



SENATE FISCAL OFFICE
REPORT

**GOVERNOR'S FY2021
AND
FY2020 SUPPLEMENTAL
BUDGET**

2020-H-7171 AND 2020-H-7170

BUDGET ANALYSIS

MAY 20, 2020

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EXECUTIVE SUMMARY

Executive Summary

The Governor's FY2021 Budget recommendation totals \$4,247.8 million in general revenue; \$224.4 million greater than the FY2020 Budget as Enacted. The recommendation includes \$10,195.0 million in all funds; an increase of \$224.4 million above the FY2020 Budget as Enacted.

Expenditures by Source	FY2019 Final	FY2020 Enacted	FY2020 Governor	Change to Enacted	FY2021 Governor	Change to Enacted
General Revenue	\$3,924.0	\$4,077.6	\$4,086.3	\$8.7	\$4,247.8	\$170.2
Federal Funds	3,118.7	3,325.4	3,325.2	(0.2)	3,323.1	(2.2)
Restricted Receipts	259.6	311.4	383.2	71.9	348.9	37.5
Other Funds	2,075.4	2,256.3	2,267.1	10.8	2,275.2	18.9
Total	\$9,377.7	\$9,970.6	\$10,061.8	\$91.1	\$10,195.0	\$224.4

Expenditures by Function	FY2019 Final	FY2020 Enacted	FY2020 Governor	Change to Enacted	FY2021 Governor	Change to Enacted
General Government	\$1,471.2	\$1,630.9	\$1,681.3	\$50.4	\$1,719.4	\$88.5
Human Services	4,037.1	4,212.8	4,207.5	(5.4)	4,258.9	46.0
Education	2,633.9	2,746.5	2,769.5	23.0	2,835.9	89.3
Public Safety	602.5	624.3	646.5	22.2	613.5	(10.8)
Natural Resources	84.8	107.3	109.9	2.6	107.4	0.1
Transportation	548.3	648.8	647.0	(1.7)	660.0	11.2
Total	\$9,377.7	\$9,970.6	\$10,061.8	\$91.1	\$10,195.0	\$224.4

FTE Authorization	15,209.7	15,074.7	15,095.7	21.0	15,074.7	-
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\$ in millions. Totals may vary due to rounding.

The Governor submitted two budget bills this year - a separate FY2020 Supplemental Budget and the FY2021 proposal. The budgets close estimated deficits of \$28.4 million in the current year and \$175.8 million in FY2021. In FY2020, the Governor relies heavily on transfers from agency reserves, or "scoops" to address the deficit, while in FY2021, new revenue proposals, expenditure changes, and updated revenue estimates are most impactful.

DEFICIT SOLUTIONS



A more detailed look at the Governor's FY2021 solution is shown in the following table. Tax and fee changes are the largest contributors to the budget deficit solution, followed by expenditure reductions in state agencies.

FY2021 Deficit Solution

Projected deficit (July)	(\$175.8)
Nov REC/CEC	37.8
FY2020 Carry Forward	24.4
Current Service Adjustments (Non-CEC)	(11.5)
Projected Deficit (January)	(\$125.1)

Budget Initiatives

Expenditure Reductions	(\$49.1)
Transfers and Other Operational Changes	16.1
Tax and Fee Changes	65.2
Rainy Day Fund	(4.4)
Projected Ending Balance	\$0.9

