property taxes on non-mission related buildings and property owned by tax-exempt entities. It also modifies the car tax phase-out formula.

Property Tax Expansion: Under current state and federal law, certain not-for-profit institutions such as colleges, universities, certain hospitals are exempt from paying local property taxes. Article 9 provides municipalities authority to assess the value of and levy taxes on property that is not exclusively used by non-profit institutions in support of carrying out their missions. It affirms the tax-exempt status of mission-related property and establishes December 31 of the year prior to the effective date of the article as the date of assessment.

Car Tax Phase-Out Formula: Article 7 adjusts the car tax phase-out formula. This effectively increases property tax assessments from current law, and reduces state reimbursements for foregone aid in FY2020.

FISCAL IMPACT

Expanding local taxes to non-mission related property has no direct fiscal impact to the State. The Governor, however, reduces funding for Payment-in-Lieu-Of-Taxes (PILOT), the state-aid program established to relieve the burden that tax-exempt institutions place on cities and towns. The FY2020 Budget reduces PILOT by \$5.3 million relative to the FY2019 Budget as Enacted.

The car tax phase-out modifications under the Article 9 proposal results in net reductions in planned state-aid in each of the next four fiscal years. State aid in FY2020 is reduced by \$16.3 million accordingly.

ANALYSIS AND BACKGROUND

Article 9 includes two major proposals related to local aid and local taxes.

Property Tax Expansion – Non-Profit Organizations

Background: Under current state and federal law, property, real or personal, owned by a tax-exempt non-profit organization is not required to pay taxes on said property to a municipality. Examples of such non-profit organizations include certain universities and hospitals. For some communities the amount of real and personal property owned by such organizations may represent a significant amount of the potential property tax base. Often municipalities will enter into agreements with such organizations where a payment in lieu of tax (PILOT) is negotiated. The payment is typically less than what the organization would have owed had the full valuation of the property been taxable. These agreements are an acknowledgement that municipal services, such as police, fire, and sanitation, provided to the non-profits are still required and have a cost and are used to offset it.

Article 9 Changes: The Governor proposes permitting municipalities to levy property taxes on the portion of a tax-exempt, nonprofit hospital or institution of higher education's property that is not used for mission-related purposes. Non-profits other than hospitals and colleges remain exempt from the provisions of Article 9. The magnitude of new revenue for municipalities under this proposal is not clear. Municipalities do not currently keep an inventory of non-mission related property owned by hospitals and universities. Article 9 makes explicitly clear that undeveloped real estate parcels owned by these organizations may be subject to property taxes.

Article 9 provides that any payments made to a municipality by a non-profit hospital or institution of higher education in lieu of taxes relative the portion of property that is non-mission related, are to be credited towards and reduce the taxes owed to the municipality. December 31st of the year prior to the effective date of Article 9 will be used as the date of the assessment of property value.

Analyst Note: The FY2020 Budget reduces the State's payment-in-lieu-of-taxes (PILOT) aid program in the FY2020 Budget by \$5.3 million. This reduction in PILOT is not related to any specific, corresponding estimate of reduced property tax revenue related to non-mission, nonprofit higher education or hospital property.

Municipal Impact: Certain municipal budget cycles apply the upcoming budget year PILOT appropriation to the current municipal budget year. Because of this, the PILOT reduction represents a challenge for these municipalities to address the local fiscal impact of Article 9 in a timely way. Moreover, the state-level PILOT program is based upon a property tax valuation that currently includes non-mission related property. It is not clear under Article 9 if the value of non-mission related property will be removed from the state-level PILOT calculation.

Modification to the Car Tax Phase-out Formula

Article 9 modifies several of the levers used in calculating the formula for the motor vehicle tax phase-out state aid. Specifically, the article modifies the assessment ratio utilized by the State's Vehicle Valuation Commission and local tax assessors when valuing motor vehicles in relation to levying the motor vehicle excise tax. It also make changes to the minimum required exemption amounts and the maximum allowable tax rates used in the phase-out formula. Changing these levers results in a \$16.3 million savings in general revenue in FY2020 and an equivalent reduction in state aid to municipalities.

Background: 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 tax relief program, however, was halted in FY2011, freezing the total annual relief at \$10.0 million. The 2017 General Assembly revisited car tax reform. The FY2018 Budget as Enacted decreased the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024 and replacing it with state general revenue. 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.

Based on the current formula, total state aid in FY2020 for the car tax phase-out to municipalities will be \$94.3 million, 82.1 percent greater than the updated FY2019 level of \$56.2 million (inclusive of the standing \$10.0 million in state aid established prior to FY2018).

Article 9 Changes: As noted above Article 9 makes several changes to the car tax phase-out formula. These include:

- **Assessment Ratio:** When determining the value of a vehicle for purposes of the property tax levy, municipalities typically use an amount that is a function of the "clean retail" value reported in the National Automobile Dealers Association Official Used Car Guide -New England Edition. The car tax phase-out formula places includes a graduate d cap on the percentage of "clean retail" that assessors may use. Article 9 changes modifies these caps from 85.0 percent to 87.5 percent in FY2020, 80.0 percent to 84.0 percent in FY2021, 75.0 percent to 79.0 percent in FY2022, and 70.0 percent to 67.5 percent in FY2023.
- **Exemption Minimum:** Municipalities typically permit a partial minimum exemption on the value of a vehicle for purposes of levying their property taxes. The car tax phase-out formula establishes graduated minimum levels over the seven year phase-out. Article 9 reduces the FY2020 minimum from \$3,000 to \$2,800; the FY2021 minimum from \$4,000 to \$3,800; and the FY2022 minimum from \$5,000 to 4,800.

Assessment Ratio			
Fiscal Year	Current	Article 9	Change
FY2018 Baseline	100.0%	100.0%	0.0%
FY2018	95.0%	95.0%	-
FY2019	90.0%	90.0%	-
FY2020	85.0%	87.5%	2.5%
FY2021	80.0%	84.0%	4.0%
FY2022	75.0%	79.0%	4.0%
FY2023	70.0%	67.5%	-2.5%
FY2024	N/A	N/A	N/A

Exemption Minimum			
Fiscal Year	Current	Article 9	Change
FY2018 Baseline	\$500	\$500	\$0
FY2018	1,000	1,000	-
FY2019	2,000	2,000	-
FY2020	3,000	2,800	(200)
FY2021	4,000	3,800	(200)
FY2022	5,000	4,800	(200)
FY2023	6,000	6,000	-
FY2024	N/A	N/A	N/A

- Excise Rate Cap:** The various municipal property tax excise rates in effect in 1998 when the first car tax reforms were enacted were frozen until the FY2018 Budget as Enacted. At that time, an excise tax cap was established and gradually reduced until the complete phase-out in FY2024. Article 9 modifies the annual cap for FY2020, raising it from \$35 per \$1,000 of value to \$40. It also raises the cap in FY2023 from \$20 per \$1,000 value to \$25.

Fiscal Year	Excise Rate Cap		
	Current	Article 9	Change
FY2018 Baseline	N/A	N/A	N/A
FY2018	\$60	\$60	\$0
FY2019	50	50	-
FY2020	35	40	5
FY2021	35	35	-
FY2022	30	30	-
FY2023	20	25	5
FY2024	N/A	N/A	N/A

These changes have the practical effect of shifting the large general revenue impact scheduled for FY2020 out to FY2022. Under the current formula, the general revenue supported car tax phase-out state aid grows 82.1 percent in FY2020 and only 26.2 percent in FY2022. The formula as modified by Article 9 grows state aid by 46.9 percent in FY2020 and a 72.6 percent in FY2022. Overall, Article 9 moderates the year-over-year increases as compared to the current formula. The following table outlines the various changes to the car tax formula in Article 9 and their impact:

Comparison Between Current Law and Governor's Proposed Motor Vehicle Tax Phase-out							
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Current Law							
State Assessment Ratio	95.0%	90.0%	85.0%	80.0%	75.0%	70.0%	-
Rate Cap	\$60	\$50	\$35	\$35	\$30	\$20	-
Exemption Amount	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	-
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$84,275,463	\$105,314,412	\$132,917,367	\$167,127,304	\$224,421,893
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$37,993,163	\$21,038,949	\$27,602,955	\$34,209,936	\$57,294,589
Taxed Car Count	602,385	593,702	568,413	514,521	451,273	389,426	-
Cars Dropped from Tax Roll	150,923	8,683	25,289	53,892	63,248	61,848	389,426
Governor's Proposal							
State Assessment Ratio	95.0%	90.0%	87.5%	84.0%	79.0%	67.5%	-
Rate Cap	\$60	\$50	\$40	\$35	\$30	\$25	-
Exemption Amount	\$1,000	\$2,000	\$2,800	\$3,800	\$4,800	\$6,000	-
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$67,989,394	\$93,708,856	\$122,751,500	\$161,506,088	\$224,421,893
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$21,707,094	\$25,719,462	\$29,042,644	\$38,754,588	\$62,915,805
<i>Statewide Aid Variance</i>			<i>(\$16,286,069)</i>	<i>(\$11,605,556)</i>	<i>(\$10,165,867)</i>	<i>(\$5,621,216)</i>	-
Taxed Car Count	602,385	593,953	578,408	537,996	478,892	384,023	-
<i>Variance from Current</i>	-	<i>251</i>	<i>9,995</i>	<i>23,475</i>	<i>27,619</i>	<i>(5,403)</i>	-
Cars Dropped from Tax Roll	150,923	8,432	15,545	40,412	59,105	94,869	384,023
<i>Variance from Current</i>	-	<i>(251)</i>	<i>(9,744)</i>	<i>(13,480)</i>	<i>(4,143)</i>	<i>33,021</i>	<i>(5,403)</i>

Article 10: Relating to Universal Prekindergarten

This article provides the framework for the Governor’s Prekindergarten Expansion Plan. The plan involves a two-phased approach. Phase I would happen in FY2020 and would involve expansion within the current infrastructure to add 540 new seats as well as assessment and planning for Phase II. Phase II would occur in FY2021 through FY2023, and would add 5,380 seats by increasing workforce and facility capacity, optimizing governance structures, engaging families across the state, and accelerating expansion across a mixed delivery system. Article 10 also increases reimbursement rates to the 75th percentile of the weekly market rate for licensed child care centers providing care for preschool age children.

To achieve this expansion, the article requires the alignment of standards, curriculum, instruction, and assessments to create a pathway from prekindergarten to third grade. Local education agencies (LEAs) must develop a transition plan for incoming kindergarten students and families, and a program-level transition plan including joint professional development and data sharing for prekindergarten to third grade teachers. The proposal requires continued investment, development, and support for the Early Childhood and Education Data System (ECEDS) and increases state child care subsidies for preschool reimbursements. The article defines “universal access” as having 70.0 percent of four-year-olds enrolled in high-quality prekindergarten programs.

The article does not provide a plan for the distribution or prioritization of funding.

FISCAL IMPACT

The Budget provides \$10.0 million to begin the expansion of the Rhode Island Prekindergarten Education Act (Act), including \$3.6 million to expand the number of prekindergarten seats, \$697,000 to increase the preschool tiered reimbursement rates, and \$5.8 million to replace federal funding needed to support the current seats. The article requires that the Department of Elementary and Secondary Education (Department) recommend criteria for the allocation of early childhood program funds consistent with the Act, instead of as determined by the General Assembly. The Act does not provide a plan for the distribution of funding.

Analyst Note: The \$4.2 million federal Preschool Development Grant recently awarded to the Department of Human Services (DHS) is a planning grant that cannot be used to support prekindergarten seats; however, \$450,000 of grant proceeds will be used for data system development and enhanced connectivity between providers on the Early Childhood and Education Data System (ECEDS) at the Department of Elementary and Secondary Education.

Rhode Island Pre-K Expansion Plan - Phase I

Action	Description	Seats Added	Budgeted Amount
A. Add 10 new classrooms in public schools, Head Start Centers, and/or child care centers	Created through revised RFP process with a request for a local match	200	\$2,000,000
B. Expand current pre-k classrooms from 18 to 20 students, where appropriate	Driven by capacity and demand for seats	60	225,000
C. Convert half-day Head Start classrooms to full-day programs with Head Start Expansion Grants	Increase quality and/or convert existing seats from 4 to 6 hours per day and 160 to 180 days per year	180	792,000
D. Invest in existing Child Care Assistance Program (CCAP)	Utilize tiered reimbursement for pre-school-age children, expand BrightStars Quality Rating and Improvement System (QRIS), and provide professional development and other supports to child care centers.	100	801,919
<i>Analyst Note: \$697,000 of this amount is to provide child care rate increases for children ages 3 up to first grade; therefore, the number includes but is not limited to the universal preschool proposal. The remaining \$104,919 will be used to provide coaching, technical assistance, professional development, and curriculum support for providers for four year olds.</i>			
E. Add additional capacity to support expansion	4.0 new FTE positions in the Department of Elementary and Secondary Education (Department) to support Phase I and conduct assessment and planning for Phase II.	-	431,081
<i>Analyst Note: The Governor's Budget includes the 4.0 new FTE positions in the Department; however, the database appears to provide only \$385,832 in salaries and benefits for these positions which would translate to an average salary of about \$55,000, instead of the \$63,000 provided in the proposal.</i>			
Total		540	\$4,250,000

Source: *The Road to Universal Pre-K in Rhode Island, Governor Gina M. Raimondo's Prekindergarten Expansion Plan, January 2019.*

ANALYSIS AND BACKGROUND

Through the existing Early Childhood Education category of the education funding formula, Rhode Island has been working to increase access to voluntary, free, high-quality pre-kindergarten programs. The FY2019 Budget as Enacted contains \$6.2 million in general revenue and \$5.8 million in federal and one-time funds for this program, providing support for 60 classrooms with approximately 1,080 seats across 11 communities. Currently, the funds are distributed through a competitive process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. Article 10 shifts the authority to determine the distribution of funds from the General Assembly to the Rhode Island Prekindergarten Education Act. The Act does not provide a plan for the distribution of funding.

This article seeks to expand high-quality prekindergarten programs to all communities in the State until every family who wants a seat has one. The article considers universal access achieved when 70.0 percent of four-year-olds are enrolled in high-quality prekindergarten programs. The 70.0 percent threshold is

based on the experience in other states and allows for families to choose not to enroll their four year olds in a prekindergarten program, since participation is voluntary. According to “The Road to Universal Pre-K in Rhode Island”, the Governor’s Prekindergarten Expansion Plan (Expansion Plan), the State needs to add nearly 6,000 seats to achieve this goal. This expansion would be delivered through classrooms in child care centers, public school districts, and Head Start centers.

High Quality Elements: The Department is authorized to promulgate regulations for the implementation of high-quality, universal prekindergarten. The standards to be addressed within the regulations include:

- Teacher education and certification
- Class size and staff ratios: The article is silent as to class size; however, the expansion plan proposes allowing state prekindergarten classrooms to serve up to 20 students and awarding new proposals additional points on their scoring based on a class size of 20 students. The Regulations of the Comprehensive Early Childhood Education (CECE), 200-ROCR-20-10-6, which were amended in December 2018, provide for a maximum class size of 18 with a staff-to-child ratio of 1 to 9 that is required to be maintained at all times of the day.
- Learning time: The article and current regulations are silent as to learning time; however, the Full-Day Kindergarten Accessibility Act, RIGL 16-99-3(a), requires “a minimum of five and one-half (5 1/2) hours or three hundred thirty (330) minutes of actual school work, excluding lunch, recess periods, common planning time, pre- and post-school teacher time, study halls, homeroom periods, student passing time and any other time that is not actual instructional time.”
- Learning standards
- Curriculum: As a potential method to align quality standards across the program, the Expansion Plan includes requiring the use of a curriculum from a RIDE-approved list and ensuring that RIDE maintains the list and updates annually. The article is silent on this requirement.
- Support for students with special needs
- Support for dual English Language Learners
- Professional development: As a potential method to align quality standards across the program, the Expansion Plan includes increased training requirements and certifications. The article is silent on specifics.
- Child assessments, and
- Observations to improve practice.

Analyst Note: The Department’s Early Childhood Education regulations were amended in December 2018 and can be found here: http://www.ride.ri.gov/Portals/0/Uploads/Documents/Board-of-Education/Regulations/200-RICR-20-10-6_SOS_Final.pdf. The Governor’s Prekindergarten Expansion Plan can be found here: <http://www.kids.ri.gov/documents/The%20Road%20to%20Universal%20Pre-K%20in%20Rhode%20Island%20-%20Report.pdf>.

Successful Transitions: The article requires all Local Education Agencies (LEAs) in the State to develop a transition plan for all incoming kindergarten students and families that addresses both student and family transition strategies, and program-level transition planning strategies. Student and family strategies include visiting kindergarten classrooms, workshops for incoming families, and orientation sessions the summer before school starts. Program-level transitions include transition teams and liaisons between prekindergarten programs and district schools, joint profession development and data sharing for prekindergarten through third grade teachers, and teacher-to-teacher conferences. The article also requires the alignment of standards, curriculum, instruction, and assessments to ensure a pathway from

prekindergarten through third grade; however, it is unclear from the language of the article who is responsible for the alignment.

Governance and Data System: The article requires the Department of Elementary and Secondary Education and the Department of Human Services to work with the other state departments on the Children's Cabinet to facilitate implementation of universal prekindergarten. The state agencies on the Children's Cabinet identified in the article include the Department of Health; the Department of Children, Youth and Families; and, the Executive Office of Health and Human Services. The article requires these agencies to work together toward the coordination of federal, state, and local policies concerning early learning and child care, as well as encouraging the use of federal funds, the alignment of goals, and the elimination inefficiencies.

The article requires continued investment in the Early Childhood and Education Data System (ECEDS), which is currently housed in the Department of Elementary and Secondary Education.

Reporting: The article does not contain any reporting requirements or performance metrics. While the article requires continued investment, development, and support of the ECEDS, responsibility for the data system is not assigned and no parameters are provided on the type of data to be collected.

Early Childhood Workforce Development: The article adds the Department of Human Services to RIGL 16-87-4 requiring the Department of Elementary and Secondary Education to work with other state departments and private philanthropy to establish an early childhood workforce development scholarship program. The program is to expand the number of educators with an associate's or bachelor's degree in early childhood and who work with children from birth to age five. This statute was originally enacted in 2008.

Child Care Rates: The FY2019 Budget as Enacted implemented a tiered rating system for licensed child care centers providing care for infants and toddlers, age one week up to three years, as well as preschool aged children, age 3 through entry into 1st grade. Tier ratings are reflective of the quality rating the provider has achieved within the State's Quality Rating system.

Article 10 increases reimbursement rates to the 75th percentile of the weekly market rate for licensed child care centers providing care for preschool age children. Beginning in FY2020, licensed child care centers providing care for preschool aged children will be reimbursed 3.2 percent above the FY2018 weekly amount, \$161.71, for tier one, 5.8 percent for tier two, 13.0 percent for tier three, 15.0 percent for tier four, and 33.0 percent for tier five. The tiered system is intended to incentivize best practices in childcare. The Budget includes an additional \$697,000 to fund the tiered reimbursement rates for licensed child care centers. Although the additional funding supports preschool aged children, it is not specifically allocated for the expansion of universal prekindergarten. The increase in funding is intended to increase rates for the licensed centers who provide child care to low-income families through the Child Care Assistance Program.

The following table shows the change in weekly rates to licensed child care centers based on the increases to the tiered rating system. Rates may only be changed through legislation.

Pre-School Children Reimbursement Rates						
Tier	FY2019 Increased Percentage	FY2019 Increased Amount	FY2020 Increased Percentage	FY2020 Increased Amount	Change from FY2019	
1	2.5%	\$165.75	3.2%	\$166.88	\$1.13	0.7%
2	5.0%	\$169.80	5.8%	\$171.09	\$1.29	0.8%
3	10.0%	\$177.88	13.0%	\$182.73	\$4.85	2.7%
4	13.0%	\$182.73	15.0%	\$185.97	\$3.23	1.8%
5	21.0%	\$195.67	33.0%	\$215.07	\$19.41	9.9%

Rhode Island's Tiered Quality Rating and Improvement System (TQRIS) is BrightStars. A TQRIS is used by states to assess, improve, and communicate the level of quality in child care programs. Through the star

rating system, BrightStars helps child care providers learn and apply best practices, and families access quality child care, early learning, and school-age programs. The Rhode Island Association for the Education of Young Children manages BrightStars and Rhode Island KIDS COUNT coordinates and supports the evaluation of BrightStars.

Analyst Note: Article 15 increases the tiered reimbursement rates for licensed family child care providers caring for infants/toddlers and preschool aged children. The Budget includes an additional \$150,000 to fund the rate increase. Although an unspecified portion of these funds support preschool aged children, the funding is not specifically for the universal prekindergarten expansion.

Article 11: Relating to Rhode Island Promise

The Governor recommends numerous changes to the Rhode Island (RI) Promise program including:

- Repealing the sunset provision for the RI Promise program that would have ended the current program at CCRI with the high school graduating class of 2020.
- Exempting the Department of Children, Youth, and Families' (DCYF) Higher Education Opportunity Incentive Grant and the College Crusade Scholarship Act from the last-dollar calculation for all Promise scholarship students.
- Extending the scholarship program to adults at the Community College of Rhode Island (CCRI), and first-time, full-time students at Rhode Island College (RIC) in their junior and senior years who enrolled beginning in the fall of 2017.
- Phasing out the need-based, block grants to private institutions and RIC.
- Imposing tasks and deadlines on the Council on Postsecondary Education, RIC, and CCRI to preserve credits upon transfer from one institution to another and to better support students outcomes.
- Extending eligibility for child care assistance to students receiving the RI Promise scholarship.

FISCAL IMPACT

The article expands the RI Promise program to adults at CCRI and juniors and seniors at RIC. In FY2020, this expansion, estimated at \$5.3 million, is entirely funded from reserve funds accrued by the Division of Higher Education Assistance (DHEA) through its function as a guaranty agency for the Federal Family Education Loan Portfolio. The loan portfolio was transferred to the United States Department of Education in FY2018; consequently, DHEA no longer receives guaranty agency fee revenues. Using the reserves for the RI Promise expansion in FY2020 will reduce funding for other programs supported by that limited source. The table below shows projected revenue and expenditures for DHEA Resources.

Office of the Postsecondary Commissioner						
Projection of DHEA Revenues/Expenses for FY2019 through FY2024						
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Revenues	Governor	Governor	Projected	Projected	Projected	Projected
Reserves	\$21,752,385	\$14,812,964	\$3,599,943	(\$1,442,614)	(\$5,985,171)	(\$10,027,728)
CollegeBound Fund Fees (from Treasurer)	5,355,579	4,840,120	4,590,256	4,590,256	4,590,256	4,590,256
Total	\$27,107,964	\$19,653,084	\$8,190,199	\$3,147,642	(\$1,394,915)	(\$5,437,472)
Expenditures						
Promise 1 Scholarship	(10,095,000)	(8,007,013)	(6,932,813)	(6,432,813)	(5,932,813)	(5,932,813)
RI Promise Expansion	-	(5,346,128)	-	-	-	-
Dual/Concurrent Enrollment	(1,800,000)	(2,300,000)	(2,300,000)	(2,300,000)	(2,300,000)	-
Personnel Expenses	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)	(205,000)
Total	(\$12,295,000)	(\$16,053,141)	(\$9,632,813)	(\$9,132,813)	(\$8,632,813)	(\$6,137,813)
Ending Balance	\$14,812,964	\$3,599,943	(\$1,442,614)	(\$5,985,171)	(\$10,027,728)	(\$11,575,285)

Source: Reserves and expenditure projections from the OPC and updated based on Governor's FY2020 Budget. CollegeBound Fee projections from the General Treasurer's Office.

Analyst Note: While the entire cost of the RI Promise expansion in FY2020 is funded from reserves, the expansion is projected to have a \$6.8 million general revenue impact in FY2021.

The article repeals the fall of 2020 sunset provision included in the original Promise legislation; therefore, it does have an impact on the out-year budget calculations.

ANALYSIS AND BACKGROUND

As part of an effort to increase Rhode Island's postsecondary attainment rate to at least 70.0 percent by 2025 to meet the needs of a job market that increasingly requires a postsecondary degree or certificate, the article expands the Rhode Island Promise scholarship program to adults at the Community College of Rhode Island (CCRI) and juniors and seniors at Rhode Island College (RIC). As with the current program at CCRI, the scholarship would only cover tuition and mandatory fees. Other costs, such as textbooks, specific course fees, or travel are not included. Consistent with the original program, the article requires the General Assembly to annually appropriate the funds necessary to implement the scholarship program; however, the article repeals the fall of 2020 sunset provision included in the original Promise legislation.