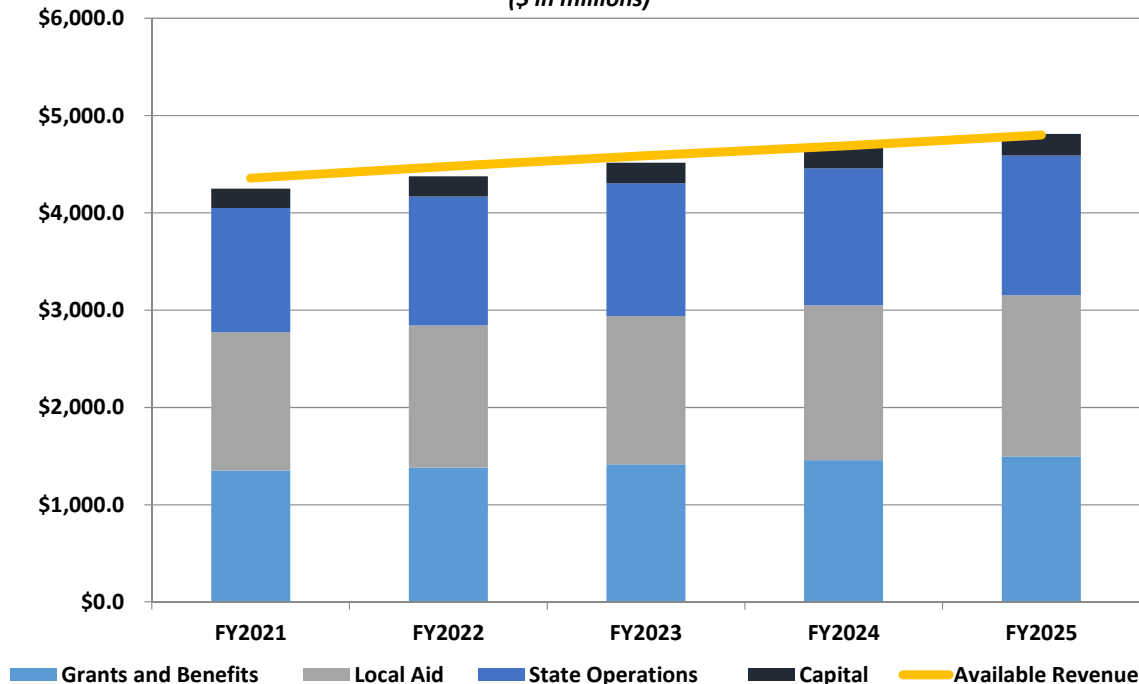
\$ in millions. Totals may vary due to rounding.

FIVE-YEAR FORECAST

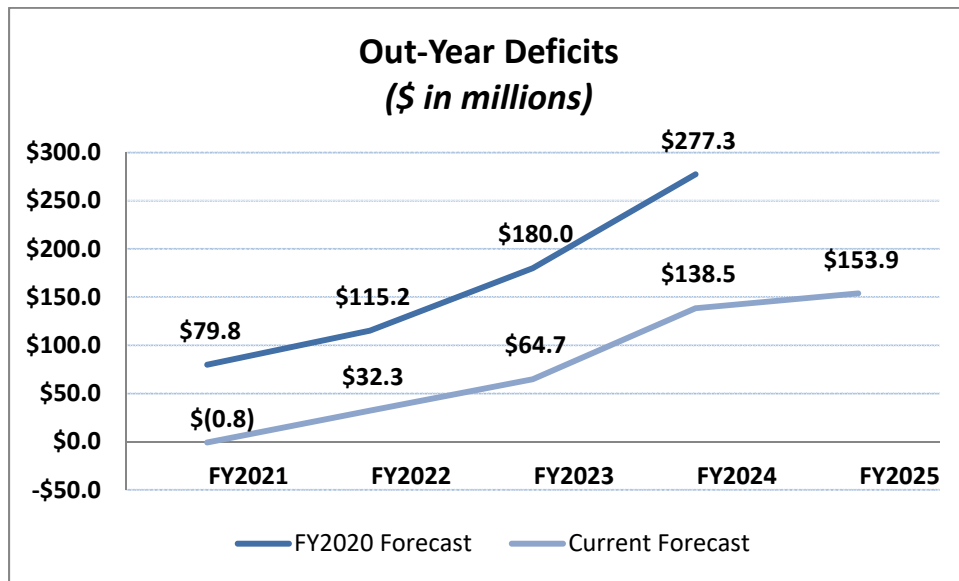
The Budget projects out-year deficits increasing from \$32.3 million in FY2022 to \$153.9 million in FY2025 (3.2 percent of spending). Projected average annual revenue growth of 2.5 percent, coupled with a projected average annual increase in expenditures of 3.2 percent, creates the State's projected 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 state of the Affordable Care Act at the federal level, and the timing of a potential economic recession all present risks.

FY2021-FY2025 Out Year Projections

(\$ in millions)



Out-year deficit projections are lower than what was forecast one year ago. Increasing base revenue collections and assumed implementation of FY2021 expenditure reductions combine to reduce the FY2024 projected deficit by \$138.8 million.

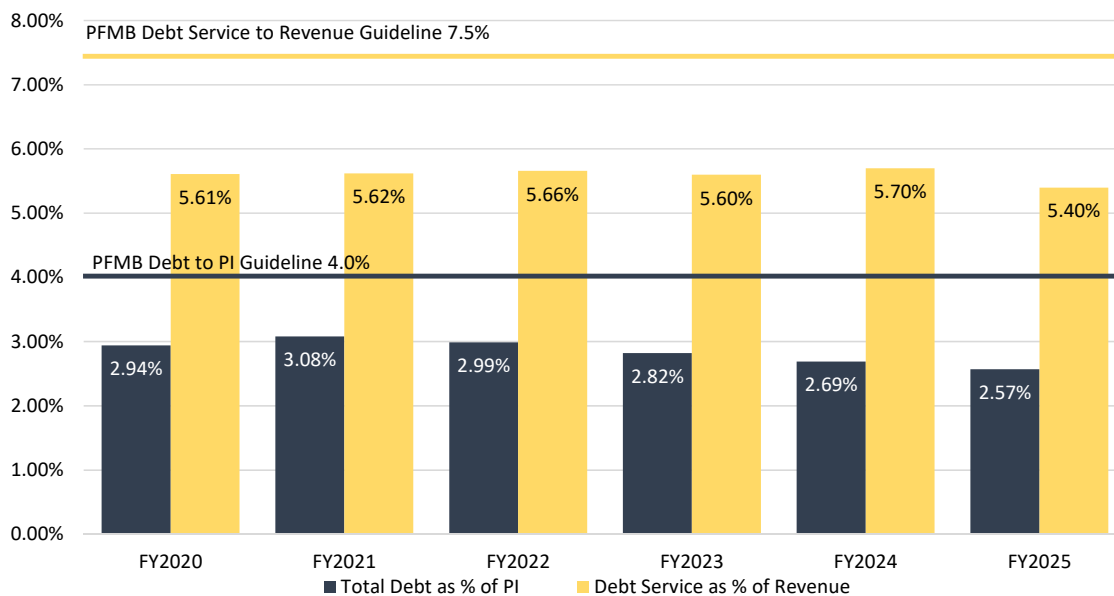


TAX-SUPPORTED DEBT

The Public Finance Management Board (PFMB) provides advice and assistance to all state departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes.

The PFMB issues guidelines to monitor state debt: tax-supported debt should not exceed 4.0 percent of total personal income for Rhode Islanders, and debt service on tax-supported debt should not exceed 7.5 percent of state general revenue. Over the next five years, the State is projected to remain below the PMFB guidelines as it relates to debt as a percent of personal income; additionally, it is anticipated to remain below the PMFB debt service as a percent of general revenue threshold of 7.5 percent.

The following chart shows current and projected debt service metrics from FY2020 through FY2025. It is probable that these figures will change as projects and issuance timelines are adjusted.



Source: 2019 PFMB Debt Affordability Study; FY2021 Capital Budget proposal

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.

FY2019 closed with \$203.9 million in the Rainy Day Fund. The Governor's proposal would see that increase to \$219.0 million in FY2021.

GENERAL REVENUE SURPLUS STATEMENT

	FY2018 Audited	FY2019 Audited	FY2020 Enacted	FY2020 Governor	FY2021 Governor
Opening Surplus					
Free Surplus	\$61,660,230	\$52,525,379	\$25,464,117	\$30,502,912	\$24,842,778
Reappropriated Surplus	10,338,899	10,057,409	-	10,296,451	-
Subtotal	\$71,999,129	\$62,582,788	\$25,464,117	\$40,799,363	\$24,842,778
Total Revenues	3,908,384,435	\$4,024,579,618	\$4,178,728,671	\$4,197,141,028	\$4,355,257,550
To Cash Stabilization Fund	(119,101,340)	(122,313,150)	(126,125,784)	(126,829,318)	(131,403,010)
From Cash Stabilization Fund					
Total Available Resources	\$3,861,282,224	\$3,964,849,256	\$4,078,067,004	\$4,111,111,073	\$4,248,697,318
Total Expenditures	3,798,699,436	3,924,049,893	4,077,594,991	4,086,268,295	4,247,805,059
Total Surplus	62,582,788	40,799,363	472,013	24,842,778	892,259
Free Surplus	\$62,582,788	\$30,502,912	\$472,013	\$24,842,778	\$892,259
Rainy Day Fund	\$198,502,233	\$203,855,250	\$210,209,639	\$211,382,197	\$219,005,016