Exemption from Last-Dollar Calculation: The Promise program is a last-dollar scholarship, meaning the program covers the cost of tuition and mandatory fees minus all federal and other financial aid available to the recipient student. The article creates an exemption for grants received by students from the Department of Children, Youth, and Families' (DCYF) Higher Education Opportunity Incentive Grant and the College Crusade Scholarship Act. The Opportunity Incentive Grants are for qualifying students who are in the legal custody of DCYF, or who were in the Department's legal custody on their eighteenth (18th) birthday. The College Crusade is a nonprofit that works to reduce high school dropout rates and increase educational and career success for low-income urban youth. Exempting these grants will provide additional support for low-income, high-risk students by allowing them to access grants that may be used for other expenses beyond tuition and mandatory fees, such as textbooks and living expenses.

Employer-Sponsored Tuition Assistance: For recipient students who are eligible to receive employer-sponsored tuition assistance, the institution must enter into an agreement with the student and/or the employer stipulating that the institution will provide an upfront scholarship and the employer will submit tuition reimbursements upon completion of the applicable course.

Adult Students at CCRI: The Governor extends the RI Promise program to adult students at CCRI age 25 years of age or older, who are enrolled in at least 18 credit hours annually beginning in the fall of 2019. The program will cover up to 60 credit hours of tuition and mandatory fees over a duration of no more than four years from enrollment. As with recent high school graduates in the program, adults must complete the Free Application for Federal Student Aid (FAFSA) form; remain on track to graduate on time; maintain an a minimum of 2.5 grade point average; and commit to live, work, or continue their education in Rhode Island after graduation.

Junior and Senior Year at RIC: The article extends the RI Promise to juniors and seniors at RIC beginning with students who enrolled at RIC in the fall of 2017. To qualify, students will be required to meet the same requirements as the students in the current program at CCRI, and to have enrolled in RIC as a freshman. Individual students are not eligible to receive a RI Promise scholarship at both CCRI and RIC: the scholarship is limited to two years of tuition and mandatory fees. The requirements include the following:

- Qualify for in-state tuition and fees pursuant to the *Residency Policy* adopted by the Council on Postsecondary Education.
- Be currently enrolled as a full-time student, have declared a major, and have earned a minimum of 60 credits toward an eligible program of study.
- Have completed the Free Application for Federal Student Aid (FAFSA) form by the deadline prescribed by RIC for each academic year in which the student seeks a scholarship.
- Enroll on a full-time basis as a freshman and a first-time student, and continue to be enrolled on a full-time basis. Students who received secondary credit through dual/concurrent enrollment are eligible, as are students who earned a postsecondary certificate; however, a student who otherwise previously attended a postsecondary institution would not be eligible.

- Be “on track to graduate on time” as determined by RIC. The statute does recognize that some students, including those who require developmental education, are double majors, or are enrolled in certain programs, may require extended time for degree completion.
- Must not have already received an award under the Promise Scholarship program.
- Commit to live, work, or continue their education in Rhode Island after graduation, based on a policy developed by RIC.

A student who is a member of the National Guard or a reserve unit of a branch of the United States military who is unable to satisfy all the conditions due to basic or special military training or deployment may continue to receive a scholarship upon completion of the training or deployment.

Need-based Grants: The article repeals the requirement that the lesser of 20.0 percent or \$2.0 million of the funds appropriated annually for need-based grants be distributed to students attending private, non-profit, higher education institutions, leaving the allocation of appropriated funds to the discretion of the Commissioner of Postsecondary Education. The following table shows the distribution proposed by the Governor for FY2019 through FY2024, which includes phasing out the scholarship program at RIC, due to the expansion of the RI Promise program: only seniors will be eligible in FY2020.

Promise 1 Need-Based Scholarship Program Distributions						
Institution	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
CCRI	\$3,338,620	\$3,338,620	\$3,338,620	\$3,338,620	\$3,338,620	\$3,338,620
RIC	1,740,000	574,200	-	-	-	-
URI	2,594,193	2,594,193	2,594,193	2,594,193	2,594,193	2,594,193
Private Colleges	1,856,505	1,500,000	1,000,000	500,000	-	-
Total	\$9,529,318	\$8,007,013	\$6,932,813	\$6,432,813	\$5,932,813	\$5,932,813

Source: Office of Management and Budget

Requirements of the Postsecondary Institutions and the Council on Postsecondary Education: The article imposes a number of requirements on the Council on Postsecondary Education (Council) and eligible postsecondary institutions in an effort to support the success of the Promise program. “Eligible postsecondary institutions” (institutions) are defined as Rhode Island College (RIC) and the Community College of Rhode Island (CCRI). Requirements are intended to advance the goal of increasing the State’s postsecondary attainment rate to at least 70.0 percent by 2025. Requirements imposed by the article include, but are not limited to, the following.

- Requiring the Council to adopt a policy, by January 1, 2020, that reduces incentive funding for CCRI and RIC for every student who completes more than 135 credit hours to achieve a bachelor’s degree or more than 75 credit hours to complete an associate degree.
- CCRI and RIC are required to offer credit courses during summer and winter intersessions by January 1, 2020.
- The article requires the Council to revise the Transfer and Articulation policies for CCRI and RIC to strengthen the transfer process. The changes focus primarily on conserving credits and establishing deadlines for landmarks such as developing a unified statewide transfer agreement by January 1, 2020, and utilizing the same course numbering system by July 1, 2021.
- CCRI and RIC must establish a common curriculum of general education coursework containing a minimum of 30 to 32 college-level credits.
- The institutions must submit policies and procedures for students to earn college-level credit hours for prior learning to the Council by July 1, 2021.
- Each institution must complete and receive approval from the Council of an Academic Program Prioritization Process by September 1, 2021. This process shall include an analysis of the

postsecondary and workforce need of the State and identification of a plan for program reorganization based on that analysis.

- Each institution must establish and submit to the Council a guided pathway program available to all entering students with an effective date of not later than September 1, 2020.
- The Office of the Postsecondary Commissioner (OPC) must maintain and publish data on the State's postsecondary system. The institutions will transmit data disaggregated by institution, race/ethnicity, program/major enrollment, enrollment status, and income level, including Pell status, to OPC. This information will include data points such as the average net cost of attendance, retention by term or year, remedial and gateway course enrollment and completion, and graduation rates.

Eligibility for Child Care Assistance: Students eligible for RI Promise may qualify for child care assistance pursuant to rules and regulation promulgated by the Department of Human Services.

Analyst Note: Article 15 extends child care assistance to families pursuing an educational degree or vocational, technical, or professional certificate directly related to employment in an accredited postsecondary institution. The language is included here to make it clear the Promise recipients are eligible for child care assistance.

Article 12: Relating to Economic Development

Article 12 introduces new or amends existing economic development incentives. The changes include:

- **New Site Readiness Partnership Council:** The Governor creates a new quasi-public organization to develop pad-ready sites and other economic development projects in partnership with municipalities.
- **New Research and Development Transferable Tax Credit:** Article 12 creates a new transferable credit against taxes for early stage companies or those significantly increasing investments in research and development (R&D). The article also allows the State’s existing qualified research tax credit to be carry forward for up to 15 years.
- **New Rhode Island Opportunity Zones Incentive:** The article allows investors claiming the new federal tax deduction to receive a Rhode Island benefit for investments made in designated Rhode Island opportunity zones after seven years instead of ten years.
- **Rebuild RI – Cap Increase:** The Governor raises the maximum aggregate number of credits from \$150.0 million to \$250.0 million, an increase of 66.7 percent.
- **Rebuild RI – Program Changes:** The article modifies certain elements of the Rebuild RI program including providing for “streamlined” application processes and exemptions from project thresholds.
- **Qualified Jobs Incentive – Program Changes:** The article reduces the maximum available credit rules under the Rhode Island Qualified Jobs Incentive program.
- **Tax Increment Financing Incentive – Program Changes:** Article 12 makes administrative changes to the State’s tax incremental financing (TIF) incentive.
- **Reauthorization of Incentives:** Article 12 extends the authorization of twelve incentives for another three years by pushing their sunsets out to 2023.

FISCAL IMPACT

The FY2020 Budget includes \$1.5 million in general revenue and \$1.0 million in Rhode Island Capital Plan (RICAP) funding for the Site Readiness Partnership Council proposal. Personal income and business tax revenue is reduced by \$1.3 million in FY2020 to account for the proposed R&D tax incentive. The Budget does not assume a fiscal impact for any other program changes in Article 12.

ANALYSIS AND BACKGROUND

New Site Readiness Partnership Council

Article 12 includes several strategies aimed at mitigating municipal barriers to economic development. According to the Executive Office of Commerce (EOC), developers face challenges at the local level related to limited municipal resources. Municipal capacity varies tremendously relative to planning and land-use initiatives, building and permitting review, and comprehensive zoning. The Governor’s proposal envisions “scaling-up Quonset-style services and development tools and strategies” to advance site development across Rhode Island in partnership with cities and towns.

The complex initiative, referred to as the Site Readiness Partnership (SRP), involves 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.

Analyst Note: According to the Secretary of Commerce, this initiative was submitted as a budget article both to begin a “conversation” around addressing municipal barriers to economic development and as a proposed solution. Indicative of its early stage concept is the fact that it known by different names throughout the budget documents. The several names include Site Readiness Partnership (SRP), the State and Local Partnership Council, and the “40th Portal”. For purposes of this analysis SRP will be used.

The SRP approach consists, in part, of a new quasi-public development organization, created as a subsidiary of the Rhode Island Commerce Corporation (Commerce), with a distinct board of directors and provisions for staff.

Board Provisions: The powers of the SRP are vested in a nine member board of directors, eight being appointed by the Governor (there is no provision in the article for Senate confirmation) and the ninth being the Secretary of Commerce, in his capacity as Chief Executive Officer (CEO) of the Rhode Island Commerce Corporation. The Secretary also serves as chairperson. The members serve staggered, three-year terms. Two members of the board must be representatives of the municipalities.

Analyst Note: According to the Executive Office of Commerce, the nominees for the municipal representative appointments will be considered from names submitted to the Governor by the League of Cities and Towns. Pursuant to the article, the chairperson is established ex-officio by statute in one part and appointed by the Governor in another. How the SRP board membership reflects municipal participation is different from the separately proposed option under Article 12 related to the Quonset Development Corporation (QDC). Article 12 proposes offering the comprehensive development services of the QDC to municipalities outside the industrial park. The article would require the addition of two representatives from a willingly participating municipality to be added to the QDC board solely for the purposes of a specified project.

Staff: The SRP would be jointly managed and staffed by the Department of Business Regulation (DBR) and the RI Commerce Corporation. DBR’s budget includes 7.0 new FTE positions in its Division of Building, Design, and Fire Professionals. According to the Department, 2.0 of these are related to the SRP initiative; however, because of the anticipated time needed to ramp up the program’s implementation, these positions are not currently budgeted for in FY2020.

Analyst Note: The SRP personnel and operation budget are not aligned. It is not clear how FY2020 operational funds will be deployed without dedicated implementation staff. If DBR or Commerce hire unbudgeted SRP staff, it would have to be addressed later in next year’s FY2020 Supplemental Budget.

Authority and Functions: Article 12 provides the SRP with extensive powers to carry out its mission. These powers include tools to build local capacity, the authority to receive and perform any local regulatory functions related to parcel development granted to it by a willing municipality, and investment authority that supports site preparation.

- **Local Capacity Building:** The SRP is authorized to provide training and assistance to municipalities on best practices that support economic development. This includes technical assistance with model ordinances, expedited permitting and pre-permitting processes, zoning code reform, local land use processes, and planning support. According to EOC, the SRP would also use this authority to support training on planning and zoning board decision making, affordable housing, programmatic and lean process improvement, and grant writing.

Analyst Note: While not specifically authorized, nothing in the statute prohibits the EOC or Commerce Corporation from providing technical assistance and capacity building now.

- **Investments in Site Preparation:** The FY2020 Budget includes \$2.5 million in combined general revenue and capital funding for the SRP proposal. In addition to using these funds to acquire parcels for development, the SRP is authorized to use resources to conduct site and topographic surveys, wetland determinations, phase 1 environmental site assessments, zoning reviews, utility availability studies, and preliminary site engineering to determine building potential and site improvement costs.

- **Delegated Municipal Authority:** The SRP is authorized to develop permitting and pre-permitting processes at the state level that may be used in partnership with municipalities in preparing sites for development. The SRP has the authority to issue permits, licenses, other authorizations appropriate to carry out the program.

In addition to these state-level powers, the SRP is also authorized to assume and perform certain local powers related to economic development that are delegated to it by willing municipalities. These powers include:

- Planning, constructing, rehabilitating, improving, or maintaining any parcels, tracts, or projects owned by or conveyed to the SRP.
 - These parcels and projects would be exempt from any municipal zoning and land use ordinances, codes, including building and fire codes, plans and regulations, as granted by the municipality.
 - A municipality may not, except as otherwise agreed to within the SRP, modify or change plans, architectural drawings, or specifications related to the project or require approvals, permits, or certificates from either the municipality or political subdivision thereof.
 - The city or town in which an SRP project is completed, the municipality must provide typical services, such as police, fire, sanitation, etc. to the project site.

Quonset Development Corporation Expansion: Article 12 also expands the authority and scope of the Quonset Development Corporation (QDC) as part of a strategy to enhance economic development tools available to municipalities.

The QDC is a quasi-public subsidiary of the RI Commerce Corporation responsible for the comprehensive development and management of the Quonset Business Park in North Kingstown. The 3,212 acre park is home to 203 companies and approximately 12,000 jobs. The QDC is governed by an eleven-member board of directors (CEO of Commerce; 6 gubernatorial appointees, subject to advice and consent of the Senate; two appointed by North Kingstown; and one each from Jamestown and East Greenwich) and has a professional staff of approximately 50.0 FTEs.

The QDC has extensive authority act as a real estate development and management firm. This authority includes, but is not limited to:

- Lease, purchase, bargain for, and acquire real property within the park
- Market and sell property within the park
- Own, improve, manage, and regulate utilities in the park and set rates, fees, and charges.
- Improve, maintain, and expand infrastructure components of the park, including roads, water, power, and marine elements.

Article 12 proposes making the full-suite of Quonset-style services available to communities that prefer this model to the more limited SRP. The article does this by integrating QDC authority, tools, and staff with the Site Readiness Partnership initiative. The legislation assigns SRP powers to the QDC and permits it to act in the place and stead of the SRP when mutually agreed upon by the SRP, QDC, and participating municipalities.

Analyst Note: The Budget does not include funding for this initiative. The Budget does, however, require the QDC to transfer \$2.0 million of its reserves to the general fund in FY2019. The QDC indicates it does not have sufficient reserves to make this transfer. It is not clear if QDC has the capacity or funding to undertake this initiative.

To ensure local input in the governance structure, the article proposes a modified QDC board structure with flexible membership. For each project, a distinct board of directors of nine members would be established.

Seven of the members would be the same six gubernatorial appointments currently serving on the QDC plus the Secretary of Commerce (serving as chair). The remaining two would be appointed by the governing body of the municipality in which the project is located, or one from each municipality if multiple communities are involved.

SRP Tax Stabilization Incentive: Under Article 12, the SRP may recommend certain qualifying projects to the Rhode Island Commerce Corporation for special consideration under the State's tax stabilization incentive (TSA). Under current law, qualifying municipalities may receive up to 10.0 percent of foregone property tax revenue lost due to any tax stabilization agreement made by the municipality with qualifying project developers.

- **Incentive Status:** Reimbursements are paid from a fund that originally was capitalized through savings from debt refinancing on general obligation bonds. Tax stabilization credits are limited to amount of funds appropriated to the program by the General Assembly. To date, only one project has been awarded TSA incentive funds – the Residence Inn project being developed on the site previously occupied by the Fogarty Building in Providence includes \$246,547 from the fund. The FY2020 Budget does not include additional funds for the TSA incentive.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated
2016 Enacted	\$0	\$0	\$0	0.0%	\$0	0.0%
2017 Enacted	500,000	246,547	253,453	49.3%	246,547	49.3%
2018 Enacted	-	-	253,453	49.3%	-	49.3%
2019 Enacted	-	-	253,453	49.3%	-	49.3%
Total	\$500,000	\$246,547	\$253,453	49.3%	\$246,547	49.3%

- **Article 12 Changes:** Article 12 authorizes the Rhode Island Commerce Corporation to cover up to 50.0 percent (500.0 percent increase) of a municipality's foregone revenue for SRP-recommended projects. This special consideration may only be granted to five projects per year.

New Research and Development Transferable Tax Credit

Rhode Island offers a tax credit incentive to attract and retain businesses focused on research and development (R&D). The credit as currently configured is 22.5 percent for the first \$111,111 of qualified R&D expenses. For expenses above \$111,111, the tax credit rate drops to 16.9 percent. The credit may be carried forward for seven years.

Article 12 changes the R&D tax credit structure in two ways. First, it expands the carryforward period from seven to fifteen years. It also creates a new transferable tax credit available to early stage companies.

The proposed new credit would be up to 22.5 percent of qualified R&D expenses and would be available starting July 1, 2019, to taxpayers that are either early stage companies or companies which are "substantially increasing" investment in R&D in Rhode Island.

Analyst Note: Article 12 does not define "early stage company" or a "company substantially increasing its investment in research and development in the state". Rather, it notes that both terms will be defined by the RI Commerce Corporation through regulation.

Taxpayers awarded the credit may:

- Apply the tax credit, in whole or in part, to their tax liability; or
- Carry the credit forward for up to 15 years; or
- Sell, assign, transfer, or convey the tax credit.

Proceeds from the sale of these tax credits would be exempt from taxation by the State. Eligibility criteria for the credit are to be determined by the RI Commerce Corporation and set by regulation as are the rules for the selling and transferring of credits. Article 12 limits the amount of credits awarded annually to \$1.3 million. The Budget reduces revenue by the same amount in FY2020.

According to EOC, an early stage company is one that is in a nascent phase of capital raising and typically lacks enough business activity to generate a meaningful tax liability. The value of transferable R&D credits to such a firm is that they can be monetized through their sale, thereby making additional resources available to the company immediately. Commerce states that a 22.5 percent credit would be the highest in the Northeast, making Rhode Island more competitive in attracting R&D type companies.

New Rhode Island Opportunity Zones 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 defined 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 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, 15.0 percent 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.



Source: RI Commerce Corporation

Analyst Note: According to the EOC the incremental difference in terms of impact between seven years and ten is minimal because hard-asset development such as buildings and equipment usually occurs early in a project's timeline. These types of investments are usually in place by year seven and represent the bulk of any new development in an opportunity zone. EOC further argues that an accelerated elimination of tax liability provides a competitive advantage in the market for opportunity zone investment.

Rebuild Rhode Island Tax Credit Program Changes

Article 12 makes several changes to the Rebuild Rhode Island Tax Credit Program (Rebuild RI).

Cap Increase and Sunset Extension: The Governor raises the cap on the total value of Rebuild RI tax credits that may be awarded from \$150.0 million to \$250.0 million, an increase of \$100.0 million, or 66.7 percent. The Governor also extends the sunset from June 30, 2020, to December 31, 2023.

When the Rebuild RI tax credit program was first established by the General Assembly, it instituted several limits 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 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 out to June 30, 2020; however, it did not change the cap. At that time the RI Commerce Corporation had awarded \$84.4 million, or 56.3 percent of the total amount of the cap. The total award through December 31, 2018, is \$109.3 million, or 72.8 percent of the cap.

Analyst Note: The EOC argues that not increasing the cap and not extending the sunset beyond June 30, 2020, sends a signal to the developer market that the program is not stable, or worse, effectively over, and thereby stifle any momentum gained by the program to date.

Expedited Application Processes: Article 12 charges the RI Commerce Corporation 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.

Easing of Eligibility Criteria for Certain Projects: Article 12 reduces the eligibility criteria for projects involving manufacturers, and clarifies the eligibility criteria for historic structures. Specifically, it exempts these projects from the minimum threshold requirements for square footage (25,000 sf), employment (at least 25 full-time employees), and residential units (at least 20, if applicable). It also exempts them from the minimum total project cost requirement of \$5.0 million.

Article 12 also directs the Division of Taxation, at the expense of the RI Commerce Corporation, to contact all developers awaiting consideration for the historic preservation investment tax credit and inform them of their potential eligibility for the Rebuild RI program. There are currently 35 projects waiting for an estimated \$62.0 million in historic tax credits.

I-195 Land Projects: A requirement of the current Rebuild RI program is that no qualified development project may receive tax credits valued in excess of \$15.0 million. Pursuant to RIGL 42-64.20-5, this limit also pertains to developments that are built in phases or that consist of multiple projects, except in the I-195 district where both a developer of multi-use building and its tenants may each receive up to \$15.0 million Rebuild RI awards (however no more than two separate awards per year may take place). For example, a developer may receive a full \$15.0 million award to build a multi-tenant office building. A prospective tenant of the office building requiring an extensive, customized build-out of the space may also receive a separate \$15.0 million Rebuild RI award. A second or third tenant may still apply and receive Rebuild RI tax credits but not until the following year at the earliest.

Article 12 allows that, for purposes of eligibility under the Rebuild RI program, any project in the I-195 district that includes a distinct building is to be considered separate from any other qualified project in the district.

Analyst Note: According to the EOC, this proposed amendment is required to ensure that a multi-phased, multi-building development is eligible for credits above \$15.0 million awarded for earlier phases. This potentially includes existing projects such as Wexford and others.

Technical Assistance on Applications: Under current program regulations, applicants for Rebuild RI tax credits are required to prepare and submit commercial and economic data and analysis related to their proposed projects. The preparation of a successful application requires a level of sophistication that, the EOC argues, may present a burden to certain otherwise worthy projects.

Article 12 authorizes the RI Commerce Corporation to provide technical assistance to applicants who, according to the EOC, may lack the technical capacity to appropriately prepare a responsive application.

The article further authorizes that up to \$250,000 in RI Rebuild funds may be used to pay for this assistance per year.

Analyst Note: The language in the article does not specify that the applicant must lack capacity to effectively comply with the application requirements. Absent this criteria it is may be possible that the RI Commerce Corporation could complete an application as a courtesy for an otherwise capable company. Furthermore, there may be the appearance of a conflict of interest if the RI Commerce Corporation is both assisting with the application and then also evaluating that same application for award.

Qualified Jobs Incentive – Program Changes

Article 12 modifies the tax credit amount per job created under the Qualified Jobs Incentive Act. Businesses seeking Qualified Jobs Incentive Act tax credits must demonstrate the creation of a minimum number of new full-time jobs based on a graduated scale depending on the number of existing full time employees (FTEs) the business employs in the state at the time of application. The maximum credit per new job is \$7,500.

Incentive Status: There are currently 27 companies that have been awarded qualified jobs incentives, with agreements totaling \$64.9 million. The incentives are paid out over a 14-year period from FY2019-FY2032, and averaging \$4.6 million per year. The incentives are based upon commitments to create 3,191 jobs.

Article 12 Changes: Article 12 lowers the maximum credit to \$6,500 for most businesses. The article does, however, establish a new classification of business to which the RI Commerce Corporation may award tax credits up to \$7,500 per job. This special consideration is reserved only for a “major economic development opportunity”. This classification includes the expansion or relocation of a business in a targeted industry where at least 51.0 percent of the new full-time jobs are classified as high-wage and which meets criteria established by RI Commerce Corporation that includes, but is not limited to:

- Creation of a minimum of 100 new full-time jobs in Rhode Island; or
- Relocation or establishment of a regional or national headquarters or other major corporate hub in Rhode Island.