Revenue Changes

The Governor's FY2021 Budget increases general revenue collections by an estimated \$113.7 million above the November 2019 revenue estimate, inclusive of the changes to the hospital license fee in FY2021. New revenue initiatives include expansion of the sales tax to include more services, restoration of the sales tax on wine and spirits, various license and fee increases, taxation of vaping products, a \$0.35 increase in the cigarette excise tax, a 1.0 percent increase in the State's hotel tax, transfers from quasi-public corporations, and the revenue activity associated with the legalization of the use of marijuana.

Governor's Recommended Revenue Changes	FY2021
EOHHS Revenue Changes	\$31.3
Adult-Use Marijuana Revenue	21.8
Transfers	16.1
Sales Tax Changes	14.1
Alcohol Related Tax Changes	9.1
Licenses and Fee Changes	6.7
U.S. Treasury Offset Program	5.0
Hotel Tax Increase	4.7
Other Revenue Changes	3.2
Cigarettes and Other Tobacco Changes	1.6
Total	\$113.7

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

EOHHS Revenue Changes

\$31.3 million

The Budget includes a net \$31.3 million increase related to revenue changes associated with the following EOHHS initiatives:

- **Hospital License Fee:** Article 18 modifies the FY2021 hospital license fee currently authorized by statute. The article increases the fee from 3.15 percent to 3.78 percent for hospitals located in Washington County and from 5.0 percent to 6.0 percent for all other community hospitals. The rates established in Article 18 are consistent with rate structure used in both FY2019 and FY2020. The FY2020 Enacted Budget initially lowered the fee for FY2021 in response to pending changes at the federal level; however, the Governor's Budget assumes these changes will be delayed and holds the license fee constant to FY2020, accordingly. This change will increase revenue collections by an estimated \$32.3 million relative to the November 2019 adopted revenue estimate.
- **Medicaid Revenue Changes:** The Budget reduces revenue collections by \$1.2 million to reflect the impact of a number Medicaid expenditure changes which affect collections from the 2.0 percent insurance premium tax and 5.5 percent nursing home tax. These initiatives are described in the FY2021 Expenditures section of this report.

Medicaid Revenue Changes	
RI Bridges Eligibility Optimization	(\$604,226)
Neonatal Intensive Care Unit (NICU) Services	451,226
RIte Share Enrollment	(380,000)
Hospital Rate Freeze	(377,040)
Nursing Home COLA	(376,673)
Managed Care Organization (MCO) Full Risk	314,000
Adult Co-Pays	(178,014)
Dual Care Management	(58,628)
Ambulance Rates	44,349
Pharmacy Utilization	(30,752)
Perinatal Doula Services	4,535
Total	(\$1,191,223)

- **RIte Share Penalty:** The Governor increases general revenue collections by \$165,675 to reflect the impact of a new penalty established in Article 20 which will be assessed against employers who do not comply with the reporting requirements of the RIte Share program, modeled after a penalty in place in Massachusetts. The revenues will primarily be used to cover implementation costs within the Division of Taxation, including IT upgrades and 1.0 Business Analyst FTE position. This penalty complements a savings initiative within the Medicaid program designed to encourage enrollment in RIte Share.

Adult-Use Marijuana Revenue

\$21.8 million

The Budget includes \$21.8 million in revenue attributable to the implementation of a State-controlled adult-use marijuana system. Article 13 authorizes the licensing of private entities to cultivate, process, and manufacture marijuana products. License fees are estimated to generate \$699,000 in revenue in FY2021. The principal source of new revenue is derived from the proposed State share of the net profits from the sale of adult-use marijuana. Article 13 authorizes the State to hire one or more contractors to operate the sales for the adult-use market on the State's behalf. Profits from the market would be shared among the State (61.0 percent), municipalities (10.0 percent), and the contractors (29.0 percent). The State's Office of Management and Budget estimates that Rhode Island would receive \$21.1 million in net revenue.