Company	New Jobs	Total Incentive amount
Infinity Meat Solutions, LLC.	702	\$9,484,000
Infosys Limited	500	8,500,000
Amgen	146	6,000,000
General Electric Company	100	4,591,700
Johnson & Johnson Services, Inc.	75	4,425,860
Rubius Therapeutics, Inc.	154	3,715,000
Ocean State Jobbers, Inc.	125	3,230,190
eMoney Holdings, LLC	100	3,162,196
Agoda Travel Operations USA, Inc.	200	3,039,390
Virgin Pulse, Inc.	292	2,501,072
VistaPrint Corporate Solutions, Inc.	125	2,244,546
Magellan HRSC, Inc.	75	2,138,660
United Natural Foods, Inc.	150	1,873,802
Finlay Extracts & Ingredients USA, Inc.	73	1,354,105
Collette Travel Service, Inc.	50	1,300,000
Epiq Systems, Inc.	25	1,210,000
iXblue Defense Systems, Inc.	22	1,032,000
Gotham Greens Holdings, LLC	68	934,610
Xeros, Inc.	25	784,970
Granite Telecommunications, LLC	50	779,464
Trade Area Systems, Inc.	28	521,507
Greystone of Lincoln, Inc.	25	459,720
Surplus Solutions, LLC	16	454,681
Ivory Ella, LLC.	11	362,055
Alliance Paper Company, Inc.	20	296,790
Advertising Ventures	10	260,000
Lexington Lighting Group, LLC	24	218,831
Total	3,191	\$64,875,148

Analyst Note: Part of the original argument for the qualified jobs incentive was that it could be paid for by the increase in revenue from economic activity associated with the job creation. This “but for” argument, however, is not applicable in the event of an intra-state relocation of a business or headquarters that does not add new jobs, but rather preserves them. It is not clear from the legislation if existing in-state jobs that relocate in-state would be prohibited from counting towards the qualified jobs incentive. EOC indicates that the incentive is only available to new jobs over a baseline of in-state jobs.

Tax Increment Financing Incentive – Program Changes

Tax increment financing (TIF) is a public financing method that uses future tax revenue to subsidize economic development projects. The revenue used is typically generated from taxable activities taking place within a specified geographic area and that are the direct result of the subsidized development.

In 2016 the General Assembly created a state-level TIF incentive to encourage economic development. The program provides for two similar, but distinct, mechanisms to implement financing using future revenue.

True TIF: The first mechanism, outlined in RIGL 42-64.21-5(a) thru (c), involves the RI Commerce Corporation entering into a TIF agreement with a developer for any qualified development project located within a qualifying TIF area. Commerce may agree to pledge up to 75.0 percent of projected new revenue. This incremental revenue must be generated from business, sales, and/or personal income taxes related to activity directly resulting from the development. The taxes that are pledged must also be identified in the agreement. Commerce may not pledge an amount that is more than 30.0 percent of the total project cost. The Division of Taxation is required to segregate the annual incremental revenues and have the General Treasurer deposit them into a restricted TIF fund. The incentives agreed to in the TIF agreement are paid out of this TIF fund by the General Treasurer. Agreements structured this way are required to contain a provision acknowledging that the incentive benefits are subject to annual appropriation by the General Assembly.

PILOT TIF: The second financing mechanism, described in RIGL 42-64.21-5(d), does not involve the pledging of future tax revenue, but rather revenue generated by an agreed upon payment in lieu of taxes. Commerce is authorized, in consultation with the Department of Revenue, to exempt significant taxpayers within a TIF designated area, up to 75.0 percent of the future incremental business, sales, and/or personal income tax liabilities created by activity related to the development. Commerce may instead require TIF area taxpayers to make a payment of equivalent amount in lieu of taxes. These payments are then deposited into a restricted account managed by Commerce. Commerce may then use this revenue flow to issue revenue bonds that pay for the PILOT TIF incentives up front. This mechanism also is subject to the 30.0 percent total project cost limit. However, it is not contingent upon annual appropriation by the General Assembly.

Incentive Status: There are currently seven TIF incentive agreements totaling \$22.7 million in incentives. The incentives are paid out over a nine year period from FY2019-FY2027, and average \$2.2 million per year. All seven projects include hotels.

TIF Incentives		
Project	Location	Amount
Residence Inn	Providence	\$6.0
Hotel Beatrice	Providence	4.3
Hammitt Wharf	Newport	3.5
Hyatt Place	Warwick	3.5
Exchange Street	Providence	3.0
Southern Hospitality	South Kingstown	1.8
Bristol Belvedere	Bristol	0.6
Total		\$22.7
<i>\$ in millions</i>		

Article 12 Changes: Article 12 makes technical amendments to that part of the TIF incentive statute related to PILOT TIF to clarify:

- The mechanics of how RI Commerce Corporation shall exempt taxes and implement PILOT payments.
- The type of taxable activity that may be subject to TIF provisions, including sales and hotel taxes generated by tenants of a TIF project.
- That the balance of the incremental revenue not exempted shall be deposited in the general fund by the Division of Taxation.
- That RI Commerce Corporation and parties to the TIF agreement must provide Taxation information that will allow it to confirm compliance with the act, the terms of the documents giving rise to the tax exemptions, and all applicable state law.

Reauthorization of Incentives

Article 12 reauthorizes the following incentives for another three years:

- Rebuild RI
- Rhode Island Tax Increment Financing
- Tax Stabilization Incentive
- First Wave Closing Fund
- I-195 Redevelopment Project Fund
- Small Business Assistance Fund
- Wavemaker Fellowship program
- Main Street Rhode Island Streetscape Improvement Fund
- Innovation Initiative
- Industry Cluster Grants
- High School, College, and Employer Partnerships
- Qualified Jobs Incentive

These programs are set to expire on June 30, 2020. The General Assembly originally established a two-year authorization for these incentives, calling for a sunset date of December 31, 2018, which was extended by the FY2019 Budget as Enacted. Article 12 establishes a new sunset date of December 31, 2023.

Article 13: Relating to Minimum Wages

The article increases the minimum wage from \$10.50 to \$11.10 per hour effective January 1, 2020.

FISCAL IMPACT

The Budget includes \$87,599 to fund the impact of the proposed minimum wage increase on the Department of Environmental Management's seasonal recreational program.

ANALYSIS AND BACKGROUND

The article increases minimum wage from \$10.50 to \$11.10 per hour effective January 1, 2020. Rhode Island has increased the minimum wage for the past two years, 2018 and 2019, this will be the third consecutive year with an increase. The Governor's FY2017 Budget proposed to increase the minimum wage from \$9.60 per hour to \$10.10 per hour on January 1, 2017; however, this was not included in the FY2017 Budget as Enacted.

Calendar Year	Amount	Change
2007	\$7.40	
2013	7.75	4.7%
2014	8.00	3.2%
2015	9.00	12.5%
2016	9.60	6.7%
2017	9.60	0.0%
2018	10.10	5.2%
2019	10.50	4.0%
2020	11.10	5.7%

Massachusetts' minimum wage increased from \$11.00 to \$12.00 on January 1, 2019, and is set to increase each year until reaching \$15.00 in 2023. Connecticut's last minimum wage increase was from \$9.60 to \$10.10 on January 1, 2017. Vermont and Maine both increased minimum wage on January 1, 2019, and will again in 2020. New Hampshire is the only state in New England that has not had an increase in the past four years.

	2016	2017	2018	2019	2020
Massachusetts	\$10.00	\$11.00	\$11.00	\$12.00	\$12.75
Rhode Island	9.60	9.60	10.10	10.50	11.10
Connecticut	9.60	10.10	10.10	10.10	10.10
Vermont	9.60	10.00	10.50	10.78	10.78*
Maine	7.50	9.00	10.00	11.00	12.00
New Hampshire	7.25	7.25	7.25	7.25	7.25

As of January 1, 2019, Vermont's minimum wage increases by 5.0 percent or the percentage increase of the Consumer Price Index-U (CPI-U) as calculated by the U.S. Department of Labor, whichever is smaller. Vermont's minimum wage for 2020 is not yet known as the applicable CPI-U percent change will not be available until late 2019. Beginning in 2021, Maine's minimum wage will increase by the percentage increase in the Consumer Price Index -W.

Article 14: Relating to Healthcare Market Stability

This article establishes several initiatives to promote stability in the health insurance market in the State of Rhode Island. 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.
- Establishes a state-level Shared Responsibility Payment Penalty to be assessed when an applicable individual fails to maintain minimum essential coverage.
- Creates 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.

FISCAL IMPACT

This article increases general revenue expenditures by \$400,000 within the Rhode Island Health Benefits Exchange (HealthSource RI) in FY2020 for administrative costs associated with implementing the Shared Responsibility Payment Penalty (SRPP). In FY2021 and thereafter, the penalty revenue would fund the administrative costs of both the SRPP and the reinsurance program. The penalty would take effect in calendar year 2020, with the assessment of the penalty beginning with tax filings in calendar year 2021.

The Health Insurance Market Integrity Fund (HIMIF) will be funded through a federal State Relief and Empowerment Waiver and the restricted receipts raised from the SRPP. The restricted receipt account established for the Shared Responsibility Payment Penalty will be exempt from the indirect cost recovery provision of RIGL 35-4-27. The exclusion of the Health Insurance Market Integrity Fund from indirect cost recovery requirements prevents 10.0 percent of the fund's balance from being deposited as general revenues.

Analyst Note: As of February 11, 2019, the anticipated balance of the HIMIF is unknown. The state has hired actuaries that will provide estimates on the size of the reinsurance program and the balance of the HIMIF and estimates should be late winter of 2019. In addition, the HIMIF was exempted from cost recovery in Article 14 but was not included in Article 2, which outlines new indirect cost recovery exemptions.

ANALYSIS AND BACKGROUND

Short Term Limited Duration Policies

This article amends the definition of health insurance coverage within RIGL 27-18.5, entitled the Individual Health Insurance Coverage Act, to include short-term limited duration (STLD) policies. This amendment requires STLD plans to meet the same regulations as other health insurance policies sold in the state. Under federal law, STLD policies are not required to comply with the requirements of the Affordable Care Act. This allows STLD plans to deny coverage of preexisting conditions or health benefits such as emergency services, hospitalization, maternity care, preventive care, prescription drugs, and behavioral health services. The plans can have lifetime or plan dollar limits on benefits. These plans do not qualify as “minimum essential coverage” under the Affordable Care Act.

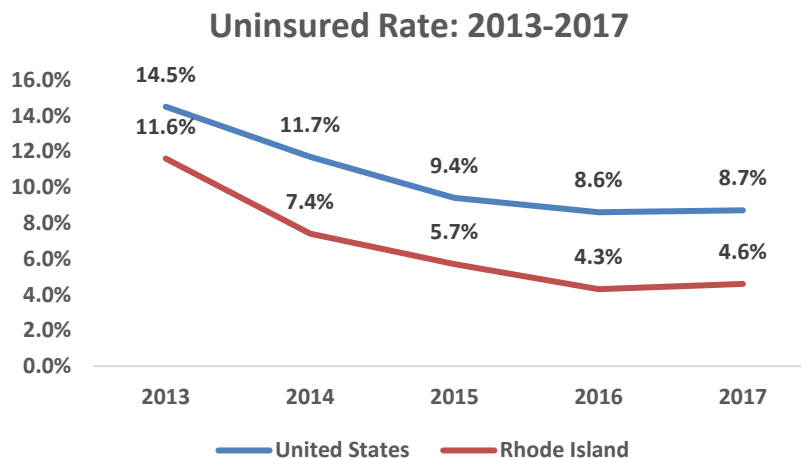
On August 3, 2018, the federal government issued a final rule on STLD policies. Pursuant to the terms of the final rule, short-term plans can provide coverage for up to twelve months and can be renewed for up to thirty-six months. Previously, short-term plans were limited to a maximum duration of three months and were non-renewable. STLD plans have lower premiums, and the extension of the maximum duration makes plans more appealing and could cause healthy individuals who do not have subsidized premiums to leave the individual health insurance market and reduce market stability.

The amendment under Article 14 would codify requirements that STLD policies meet the same standards of coverage as other policies sold in the state. STLD plans are heavily marketed in Rhode Island but are regulated by the Office of the Health Insurance Commissioner (OHIC.) However, to date, the OHIC has not authorized the sale of any STLD plans in the State of Rhode Island. Currently, California, Hawaii, Massachusetts, New Jersey, New York, and Vermont have blocked the sale of STLD plans through legislation or state regulations.

Blue Cross Blue Shield of Rhode Island estimates that for every 10.0 percent of healthy individuals that leave the market for STLD plans, premium rates would increase by 5.0 percent. This would equate to an average of approximately \$324 per member per year in additional premium costs.

Shared Responsibility Payment Penalty

This article establishes a state Shared Responsibility Payment Penalty (SRPP), or individual mandate, to assess a penalty on applicable taxpayers who fail to maintain minimum essential coverage. General revenue expenditures increase by \$400,000 in FY2020 to fund implementation of the penalty. Penalty payments would be made beginning with the 2020 tax filing season and would be deposited as restricted receipts into the Health Insurance Market Integrity Fund. The Shared Responsibility Payment Penalty is designed to keep the uninsured rate low. Rhode Island's uninsured rate is currently 4.6 percent, down from 11.6 percent in 2013. A low uninsured rate mitigates uncompensated care costs which, according to the March 2017 Medicaid and CHIP Payment and Access Commission (MACPAC) report to Congress, uncompensated care, as a percentage of operating costs, has decreased by 60.0 percent from 2013 to 2015.



Source: US Census Bureau

Under the Patient Protection and Affordable Care Act, federal law required a Shared Responsibility Payment Penalty beginning in calendar year 2014. The national and state uninsured rate decreased during the years in which the penalty was assessed. However, beginning in calendar year 2019, the federal government eliminated the financial penalties associated with failing to maintain minimum essential health insurance coverage. Without a financial penalty, the uninsured rate is expected to rise in the state of Rhode Island. This risks driving the healthy population away from the individual market (the market that offers health insurance coverage without a connection to group health insurance plans) which would increase premium costs.

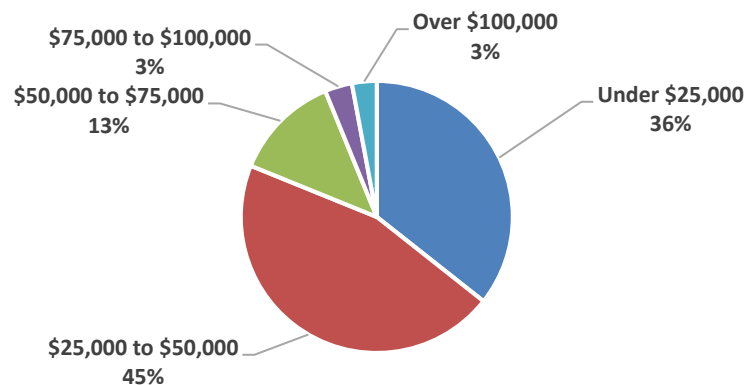
The penalty amount is set at the greater amount of \$695 per adult and \$348 per child, or 2.5 percent above the tax filing threshold, each tax year. A family would not pay a penalty for more than two adults and two children, and the overall maximum penalty is set at the statewide average cost of a bronze plan. Bronze plans are the marketplace plans with the lowest premiums and the highest copays and coinsurance

requirements. In 2019, the average cost of a Rhode Island bronze plan was \$2,388 for a single person and \$9,522 for a family of four.

Those who have an income below the tax filing threshold, set at \$12,000 for a single filer in 2018, are not required to pay the penalty. Exemptions to the penalty are to be regulated by HealthSource RI and modeled after the federal exemptions to include an affordability exemption and a hardship exemption. Within sixty days after the penalty is assessed, the taxpayer shall be offered a special enrollment period to enroll in health insurance through the marketplace to avoid future penalties.

In 2016, prior to the repeal of federal financial penalties, taxpayers in the State of Rhode Island paid \$11.3 million in shared responsibility penalty payments. Because the proposed penalty is modeled after the federal mandate, the revenue generated by the mandate is expected to be comparable. If a comparable penalty were to be reinstated at the federal level, or if federal premium tax credits were eliminated, the state penalty would not be assessed.

Percentage of Shared Responsibility Payments in RI by Individual Income: 2016



Source: IRS Data, 2016.

Massachusetts was the first state to enact a state-based Shared Responsibility Payment Penalty in 2006 and has the lowest uninsured rate in the country. New Jersey, Washington D.C., and Vermont have all enacted mandates since the elimination of financial penalties at the federal level.

Reinsurance Program

The article establishes a reinsurance program through a State Relief and Empowerment Medicaid waiver and funded by restricted receipt revenues from the Shared Responsibility Payment Penalty. The reinsurance program would pay for a portion of an insurance carrier's claims after they surpass a specified dollar amount. The program is designed to mitigate individual market premium increases that are associated with high-cost insured individuals. The program would offset costs associated with providing coverage for sicker individuals, allowing insurers to reduce premiums in the individual market.

Currently, eight states have received approval for State Relief and Empowerment Waivers for reinsurance programs including Alaska, Hawaii, Maine, Maryland, Minnesota, New Jersey, Oregon, and Wisconsin. States fund their programs through premium taxes and assessments, provider taxes, and general revenues. New Jersey is the only state that funds a reinsurance program through a shared responsibility payment, which has resulted in a 9.3 percent reduction in premium rates in the state, on average.

Over 44,000 individuals (4.0 percent of the insured population) receive their coverage through the individual market in Rhode Island. Approximately 40.0 percent of this population is unsubsidized, which means it is the most susceptible to rising premium costs, which a reinsurance program would mitigate. The reinsurance program would be funded by the aforementioned Health Insurance Market Integrity Fund.

Article 15: Relating to Children and Families

This article modifies a number of child and family service programs administered by the Departments of Elementary and Secondary Education (RIDE); Children, Youth, and Families (DCYF); and Human Services (DHS). Specifically, the article:

- Requires certain schools to take advantage of a federal provision for free meal programs.
- Shifts the costs of educating certain youth in the care of DCYF to local education authorities (LEAs).
- Modifies licensing requirements for foster homes.
- Implements a lifetime limit for RI Works benefits.
- Expands child care supports.
- Implements a tiered reimbursement system for infant, toddler, and pre-school family child care providers; however, the Budget does not fully fund the proposal.

FISCAL IMPACT

The initiatives in this article are expected to reduce general revenue expenditures by \$888,799 (\$1.1 million all funds) in FY2020.

FY2020 Expenditure Impact		
Initiative	General Revenue	All Funds
Mandatory School Meal Programs	\$55,000	\$55,000
Education of DCYF Youth	(1,080,984)	(1,496,358)
Lead Inspection of Foster Homes	(250,000)	-
RI Works Program	-	-
Child Care Assistance	200,000	200,000
Child Care Rates	187,185	187,185
Total	(\$888,799)	(\$1,054,173)

ANALYSIS AND BACKGROUND

Mandatory School Meal Programs

The article requires certain eligible schools to expand their meal programs. Beginning in the 2020-2021 school year, Article 15 requires all public schools that have been eligible for the Community Eligibility Provision (CEP) of the federal Healthy, Hunger-Free Kids Act for two consecutive years or longer to implement the provision, unless granted a waiver by the Department of Elementary and Secondary Education (RIDE). Furthermore, the article requires all public schools that have an enrollment of 70.0 percent or more of students eligible for free- or reduced- price meals in the prior school year to offer a school breakfast program that is available after the instructional day has begun.

Currently, all school districts in Rhode Island are required to provide a school lunch and a school breakfast program. Children from families with incomes up to 130.0 percent of the federal poverty level (\$33,475 annually for a family of four) are eligible for free meals, and children from families between 130.0 and 185.0 percent of poverty level (up to \$47,638 for a family of four) are eligible for

Districts with Schools Required to Provide Breakfast after Start of Day	
Achievement First	Nowell
Blackstone Academy	Paul Cuffee
BVP	Pawtucket
Central Falls	Providence
Charette	Segue Institute
Cranston	Southside Elementary
Foster-Glocester	Trinity
Highlander	Urban Collaborative
Learning Community	Village Green
Newport	Woonsocket

Source: Office of Food Strategy

Note: Based on FY2019 data

reduced-price meals (\$0.40 or less). Students with a family income over 185.0 percent of poverty pay a price determined by the school. Schools that take part in the lunch and breakfast programs receive cash subsidies and donated foods from the U.S. Department of Agriculture (USDA). The State provides \$270,000 to districts to assist with the administrative costs associated with school breakfast programs.

Analyst Note: On January 25, 2019, information was requested regarding the per-district distribution of these funds as well as the potential impact of the article on this distribution; however, as of February 6, 2019, no information had been received by Fiscal Staff.

According to RIDE, over 72,000 low-cost or free lunches are served in Rhode Island daily, reflecting 69.0 percent of the lunches served; however, eligibility is determined through a school meal application. This application process and stigma among peers can prevent qualified students from accessing the meal program. The CEP allows high poverty schools and districts to serve breakfast and lunch at no cost to all enrolled students without collecting household applications. Instead, schools that adopt the CEP are reimbursed using a formula based on the percentage of students categorically eligible for free meals based on their participation in other specific means-tested programs, such as the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF).

The Department is required to notify schools, before March 1 of each year, if they are required to adopt the CEP for the following school year. The Department may grant waivers for a school that demonstrates economic hardship related to the implementation of the program.

The article also requires the Department to develop procedures and guidelines for the implementation of the programs, and to collect information on eligible school breakfast delivery models. Eligible service models may include breakfast in the classroom, grab-and-go breakfast, and second chance breakfast. On or before March 1 of each year, the Department shall notify schools required to provide a breakfast program after the beginning of the instruction day. The Budget includes \$55,000 in general revenues within RIDE in FY2020 for the costs associated with implementing this program.

Education of DCYF Youth

The article amends RIGL 16-64-1.1 to modify the funding mechanism for the costs associated with educating children in the care of the Department of Children, Youth, and Families (DCYF). Under current law, children in foster care are educated in the district determined by DCYF to be in the child's best interest, and the costs are borne by the local education authority (LEA) for that district. Children placed in group homes are educated and funded by the district in which the group home is located, although districts with group homes receive supplemental state funds to alleviate the financial pressure of educating these youth. LEAs are also responsible for bearing the per-pupil special education costs of any children who are residents of the district but are educated within a residential treatment facility which provides on-site education, such as St. Mary's Home for Children, the Groden Center, or Harmony Hill.

Article 15 proposes expanding the financial responsibility of LEAs to include youth who are involved in juvenile justice. The article modifies RIGL 16-64-1.1(d) to require that districts bear financial responsibility for any residents who are sentenced to and educated at the Rhode Island Training School (RITS). Although it is not explicitly stated, the language in Article 15 would also modify the payment methodology for education at the Ocean Tides facility in Narragansett.

Currently, educational costs at both the RITS and Ocean Tides are borne by DCYF. The Budget assumes that DCYF would continue paying under this proposal; however, in order to hold LEAs accountable, a portion of the costs would be withheld from the sending districts' education aid disbursement. Using an average per-pupil special education cost of \$35,000, the gross charge to the districts would be approximately \$1.9 million. In order to mitigate the negative impact to the LEAs, this amount is offset by the amount each district would be reimbursed if students were to be added into the funding formula. Thus, the proposal is estimated to reduce education aid by a total of \$1.3 million in FY2020.

Analyst Note: According to the Budget Office, RIDE is permitted to withhold education aid pursuant to RIGL 16-64-1.2(d). However, it is not clear if the intent of this statute is to allow preemptive withholding. The language also specifies that the commissioner of RIDE must pay the amount withheld to DCYF, which would not occur under this arrangement.

Furthermore, this methodology applies to both the RITS and Ocean Tides. As interpreted, payment guidelines for Ocean Tides would fall under the same subsection of General Law as St. Mary's, the Groden Center, and Harmony Hill; however, the payment methodology for Ocean Tides would differ from these other facilities.

If LEAs assume financial responsibility for these youth, DCYF would lose its status as a limited purpose LEA and \$415,374 in federal funding. According to DCYF, these funds are generally used for professional development activities at the RITS. The Budget includes \$250,000 from general revenues in DCYF to offset this loss.

	FY2020 Expenditure Impact	
	General Revenue	All Funds
RIDE	(\$1,330,984)	(\$1,330,984)
DCYF	250,000	(165,374)
Total	(\$1,080,984)	(\$1,496,358)

The Budget assumes that the federal funds currently granted to DCYF as a limited purpose LEA would be redistributed to the applicable districts under this proposal. This applies approximately \$7,692 per student to each district, which helps offset the costs withheld by RIDE. The table below delineates the net impact to each district based on enrollment data from September 2018.