Adult-Use Marijuana Revenue	Amount
Adult Use Marijuana Revenue - State Share	\$21.1
Office of Cannabis Regulation License Fee	\$0.7
Total	\$21.8

Transfers

\$16.1 million

The Governor transfers approximately \$16.1 million in reserves from six quasi-public agencies to support the General Fund. All transfers are required to take place by June 30, 2021.

Agency	Amount
RI Resource Recovery	\$5.0
RI Infrastructure Bank	5.0
RI Student Loan Authority	2.0
Narragansett Bay Commission	2.0
RI Housing	1.1
RI Health and Educational Building Corporation	1.0
Total	\$16.1

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

Sales Tax Changes**\$14.1 million**

The Budget expands the sales tax to several new products and services, including custom computer system design; couriers and messengers; hunting, trapping, and shooting ranges; and lobbying. The Budget Office estimates a total of \$14.1 million in new general revenue will be generated from these initiatives.

Sales Tax Changes	Amount
Computer System Design Services	\$7.9
Courier and Messenger Services	4.1
Hunting, Trapping, and Shooting Ranges	0.8
Lobbying Services	0.7
Interior Design Services	0.6
Total	\$14.1

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

These estimates are based on the following effective dates:

Sales Tax Changes	Effective Date
Computer System Design Services	October 1, 2020
Hunting, Trapping, and Shooting Ranges	October 1, 2020
Lobbying Services	October 1, 2020
Courier and Messenger Services	January 1, 2021
Interior Design Services	January 1, 2021

Alcohol Related Tax Changes**\$9.1 million**

The Governor recommends several changes to the taxation of alcohol in Rhode Island. Article 8 reduces the alcohol excise tax rate on high proof spirits from \$5.40 to \$3.75 per gallon and the excise tax on still wine from \$1.40 to \$0.60 per gallon. This change is estimated to reduce general revenue collections by \$5.3 million based on an effective date of October 1, 2020. The article also subjects sales of wine and spirits to the 7.0 percent sales tax. These products have been exempted from the sales tax since FY2014. Based on a July 1, 2020, effective date, this change is estimated to generate an additional \$14.4 million in revenue.

Alcohol Excise Taxes	Amount
Reimpose Sales Tax on Wine and Spirits	\$14.4
Reduction of Alcohol Taxes	(5.3)
Total	\$9.1

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

License and Fee Changes**\$6.7 million**

The Governor amends several licensing and fee regimes across six different State agencies. The fiscal impact of these changes is summarized in the following table:

Licenses and Fee Changes	Amount
DMV Licenses and Fees	\$3.7
DOH Licenses and Fees	1.1
DEM Licenses and Fees	0.9
DBR Licenses and Fees	0.6
DOR Licenses and Fees	0.4
DPS Licenses and Fees	0.0
Total	\$6.7

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

- **DMV Licenses and Fees:** The Governor increases fees related to several Division of Motor Vehicle (DMV) programs.

DMV Licenses and Fees	Amount
Inspection Enforcement	\$1.8
Late License and Registration Renewals	1.1
Certified Driving Record Fee	0.7
CDL Road Test Administration Revenue	0.1
Total	\$3.7

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

- **Inspection Enforcement:** Article 6 establishes a \$100 reinstatement fee for inspections that occur after a registration has been suspended. The Budget includes \$1.8 million in new revenue in FY2021 based on a July 1, 2020, effective date.
- **Late License and Registration Renewals:** A \$15.00 late fee is added for licenses and registrations renewed after their expiration date. The Budget includes \$1.1 million in new revenue in FY2021 based on an October 1, 2020, effective date.
- **Certified Driving Record Fee:** The fee for driving records obtained through an online subscription service is increased from \$16.00 to \$20.00. The Budget includes \$660,000 in new general revenue based on a July 1, 2020, effective date.
- **CDL Road Test Administration Revenue:** Article 3 transfers the administration and testing of commercial drivers' licensing from the Community College of Rhode Island to the Division of Motor Vehicles. This change produces \$94,000 in new fees revenues to the General Fund and is effective upon passage of the Budget.
- **DOH Licenses and Fees:** The Governor increases fees related to several Department of Health (DOH) programs.