District	Students	Costs Withheld	Federal Offset	LEA Impact
Central Falls	6	-	-	-
Cranston	6	164,402	(46,153)	118,250
Cumberland	1	29,021	(7,692)	21,329
Johnston	1	28,531	(7,692)	20,839
Newport	3	85,183	(23,076)	62,106
North Kingstown	2	63,158	(15,384)	47,773
Pawtucket	2	47,536	(15,384)	32,152
Providence	31	713,360	(238,455)	474,905
Warwick	1	29,652	(7,692)	21,960
West Warwick	2	52,488	(15,384)	37,104
Woonsocket	5	117,652	(38,461)	79,192
Unknown	1	-	-	-
Total	61	\$1,330,984	(\$415,374)	\$915,610

Source: RI Office of Management and Budget

Note: Based on an average per-pupil cost of \$35,000

Analyst Note: This calculation is based on a fixed per-pupil cost of \$35,000. However, the language of the article specifically states that LEAs shall be responsible for the per-pupil special education cost of each student, which is a unique amount for each district. If each district's per-pupil special education cost is applied to this calculation, the savings to the state are about the same, but the distribution per district is much different.

It is also unclear if the federal funds lost by DCYF would be guaranteed to the districts, and if they would be distributed in the same way they are currently.

Additionally, the article does not specify if enrollment data would be counted each September, consistent with the budget assumption, or if it would be revised annually in March along with the funding formula update. According to the Budget Office, the method for counting and updating enrollment would be governed by the regulatory process.

Lead Inspection of Foster Homes

The article amends the Lead Poisoning Prevention Act so that foster homes are no longer held to the same licensure requirements as child care facilities and elementary schools. Any group family child care home, family child care home, child care center, residential facility, or elementary school serving children under

the age of six must undergo comprehensive lead inspections at specified intervals and demonstrate that they are lead free or lead safe. Schoolyards, public playgrounds, and shelters are also removed from this section.

The article adds RIGL 23-24.6-14.1 to modify lead licensing requirements for foster homes. Pursuant to this new section, foster homes would be subject to a visual, rather than comprehensive, lead inspection to assess the presence of potential lead hazards in the home. The Department of Health (DOH) shall review the results of the inspections and ensure that owners receive the necessary information to remediate any identified lead hazards. The article does not require remediation of the identified hazards; however, RIGL 23-24.6-17 requires the director of DOH to promulgate lead hazard reduction regulations. According to DCYF, the amendment is intended to allow homes to be licensed while remediation is in progress in order to address the licensing backlog of foster families and bring Rhode Island in line with federal standards. In doing so, DCYF would be able to increase federal reimbursements; consequently, this section of the article is projected to shift \$250,000 in general revenue expenditures to federal funds.

RI Works Program

The article amends RI Works legislation to clarify the definition of the lifetime limit. Under current law, beneficiaries are not allowed to receive cash assistance for more than 24 months (consecutive or not) within 60 continuous months. Article 15 eliminates this constraint, but retains the 48 month lifetime limit beneficiaries are eligible for cash assistance. The lifetime limit includes Temporary Assistance for Needy Families (TANF) cash assistance paid to the beneficiary in other states. Cash assistance provided to a child will not be counted toward their lifetime limit should they need to apply for benefits as adults.

The Rhode Island Works program (RI Works) is the State's TANF federal block grant program. Each state receives TANF block grant funds and operates their own cash assistance program for low-income families. The November 2018 Caseload Estimating Conference estimated a caseload of 9,700 persons using RI Works in FY2020, with an average monthly cost of \$195.64 per person and a total cost of \$24.9 million.

Child Care Assistance

The article expands child care assistance eligibility to include families who require child care in order to pursue an educational degree or professional certificate. The Governor's Budget includes \$200,000 from general revenues to support this expansion. The Department of Human Services (DHS) administers the child care assistance program, which provides child care to families, with incomes at or below 180.0 percent of the federal poverty level, such that parents are able to continue working at a paid employment position or participate in a short-term training apprenticeship or job readiness program. The beneficiary must attend an accredited post-secondary educational institute on a full-time basis, or on a part-time basis in conjunction with employment as approved by DHS.

Article 15 also increases the amount of liquid resources a family may have while still qualifying for child care assistance from \$1,000 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.

In addition, the article amends the child support conditions for child care assistance. Under current law, the parent or guardian of the 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 article amends this condition to only apply to children who receive child care through the child care assistance program.

Child Care Rates

Article 15 alters the child care reimbursement rate structure for licensed family child care providers. The article implements a tiered reimbursement system based on the provider's quality rating as determined under the State's Tiered Quality Rating and Improvement System. Family child care providers are currently reimbursed based on four steps. The applicable increases are applied to the FY2019 weekly base rates,

\$178.55 for infants and toddlers and \$162.32 for preschool aged children. The requirements for the provider’s current step based increases are listed in the following table.

Family Child Care Providers- Step Increases

Step	Requirments	% Increase	FY2019 Weekly Rates	
			Infants/Toddlers	Rates Preschool
1	Has not achieved requirements of Steps 2-4 A high school diploma or GED, or 10+ years or related experiences and enrolled in a diploma/GED program.	1.0%	\$180.34	\$163.94
2	A Child Development Associates (CD) Credential, or completion of 3 college credits in child development or related field.	2.0%	\$182.12	\$165.57
3	Complete RI Early Childhood Education & Training Program at CCRI, or earned an Associate's Degree or higher.	3.0%	\$183.91	\$167.19
4		4.0%	\$185.70	\$168.81

Source: SEIU 1199NE Collective Bargaining Agreement

Note: FY2018 Infant/Toddler rates are based on a previous rate of \$178.55

FY2018 Preschool rates are based on a previous rate of \$162.32

Analyst Note: It is unclear how the implementation of the tiered-rate system will impact the providers current step based increases. The SEIU 1199NE Collective Bargaining Agreement allows providers to continue achieving step increases, along with the additional reimbursement percentage increases associated with the implementation of the tiered system. The article does not address the provider’s current step-based reimbursement system. The Department of Human Services believes an amendment will be required to integrate the provider’s step based increases into the article.

This article would implement a tiered reimbursement rate system based on the provider’s quality rating through the State’s Tiered Quality Rating and Improvement System (TQRIS), BrightStars. Beginning in FY2020, licensed family child providers providing care for infants/toddlers and preschool aged children will be reimbursed 2.0 percent above the FY2018 weekly amount for tier one, 5.0 percent for tier two, 11.0 percent for tier three, 14.0 percent for tier four, and 23.0 percent for tier five. The Budget includes an additional \$150,000 to fund the tiered reimbursement rates for licensed family child care providers.

Family Child Care Provider Reimbursement Rates - Infant/Toddler

Tier	FY2018 Base	FY2020 Increased	FY2020 Increased	Change from	
	Rate	Percentage	Amount	FY2019	
1	\$169.95	2.0%	\$173.35	\$3.40	2.0%
2	\$169.95	5.0%	\$178.45	\$8.50	5.0%
3	\$169.95	11.0%	\$188.64	\$18.69	11.0%
4	\$169.95	14.0%	\$193.74	\$23.79	14.0%
5	\$169.95	23.0%	\$209.04	\$39.09	23.0%

Family Child Care Provider Reimbursement Rates - Preschool

Tier	FY2018 Base	FY2020 Increased	FY2020 Increased	Change from	
	Rate	Percentage	Amount	FY2019	
1	\$154.50	2.0%	\$157.59	\$3.09	2.0%
2	\$154.50	5.0%	\$162.23	\$7.72	5.0%
3	\$154.50	11.0%	\$171.50	\$17.00	11.0%
4	\$154.50	14.0%	\$176.13	\$21.63	14.0%
5	\$154.50	23.0%	\$190.04	\$35.54	23.0%

Analyst Note: The additional \$150,000 included in the Governor's Budget is only enough to increase the reimbursement rates for infants and toddlers. The Department of Human Services estimates it will cost an additional \$250,000 to increase reimbursement rates for preschool aged children.

The article sets the base rate at the FY2018 weekly reimbursement amount. Since FY2018, family child care providers have received two additional increases to their base rates which are not included in this article. The most recent rate increase was effective January 2019, bring the base rate to \$178.55 for infants and toddlers and \$162.32 for preschool aged children.

It would cost an additional \$132,548 to implement tiered rates for infants and toddlers using the FY2018 rates or \$139,255 using the January 2019 rates. While updating the base rates will not impact the current budget proposal, it would increase the reimbursement rates across all tiers for providers. If the FY2018 rates are used providers rates for a one or two star facility would be reimbursed at a lower rate than they are currently as of January 2019.

Rhode Island's Tiered Quality Rating and Improvement System (TQRIS) is BrightStars. A TQRIS is used by states to assess, improve, and communicate the level of quality in child care programs. Through the star rating system, BrightStars helps child care providers learn and apply best practices, and families access quality child care, early learning, and school-age programs. The Rhode Island Association for the Education of Young Children manages BrightStars and Rhode Island KIDS COUNT coordinates and supports the evaluation of BrightStars.

Article 16: Relating to Medical Assistance

This article modifies the financing and delivery of the Medicaid program. Specifically, the article:

- Expands eligibility for the enhanced State Supplemental Security Income (SSI) payment.
- Freezes inpatient and outpatient hospital payment rates at FY2019 levels.
- Provides nursing homes with a 1.0 percent cost-of-living adjustment (COLA) rate increase.
- Eliminates inpatient upper payment limit (UPL) payments.
- Creates an employer public assistance assessment, which would impose a fee on large, for-profit companies for each non-disabled employee enrolled in Medicaid.
- Limits the FY2019 rate increase for hospice providers delivering care in skilled nursing facilities.
- Amends the Rhode Island General Laws to expand the rights of individuals with developmental disabilities pursuant to the Home and Community Based Services (HCBS) final rule.
- Authorizes the Secretary of the Executive Office of Health and Human Services (EOHHS) to transition payments for patient-centered medical homes from fee-for-service to an alternative methodology, such as partial or full capitation.
- Eliminates the State-only Graduate Medical Education (GME) program.

FISCAL IMPACT

This article reduces general revenue expenditures by \$14.9 million (\$37.3 million all funds) in FY2020.

Initiative	FY2020 Expenditure Impact	
	General Revenue	All Funds
Supplemental Security Income Payments	-	-
Hospital Rate Freeze	(5.3)	(15.1)
Nursing Home COLA	(3.5)	(7.5)
Eliminate Inpatient Upper Payment Limit	(3.6)	(9.4)
Employer Public Assistance Assessment	1.1	1.1
Limit Hospice Rate Increase	(2.6)	(5.5)
Home and Community Based Services Final Rule	-	-
Section 1115 Waiver	-	-
Patient-Centered Medical Home Program	-	-
Eliminate Graduate Medical Education	(1.0)	(1.0)
Total	(\$14.9)	(\$37.3)

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

This article also increases general revenue collections by \$14.6 million in FY2020. This is primarily related to the proposed employer public assistance assessment, which is estimated to generate \$15.6 million in new revenues, offset by approximately \$1.0 million in foregone revenues related to several savings initiatives.

Initiative	FY2020 Revenue Impact			Total
	Insurance Premium Tax	Nursing Home Tax	Other	
Hospital Rate Freeze	(\$279,531)	-	-	(\$279,531)
Nursing Home COLA	(21,879)	(349,629)	-	(371,507)
Employer Public Assistance Assessment	-	-	15,598,337	15,598,337
Limit Hospice Rate Increase	-	(302,500)	-	(302,500)
Total	(\$301,410)	(\$652,129)	\$15,598,337	\$14,644,799

ANALYSIS AND BACKGROUND

Supplemental Security Income Payments

Article 16 amends RIGL 40-6-27 to expand the availability of an enhanced State Supplemental Security Income (SSI) payment for certain residents in assisted living facilities. Current law only provides the higher payment for individuals enrolled in managed care plans. This article would allow the State to also provide the higher payment for individuals enrolled in fee-for-service Medicaid. This expansion is specifically targeted at the population of dual-eligible beneficiaries who were transitioned from managed care to fee-for-service as part of the Rhody Health Options (RHO) redesign. The change allows those individuals in assisted living facilities who were formerly enrolled in managed care through RHO to continue receiving the enhanced SSI benefit.

Hospital Rate Freeze

Hospitals are reimbursed by Medicaid on a fee-for-service basis and by MCOs for inpatient, outpatient, and emergency services. RIGL 40-8-13.4 allows EOHHS to review these rates annually and make adjustments based on factors such as hospital costs, hospital coding, and availability of services. Increases may not exceed the Prospective Payment System Hospital Input Price Index, an inflation-based index published by the Centers for Medicare and Medicaid Services (CMS).

The November 2018 Caseload Estimating Conference adopted FY2020 hospital payment figures assuming growth of 3.2 percent for inpatient and 1.25 percent for outpatient services relative to FY2019 rates. The Governor freezes hospital rates at FY2019 levels, rather than incorporating these price increases. This would generate \$5.3 million in general revenue savings (\$15.1 million all funds) relative to the adopted estimate and would require a State Plan Amendment.

Hospital Rate Changes by Fiscal Year

Fiscal Year	Inpatient	Outpatient
FY2013	2.7%	1.9%
FY2014	0.0%	0.0%
FY2015	0.0%	0.0%
FY2016	-2.5%	-2.5%
FY2017	3.0%	1.9%
FY2018	2.4%	2.4%
FY2019	2.8%	1.8%
<i>FY2020 (proposed)</i>	<i>0.0%</i>	<i>0.0%</i>

Although this initiative is expected to significantly reduce expenditures, it is important to note that the proposal would also negatively impact revenue collections. Of the \$15.1 million in estimated savings, \$14.0 million is projected within either Managed Care, Medicaid Expansion, or Rhody Health expenditures, all of which would otherwise be subject to the 2.0 percent insurance gross premium tax. Therefore, by freezing hospital rates, the State would forego approximately \$280,000 in revenues relative to the estimate adopted by the November 2018 Revenue Estimating Conference.

Nursing Home COLA

Each October, pursuant to RIGL 40-8-19, nursing homes are to receive a cost-of-living adjustment (COLA) rate increase based on the national nursing home inflation index. The November 2018 Caseload Estimating Conference adopted nursing home payments assuming a 3.0 percent price increase in FY2020. The Governor limits the rate increase to 1.0 percent, saving \$3.5 million in general revenues (\$7.5 million all funds). Article 16 contains statutory language for the initiative. This proposal requires a State Plan Amendment.

The FY2019 Budget as Enacted authorized two rate increases at a general revenue expense of \$2.8

Nursing Facility Rate Changes by Year

Fiscal Year	Date	Adopted	Index	Difference
FY2014	10/1/2013	0.0%	2.9%	-2.9%
FY2015	10/1/2014	0.0%	3.5%	-3.5%
	4/1/2015	3.2%	0.0%	3.2%
FY2016	8/1/2015	-2.5%	0.0%	-2.5%
	10/1/2015	0.0%	3.2%	-3.2%
FY2017	10/1/2016	3.3%	3.3%	0.0%
FY2018	10/1/2017	0.0%	2.8%	-2.8%
FY2019	7/1/2018	1.5%	0.0%	1.5%
	10/1/2018	1.0%	2.7%	-1.7%
<i>FY2020 (proposed)</i>	<i>10/1/2019</i>	<i>1.0%</i>	<i>3.0%</i>	<i>-2.0%</i>

million (\$5.9 million all funds). This included a 1.5 percent increase on July 1, 2018, reflecting the settlement of a court case, and another 1.0 percent increase on October 1, 2018.

Although this initiative is expected to significantly reduce expenditures, it is important to note that the proposal would also negatively impact revenue collections. Of the \$7.5 million in estimated savings, \$6.4 million is projected within fee-for-service nursing home expenditures, which would otherwise be subject to the 5.5 percent nursing home provider tax, and \$1.1 million is projected within Rhody Health Options, which would otherwise be subject to the 2.0 percent insurance gross premium tax. Therefore, by limiting the nursing facility COLA, the State would forego approximately \$371,500 in revenues relative to the estimate adopted by the November 2018 Revenue Estimating Conference.

Eliminate Inpatient Upper Payment Limit

Hospital	Current Inpatient UPL	Inpatient UPL
Butler		N/A
Kent		\$588,005
Memorial		N/A
Women and Infants		\$3,946,986
Care New England		\$4,534,991
Bradley		N/A
Miriam		\$664,447
Newport		\$128,214
Rhode Island Hospital		\$2,880,767
Lifespan		\$3,673,428
Roger Williams		\$370,413
St. Joseph		\$613,408
Prospect - CharterCARE		\$983,821
Landmark		\$76,434
South County		\$49,816
Westerly		\$31,992
Rehabilitation		N/A
Other		\$158,242
Total		\$9,350,482

Upper Payment Limit (UPL) payments compensate hospitals for the gap between what hospitals receive for Medicaid inpatient and outpatient services and what they would have been paid for those services under Medicare reimbursement principles. In past fiscal years, the State has made UPL payments to hospitals, matched by federal funds, to bring its total Medicaid expenditures up to 100.0 percent of the Medicare upper payment limit, thereby maximizing available federal funds. This article eliminates UPL payments for hospital inpatient services. The State would continue providing UPL payments for hospital outpatient services under this proposal.

UPL payments are authorized, but not required, by federal law. According to the Executive Office of Health and Human Services, these payments detract from efforts to promote value-based purchasing. Ultimately, UPL payments can limit the State's ability to utilize federal Medicaid funds in order to drive value. The proposal reduces general revenue expenditures by \$3.6 million (\$9.4 million all funds) in FY2020.

Employer Public Assistance Assessment

This article amends RIGL 40-8.4 to create a Medicaid employer assessment effective October 1, 2019. Employers who do not offer sponsored health insurance, or whose premiums are too expensive for some employees, create incentives for those employees to enroll in subsidized health care programs, such as Medicaid, which shifts the financial burden to the State. This proposal would require large, for-profit companies to compensate the State for each employee enrolled in Medicaid. This includes companies with at least 300 employees but excludes non-profit and government entities.

The assessment would require employers to pay 10.0 percent of wages for each employee enrolled in Medicaid, up to an annual maximum of \$1,500 per employee. This applies to both part-time and full-time staff, but does not apply to employees who are enrolled in Medicaid due to a disability. Employers would be assessed on a quarterly basis. According to EOHHS, this would apply to approximately 140 companies in Rhode Island.

The State of Massachusetts already has a similar arrangement in place. The State assesses two penalties, called the Employer Medical Assistance Contribution (EMAC) and EMAC Supplement, which were created in response to a significant increase in working Medicaid beneficiaries. Massachusetts implemented these policies to hold employers accountable for providing inadequate health insurance for their employees. The assessments help offset the costs to the State for providing coverage instead. The EMAC Supplement

is most similar to the proposal in Rhode Island, as the standard EMAC assesses employers using a significantly lower, tiered rate for a maximum of \$77 per employee per year. A comparison to the EMAC Supplement is provided in the following table.

	Rhode Island	Massachusetts
Number of employees	300	6
Assessment as percent of wages	10.0%	5.0%
Maximum wages assessed (per year)	\$15,000	\$15,000
Maximum assessment (per year)	\$1,500	\$750
Frequency of assessment	Quarterly	Quarterly

Analyst Note: The EMAC Supplement was effective as of January 1, 2018, and sunsets on December 31, 2019. It was a temporary solution intended to stabilize health care costs while the Massachusetts legislature worked to reform the State's Medicaid program. The standard EMAC will remain in place after December 31, 2019. The proposal in Rhode Island does not have a sunset provision.

The article establishes a right of appeal for employers who are deemed liable for the assessment. Specifically, the employer must submit a request for appeal with the Department of Labor and Training (DLT) within fifteen days of receipt of their quarterly bill. The article also enables employers to issue a request for review of Medicaid eligibility with the Department of Human Services (DHS). Employers are strictly prohibited from taking adverse action against an employee on the basis of the employee's status as a Medicaid beneficiary.

This proposal would require coordination between the Departments of Administration, Revenue, Human Services, and Labor and Training, along with the Executive Office of Health and Human Services. The assessment is estimated to generate \$15.6 million in new revenues in FY2020, offset by approximately \$1.1 million in implementation costs. This estimate is based on FY2018 Medicaid enrollment data from EOHHS and wage data from the Employer Tax Division at the Department of Revenue.

Analyst Note: Article 4 transfers the Employer Tax Division to the Department of Labor and Training. According to DLT, 5.0 FTE positions in this Division would assist in the implementation of the assessment.

The estimate only included non-disabled employees who were over the age of 18, were enrolled in Medicaid for a full quarter, and earned a minimum of \$500 within each quarter of FY2018.

Analyst Note: The language of the article does not include these restrictions (age, length of enrollment, and minimum earnings) although they mirror current restrictions in Massachusetts.

Given the October 2019 start date, the first assessment would apply to enrollment and wage data from the second quarter of FY2020, or October through December of 2019. The estimate accounts for the fact that there would only be a three-quarter year impact. Future year estimates include the full-year impact, increased by wage and salary growth rates adopted by the November 2018 Revenue Estimating Conference.

Analyst Note: Based on this methodology, the fourth quarter assessment would be based on data from March through June of 2020, which would not be available until after the end of the fiscal year. This would mean that employers would not be notified of their liability, and assessments would not be paid, until July 2020 at the earliest. Unless the revenue is booked as a receivable, this assessment would not have a three-quarter year impact in FY2020.

Limit Hospice Rate Increase

The FY2019 Budget as Enacted provided rate increases of 10.0 percent for home care providers, home nursing care providers, and hospice providers delivering personal care attendant services and 20.0 percent for home care providers, home nursing care providers, and hospice providers delivering skilled nursing and therapeutic services. As interpreted by EOHHS, this rate increase was applied to all components of the hospice care payment, including the room and board rate which is passed through to nursing facilities. This was not the intent of the rate increase, as it resulted in a discrepancy between the room and board rates paid

for hospice care and non-hospice care in nursing facilities. The article seeks to correct this issue by limiting the rate increase to hospice care providers. Specifically, the rate for hospice providers delivering skilled nursing services shall not exceed 95.0 percent of the rate paid for non-hospice care in a skilled nursing facility. This initiative is expected to reduce general revenue expenditures \$2.6 million (\$5.5 million all funds) in FY2020.

Analyst Note: The Governor’s Budget Amendment dated March 25, 2019, modifies the language of the article to explicitly exclude the room and board portion from the rate increase.

This rate reduction would negatively impact revenues generated by the nursing home provider tax. The \$5.5 million all funds expenditures saved through this initiative would otherwise be subject to this 5.5 percent tax. Therefore, the State would forego approximately \$302,500 related to this initiative.

Home and Community Based Services Final Rule

This article amends two sections of Chapter 40.1 of the Rhode Island General Laws, which delineate the powers and duties of the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The article modifies language to promote compliance with the Home and Community Based Services (HCBS) final rule and the requirements of the Centers for Medicare and Medicaid Services (CMS) State Plan Amendment which expand certain rights of persons with developmental disabilities. These include access, at any time, to visitors, telephone communication, personal finances, newspapers, and other media. Without this language change, individuals are granted “reasonable” access to these items.

Section 1115 Waiver

On December 20, 2018, the Executive Office received approval from the Centers for Medicare and Medicaid Services (CMS) for an extension of the Rhode Island Comprehensive Demonstration, also known as the Section 1115 Waiver, which was set to expire on December 31, 2018. This waiver constitutes the legal authority for the State to pursue innovations designed to improve health care access, quality, and outcomes that further the mission of the Medicaid program. The special terms and conditions (STCs) of the waiver act as a contract which allows the State to deviate from the Medicaid State Plan. This is the second extension of the Comprehensive Demonstration; the General Assembly directed the State to apply for the initial waiver in 2008. Rhode Island’s Medicaid program now operates almost entirely under the Comprehensive Demonstration. The extension allows for continued flexibility through December 2023.

The extension alters the way in which EOHHS may amend the waiver. Under the previous terms, there were three categories of changes. RIGL 42-12.4-6 required EOHHS to notify and receive approval from the General Assembly if it planned to make a Category II or III change. The new waiver eliminates the categories. Instead, EOHHS will seek a State Plan Amendment for changes which previously would have qualified as Category II and a “formal waiver amendment” for changes which would have qualified as Category III. This article only requires EOHHS to notify and receive approval from the General Assembly for a formal waiver amendment, removing the legislature’s oversight over former Category II changes.

Before January 1, 2019

Category	Type of Change	Approval Process
I	Administrative	Notify CMS
II	Payments/optional benefits	Assembly and CMS approval
III	Eligibility rules/new benefits	Assembly and CMS approval

After January 1, 2019

Old Cat.	New Process	Approval Process
II	State plan amendment	CMS approval
III	Formal waiver amendment	Assembly and CMS approval

Analyst Note: The Governor's Budget Amendment dated March 13, 2019, modifies the language of the article to explicitly require the General Assembly's approval of State Plan Amendments, thereby reinstating its oversight over former Category II changes.

Patient-Centered Medical Home Program

The Patient-Centered Medical Home (PCMH) is a coordinated care delivery model. Through the PCMH, treatment is coordinated through a patient's primary care physician to ensure the timely and appropriate delivery of services. The objective is to have a centralized setting that facilitates partnerships between individuals and their personal physicians. Care is facilitated by registries, information technology, health information exchanges, and other means to assure that patients get the indicated care in a culturally and linguistically appropriate manner.

This article amends RIGL 42-14.6-4 to repeal the sunset provision for the State's PCMH program, which was supposed to end on July 1, 2016. This would align State law with the actual state of the program. According to EOHHS, this program is very successful and all parties involved seek to continue the program indefinitely. The article also allows the Secretary of EOHHS to implement an alternative payment methodology (APM) for the program, which currently operates on a fee-for-service basis. These alternatives may include 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.

Graduate Medical Education

The State has a Graduate Medical Education (GME) program which 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. Currently, Rhode Island Hospital is the only hospital that qualifies for this funding. In prior years, \$4.0 million was allocated for this program; however, the FY2019 Budget as Enacted reduced funding to \$1.0 million. Article 16 eliminates the GME program in FY2020.

Article 17: Relating to Medicaid Reform Act of 2008 Resolution

This article is a joint resolution authorizing the Executive Office of Health and Human Services (EOHHS) to undertake various reforms within the medical assistance (Medicaid) program. The resolution includes measures requiring any of the following: a State Plan Amendment; a formal waiver amendment to the special terms and conditions of Rhode Island's Section 1115 Comprehensive Demonstration; modifications to rules, regulations, and procedures; or contractual changes that have a significant budgetary impact.

The annual appropriations bill passed by the General Assembly typically includes an article which establishes the legal authority for Medicaid budget initiatives. In recent years, this article has also included a series of resolutions that describe changes to the Medicaid program underlying the Governor's budget recommendation which do not require statutory action, but rather require regulatory changes or substantial contractual changes within the State's Medicaid managed care organizations (MCOs). This article grants EOHHS the authority to undertake all actions, regulatory and/or contractual, required to realize the funding levels included in Article 1. Article 16 includes language for the statutory changes needed to implement several of the associated initiatives.

FISCAL IMPACT

The initiatives proposed by this article are expected to generate general revenue savings of \$10.8 million (\$31.2 million all funds) in FY2020. This article also seeks authority for a number of other initiatives which require statutory changes but do not have a budgetary impact. For any initiatives which require changes to the Rhode Island General Laws, a description and fiscal impact is also noted in Article 16.

FY2020 Expenditure Impact

Initiative	General Revenue	All Funds
Hospital Rate Freeze	(\$5.3)	(\$15.1)
Nursing Home COLA	(3.5)	(7.5)
Limit Hospice Rate Increase	(2.6)	(5.5)
Managed Care - FQHC In-Plan	(1.9)	(5.3)
Managed Care - Performance Goal Program	(0.9)	(5.1)
Managed Care - C-Section Births	(0.1)	(0.3)
Fiscal Intermediary	-	-
Expansion of Home and Community Care Co-Pay Program	0.6	1.3
Direct Support Professional Wage Increase	3.0	6.4
Federal Financing Opportunities	-	-
Total	(\$10.8)	(\$31.1)

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

Although the initiatives proposed in Article 17 significantly reduce State expenditures, several proposals would also adversely affect revenue collections in FY2020. This includes revenues generated by the 2.0 percent insurance gross premium tax and 5.5 percent nursing home provider tax. The expenditure savings outlined above would be offset by approximately \$1.1 million in foregone revenues.

FY2020 Revenue Impact

Initiative	Insurance Premium Tax	Nursing Home Tax	Total
Hospital Rate Freeze	(\$279,531)	-	(\$279,531)
Nursing Home COLA	(21,879)	(349,629)	(371,507)
Limit Hospice Rate Increase	-	(302,500)	(302,500)
Managed Care - Eliminate Performance Goal Program	(102,758)	-	(102,758)
Managed Care - C-Section Births	(5,700)	-	(5,700)
Total	(\$409,868)	(\$652,129)	(\$1,061,997)

ANALYSIS AND BACKGROUND

This article requests authority from the General Assembly to make changes to the Medicaid State Plan, formal amendments to the special terms and conditions of Rhode Island's Section 1115 Waiver, changes to State rules and regulations, and/or modifications to managed care contracts to implement the following:

Provider Rate Adjustments

The article seeks authority to freeze rates for inpatient and outpatient hospital services, limit rate increases for nursing facilities and certain hospice providers, and make several changes to managed care plans.

- Hospital Rate Freeze:** Hospitals are reimbursed by Medicaid on a fee-for-service basis and by MCOs for inpatient, outpatient, and emergency services. RIGL 40-8-13.4 allows EOHHS to review these rates annually and make adjustments based on factors such as hospital costs, hospital coding, and availability of services. Increases may not exceed the Prospective Payment System Hospital Input Price Index, an inflation-based index published by the Centers for Medicare and Medicaid Services (CMS).

The November 2018 Caseload Estimating Conference adopted FY2020 hospital payment figures assuming growth of 3.2 percent for inpatient and 1.25 percent for outpatient services relative to FY2019 rates. The Governor freezes hospital rates at FY2019 levels, rather than incorporating these price increases. This would generate \$5.3 million in general revenue savings (\$15.1 million all funds) relative to the adopted estimate and would require a State Plan Amendment. Article 16 contains statutory language for the initiative.

Fiscal Year	Inpatient	Outpatient
FY2013	2.7%	1.9%
FY2014	0.0%	0.0%
FY2015	0.0%	0.0%
FY2016	-2.5%	-2.5%
FY2017	3.0%	1.9%
FY2018	2.4%	2.4%
FY2019	2.8%	1.8%
<i>FY2020 (proposed)</i>	<i>0.0%</i>	<i>0.0%</i>

Although this initiative is expected to significantly reduce expenditures, it is important to note that the proposal would also negatively impact revenue collections. Of the \$15.1 million in estimated savings, \$14.0 million is projected within either Managed Care, Medicaid Expansion, or Rhody Health expenditures, all of which would otherwise be subject to the 2.0 percent insurance gross premium tax. Therefore, by freezing hospital rates, the State would forego approximately \$280,000 in revenues relative to the estimate adopted by the November 2018 Revenue Estimating Conference.

- Nursing Home COLA:** Each October, pursuant to RIGL 40-8-19, nursing homes are to receive a cost-of-living adjustment (COLA) rate increase based on the national nursing home inflation index. The November 2018 Caseload Estimating Conference adopted nursing home payments assuming a 3.0 percent price increase in FY2020. The Governor limits the rate increase to 1.0 percent, saving \$3.5 million in general revenues (\$7.5 million all funds). Article 16 contains statutory language for the initiative. This proposal requires a State Plan Amendment.

In the FY2019 Budget as Enacted, nursing facilities received two rate increases at a general revenue expense of \$2.8 million (\$5.9 million all funds). This included a 1.5 percent increase on July 1, 2018, reflecting the settlement of a court case, and another 1.0 percent increase on October 1, 2018.

Fiscal Year	Date	Adopted	Index	Difference
FY2014	10/1/2013	0.0%	2.9%	-2.9%
FY2015	10/1/2014	0.0%	3.5%	-3.5%
	4/1/2015	3.2%	0.0%	3.2%
FY2016	8/1/2015	-2.5%	0.0%	-2.5%
	10/1/2015	0.0%	3.2%	-3.2%
FY2017	10/1/2016	3.3%	3.3%	0.0%
FY2018	10/1/2017	0.0%	2.8%	-2.8%
FY2019	7/1/2018	1.5%	0.0%	1.5%
	10/1/2018	1.0%	2.7%	-1.7%
<i>FY2020 (proposed)</i>	<i>10/1/2019</i>	<i>1.0%</i>	<i>3.0%</i>	<i>-2.0%</i>

Although this initiative is expected to significantly reduce expenditures, it is important to note that the proposal would also negatively impact revenue collections. Of the \$7.5 million in estimated savings, \$6.4 million is projected within fee-for-service nursing home expenditures, which would otherwise be

subject to the 5.5 percent nursing home provider tax, and \$1.1 million is projected within Rhody Health Options, which would otherwise be subject to the 2.0 percent insurance gross premium tax. Therefore, by limiting the nursing facility COLA, the State would forego approximately \$371,500 in revenues relative to the estimate adopted by the November 2018 Revenue Estimating Conference.

- **Limit Hospice Rate Increase:** The FY2019 Budget as Enacted provided rate increases of 10.0 percent for home care providers, home nursing care providers, and hospice providers delivering personal care attendant services and 20.0 percent for home care providers, home nursing care providers, and hospice providers delivering skilled nursing and therapeutic services. As interpreted by EOHHS, this rate increase was applied to all components of the hospice care payment, including the room and board rate which is passed through to nursing facilities. This was not the intent of the rate increase, as it resulted in a discrepancy between the room and board rates paid for hospice care and non-hospice care in nursing facilities. The Governor seeks to correct this issue by excluding room and board from the rate increase. This initiative is expected to reduce general revenue expenditures \$2.6 million (\$5.5 million all funds) in FY2020 and would require a State Plan Amendment.

This rate reduction would negatively impact revenues generated by the nursing home provider tax. The \$5.5 million all funds expenditures saved through this initiative would otherwise be subject to this 5.5 percent tax. Therefore, the State would forego approximately \$302,500 related to this initiative.

- **Managed Care – FQHC In-Plan:** Federally Qualified Health Centers (FQHCs) are organizations that provide comprehensive and affordable care to vulnerable populations in underserved areas. State Medicaid programs are required to cover the preventive and primary health care services offered by FQHCs. Medicaid payment rules for FQHCs are governed by a federal prospective payment system (PPS) which prescribes rates for each patient encounter. In Rhode Island, a significant number of Medicaid beneficiaries are enrolled in managed care plans, which are not required to use the same payment system. Managed care organizations (MCOs) negotiate a rate with the FQHCs, which is typically lower than the encounter rate under the PPS. FQHCs are often paid less for providing care to managed care beneficiaries compared to other patients. When this happens, EOHHS pays the difference through a supplemental payment called a wraparound (or wrap) payment.

Historically, EOHHS has seen an upward trend in Medicaid member usage at FQHCs which has resulted in consistently higher wrap payments. FQHCs have little incentive to control costs if EOHHS continues to provide these payments. This article eliminates the wraparound payments and, instead, builds the payments into the rates paid through managed care. This will encourage MCOs to work with FQHCs to manage costs and strengthen procedures on billable encounters. The Budget assumes that this initiative would impact utilization of other managed care services, thereby generating \$1.9 million in general revenue savings (\$5.3 million all funds) in FY2020. This proposal requires updates to the contracts with the MCOs, which must be approved by CMS.

- **Managed Care – Performance Goal Program:** The Medicaid Performance Goal Program (PGP) has operated in Rhode Island since 1998. The program established standards for quality and performance within managed care while focusing on eight domains: utilization, access to care, prevention and screening, women’s health, chronic care, behavioral health, compliance, and total cost of care. The PGP provides financial incentives to health plans for meeting specific performance benchmarks.

This article eliminates the Performance Goal Program in FY2020. Based on estimates adopted by the November 2018 Caseload Estimating Conference, this would reduce general revenue expenditures by \$890,828 (\$5.1 million all funds). This proposal would also negatively impact revenues generated through the insurance gross premium tax, reducing collections by approximately \$102,758. This initiative requires updates to the contracts with the MCOs, which must be approved by CMS.

- **Managed Care – C-Section Births:** The article proposes implementing a multi-year strategy to reduce C-Section births from the current level of 30.0 percent of all births to the national best practice of 20.0

percent of all births. The Budget assumes general revenue savings of \$134,350 (\$285,000 all funds) by achieving a 10.0 percent reduction in the incidence of C-Section births in FY2020, slightly offset by an estimated \$5,700 loss in revenue collections. This proposal requires updates to the contracts with the MCOs, which must be approved by CMS.

Fiscal Intermediary

A fiscal intermediary is an organization that supports individuals who self-direct their Medicaid services. Individuals maintain the freedom to design their service plan while fiscal intermediaries assist with the execution of the plan by hiring and paying support staff, budgeting and tracking expenditures, billing Medicaid, and other logistics. EOHHS proposes utilizing a single fiscal intermediary for all self-direction programs. This is a component of the independent provider model enabled by the 2018 General Assembly and included in the Governor's Budget recommendation. This does not have a fiscal impact, but requires the State to seek a waiver of freedom of choice under Title XIX of the Social Security Act.

Analyst Note: The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) currently utilizes fiscal intermediaries for individuals with developmental disabilities who self-direct their services. The waiver of freedom of choice could potentially impact this arrangement.

Expansion of Home and Community Care Co-Pay Program

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 but require help with personal care. Individuals must have incomes below 200.0 percent of the Federal Poverty Level (FPL) in order to qualify. The program is administered by the Division of Elderly Affairs, which is currently a program within the Department of Human Services (DHS); however, Article 4 enables the transfer of the Division to EOHHS in FY2020. This article increases the income limit for the co-pay program to 250.0 percent of the FPL in FY2020. The Governor's Budget adds \$581,643 from general revenues (\$1.2 million all funds) in Elder Affairs to support the expansion.

Analyst Note: This program is eligible for the standard Federal Medical Assistance Percentage (FMAP). The Budget includes general revenue funding assuming a State share of 47.71 percent. However, this is the rate for FY2019, and the program expansion is proposed for FY2020. The State share is 47.14 percent in the budget year.

Direct Support Professional Wage Increase

In conjunction with the State's efforts to rebalance the long-term care system, improve access to high quality services, and provide supports in the least restrictive setting, this article provides for wage increases for Direct Support Professionals (DSPs) who support individuals with intellectual or developmental disabilities (I/DD). Historically, I/DD service providers have struggled to recruit, train, and retain this crucial workforce because they are unable to offer competitive wages. The Budget includes \$3.0 million in general revenues (\$6.4 million all funds) within the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to support a wage increase. According to BHDDH, this addition would equate to a raise of \$0.44 per hour based on a current average hourly wage of \$12.27. The Department used its existing wage distribution model to calculate this rate increase. The current model calculates wages for other support staff, including supervisors and support coordinators, based on DSP wages. In order to provide the increase only for DSPs, as intended, BHDDH froze wages for all other staff.

Federal Financing Opportunities

This article allows EOHHS to pursue any changes to the Rhode Island Medicaid program which improve quality, access, and cost-effective delivery, so long as the changes do not have an adverse impact on beneficiaries or increase expenditures beyond appropriations for FY2020.

Article 18: Relating to Hospital Uncompensated Care

This article authorizes the disbursement of Disproportionate Share Hospital (DSH) payments to qualifying community hospitals in federal fiscal year (FFY) 2020. The article limits the aggregate amount of the payments to \$139.7 million all funds. This is consistent with the FFY2019 payments authorized in the state FY2019 Budget as Enacted.

FISCAL IMPACT

This article does not impact expenditures in state FY2019 or FY2020. DSH payments are issued in July of each fiscal year; therefore, there is a discrepancy between state and federal DSH financing. The FFY2020 payments authorized by this article will be disbursed in July 2020, or state FY2021.

ANALYSIS AND BACKGROUND

Federal law requires that state Medicaid programs make Disproportionate Share Hospital (DSH) payments to qualifying community hospitals which serve a large number of Medicaid and uninsured patients. The DSH program subsidizes hospitals with high uncompensated care costs, which include certain expenses which are not covered by Medicaid or other funds. DSH payments are lump-sum disbursements issued in July of each fiscal year and are subject to the applicable Federal Medical Assistance Percentage (FMAP) at the time of issuance. The state share is funded through revenues generated by the hospital licensing fee.

DSH payments for state FY2020, which will be issued in July 2019, were authorized by the FY2019 Budget as Enacted. The Governor includes \$66.3 million from general revenues (\$139.7 million all funds) in FY2020 for these payments. Article 18 authorizes DSH payments for state FY2021 with the same aggregate limit of \$139.7 million. The article requires that DSH funds be allocated in direct proportion to each hospital's share of statewide uncompensated care provided in FFY2017.

Analyst Note: In previous fiscal years, there has been a two-year difference between the payment year and the base year used to determine statewide uncompensated care costs. It is unclear why the article uses FFY2017 as the base year for FFY2020 payments, rather than FFY2018 by convention.

Disproportionate Share Hospital Payments

State	Federal	DSH Limit	FMAP
FY2017	FY2016	\$138.2	50.42%
FY2018	FY2017	139.7	51.02%
FY2019	FY2018	138.6	51.45%
FY2020	FY2019	139.7	52.57%
FY2021	FY2020	139.7	52.95%

\$ in millions

Note: The FFY2020 FMAP is preliminary

Article 19: Relating to Licensing of Hospital Facilities

This article provides for the annual reauthorization of the hospital license fee, which is expected to generate \$180.8 million in revenues in FY2020. The fee is maintained at the FY2019 rates of 3.78 percent for hospitals located in Washington County and 6.0 percent for all other non-psychiatric community hospitals.

FISCAL IMPACT

The hospital license fee authorized by this article is expected to generate \$180.8 million in revenues in FY2020. The base year and assessment rate used in the calculation are unchanged from FY2019; therefore, revenue projections are consistent with the FY2019 Budget as Enacted.

Analyst Note: The fee is payable by July 13, 2020, which means that the state will not receive full payment until FY2021. However, the article requires each hospital to report the amount of the fee due by June 15, 2020, allowing the State Controller to book the revenues as a receivable to FY2020.

ANALYSIS AND BACKGROUND

The hospital license fee is a provider tax which the state levies on hospitals. This fee is federally capped at 6.0 percent and requires legislative action each year in order to continue. It is calculated as a percent of gross patient services revenues, which include revenues from patient care activity, but exclude revenues from non-patient activity such as research, academic activity, or investment earnings. Hospitals pay the fee in a single payment each July.

The article amends RIGL 23-17-38.1 to maintain the hospital license fee at 6.0 percent in FY2020. This rate is discounted by 37.0 percent for hospitals located in Washington County, which include South County and Westerly Hospitals, pending approval of a uniformity waiver. Bradley and Butler Hospitals and the Rehabilitation Hospital of Rhode Island are exempt from the fee because their primary services and patient beds are psychiatric in nature.

In past fiscal years, the hospital license fee has been used as a mechanism to generate state funds, a portion of which are then matched with federal Medicaid funds and returned to hospitals to offset uncompensated care costs through the Disproportionate Share Hospital (DSH) program. Because the state's largest hospitals are non-profit and do not pay corporate income or property taxes, the hospital license fee is a considerable source of revenue for the state.

Hospital License Fee Revenue		
Fiscal Year	Fee	Revenue
2010	5.314%	\$124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.350%	138.5
2014	5.418%	145.9
2015	5.745%	155.3
2016	5.862%	169.1
2017	5.652%	168.0
2018	5.856%	181.0
2019	6.000%	180.8
2020	6.000%	180.8

\$ in millions

Article 20: Relating to Marijuana

This Article establishes the adult-use marijuana market and amends regulations in the medical marijuana program. The Article generates \$6.5 million in net general revenue in FY2020. Specifically, the Article:

- Makes various amendments to regulations on the home growth of medical marijuana.
- Establishes the Office of Cannabis Regulation (OCR) within the Department of Business Regulation. OCR would provide oversight for the new adult-use market and the existing medical marijuana program.
- Establishes the Marijuana Trust Fund, funded by taxes and fees collected from marijuana revenues.
- Establishes an overall tax rate on adult-use marijuana at approximately 20.0 percent and a tax on hemp-derived cannabidiol (CBD) products of 80.0 percent of the wholesale cost.

FISCAL IMPACT

The general revenue impact of Article 20 is summarized in the following tables:

FY 2020 General Revenue Fiscal Impact of Article 20

Initiative	Impact
Adult-Use Excise Tax Revenue	\$2,159,915
Adult-Use Sales Tax Revenue	2,971,627
Adult-Use Retail Excise Tax Revenue	4,245,182
Cultivator Excise Tax for Current Medical Production	1,285,271
Adult-Use Fee Revenue	3,653,700
6 New Medical Compassion Centers	795,026
Restricted Medical Home Growth	453,165
New Center Application Fees	190,000
New Processor Fees	390,000
Lost Home Growth Tag Revenue	(250,000)
New CBD Revenue	100,854
Total	\$15,994,740

FY 2020 Net Fiscal Impact of Article 20

Initiative	Impact
Share Dedicated to Expenditures (25%)	(\$3,578,924)
Share Dedicated to Municipalities (15%)	(2,147,354)
Adult-Use Additional Year 1 Expenditures	(3,761,694)
Revenues from CBD, Medical Marijuana Changes and Adult-Use Marijuana Market	15,994,740
Total	\$6,506,768

ANALYSIS AND BACKGROUND

Adult-Use Marijuana: The Article legalizes the adult-use of marijuana for those aged twenty-one and older and establishes the Office of Cannabis Regulation (OCR) within the Department of Business Regulation (DBR) to oversee the new adult-use market and the existing medical marijuana program. The Article would allow for the purchase of one ounce, and storage of up to five ounces of marijuana for those aged twenty-one or older. OCR would be responsible for licensing marijuana retailers, processors, cultivators, and license employees who work in the industry. The Article establishes the Marijuana Advisory Board to

study and make recommendations on the regulation of marijuana and marijuana products. The Board would consist of seven members appointed by the Speaker of the House, and seven members appointed by the President of the Senate.

The Article provides DBR with the authority to limit the potency of products cultivated and sold, with a planned potency limit of 50.0 percent. The only other state that limits the potency of adult-use marijuana is Nevada. Potency limitations would decrease production and sales by approximately 14.0 percent.

Marijuana Trust Fund: The Article establishes the Marijuana Trust Fund as a restricted receipt account. All marijuana revenue would be transferred into the Marijuana Trust Fund; 25.0 percent of the funds would be allocated for state expenditures to be allocated to the appropriate agencies based on need, 15.0 percent of funds are dedicated to municipalities, and 60.0 percent of funds would be transferred to the general fund. The Article allocates \$3.8 million in funding from the trust fund for expenditures related to adult-use marijuana for first year expenditures of the adult-use marijuana program. First year expenditures include additional training and resources for public safety departments, public health monitoring and surveillance, licensing and regulating of adult-use marijuana facilities, and funding for substance use disorder prevention.

The Marijuana Trust Fund would be exempt from the indirect cost recovery provision of RIGL 35-4-27. The exclusion of the fund from indirect cost recovery requirements prevents 10.0 percent of the fund's balance from being deposited as general revenues.

Municipalities: Municipalities would have the opportunity to limit or ban retail sales of marijuana through referendum. However, this must be done by January 1, 2020, and would require a special election. Municipalities would be prohibited from negotiating with retailers to bring retailers into their municipality. Municipalities would receive 25.0 percent of the allocated, regardless of their volume, an estimated \$13,765 per municipality in FY2020. In FY2021, the first full year of adult-use marijuana sales revenues, each municipality would be allocated an estimated \$31,128. The remaining funding would be based on volume; 25.0 percent of the municipality allocation would be allocated based on license volume and the remaining 50.0 percent would be allocated based on sales volume.

Public Safety: The Article allows the testimony of certified drug recognition experts as evidence in cases of driving under the influence of drugs or alcohol and allows for the chemical analysis of saliva. The Article amends RIGL 37-27-2.1 to add saliva to the list of chemical tests that drivers are deemed to have given consent to. The Article requires a course on driving under the influence or program for convicted individuals that meets the standards established by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH).

The Article establishes penalties for open containers of marijuana in a motor vehicle and an automatic six month suspension of a driver's license for those who refuse to submit to a marijuana chemical test or a Drug Recognition Expert evaluation. Associated penalties were not included in the revenue totals provided and are deposited into the general fund.

The Department of Public Safety and municipal police departments would require additional resources to train officers on recognizing individuals who are impaired by marijuana. The Department of Public Safety in FY2020 will receive \$800,000 in funding for training associated with the adult-use marijuana program. The Rhode Island State Police will receive \$300,000 of these funds, and the remaining \$500,000 would be used for training local law enforcement personnel and to provide grants to local police departments for necessary resources such as additional training and chemical saliva tests.