DOH Licenses and Fees	Amount
Data Request Fee	\$0.4
Shellfish Processer License and Fee	0.4
Elimination of EMT Exemption	0.3
Interstate Licensing Compact	(0.1)
Total	\$1.1

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

- **Data Request Fee:** Article 6 authorizes the DOH to establish fees in response to requests for processing special data analysis. The new fee is estimated to generate \$438,900 in general revenue in FY2021. Authorization for the new fee is effective on passage of the Budget.
- **Shellfish Processer License and Fee:** Article 7 authorizes DOH to establish a dockside program that provides for licensed shellfish processors to harvest and assure the sanitary quality of shellfish. License fees are estimated to generate \$366,138 in general revenue in FY2021 based on a July 1, 2020, start date.
- **Elimination of the EMT Exemption:** Article 6 requires emergency medical technician (EMT) and other emergency medical services (EMS) personnel working for municipalities or volunteer and non-profit organizations to pay EMS professional licensing fees. These groups are currently exempt from paying these fees. Elimination of this exemption takes effect upon passage of the Budget and is expected to generate \$330,600 in general revenue in FY2021.

- **Interstate Licensing Compact:** Article 20 provides the statutory framework for the State to enter into several interstate compacts that allow reciprocity and expedited licensure for health care professionals. This initiative is expected to produce a loss in licensing revenue of \$59,331 based on an April 1, 2021, start date.
- **DEM Licenses and Fees:** The Governor increases fees related to several Department of Environmental Management (DEM) programs.

DEM Licenses and Fees	Amount
Expedited Permitting	\$0.6
Pesticide Registration Fee	\$0.3
Total	\$0.9

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

- **Expedited Permitting:** Article 7 modifies the Bureau of Environmental Protection's processes to expedite permitting in the State. These changes include establishing new service fees through regulation. The fees are expected to generate \$599,212 in general revenue in FY2021. The regulations are assumed to be in place by July 1, 2020.
- **Pesticide Registration Fee:** The State currently charges a \$50 annual registration fee and \$150 surcharge per pesticide product. DEM intends to expand the products these fees apply to, including "alternate brand names" for existing registered products. This will be accomplished by regulation and is estimated to generate \$334,800 in general revenue for FY2021.
- **DBR Licenses and Fees:** The Governor increases fees related to several Department of Business Regulation (DBR) programs.

DBR Licenses and Fees	Amount
Fire Marshal Plan Review Fee Increase	\$0.5
Fire Marshal Inspection Fee Increase	0.0
Total	\$0.6

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

- **Fire Marshal Plan Review Fee Increase:** Article 6 increases the fees charged by the Fire Marshal for reviewing building construction plans. There are five tiers of fees based on the cost of the construction. The increases are effective upon passage of the Budget and are estimated to generate \$540,852 in FY2021.
- **Fire Marshal Inspection Fee Increase:** Article 6 increases the fee charged by the Fire Marshal for inspections from \$100 to \$250. The increase is effective upon passage of the Budget and are estimated to generate \$13,950 in FY2021.
- **DOR Licenses and Fees:** The Governor changes the fee structure related to tobacco dealer licensing within the Department of Revenue (DOR). Article 21 increases the application fee for cigarette dealers from \$25 to \$75 and licensing fee for tobacco product dealers from \$100 to \$400. The article also requires e-cigarette and vaping product dealers to pay the licensing fee that tobacco product dealers currently pay. These changes are effective upon passage of the Budget and are estimated to generate \$402,500 in FY2021.
- **DPS Licenses and Fees:** Article 6 of the Budget proposes establishing a new \$50 application fee for the Sheriff's Training Academy. The Budget includes \$13,000 in new revenue in FY2021 based on a July 1, 2020, effective date.