Tax Administration: The Article establishes tax rates on the retail sale of adult-use marijuana. An excise tax of \$10 per ounce of flower, which is used to make products that are smoked, would generate \$1.6 million in tax revenue. An excise tax of \$3 per ounce of trim, parts of the plant that can be used to make other products, is predicted to generate \$584,680 in tax revenues for FY2020. The two weight-based excise

Adult-Use Marijuana Revenue FY2020	
Initiative	Impact
Retail Excise Tax Revenue	\$4,245,182
Sales Tax	2,971,627
Fee revenue	3,653,700
Excise Tax Revenue - Flower	1,575,235
Excise Tax Revenue - Trim	584,680
Total	\$13,030,424

taxes on flowers and trims equal approximately a 3.0 percent effective tax rate and would be paid upon the transfer of marijuana from the cultivator to the processor or retailer.

Retail sales would be taxed at the current state sales tax rate of 7.0 percent and an additional 10.0 percent excise tax. The estimated retail sales taxes generated from the Article are \$3.0 million, and the excise tax would generate \$4.2 million in revenues for FY2020. The sales and excise taxes combined with the weight based taxes equal a total effective tax rate of approximately 20.0 percent that would generate \$13.0 million in revenues for FY2020.

The Article establishes a tax structure consisting of excise and sales taxes, and provides the Division of Taxation authority to collect marijuana cultivation and sales taxes. The Article provides authority to the Tax Administrator to charge a 10.0 percent surcharge on tax payments that occur in cash. Failure to file or pay taxes, unless in cases of reasonable cause and not by willful neglect or fraud, would result in a 10.0 percent penalty. If failure to pay the proper required tax amount is the result of negligence rather than purposely attempting to commit fraud, a 5.0 percent penalty would apply. In cases of failure to pay as a result of fraud, a 50.0 percent penalty would apply.

The Article bans the sale of products where one party is not licensed or taxes have not been paid. The Article requires marijuana and CBD licensees to retain records for a minimum of three years, and failure to supply records would be subject to misdemeanor criminal charges. In addition, the Article provides authority the Tax Administrator to inspect businesses for contraband and issue subpoenas to compel the disclosure of records or testimony, and is allowed to request that DBR suspend or revoke businesses who violate the provisions of the Controlled Substances Taxation Act. The Tax Administrator would have the authority to seize and destroy contraband marijuana, and to appoint employees of DBR to seize and destroy contraband marijuana.

License and Application Fees: The Article amends and establishes fees associated with applying for and obtaining licenses for marijuana retailers, processors, cultivators, and employees who work in the marijuana industry. The new licenses established are specifically for the adult-use marijuana market would generate \$3.7 million in revenue.

- **Cultivator License:** In order to cultivate marijuana, an entity would be required to have a cultivator license with an application fee of \$5,000. The cultivator license fee is based on the size and scope of the marijuana growth by the cultivator. The current fee ranges from \$5,000 for facilities less than 2,500 square feet to \$80,000 for facilities up to 20,000 square feet. DBR estimates they would receive and approve 72 applications, at an average license fee of \$15,000. The cultivator license fees are projected to generate \$1.4 million in revenues for FY2020.
- **Manufacturer License:** Manufacturers, or those who compound controlled substances to be sold or dispensed, will be required to pay an application fee of \$5,000 and a license fee of \$15,000. DBR estimates they would receive and approve 48 manufacturer applications. The manufacturer license fees would generate \$955,200 in revenues for FY2020.

- **Retail License:** A retail license will be required to sell marijuana for adult-use. There would be no limit on the number of retail licenses that DBR can issue, however there would be production limitations. The retail license application fee would be \$5,000 and the license fee would be an additional \$20,000. DBR estimates they will receive one-hundred applications, and will approve 25 applicants. Locations for marijuana retail sales cannot be within 500 feet of the property line of school, must be permitted by zoning classifications or receive specific zoning approval, or and must be deemed suitable for a license by OCR. Applications for retail locations that are in areas where residents have passed a majority referendum banning the retail sale of marijuana will be denied. The retail license fees are projected to generate \$1.0 million in revenues for FY2020.
- **Delivery License:** DBR expects to receive and approve 10 delivery licenses, with an associated \$10,000 license fee. The delivery license fees would generate \$100,000 in revenues for FY2020.
- **Employee Cards:** DBR estimates there would be an average of 15 employees per business, equaling 735 total new employees. Employees must obtain an employee card at a cost of \$100 annually. The employee registration fees would generate a projected \$73,500 in revenues for FY2020.
- **Lab Testing:** Potency testing would be required by the Article and growers are responsible for the costs associated with the testing of plants. Testing facilities are required to obtain a lab license with an associated application fee of \$5,000 and a license fee of \$20,000. DBR estimates they would receive five applications and approve three applications. The lab testing facility fees would generate \$85,000 in revenue in FY2020.

Medical Marijuana Amendments: The Article proposes three changes to the medical marijuana program: allows for the opening of six additional compassion centers, places restrictions on home growing, and creates new licensing categories. Currently, the compassion centers are not required to cultivator licenses. The amendments will require that compassion centers obtain licenses for all activities they partake in. The changes intend to align the program with the new adult-use program, to establish market stability within the medical marijuana program and to shift the medical marijuana supply away from the less regulated system of home growers. The amendments to the medical marijuana program would generate \$2.9 million in revenues.

Medical Marijuana Revenue FY2020	
Initiative	Impact
Manufacturer License	\$390,000
Revenue from New Compassion Centers	795,026
Restrictions on Home Grow	453,165
New Cultivator License Fee	1,285,271
New Compassion Center Applications & Fees	190,000
Lost Revenue from Home-Grow Tags	(250,000)
Total	\$2,863,462

According to DBR, Rhode Island currently has one of the highest volume of home growing by patients and caregivers in the country with an estimated 3,000 medical marijuana grows in the state. The restrictions placed on home grow would allow for enhanced regulation of the medical marijuana program. The Article restricts home growth to those with caregiver licenses and plant tags only and decreases the number of plants a caregiver can have from twelve immature and twelve mature plants to six immature and six mature plants. The Article restricts caregivers from serving more than one patient unless authorized by OCR.

A patient can qualify to be their own caregiver with a demonstration of hardship and must obtain a caregiver license and plant tags. The hardship exemption would be based on the current Department of Health model, which allows for a reduced application fee for applicants who receive Medicaid, Social Security, and Veteran's Disability benefits. DBR estimates that 25.0 percent of current grows would qualify for a hardship exemption. Currently, the cost of a plant tag is \$25 and are free for those with a qualifying hardship. The restrictions on home growers are projected to decrease revenue from plant tags by \$250,000 in FY2020.

The state's three compassion centers currently have between 5,000 and 11,000 active customers each. Revenue estimates assume an additional 1,000 active customers in each of the proposed new compassion centers, totaling an additional 6,000 customers. In addition to the restrictions on home growing marijuana, the Article establishes new licenses with associated fees.

CBD: The Hemp Farming Act of 2018, passed by the Federal Government, removed hemp, cannabis with tetrahydrocannabinol (THC) levels less than 0.3 percent, from the controlled substance list. This allowed states to create a regulatory structure for hemp products. In 2017, Massachusetts legalized the growth of hemp products for commercial or research purposes. Massachusetts requires a grower and processor license to cultivate industrial hemp. The application fee for each is \$100 and \$300 for a license fee. A dual-license can be obtained with a license fee of \$500. Connecticut legalized industrial hemp in 2015, but has not legalized the cultivation of industrial hemp in the state.

Article 20 proposes a new tax on consumable hemp-derived cannabidiol (CBD) products. The regulatory framework is similar to the regulation of tobacco products. Anyone distributing CBD products in the state must have a distributor license, which would be available without fee to those who currently have a grower or handler license. For those without such licenses, the fee would be \$500 and would be renewed annually. CBD products would be subject to an 80.0 percent tax on the wholesale cost of the product. Assuming a January 1, 2020, start date for the collection of the sales tax from CBD products, and is projected to generate \$100,854 in FY2020. It does not appear that Connecticut or Massachusetts will tax industrial hemp beyond their normal state sales tax at this time.

Article 21 Relating to Effective Date

This article provides that the Act will take effect on July 1, 2019, except as otherwise provided herein.

New Article: Relating to Public Utilities Reserve Fund

This new article was introduced by the Budget Office on March 25, 2019. RIGL 31-1-26 allows the Public Utilities Commission to assess each utility up to \$750,000 per year for costs associated with engaging expert witnesses and consultants required to administer the various hearings before the Commission, and up to \$250,000 per year for the DPUC to represent the state before federal agencies.

The new article removes the separation and allow for a single \$1.0 million fund. In addition, the article establishes a new \$250,000 assessment specifically for the DPUC to review utility emergency response plans and to investigate utility outages.

FISCAL IMPACT

The amendment allowing for a single \$1.0 million reserve fund will have no fiscal impact. However, establishing the additional assessment will increase restricted receipts, albeit by an unknown amount. The DPUC would not simply assess utilities \$250,000 because the statute changed. This additional charge would allow the DPUC to bill the utilities beyond the current \$750,000 statutory cap if needed. The DPUC will only bill the utility as costs are incurred. Since it would be virtually impossible to predict future outages and outage investigations, the DPUC is considering use of some type of historical average for budgeting purposes.

ANALYSIS AND BACKGROUND

RIGL 31-1-26 allows the Public Utilities Commission to assess each utility up to \$750,000 per year to fund the operations of both the Commission and Division as well as to engage expert witnesses and consultants required to administer the various hearings before the Commission, and up to \$250,000 per year for the DPUC to represent the state before federal agencies. Currently the funds are placed, but managed separately, in the Public Utilities Reserve Account.

The new article amends RIGL 31-1-26 to remove the separation and allow for a single \$1.0 million fund to increase administrative flexibility of the Division to advocate on behalf of the ratepayers.

In addition, the new article establishes a assessment of up to \$250,000 that may be charged against any public utility, specifically for the DPUC to review utility emergency response plans and to investigate utility outages, like the natural gas emergency that impacted Aquidneck Island in January 2019.

New Article: Relating to Rhode Island Health Benefits Exchange

A new article establishes a state carrier assessment fee on qualified health and dental plans sold through Healthsource RI, equal to the current rate of 3.5 percent, beginning in the calendar year 2020. Current state law prohibits the state from assessing a fee on participating insurers in the exchange that is larger than the rate that is charged to federal exchange participating insurers. The article is intended to separate the state's legislation from the federal rate. The United States Department of Health and Human Services Department's recently proposed rule would decrease the fee assessed on insurers that provide plans in the federal exchanges exchange from 3.5 percent to 3.0 percent, therefore limiting Rhode Island's Health Benefit Exchange assessment to 3.0 percent.

FISCAL IMPACT

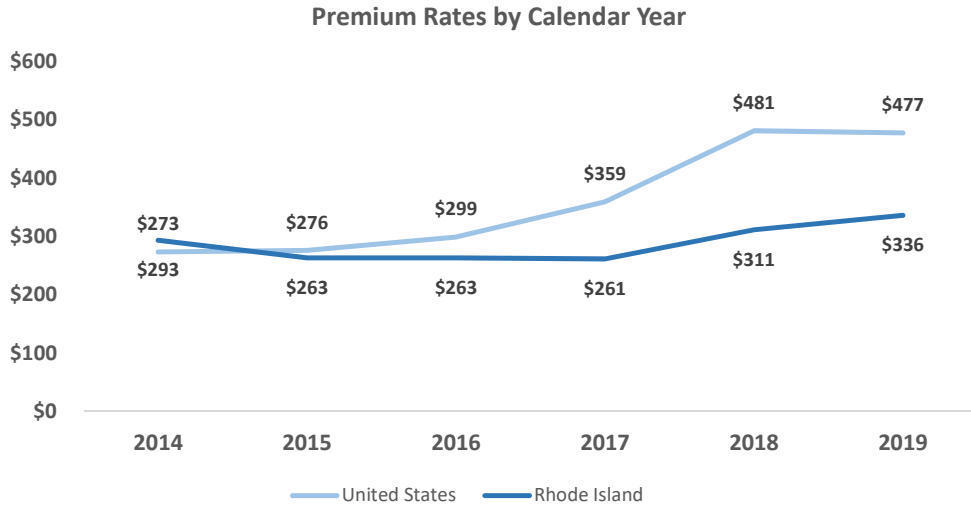
The Budget does not assume any fiscal impact. However, if the Federal proposed rule is approved and the State does not amend current law that restricts Healthsource RI from assessing a fee larger than the federal assessment, there will be decreased funding provided to the Rhode Island Health Benefits Exchange (Healthsource RI). The Governor's Budget included \$3.9 million in restricted receipts for Healthsource RI. If the federal proposed rule is accepted, restricted receipt funding for Healthsource RI would be reduced by approximately \$1.0 million.

ANALYSIS AND BACKGROUND

An assessment on participating insurers in the state health insurance market has been limited to the rate set by the federal government, which has been fixed at 3.5 percent since the creation of federal and state health insurance exchanges. Health insurance marketplaces, or exchanges, were established with the enactment of the Patient Protection and Affordable Care Act, enacted into federal law on March 23, 2010. Rhode Island state law requires that the assessment shall not exceed the federal assessment fee, and since the federal assessment would be reduced under the proposed rule, the state assessment would also be reduced. The Article eliminates this limitation and sets the insurer participation fee at 3.5 percent, the rate that is currently in place.

The United States Department of Health and Human Services justifies the decreased participation fee under the assumption that in the calendar year 2020, insurance premiums will rise and exchange enrollment levels will fall. However, Rhode Island has not seen a trend of rising premiums and lower enrollments the way federal exchanges have. Since FY2016, enrollments in the federal exchange have declined by 33.7 percent, but total enrollments in insurance plans sold by Healthsource RI have only declined 3.1 percent.

The State has also not seen rising premiums growing at the same pace as the federal government, and has significantly lower rates on average than the federal exchange. The second-least expensive plan on the federal has an average annual cost of \$477. A similar plan in Rhode Island costs \$336. The federal government concludes that, since the assessment is a percentage of premium rates, and premium rates have risen, the assessment rate can be decreased.



Source: Kaiser Family Foundation

The rate proposed by the federal government would raise \$171.72 per plan, per year, based on the average cost of a plan for the operational costs of the federal exchanges. In Rhode Island, due to lower costing premiums, the proposed 3.0 percent assessment would only raise \$120.96 per plan, per year. The decreased assessment fee in the federal exchange would allow the federal exchanges to continue to raise more funds per plan as compared to when the exchanges were first established. However, in Rhode Island, there would be a decrease in assessment fees per plan, causing a reduction in funding for Healthsource RI.

The Article eliminates language in state statute that restricts Healthsource RI from collecting assessment fees at a rate higher than the rate set by the federal government and sets an assessment rate of 3.5 percent of the annual premium cost of plans sold through Healthsource RI. This allows Rhode Island to separate the State’s assessment from the federal assessment and set a rate into law.

New Article: Relating to Student Loans

This article authorizes the Department of Business Regulation, Division of Banking (Department) to register, regulate, and examine student loan servicers that service six or more student education loans in Rhode Island during any consecutive 12-month period. The Attorney General's Consumer Protection Unit, in collaboration with DBR, the General Treasurer, and the Commissioner of Postsecondary Education, is charged with providing assistance and education to borrowers, and receiving and reviewing student loan borrower complaints.

The article was drafted in collaboration by the Department of Attorney General's Consumer Protection Unit, the Department of Business Regulation, the Office of the General Treasurer, and the Office of the Commissioner of Postsecondary Education. Much of the language is from Connecticut and other states with student loan borrower protections in statute but has been modified to avoid some of the legal challenges faced by these states.

FISCAL IMPACT

The article is projected to generate approximately \$50,000 annually in restricted receipts from registration and reporting fees.

Analyst Note: The Attorney General's office has indicated the need for 1.0 new FTE position to carry out the duties in the article. The position is expected to be requested for FY2020 through a budget amendment.

ANALYSIS AND BACKGROUND

Borrower Assistance, Education, and Complaints: The article requires the Department of Attorney General's Consumer Protection Unit, in collaboration with the Director of Business Regulation (Director), the General Treasurer, and the Commissioner of Postsecondary Education (Commissioner) to receive, review, and attempt to resolve complaints from student loan borrowers. In addition, the Consumer Protection Unit will compile and analyze data on borrower complaints, assist borrowers in understanding their rights and responsibilities under the terms of student education loans, provide information regarding the problems and concerns of student loan borrowers, and make recommendation for resolving such problems and concerns. The Attorney General, Director, General Treasurer, and Commissioner, or their designees must meet once per quarter to coordinate their efforts under this chapter.

Registration of Student Loan Servicers: The article requires any person or entity that services a student education loan issued to a student borrower after July 1, 2019, to register with the Department of Business Regulation, Division of Banking (Department) by September 30, 2019, or within 30 days of conducting servicing of a student loan. The article does not apply to servicers with fewer than six student education loans in Rhode Island during any consecutive 12-month period, or to any person or entity that services education loans for purposes other than postsecondary education.

The article imposes an annual registration fee of \$1,000 and requires the registrant to provide a \$50,000 bond to ensure the servicer will pay the State and any person with a cause of action all money that may become due under the provisions of the statute. Servicers are required to appoint a resident agent in the State to accept service of process. If an agent cannot be found or the registrant fails to designate an agent, any process may be served upon the Director of Business Regulation as the agent of the registrant.

The registration is not transferable or assignable, such that any change in ownership of 25.0 percent or more of the voting stock or equity interests requires notification to the Department and registration of the reconfigured servicer within 15 days of the change. Registration is valid for one calendar year. The Department may fine a servicer \$10,000 for failing to register and comply with the statute for 30 days or more.

Registrant Reporting Requirements: The article requires the loan servicer to file a report with the Department annually, on or before March 31, providing information the Department requires concerning the business and operations of the registrant during the preceding calendar year. At the time of the filing, the registrant will pay \$55 per report and, unless additional time is granted for good cause in writing, the registrant will be charged \$25 for each day of the delay.

Responsibilities of the Student Loan Servicer: In an effort to protect student loan borrowers from deceptive practices, the article imposes specific responsibilities on the servicer. For example, the servicer must provide to the borrower updates on the terms and status of their loan annually and upon request. The article also requires the servicer to respond to written inquiries from a borrower within ten business days and to provide information regarding available private student loan repayment arrangements. The article requires the servicer to inquire of the borrower how to apply an overpayment and, where a borrower has multiple loans, the servicer must apply partial payments in a manner that minimizes late fees and negative credit reporting. If, in the event of sale, assignment, or transfer of the servicing of a student loan, the payment address changes, the servicer is required to perform certain duties to ensure that the borrower is informed and protected.

Restricted Receipt Account Established: The article establishes, within the Department of Business Regulation, the “servicer registration account” for receipt of registration fees and other monies, excluding examination fees, received by the Department pursuant to the statute. Another account is created within the Department of the Attorney General to receive the revenues transferred from the Department of Business Regulation and expended for costs associated with administering the statute.

Analyst Note: The account in the Attorney General's Office does not appear to be an official restricted receipt account; however, the article limits the use of the funds deposited into the account to the purpose of administering the program.

The Office of the Attorney General has indicated that 1.0 new FTE Attorney position will be required to perform the duties of the article, beginning in June 2020. The estimated cost of this position is approximately \$133,000 annually. The article is projected to generate \$50,000 annually in restricted receipts. Any additional funding needed for the new FTE will be requested in the Attorney General's FY2021 Budget Request.

Examination of Servicers: The Department of Business Regulation is authorized to conduct examinations of registrants. The cost of an examination is paid by the registrant or person being examined, including 150.0 percent of total salaries and benefits, 100.0 percent of travel and transportation expenses for the personnel engaged in the examination, reasonable technology costs, as well as education and training costs incurred by the State. Examination fees will be deposited as general revenue.

Fines: Upon a finding that the registrant violated provision of the statute, the Director of the Department of Business Regulation may issue a fine of not more than \$2,000 per violation. Each student loan constitutes a separate offense. The article provides for the appeal of fines imposed by the Department pursuant to RIGL 42-35, Administrative Procedures.

Enforcement by Attorney General: The article empowers the Attorney General to enforce violation of the examinations section of the statute.

Analyst Note: This is a typo in the language and a technical amendment is expected to clarify that the Attorney General is authorized to enforce a violation of the prohibited conduct section of the chapter.



FY2019 SUPPLEMENTAL BUDGET ARTICLES

Article 1: Relating to Making Revised Appropriations in Support of FY2019

Article 1 outlines the appropriation amounts from all fund sources for the FY2019 Supplemental 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 15,230.7 FTE positions reflecting an increase of 21.0 FTE positions as compared to the authorized level set in the FY2019 Budget as Enacted.
- 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.
- 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 \$1.2 million. It requires Judiciary to provide \$230,000 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.
- Increases transfers from several quasi-public agencies and from unexpended bond proceeds by \$11.6 million to the State Controller by June 30, 2019, to support the General Fund. The following table illustrates the required transfers for FY2018 and FY2019:

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2019.

Expenditures by Source	FY2018 Final	FY2019 Enacted	FY2019 Governor	Change to Enacted
General Revenue	\$3,798.7	\$3,908.2	\$3,947.0	\$38.8
Federal Funds	2,996.5	3,208.2	3,339.6	131.4
Other Funds	1,978.4	2,174.5	2,227.8	53.3
Restricted Receipts	258.6	281.8	294.3	12.5
Total	\$9,032.2	\$9,572.7	\$9,808.7	\$236.0

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

In addition, Article 1 provides for the annual appropriation of the Contingency Fund; Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); University and College Funds; and, Lottery Division funds for award winnings during FY2020.

Article 1 establishes 16 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. The FY2019 Budget as Enacted established centralized accounts for each agency and allows the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2019 Enacted	FY2019 Governor	Change
State Assessed Fringe Benefits	\$41,383,271	\$40,889,406	(\$493,865)
Administration Central Utilities	22,910,320	23,049,565	139,245
State Central Mail	6,539,120	6,282,039	(257,081)
State Telecommunications	3,602,419	3,402,220	(200,199)
State Automotive Fleet	12,549,973	12,657,336	107,363
Surplus Property	3,000	3,000	-
Health Insurance	251,953,418	252,581,059	627,641
State Fleet Revolving Loan Fund	273,786	273,786	-
Other Post-Employment Benefits	63,858,483	63,858,483	-
Capital Police	1,395,433	1,434,314	38,881
Corrections Central Distribution Center	6,769,493	6,790,952	21,459
Correctional Industries	8,050,590	8,089,263	38,673
Secretary of State Records Center	947,539	983,402	35,863
Human Resources Internal Service Fund	12,131,620	13,377,854	1,246,234
DCAMM Facilities Internal Service Fund	39,212,184	38,693,072	(519,112)
Information Technology Internal Service Fund	32,282,229	39,077,346	6,795,117
Total	\$503,862,878	\$511,443,097	\$7,580,219

Analyst Note: The most significant change occurs with the Human Resources Internal Service Fund and the Information Technology Internal Service Fund. The Budget Office has not provided a detailed explanation for the increase in these two funds. However, the Budget Office does state that there are a number of reasons for the increases, including funding for Microsoft 365 in the Information Technology Internal Service Fund and the COLA/benefit changes initiated in FY2019 that impact all three of the centralized service funds Human Resources Internal Service Fund, DCAMM Facilities Internal Service Fund, Information Technology Internal Service Fund.

FUND TRANSFERS

Article 1 in the FY2019 Revised Budget proposes additional transfers from several quasi-public entities be made to the State Controller by June 30, 2019, to support the General Fund. The article further proposes the transfer of funds from two restricted receipt funds and the transfer of unexpended bond proceeds to the General Fund. This reflects an increase of \$16.4 million, including \$5.0 million from the Rhode Island Resource Recovery Corporation, \$2.5 million from Rhode Island Housing and Mortgage Finance Corporation, \$2.0 million from the Quonset Development Corporation, \$2.0 million from the Health and Education Building Authority, \$1.5 million from Rhode Island Student Loan Authority, and \$3.4 million from transfers of unexpended restricted receipt accounts and bond proceeds. The following table illustrates the required transfers for FY2018 and FY2019:

Agency	FY2018 Final	FY2019 Enacted	FY2019 Governor	Change
Electric and Gas Distribution Company	\$12.5	\$0.0	\$0.0	\$0.0
Health and Educational Building	6.0	-	2.0	2.0
Narragansett Bay Commission	5.0	-	-	-
Infrastructure Bank	3.5	4.0	4.0	-
RI Housing	1.0	-	2.5	2.5
Quonset Development Corporation	1.0	-	2.0	2.0
Public Utilities Commission	0.3	-	-	-
RI Resource Recovery	-	-	5.0	5.0
RI Student Loan Authority	-	-	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 Bo	-	-	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
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	-
Total	\$32.0	\$4.8	\$21.2	\$16.4

\$ in millions

Rhode Island Resource Recovery Corporation: The article requires the Rhode Island Resource Recovery Corporation (RIRRC) to transfer \$5.0 million to the State Controller by the end of FY2019. According to the RIRRC, the 2017 State of Rhode Island Debt Affordability Study issued by the Public Finance Management Board (May 3, 2017) recommended that RIRRC refrain from the issuance of additional long-term debt. This recommendation may limit RIRRC's ability to raise capital and effectively requires RIRRC to self-fund future operations.

If enacted, the \$5.0 million forfeiture would impact existing FY2018 audited (October 1, 2018) unrestricted net position of \$22.2 million, which is expected to fund new landfill construction, heavy equipment, debt covenant requirements, and other capital investments required to provide long term disposal and recycling services to the state of Rhode Island. According to RIRRC, based on the current financial plan and projected corporate cash requirements, the Corporation would be required to take financial measures to offset this forfeiture. Such measures would include one or more of the following actions: deferring necessary capital investments, increasing revenues through price increases, reducing operational costs, or receiving direct subsidies from the State.

Rhode Island Housing and Mortgage Finance Corporation: The budget requires the Rhode Island Housing and Mortgage Finance Corporation (RIHousing) to transfer \$2.5 million in FY2019. RIHousing is a self-supporting agency that raises capital through the tax-exempt municipal market to fund loans and programs to help Rhode Islanders purchase homes and to finance housing development and preservation. Investors in RIHousing bonds rely heavily on credit ratings received from Standard & Poor's and Moody's Rating Services. According to the agency, any reduction to RIHousing's net income could have a negative effect on the rating agencies' review, which could result in higher interest rates for RIHousing borrowers. The rating agencies have noted that prior transfers required by the State limit RIHousing's ability to pay future debt service on bonds and put RIHousing at a risk for downgrade which could impair its ability to issue bonds in the future and result in higher interest rates for homebuyers and housing developers. Additionally, the transfer may limit RIHousing's ability to focus on its core mission of investing in housing production.

Quonset Development Corporation: The article requires the transfer of \$2.0 million from the Quonset Development Corporation (QDC). The QDC is a quasi-public agency, established as a subsidiary of the

Rhode Island Commerce Corporation which is responsible for the development and management of the Quonset Business Park.

However, according to the QDC, the actual available cash at the end of FY2018 was \$590,000. Although the audited financials list a \$5.1 million cash balance at the conclusion of FY2018, the report failed to note encumbrances on the cash balance. From the cash balance, \$1.5 million was restricted for previous ongoing work that is now complete and the funds expended, another \$1.5 million reflect funds deposited by Electric Boat (EB) for work that QDC are doing to support the expansion of the Electric Boat's facilities at Quonset Business Park, and \$1.5 million is funds held by the QDC in the Municipal Services Joint Infrastructure fund in conjunction with the Town of North Kingstown. Any transfer from the infrastructure fund would require approval by the Town of North Kingstown.

Cash Balance Reconciliation	Cash	Notes
Audited Cash Balance 2017	\$2.9	Pg 11 O'Connor and Drew Audit June 30, 2017
Audited Cash Balance 2018	2.2	Pg 12 O'Connor and Drew Audit June 30, 2018
Total Stated Cash Balances	\$5.1	

Deductions and Encumbrances		
Capital Projects	(\$1.5)	Encumbered and completed
Electric Boat Expansion Project	(1.5)	Deposit from EB
Municipal Services Joint Infrastructure Fund	(1.5)	Part of MSA services with Town of North Kingstown
Total Encumbrances	(\$4.5)	

\$ in millions

Source: QDC and O'Connor & Drew Financial Statements

QDC indicates that the transfer will have definite negative impacts on many projects underway or planned at the Quonset Business Park, particularly as it relates to the maintenance of its aging infrastructure. Specifically, projects at risk include:

- **Pier 2 Reconstruction - \$1.0 million:** The Pier 2 reconstruction requires the QDC to fund \$5.0 million of the ongoing work with agency capital funds over four years. QDC stated that the fund transfer included in the FY2018 Budget as Enacted prohibited QDC from contributing the first \$1.0 million towards the Pier 2 project, and that an additional \$2.0 million transfer as part of the FY2019 Supplemental Budget will cause the agency to miss current and future installments which will negatively impact the ongoing reconstruction of Pier 2. Work on the Pier 2 reconstruction is finance primarily with general obligation bond and RICAP funds, but the total of all phases of the work requires the QDC to fund \$25.0 million via agency operating reserves.
- **Planned Sewer Line Rehabilitation – \$500,000:** QDC owns and operates its own waste-water treatment facility which serves the more than 200 businesses at the Park. Currently the project is in the design/build phase. The proposed transfer will delay the project.
- **Port Expansion Planning for Offshore Wind - \$200,000:** QDC has completed \$100,000 of the \$300,000 authorized by the QDC Board for port expansion plans related to the offshore wind industry. The proposed transfer will delay the project.
- **Rail Improvement - \$1.0 million:** QDC is responsible to provide a \$1.0 million local match to support a \$3.0 million federal Consolidated Rail Infrastructure and Safety Improvement grant (CRISI) announced by Senator Reed in December. The transfer of funds will jeopardize this project.
- **Land Acquisition - \$1.4 million:** QDC has the potential to purchase land from the federal General Service Administration. The QDC is negotiating this sale from the GSA to acquire 16.0 acres of land adjacent to Route 403 and Amtrak's Northeast Corridor in West Davisville. This purchase would allow the QDC to create another large development site designed to host hundreds of jobs.

Rhode Island Health and Educational Building Corporation (RIHEBC): The article requires the transfer of \$2.0 million from RIHEBC to the State Controller by June 30, 2019. In FY2018, RIHEBC was required to transfer \$6.0 million to the State Controller. RIHEBC indicates that the transfer of these funds will seriously compromise its liquidity cushion especially given its funding of the SBA's personnel costs. Due to the uncertainty of the proposed transfer, RIHEBC has put mission-critical programs on hold, such as small loans and grants for smaller projects or borrowers that cannot access the bond market. Until the final outcome of the FY2019 Budget and the on-going funding for the School Building Authority (SBA) are finalized, RIHEBC will not reinstate these programs. The Governor's Budget includes \$745,536 in FY2019 and \$904,239 in FY2020 for personnel and administrative costs at the SBA. RIHEBC's revenues are derived from the administrative fee charged to not-for-profit borrowers. While RIHEBC anticipates a modest increase in revenue as communities take advantage of the new school construction bond, the increase will not be sufficient to offset the expenses of the SBA and RIHEBC is very reluctant to raise existing fees. The fee that RIHEBC can levy on districts is limited to one tenth of one percent (0.001) of the principal amount.

Rhode Island Student Loan Authority (RISLA): The Governor recommends transferring \$1.5 million from RISLA to the State Controller by June 30, 2019. RISLA, a non-profit State authority, provides affordable higher education loans. Since 1998, RISLA has also provided free educational admissions and financial aid assistance for students and parents through the College Planning Center of Rhode Island (CPC), with several locations around the State. According to RISLA, the transfer funds were to be used to make education loans. Consequently, RISLA's next bond issue will have to be increased by any amounts transferred to the state. Borrowing costs will thereby increase by about \$100,000 annually. This additional cost may increase loans rates slightly for students and their families; however, the actual impact is indeterminable at this time. RISLA has indicated that a ratings downgrade is unlikely at this time; but if the transfers become a regular occurrence there would be a negative impact on RISLA's ability to access low cost funding.

Restricted Receipt Funds: The article transfers \$1.0 million in restricted receipts from the Oil Spill Prevention, Administration Response (OSPAR) Fund and \$1.0 million in restricted receipts from the Underground Storage Tank Trust (UST) Fund to the State Controller for deposit in the General Fund by June 30, 2019.

- **Oil Spill Prevention, Administration and Response (OSPAR) Fund:** The article transfers \$1.0 million from the Oil Spill Prevention, Administration, and Response (OSPAR) restricted receipt fund to the general revenue fund by June 30, 2019. The OSPAR Fund was established in 1996 in response to the environmental damage caused by the North Cape Oil Spill along the Rhode Island coast. Pursuant to RIGL 46-12.7-5.1, the funds may be used to cover the costs of response, containment, and cleanup of oil spills into marine or estuarine waters. The OSPAR Fund may also be used for structural improvements to reduce the risk of oil tanker spills, restoration of natural resources, response training and equipment, and monitoring activities. The fund is capitalized primarily with a fee of \$0.05 for each barrel of petroleum products received at a marine terminal in the State. According to the Department of Environmental Management (DEM), the transfer of funds would temporarily limit the State's ability to respond to a large oil spill. The North Cape spill cost the State approximately \$3.0 million (\$4.8 million in today's dollars).

Through Article 5 of the FY2020 Budget, the Governor increases the cap on the per-barrel the fee from \$0.05 to \$0.10 to replenish the fund, as well as expands the permitted uses of the fund to include storm water management and brownfield remediation. According to DEM, which administers the fund, if the revenue increase is not approved, the impact of the proposed transfer would be significant.

The table below estimates the impact of the proposed transfer with and without the fee increase. The table reflects the Governor's budgeted expenditures which, according to the Office of Budget and

Management, include increases for storm water management or brownfield remediation. Over the last five years, expenditures from the fund have averaged \$2.2 million annually.

Oil Spill Prevention, Administration and Response Fund

	FY2019	FY2020	
		Current \$0.05 per Barrel Fee	Proposed \$0.10 per Barrel Fee
Balance Forward	\$2,630,879	\$1,002,262	\$1,002,262
Average Revenues FY2014 to FY2018	1,725,394	1,725,394	3,450,787
Governor's Budgeted Expenditures ¹	(2,354,011)	(2,635,466)	(2,635,466)
Transfer to General Fund	(1,000,000)	-	-
Balance Forward	\$1,002,262	\$92,189	\$1,817,583

¹ Over the last 5 years expenditures have averaged \$2.2 million annually.

Source: Department of Environmental Management

- **Underground Storage Tank (UST) Trust Fund:** The article transfers \$1.0 million from the UST restricted receipt fund to the general revenue fund by June 30, 2019. Rhode Island currently has 500 facilities with 1,350 underground storage tanks, all of which pose a potential environmental threat if leakage should occur. The Underground Storage Tank (UST) Clean-up Fund was created in 1994 to provide an effective mechanism for USTs owners to comply with financial responsibility requirements, and to insure that the environmental and public health impacts of UST leaks are addressed in an effective and timely manner. While the Rhode Island Department of Environmental Management (DEM) supervises the clean-up process and ensures that each project meets state requirements, the Rhode Island Underground Storage Tank Financial Responsibility Fund Review Board (Review Board) oversees the clean-up fund. Funding for the underground storage tank fund is derived from the following:
 - **Annual registration fees:** Owners/Operators of Underground Storage Tanks pay an annual Registration Fee of \$75 per tank. Furthermore, Rule 6.13 of the DEM Regulations allows for the collection of late fees of \$35.00 per tank, per year for failure to pay the renewal fee within 45 days from the date of the original notice and invoice.
 - **Application fees:** The first step of the reimbursement process requires the owner/operator to pay a \$150 fee with the submission of a Compliance Application.
 - **Gas Tax:** Of the one cent (\$0.01) per gallon environmental protection regulatory fee on motor fuel, one-half cent (\$0.005) is paid to the underground storage tank review board.
 - **Interest:** All environmental protection regulatory fees, including tank registration fees are kept in an interest-bearing restricted receipt account.
 - **Other:** The law allows for funding from gifts, grants, bequests, donations or other funds from any public or private sources as well as any funds the state may appropriate from time to time.

According to DEM, based on a review of the submitted claims, the transfer should not have a direct impact on the program. If claims increase, DEM would reimburse tank owners only for partial claims. In the last two years, all of the claims have been fully funded.

	Underground Storage Tank Trust Fund	
	FY2019	FY2020
Balance Forward	\$2.0	\$1.2
Average Revenue FY2015 - FY2018	2.0	2.0
Budgeted Expenditures	(1.8)	(1.8)
Transfer to General Fund	(1.0)	-
Total	\$1.2	\$1.3

Source: Departmental Environmental Management

Unexpended General Obligation Bond Proceeds: The article transfers certain unexpended bond proceeds on six general obligation bond issuance for projects under the Department of Environmental Management to the State Controller for deposit in the General Fund by June 30, 2019. According to the Office of Management and Budget, per Internal Revenue Service Code any pooled bond funds are to be used within three years of issuance or else the funding can go towards debt servicing. OMB also stated that although the funds will be transferred to the general fund and assigned to pay off the outstanding debt related to these projects. The following table lists the unexpended bonds transferred to the General Fund.

Year Authorized	Bond Project	Unexpended Funds
1986	DEM - Government Entities - Interceptors Bond Funds	\$1,111,661
2010	DEM - 25 India Street (Shooter's) Bond Fund	160,028
1986	DEM - Government Water Pollution Control Bond Funds	107,267
1986	DEM - Private Water Pollution Control Facility Bond Funds	35,094
2000	DEM - State Recreational Facilities Development Renovation Bond	11,908
2000	DEM - Local Recreational Facilities Distressed Bond Fund	1,226
Total		\$1,427,184

FTE POSITION CAP AND APPROVAL

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. Statewide, the Governor recommends a net increase of 21.0 FTE positions from the FY2019 Budget as Enacted. Following are the changes included in the Governor’s proposal:

Expense by Function	FY2019 Enacted	FY2019 Governor	Change to Enacted
General Government	2,438.9	2,441.9	3.0
Human Services	3,682.6	3,698.6	16.0
Education	3,959.4	3,699.2	(260.2)
Public Safety	3,160.0	3,160.0	0.0
Natural Resources	425.0	425.0	0.0
Transportation	755.0	755.0	0.0
Subtotal	14,420.9	14,179.7	(241.2)
<i>Higher Ed. Sponsored Positions</i>	<i>788.8</i>	<i>606.0</i>	<i>(182.8)</i>
<i>Higher Ed. Auxiliary Enterprise Positions</i>	<i>0.0</i>	<i>445.0</i>	<i>445.0</i>
Total FTE Positions	15,209.7	15,230.7	21.0

Article 2: Relating to Taxes and Revenues

Article 2 adjusts the statutory framework underpinning the obligations of remote sellers (i.e. business not located in Rhode Island) and online retail sales facilitators (such as Amazon) to collect from or otherwise notify in-state purchasers of their sales tax liabilities. The adjustments align Rhode Island sales tax laws with a 2018 U.S. Supreme Court ruling (*South Dakota v. Wayfair, Ltd.*) that explicitly permitted states to collect sales tax from online commerce.

FISCAL IMPACT

Article 2 is estimated to yield \$11.5 million in additional general revenue in FY2020. There is no fiscal impact in FY2019. It is included as part of the FY2019 Supplemental Budget to ensure timely implementation in order to meet the FY2020 revenue estimate. According to the Division of Taxation, Article 2 will need to be enacted by April 1, 2019, in order for the Division to implement in time to meet the revenue estimate for FY2020.

ANALYSIS AND BACKGROUND

Historically, states have been prohibited from imposing sales taxes on purchases made from out-of-state sellers. Federal jurisprudence held that such taxes were unconstitutional because they create an undue burden on interstate commerce. The U.S. Supreme Court maintained states may only impose sales taxes on those sellers who have a physical presence in the state. In 2017, the Office of Revenue Analysis (ORA) estimated that the value of sales and use taxes on the purchases made by Rhode Islanders from out-of-state sellers (primarily via the internet) was worth no less than \$37.3 million. Given the legal prohibitions on remote sales tax collections, the shift from brick and mortar to e-commerce represented a significant threat to Rhode Island's tax base.

This condition began to change in 2016, when the 10th U.S. Circuit Court of Appeals upheld an approach used by Colorado to encourage remote sellers to voluntarily collect and remit sales and use taxes. The primary feature of the approach was a series of complicated notification requirements placed on those remote sellers who choose not to collect taxes. The objective was to make collection and remittance more palatable than complying with the notifications.

In 2017, the General Assembly enacted a framework based on this Colorado approach. It provided for three categories of entities with varying obligations relative to the sales tax. In all categories, the sales tax provisions applied to entities with at least \$100,000 in gross Rhode Island revenue or at least 200 transactions. The entities and obligations are:

- **Non-Collecting Retailers:** A non-collecting retailer is an out-of-state entity that sells, leases, or delivers products or services into Rhode Island to Rhode Island customers, either directly, via retail sales facilitators, or referrers (e.g. Amazon or catalogs). Non-collecting retailers are required to either collect and remit, or comply with extensive taxpayer notifications.
- **Retail Sale Facilitators:** A retail sale facilitator is an entity that contracts with retailers to list and or advertise for sale products and services (via internet or catalog) and either directly or indirectly collects payments from in-state purchasers and transmits payments to the retailer. Retail sales facilitators are required to provide the Division of Taxation with lists of retailers that collected and did not collect sales tax.
- **Referrers:** A referrer is an entity that contracts with retailers to list and or advertise for sale products and services (via internet or catalog), charges a fee to the retailer for the listing/advertisement, but does not transact payments between retailers and in-state customers. Referrers are required to notify retailers that their sales are likely subjected to Rhode Island's sales and use tax.

South Dakota v. Wayfair

In June 2018 the Supreme Court of the United States upheld a South Dakota law in a case involving the online retailer Wayfair. In doing so the Court overturned its previous rulings on the physical presence standard and held the imposition of sales and use taxes no longer constitute an undue burden on interstate commerce as long as the following conditions are met:

- The state provides a safe harbor to those who only sell small amounts into the state.
- The state does not require the retroactive collection of sales taxes.
- The state has a single, state-level administration of the sales tax.
- The state maintains a simplified tax rate structure.
- The state applies uniform definitions and rules.
- The state gives access to software provided by the state, with immunity to those who rely on it

Article 2 Changes

Article 2 simplifies current sales tax by aligning to the new standards set forth in the *Wayfair* decision. The article specifically:

Updates definitions: Article 2 redefines the categories of entities involved in remote sales.

- Marketplace Facilitators - entity that contracts with sellers to facilitate the sale of the seller's products through a physical or electronic marketplace.
- Marketplace Seller – an entity who contracts with a marketplace facilitator and makes retail sales through a marketplace owned, operated, or controlled by a marketplace facilitator.
- Non-collecting Retailers – this definition is eliminated on or after July 1, 2019.

Updates requirements: Article 2 makes several changes to ensure conformity with the new *Wayfair* standards. These:

- Compel all entities to register with the Division of Taxation for purposes of collecting and remitting sales tax.
- Codify safe harbor provisions so that entities with less than \$100,000 in gross revenue or less than 200 RI transaction are not required to collect and remit taxes.
- Update to include 2018 sales tax expansion changes involving “software as a service”.

Revenue Estimate

The Office of Revenue Analysis (ORA) estimates that the amount of e-commerce not currently being collected is worth approximately \$11.5 million in FY2020. The estimate is derived by taking an ORA estimated amount of total e-commerce sales in Rhode Island and deducting an estimated fraction of those sales attributed to non-collecting retailers. This estimate is further adjusted for to account for a level of non-compliance. The estimate is contingent upon a July 1, 2019, start date.

Analyst Note: Article 2 does not address the State's Marketplace Fairness “trigger” that is in current law. Marketplace Fairness refers to possible Congressional action to federally standardize e-commerce sales tax practices. In 2012 the General Assembly enacted provisions that called for automatic sales tax changes in the event that Congress passed a Marketplace Fairness act. The included, a reduction to the State sales tax to 6.5 percent, an elimination of the application of sales tax to certain clothing, and changes to the local meals and beverage tax and hotel tax calculations. . Since Article 2 closes the remote seller loophole, there would be no new remote sales tax revenue offset to the approximate \$80.0 million loss associated with the 0.5 percentage point drop in the rate.

Article 3: Relating to Online Sports Wagering

This article expands state-regulated sports betting to include online and mobile wagering. Specifically, Article 3:

- Expands state-regulated sports betting to include wagering that takes place outside of lottery facilities, but within the geographic boundaries of Rhode Island via websites or mobile applications.
- Requires that all sports wagering bets be transacted through Rhode Island Lottery-authorized facility computer servers. Bettors would be required to establish an account on the premises of authorized lottery facilities and all wagering would be transacted through this account.
- Subjects remote sports wagering to the same parameters as on-site betting, including the prohibition of bets on events taking place within Rhode Island or involving Rhode Island-based colleges and universities, regardless of location.

FISCAL IMPACT

The expansion of sports wagering to include statewide mobile betting is a FY2020 revenue initiative. It is included in the FY2019 Supplemental Budget in order to expedite implementation and ensure that there is enough time to meet the January 1, 2020, start date. The general revenue impact of Article 3 in FY2020 is projected to be \$3.0 million. There is no impact in FY2019.

Analyst Note: The OMB estimate makes several assumptions that may understate the projected revenue associated with mobile sports betting, including amending some base assumptions used to determine the consensus November 2018 Revenue Estimating Conference estimate. These assumptions involve applying a reduced hold percentage to the base handle as well as using a marginal handle calculation from that departs from the Oxford Economics study.

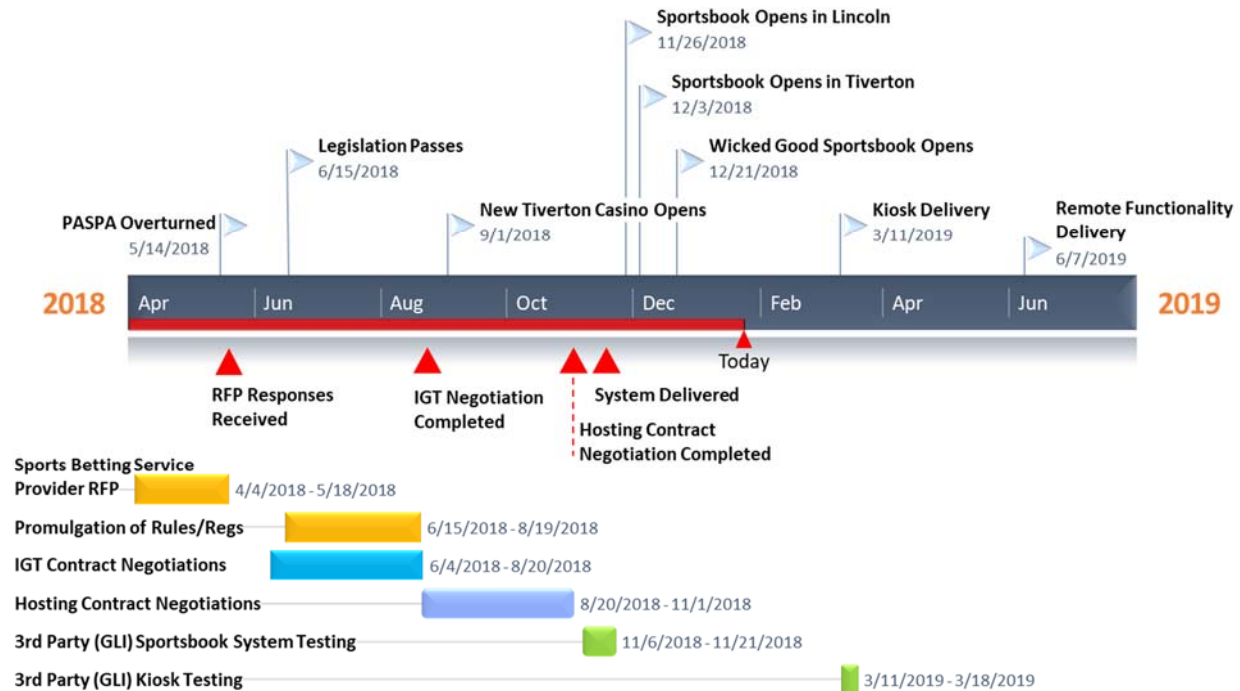
ANALYSIS AND BACKGROUND

In 2018, Rhode Island became one of the first states to permit state-regulated sports betting after the United States Supreme Court struck down its prohibition¹. The 2018 General Assembly authorized wagering at the Twin River and Tiverton Casinos and charged the Department of Revenue's Lottery Division with implementation and oversight of the program.

Initial Implementation: The FY2019 Budget as Enacted anticipated a sports betting start date of October 1, 2018. However, implementation experienced several delays. Although the request for proposals (RFP) for a sports betting service provider had been developed and issued prior to the US Supreme Court decision, the subsequent award and contract negotiations were unexpectedly lengthy. The first bets were placed at the sportsbook tills at Twin River Lincoln on November 26, 2018. Tiverton opened seven days later, and Lincoln's sportsbook lounge "Wicked Good" began receiving patrons on December 21st. Kiosk and facility-based remote betting (bets made away from the manned betting windows through a mobile application) are scheduled to come online in March and June, respectively (see attached graphic).