U.S. Treasury Offset Program**\$5.0 million**

Article 8 authorizes the Division of Taxation to enter into an agreement with the United States Treasury to participate in its Treasury Offset Program (TOP). Under the TOP, the federal government crosschecks to see whether individuals or businesses who are delinquent in paying Rhode Island taxes are due a federal tax refund. If they are, the Treasury offsets the payment and diverts it, in whole or in part, to the State. Similarly, if a Rhode Island taxpayer owes delinquent federal taxes, the Division of Taxation would withhold the owed amount from State tax refunds and remit it to the federal government. The Office of Management and Budget (OMB) estimates that participating in the program will yield \$5.0 million in additional revenue collections, across nine tax types, based on an effective date of July 1, 2020.

Hotel Tax**\$4.7 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 \$4.7 million in general revenue.

Other Revenue Changes**\$3.2 million**

The Governor recommends various other revenue changes across several revenue streams. These are summarized in the following table:

Other Revenue Changes	Amount
Transfer of Veterans Home Payments	(\$4.5)
Workplace Compliance Initiative	4.2
Attorney General Settlements	1.7
Collection Fee for Pass-Thru Municipal Revenue	0.8
Personal Income Tax Changes	0.7
DUI Fees - Substance Abuse Prevention	0.2
Affordable Housing Exemption from Transfer Tax	(0.0)
Total	\$3.2

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

- **Transfer of Veterans Home Payments:** Residents of the Rhode Island Veterans Home are charged a maintenance fee to cover the costs of their care. Under current law, the home receives 20.0 percent of the fee and the remaining 80.0 percent is deposited into the general fund. Article 16 requires that the home receive the entire amount of the maintenance fee collections. This shift is estimated to reduce general revenue by \$4.5 million in FY2021. This change is effective upon passage of the Budget.
- **Workplace Compliance Initiative:** The Governor recommends a new workplace compliance initiative to enforce misclassification of employee laws. The initiative includes the hiring of new investigative and adjudication hearing staff as well as increasing fines and penalties. The Budget includes \$4.2 million in new revenue in FY2021 due to increased assessments and collections. The new fines and penalties are effective July 1, 2020.
- **Attorney General Settlements:** The Budget provides additional personnel and litigation funding within the Attorney General's Civil Division to better assist the State's participation in large, multi-state actions. The Budget includes \$1.7 million in new general revenue in FY2021 based on estimated revenue from settlements resulting from these multi-state litigations.
- **Collection Fee for Pass-Thru Municipal Revenue:** Article 8 authorizes the Division of Taxation to deduct a 2.0 percent administrative fee from local meal and beverage and local hotel tax revenue collected by the Division on behalf of municipalities. Based on a July 1, 2020, effective date, this fee is expected to generate an additional \$799,333 in general revenue in FY2021.

- **Personal Income Tax Changes:** The Budget includes items that impact personal income tax revenue.

Personal Income Tax Changes	Amount
Contingency Fee Correction	\$1.8
Earned Income Tax Credit Increase	(1.1)
Total	\$0.7

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

- **Contingency Fee Correction:** The Budget includes a \$1.8 million revenue adjustment to the FY2021 personal income tax revenue estimate based on a correction related to the how gross contingency fee income is calculated.
- **Earned-Income Tax Credit (EITC) Increase:** Under current law, eligible taxpayers can claim a Rhode Island Earned Income Tax Credit equal to 15.0 percent of the federal EITC. Starting in Tax Year 2021, the Governor proposes to increase the State EITC 1.0 percent a year over the next five tax years. The fiscal impact is estimated to be a loss of \$1.1 million in FY2021 and the changes are effective upon passage of the Budget.
- **DUI Fees – Substance Abuse Prevention:** Article 15 establishes a new substance abuse education fee of \$250 to be imposed on anyone who is convicted of driving while under the influence or refuses to submit to a breathalyzer test. The new fine would begin January 1, 2021, and is estimated to generate \$220,016 in FY2021.
- **Affordable Housing Exemption from Transfer Tax:** Article 11 exempts eligible affordable housing developments from being taxed on real estate transfers. This exemption is effective July 1, 2020, and is expected to result in a \$36,722 loss in general revenue in FY2021.