Because of the delays, estimators at the November 2018 Revenue Estimating Conference significantly reduced FY2019 revenue assumptions and projections associated with sports betting from \$23.5 million to \$11.5 million. The state share of sports betting revenue through December 31, 2018, which does not include kiosk or remote betting, stands at \$409,879.

¹ In May 2018 the United States Supreme Court ruled the federal Professional and Amateur Sports Protection Act (PASPA) of 1992 unconstitutional. PASPA prohibited sports betting in all states except those that already had it in place in 1992 - Delaware, Montana, Nevada, and Oregon.



Source: RI Lottery

Article 3 Changes: Gamblers in Rhode Island are currently permitted to place sports wagers only while physically on the premises of either of the State's two casinos and through sportsbook personnel, kiosks, or mobile devices. Article 3 expands the permission to include bets made online or through a mobile device while physically being within the geographic boundaries of the state.

Under the proposal, adults wishing to gamble on sporting events would be required to establish an account in person at the Twin River Lincoln or Tiverton facilities. Players would deposit funds into the account from which bets would be withdrawn. Payouts would be deposited into the account as well. All remote online or mobile wagers would be transacted through computer servers housed at the casinos.

Sports Betting Service Provider: International Game Technology (IGT), in partnership with William Hill, was awarded the contract as the sports betting service provider in May 2018. As the provider IGT is responsible for developing, putting into service, maintaining, and operating the remote betting platform for the State. This technology will first be implemented on premises at the Twin River Lincoln and Tiverton. The platform will use geo-fencing technology to ensure that bets are confined to the legally authorized areas. Geo-fencing uses global positioning system (GPS) technology to determine where mobile devices and computers are located.

Analyst Note: According to Department of Revenue officials, IGT was the only responder to the original RFP and would therefore be considered a sole source provider in the event of an expansion of sports betting within the state and a new RFP would not be required. Officials indicate that the current contract would have to be amended, requiring new negotiations.

Legal Considerations: The General Assembly enacted legislation in 2012 and again in 2016 which authorized casino-style (Class III) gaming. These measures were subsequently approved by voter referendum. The RI Constitution prohibits the expansion of gambling to new locations in Rhode Island without approval via a statewide voter referendum in addition to the approval of voters within the proposed municipality.

It is argued that sports wagering is a Class III type of gaming and therefore not considered an expansion of gambling requiring voter approval. Furthermore, it is argued that since all remote sports betting is proposed to take place through a platform and computer servers *physically located* on existing voter approved locations, it also does not represent an expansion of location either.

Revenue Projection Methodology: The Office of Management and Budget (OMB) projects that mobile sports wagering will yield an additional \$3.0 million in revenue in FY2020. There is no impact in FY2019.

In preparing its revenue estimate, OMB utilized a study conducted by Oxford Economics for the American Gaming Association, titled “Economic Impact of Legalized Sports Betting”. The study systematically looked at sports betting across the 50 states. The estimates for Rhode Island included in this study provide the foundation for OMB’s calculations.

The total amount wagered in known as the handle. According to the study, estimates of the sports betting handle for Rhode Island, range between \$813.6 million (for limited, location-based betting) to \$1,384.5 million (for convenient, statewide remote betting).

OMB adjusts the study’s estimated

handle based on several factors associated with current and proposed conditions in Rhode Island. First, OMB applies a 39.0 percent marginal increase to the base handle to account for both the addition of mobile sports betting as proposed by Article 3 and the fact that Rhode Island will already have a limited form of remote betting in place at the start of FY2020. OMB then adjusts the handle further to account for the proposed January 1, 2020 start date. The estimate uses 2018 data from Nevada which shows that 46.0 percent of annual sports wagers take place between January and June. Based on these factors OMB estimates an adjusted handle of \$1,064.7 million.

After all winnings are paid, the amount of money left over is known as the hold. OMB uses a 5.9 percent hold percentage based on data from New Jersey’s experience with implementing mobile sports betting. This hold percentage is a reduction from the hold applied at the November 2018 Revenue Estimating Conference. The percentage is applied to the handle resulting in a hold of \$62.8 million.

Sports wagering revenue is the hold net certain offsets and distributions. The offsets include federal taxes, marketing expenses of the Lottery, and a specified share to hosting communities (\$100,000 each for Lincoln and Tiverton). OMB estimates these to total \$3.5 million. The distributions are made to Twin River and IGT of sports betting revenue. These are estimated to be \$10.1 million and \$19.0 million, respectively. OMB calculates the State’s total sports wagering share, inclusive of a half year of mobile sports wagering, to be \$30.3 million. The estimate then backs out the November 2018 Revenue Estimate Conference estimate for FY2020 of \$27.3 million, which does not include mobile sports betting. This yields a fiscal impact of \$3.0 million in general revenue from mobile sports betting.

Handle & Hold	OMB Estimate
Base Handle	\$902.6
Growth Rate of Handle	39.0%
Increase to Handle Related to Online Betting	\$352.4
Half-Year of Mobile Sports Betting %	46.0%
Half-Year of Mobile Sports Betting \$	\$162.1
Article 3 Handle	\$1,064.7
Hold Percentage	5.9%
Article 3 Hold	\$62.8
Offsets	
Federal Tax (.25% applied to Handle)	(\$2.7)
Marketing Expenses	(\$0.6)
Local Community Share (\$100K each: Lincoln and Tiverton)	(\$0.2)
Total Offsets	(\$3.5)
Distribution	
Article 3 Sports Betting Revenue (Net Total)	\$59.4
Twin River Share (17%)	\$10.1
IGT Share (32%)	\$19.0
State Share (51%) - Article 3	\$30.3
State Share (51%) - Nov. 18 REC	27.3
Article 3 Marginal Increase to the State Share	\$3.0

\$ in millions

Article 4: Relating to Transfers

This article removes language requiring state budget proposals that include fund transfers from public corporations (quasi-public agency transfers) to also include alternatives to the transfers.

FISCAL IMPACT

Eliminating the language that requires state budget proposals that include fund transfers from public corporations (quasi-public agency transfers) to also include alternatives to the transfers could have a fiscal impact. Allowing the easier transfer of funds from quasi-public entities to the General Fund may negatively impact the fiscal health of the various quasi-public agencies, impede their normal business operations, and may delay or eliminate infrastructure improvements or entity initiatives.

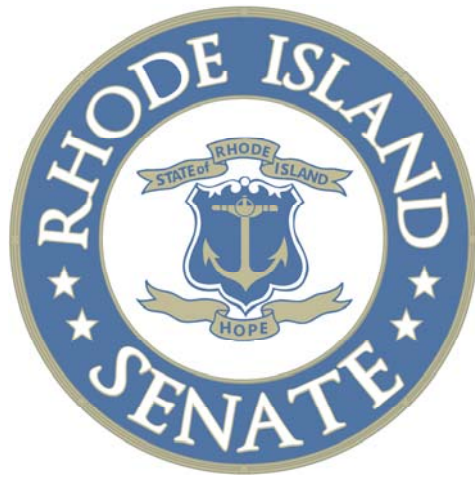
ANALYSIS AND BACKGROUND

This article amends RIGL 35-3-7 (a)(2) by removing language requiring that state budget proposals that include monetary transfers from public corporations (quasi-public agency transfers) also include alternatives to the transfers. This language was codified to curtail the perennial “scoop” of quasi-public agency reserve balances. The Administration claims that this requirement is “inconsistent with the constitutional framework.” The Governor, through the Director of Administration, issued a letter to the Chairmen of the House and Senate Finance Committees on January 17, 2019, that outlines some potential alternatives to the transfers.

Specifically, “To put this total amount of \$20.0 million in transfers in perspective, one would need to consider items such as forgoing an increase in education aid, reducing the motor vehicle phase-out, removing thousands of Rhode Islanders from Medicaid by cutting eligibility, deep cuts in vital programs, or layoffs impacting hundreds of state employees.”

Article 5: Relating to Effective Date

This provides that the Act will take effect upon passage, except as otherwise provided herein.



APPENDIX

Summary Tables

General Revenue Budget Surplus	537
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General Revenue Expenditures	539
FTE Positions	540

Summary Tables

GENERAL REVENUE BUDGET SURPLUS

	FY2017 Audited	FY2018 Audited	FY2019 Enacted	FY2019 Governor	FY2020 Governor
Opening Surplus					
Free Surplus	\$167,818,206	\$61,660,230	\$31,264,778	\$52,525,379	\$2,948,779
Reappropriated Surplus	7,848,853	10,338,899	-	10,057,409	-
Subtotal	\$175,667,059	\$71,999,129	\$31,264,778	\$62,582,788	\$2,948,779
Total Revenues					
Total Revenues	\$3,684,357,619	3,908,384,435	3,998,485,298	\$4,009,272,170	\$4,198,887,451
To Cash Stabilization Fund	(115,565,275)	(119,101,340)	(120,892,502)	(121,853,926)	(126,055,087)
From Cash Stabilization Fund					
Total Available Resources	\$3,744,459,404	\$3,861,282,224	\$3,908,857,574	\$3,950,001,032	\$4,075,781,143
Total Expenditures					
Total Expenditures	\$3,672,460,275	3,798,699,436	\$3,908,207,061	\$3,947,052,253	4,075,093,139
Total Surplus	71,999,129	62,582,788	650,513	2,948,779	688,004
Free Surplus	\$71,999,129	\$62,582,788	\$650,513	\$2,948,779	\$688,004
Rainy Day Fund	\$192,608,792	\$198,502,233	\$201,487,504	\$203,089,877	\$210,157,877

ALL FUNDS EXPENDITURES

General Government	FY2018 Final	FY2019 Enacted	FY2019 Governor	Change from		
				Enacted	FY2020 Governor	
Administration	\$314,552,373	\$284,663,464	\$318,517,310	\$33,853,846	\$323,951,978	\$39,288,514
Business Regulation	14,702,783	24,509,397	25,145,467	636,070	30,770,515	6,261,118
Executive Office of Commerce	49,869,458	56,449,152	58,883,044	2,433,892	68,180,523	11,731,371
Labor and Training	425,495,185	458,214,237	446,278,250	(11,935,987)	454,282,965	(3,931,272)
Revenue	512,595,161	584,033,516	602,700,646	18,667,130	623,720,496	39,686,980
Legislature	39,282,079	45,412,322	50,769,941	5,357,619	46,586,115	1,173,793
Lieutenant Governor	1,001,557	1,114,597	1,107,847	(6,750)	1,147,816	33,219
Secretary of State	9,385,527	12,300,162	12,253,563	(46,599)	10,701,157	(1,599,005)
General Treasurer	43,076,635	43,122,580	42,417,814	(704,766)	42,218,385	(904,195)
Board of Elections	1,505,698	5,252,516	4,654,527	(597,989)	2,462,583	(2,789,933)
Ethics Commission	1,637,934	1,812,237	1,748,039	(64,198)	1,845,298	33,061
Office of the Governor	5,481,059	5,633,047	6,407,071	774,024	6,493,211	860,164
Commission for Human Rights	1,683,010	1,833,011	1,803,028	(29,983)	1,917,005	83,994
Public Utilities Commission	9,014,227	9,934,831	10,623,497	688,666	12,212,583	2,277,752
Total	\$1,429,282,686	\$1,534,285,069	\$1,583,310,044	\$49,024,975	\$1,626,490,630	\$92,205,561
Human Services						
Office of Health and Human Services	\$2,519,428,247	\$2,606,962,740	\$2,677,833,816	\$70,871,076	\$2,745,096,336	\$138,133,596
Children, Youth, and Families	237,549,998	227,918,654	239,020,038	11,101,384	228,591,189	672,535
Health	159,561,445	174,111,689	188,059,767	13,948,078	188,616,584	14,504,895
Human Services	599,252,725	632,830,659	624,925,300	(7,905,359)	585,698,686	(47,131,973)
BHDDH	415,736,505	422,451,955	442,121,201	19,669,246	448,470,696	26,018,741
Governor's Commission on Disabilities	710,175	1,387,275	1,389,808	2,533	1,558,659	171,384
Governor's Commission on the Deaf	500,346	603,178	636,745	33,567	693,338	90,160
Office of the Child Advocate	947,705	1,195,963	1,087,060	(108,903)	1,234,057	38,094
Office of the Mental Health Advocate	629,731	653,260	567,389	(85,871)	602,411	(50,849)
Total	\$3,934,316,877	\$4,068,115,373	\$4,175,641,124	\$107,525,751	\$4,200,561,956	\$132,446,583
Education						
Elementary and Secondary Education	\$1,379,739,520	\$1,444,249,758	\$1,451,383,884	\$7,134,126	\$1,488,768,125	\$44,518,367
Public Higher Education	1,173,310,319	1,207,574,517	1,214,691,385	7,116,868	1,250,299,534	42,725,017
Council on the Arts	2,912,159	3,132,046	3,922,316	790,270	3,478,248	346,202
Atomic Energy Commission	1,356,380	1,496,787	1,374,254	(122,533)	1,495,094	(1,693)
Higher Education Assistance Authority	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	1,984,028	2,454,026	2,792,590	338,564	2,595,330	141,304
Total	\$2,559,302,406	\$2,658,907,134	\$2,674,164,429	\$15,257,295	\$2,746,636,331	\$87,729,197
Public Safety						
Attorney General	\$47,731,960	\$41,602,976	\$44,403,159	\$2,800,183	\$33,287,718	(\$8,315,258)
Corrections	236,737,230	251,419,419	251,565,521	146,102	252,805,290	1,385,871
Judiciary	116,192,558	124,433,984	125,531,201	1,097,217	126,730,281	2,296,297
Military Staff	26,801,747	30,292,314	44,294,074	14,001,760	40,129,489	9,837,175
Emergency Management Agency	14,217,508	20,325,241	24,321,268	3,996,027	13,697,589	(6,627,652)
Public Safety	116,848,270	124,504,718	133,588,625	9,083,907	139,092,198	14,587,480
Public Defender	11,646,848	12,676,516	12,311,977	(364,539)	12,923,936	247,420
Total	\$570,176,121	\$605,255,168	\$636,015,825	\$30,760,657	\$618,666,501	\$13,411,333
Natural Resources						
Environmental Management	\$80,400,399	\$108,689,507	\$98,881,402	(\$9,808,105)	\$102,890,607	(\$5,798,900)
Coastal Resources Management Council	5,297,030	6,468,424	8,387,732	1,919,308	5,310,930	(1,157,494)
Total	\$85,697,429	\$115,157,931	\$107,269,134	(\$7,888,797)	\$108,201,537	(\$6,956,394)
Transportation						
Transportation	\$453,459,721	\$591,021,131	\$632,373,698	\$41,352,567	\$629,480,461	\$38,459,330
Grand Total	\$ 9,032,235,240	\$ 9,572,741,806	\$ 9,808,774,254	\$236,032,448	\$ 9,930,037,416	\$357,295,610

GENERAL REVENUE EXPENDITURES

General Government	FY2018 Final	FY2019 Enacted	FY2019 Governor	Change from		
				Enacted	FY2020 Governor	
Administration	\$189,889,755	\$177,080,380	\$174,283,385	(\$2,796,995)	\$199,464,434	\$22,384,054
Business Regulation	10,534,356	17,430,457	16,864,098	(566,359)	18,508,156	1,077,699
Executive Office of Commerce	32,403,452	30,289,375	30,226,612	(62,763)	35,365,201	5,075,826
Labor and Training	12,876,544	14,464,955	15,848,041	1,383,086	15,813,787	1,348,832
Revenue	148,430,073	178,831,507	178,266,494	(565,013)	193,770,950	14,939,443
Legislature	37,831,305	43,691,627	49,000,993	5,309,366	44,754,101	1,062,474
Lieutenant Governor	1,001,557	1,114,597	1,107,847	(6,750)	1,147,816	33,219
Secretary of State	8,832,367	9,875,734	9,800,081	(75,653)	9,233,255	(642,479)
General Treasurer	2,819,265	2,973,776	2,953,922	(19,854)	3,037,551	63,775
Board of Elections	1,505,698	5,252,516	4,654,527	(597,989)	2,462,583	(2,789,933)
Ethics Commission	1,637,934	1,812,237	1,748,039	(64,198)	1,845,298	33,061
Office of the Governor	5,481,059	5,633,047	6,407,071	774,024	6,493,211	860,164
Commission for Human Rights	1,273,387	1,335,441	1,335,441	-	1,353,591	18,150
Total	\$454,516,752	\$489,785,649	\$492,496,551	\$2,710,902	\$533,249,934	\$43,464,285
Human Services						
Office of Health and Human Services	\$950,301,335	\$982,916,072	\$989,336,794	\$6,420,722	\$1,033,465,709	\$50,549,637
Children, Youth, and Families	173,652,189	161,614,041	173,630,931	12,016,890	167,263,422	5,649,381
Health	26,323,503	28,963,829	30,094,507	1,130,678	32,240,040	3,276,211
Human Services	100,775,120	97,999,785	107,333,790	9,334,005	74,895,242	(23,104,543)
BHDDH	190,690,753	188,091,966	194,621,346	6,529,380	195,293,312	7,201,346
Governor's Commission on Disabilities	444,657	1,002,537	951,910	(50,627)	1,055,069	52,532
Governor's Commission on the Deaf	428,285	523,178	525,902	2,724	563,338	40,160
Office of the Child Advocate	703,984	969,922	896,811	(73,111)	986,701	16,779
Office of the Mental Health Advocate	629,731	653,260	567,389	(85,871)	602,411	(50,849)
Total	\$1,443,949,557	\$1,462,734,590	\$1,497,959,380	\$35,224,790	\$1,506,365,244	\$43,630,654
Education						
Elementary and Secondary Education	\$1,161,321,686	\$1,188,639,908	\$1,187,465,595	(\$1,174,313)	\$1,235,838,953	\$47,199,045
Public Higher Education	220,928,014	230,093,700	233,869,330	3,775,630	244,302,858	14,209,158
Council on the Arts	1,919,769	2,007,993	1,977,819	(30,174)	2,084,748	76,755
Atomic Energy Commission	982,299	1,078,908	1,018,455	(60,453)	1,059,094	(19,814)
Higher Education Assistance Authority	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	1,031,076	1,210,054	1,381,551	171,497	1,488,293	278,239
Total	\$1,386,182,844	\$1,423,030,563	\$1,425,712,750	\$2,682,187	\$1,484,773,946	\$61,743,383
Public Safety						
Attorney General	\$25,296,491	\$27,959,192	\$27,745,213	(\$213,979)	\$28,675,203	\$716,011
Corrections	231,528,875	237,063,223	235,649,651	(1,413,572)	238,105,210	1,041,987
Judiciary	97,037,829	101,994,888	102,049,154	54,266	106,127,755	4,132,867
Military Staff	2,976,112	3,081,090	3,097,681	16,591	3,219,493	138,403
Emergency Management Agency	1,881,904	2,043,945	2,283,219	239,274	2,439,647	395,702
Public Safety	100,929,838	103,337,018	104,032,363	695,345	111,196,673	7,859,655
Public Defender	11,583,210	12,575,531	12,236,312	(339,219)	12,848,271	272,740
Total	\$471,234,259	\$488,054,887	\$487,093,593	(\$961,294)	\$502,612,252	\$14,557,365
Natural Resources						
Environmental Management	\$40,345,594	\$41,841,215	\$41,032,676	(\$808,539)	\$45,178,568	\$3,337,353
Coastal Resources Management Council	2,470,459	2,760,157	2,757,303	(2,854)	2,913,195	153,038
Total	\$42,816,053	\$44,601,372	\$43,789,979	(\$811,393)	\$48,091,763	\$3,490,391
Grand Total	\$3,798,699,465	\$3,908,207,061	\$3,947,052,253	\$38,845,192	\$4,075,093,139	\$166,886,078

FTE POSITIONS

	FY2018 Actual	FY2019 Enacted	FY2019 Governor	Change from Enacted	FY2020 Governor	Change from Enacted
General Government						
Administration	697.7	655.7	657.7	2.0	670.7	15.0
Business Regulation	106.0	161.0	162.0	1.0	187.0	26.0
Executive Office of Commerce	17.0	16.0	16.0	-	18.0	2.0
Labor and Training	428.7	409.7	409.7	-	451.7	42.0
Revenue	529.5	604.5	604.5	-	587.5	(17.0)
Legislature	298.5	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	8.0	-	8.0	-
Secretary of State	59.0	59.0	59.0	-	59.0	-
General Treasurer	89.0	89.0	89.0	-	89.0	-
Board of Elections	12.0	13.0	13.0	-	13.0	-
Ethics Commission	12.0	12.0	12.0	-	12.0	-
Office of the Governor	45.0	45.0	45.0	-	45.0	-
Commission for Human Rights	14.5	14.5	14.5	-	14.5	-
Public Utilities Commission	51.0	53.0	53.0	-	60.0	7.0
Total	2,367.9	2,438.9	2,441.9	3.0	2,513.9	75.0
Human Services						
Office of Health and Human Services	285.0	192.0	195.0	3.0	479.1	287.1
Children, Youth, and Families	616.5	631.5	629.5	(2.0)	629.5	(2.0)
Health	506.6	514.6	517.6	3.0	520.6	6.0
Human Services	981.1	1,020.1	1,030.1	10.0	755.0	(265.1)
BHDDH	1,319.4	1,302.4	1,304.4	2.0	1,305.4	3.0
Office of the Child Advocate	8.0	10.0	10.0	-	10.0	-
Governor's Commission on the Deaf	4.0	4.0	4.0	-	4.0	-
Governor's Commission on Disabilities	4.0	4.0	4.0	-	4.0	-
Office of the Mental Health Advocate	4.0	4.0	4.0	-	4.0	-
Total	3,728.6	3,682.6	3,698.6	16.0	3,711.6	29.0
Education						
Elementary and Secondary Education	325.1	321.1	323.1	2.0	328.1	7.0
Public Higher Education	3,568.0	3,605.5	3,343.3	(262.2)	3,345.3	(260.2)
Council on the Arts	8.6	8.6	8.6	-	8.6	-
Atomic Energy Commission	8.6	8.6	8.6	-	8.6	-
Historical Preservation and Heritage Commission	15.6	15.6	15.6	-	15.6	-
Total	3,925.9	3,959.4	3,699.2	(260.2)	3,706.2	(253.2)
Public Safety						
Attorney General	235.1	237.1	237.1	-	239.1	2.0
Corrections	1,435.0	1,416.0	1,416.0	-	1,426.0	10.0
Judiciary	723.3	723.3	723.3	-	723.3	-
Military Staff	92.0	92.0	92.0	-	98.0	6.0
Emergency Management	32.0	32.0	32.0	-	32.0	-
Public Safety	610.6	564.6	564.6	-	595.6	31.0
Public Defender	93.0	95.0	95.0	-	96.0	1.0
Total	3,221.0	3,160.0	3,160.0	-	3,210.0	50.0
Natural Resources						
Environmental Management	400.0	395.0	395.0	-	406.0	11.0
Coastal Resources Management Council	29.0	30.0	30.0	-	30.0	-
Total	429.0	425.0	425.0	-	436.0	11.0
Transportation						
Transportation	775.0	755.0	755.0	-	785.0	30.0
Higher Education Sponsored Research						
Office of Higher Education	1.0	1.0	1.0	-	1.0	-
CCRI	89.0	89.0	89.0	-	89.0	-
RIC	76.0	76.0	76.0	-	76.0	-
URI	573.8	622.8	440.0	(182.8)	440.0	(182.8)
Total	739.8	788.8	606.0	(182.8)	606.0	(182.8)
Higher Education Auxiliary Enterprise						
Auxiliary Enterprise	-	-	445.0	445.0	445.0	445.0
Grand Total	15,187.2	15,209.7	15,230.7	21.0	15,413.7	204.0

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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
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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

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Executive Office of Commerce
Legislature
Public Safety
Revenue
RI Commerce Corporation
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Attorney General
Corrections
Historic Preservation and Heritage Commission
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Labor and Training
RI Airport Corporation
RI Public Transit Authority
RI Turnpike & Bridge Authority
Transportation

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Behavioral Health, Developmental Disabilities,
and Hospitals
Business Regulation
Commission on Deaf and Hard of Hearing
Health
HealthSource RI
Mental Health Advocate