Cigarette and Other Tobacco

\$1.6 million

Article 21 of the Budget includes several changes to the licensing and taxation of tobacco and vaping products in Rhode Island. These changes are summarized in the following table:

Cigarettes & Other Tobacco Changes	Amount
Federal Tobacco 21 Enforcement Impact	(\$3.7)
Cigarette Excise Tax Increase	3.3
Cigarette Excise Tax - Floor Tax	1.0
Cigar Tax Increase	0.7
Tax on Vaping Products	0.3
Impact of Cigarette Tax Increase on Sales Tax	(0.0)
Total	\$1.6

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

These changes are based on the following effective dates:

Cigarettes & Other Tobacco Changes	Effective Date
Federal Tobacco 21 Enforcement Impact	July 1, 2020
Cigarette Excise Tax Increase	August 1, 2020
Cigarette Excise Tax - Floor Tax	August 1, 2021
Cigar Tax Increase	August 1, 2022
Impact of Cigarette Tax Increase on Sales Tax	August 1, 2020
Tax on Vaping Products	September 1, 2020

FY2020 SUPPLEMENTAL CHANGES***Transfers from Quasi-Public Agencies******\$16.7 million***

The Governor transfers approximately \$16.7 million in reserves from six quasi-public sources to support the General Fund. All transfers are required to take place by June 30, 2020. The following table summarizes the transfers:

Agency	Amount
RI Infrastructure Bank - Municipal Road & Bridge Program	\$8.9
RI Resource Recovery	5.0
Oil Spill Prevention, Administration, and Response (OSPAR)	1.0
Underground Storage Tank Trust	1.0
BHDDH Asset Forfeiture Funds	0.5
Bond Funds - Unexpended Proceeds	0.3
Total	\$16.7

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

Other Revenue Changes***\$1.7 million***

The Governor includes several adjustments to FY2020 general revenues, including a \$2.2 million adjustment to the FY2020 personal income tax revenue estimate based on a correction related to how gross contingency fee income is treated and a \$389,194 reduction based on revised Executive Office of Health and Human Services (EOHHS) caseload numbers resulting from improvements to the RI Bridges System.

Other FY2020 Revenue Changes	Amount
Gross Contingency Fee Revenue Correction	\$2.1
Caseload Reduction - RI Bridges	(0.4)
Total	\$1.7

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

Expenditure Changes by Agency

Administration:

- **Debt Service:** The Governor includes \$652,515 in additional general revenue for debt service, reflecting decreases of \$6.9 million for general obligation bonds and a general revenue decrease of \$2.1 million for certificates of participation debt service. This is offset by an increase of \$9.6 million for other debt service costs.

The Governor includes \$70.9 million in general revenue to fund the costs of the State's general obligation debt service in FY2021, or \$6.9 million less than the FY2020 Budget as Enacted. This is largely attributable to delaying new bond issuance from FY2020 to FY2021 (\$4.2 million) and lower transportation debt service (\$3.7 million). Offsetting the decrease is an increase of \$1.9 million for Rhode Island School Buildings, as well as several other smaller adjustments.

The Governor also includes general revenue increases of \$11.6 million for the last 38 Studios debt service payment, \$1.5 million for the Rhode Island Convention Center Authority and an increase of \$355,497 for debt service related to the Garrahy Courthouse Garage construction (\$2.1 million total). Offsetting the increases are decreases of \$3.6 million for the Providence Place Mall and \$150,000 on the I-195 Redevelopment Bonds (\$3.0 million total).

- **Enterprise Resource Planning (ERP) System:** The Governor adds \$1.5 million in general revenue to support two new FTE positions and for contracted employees and consultants for the development of a request for proposal for a single data system to administer the State's financial and human resources functions. The new ERP system will replace the State's old legacy system, unify and standardize the processes and data. This supports the request for \$54.8 million in certificate of participation (COPs) as presented in Article 4.
- **Centralized Services:** The Budget includes an internal service funds net increase of \$1.3 million, reflecting new centralized service initiatives:

Issue	Information Technology	Human Resources	Facilities Management
IT Positions	\$241,055	\$0	\$0
IT Security Initiative	100,000	-	-
Payroll Internal Service Fund	-	(315,313)	-
Statewide Janitorial Services	-	-	1,000,000
Security Infrastructure	-	-	257,000
Total	\$341,055	(\$315,313)	\$1,257,000

- **IT Positions:** The Budget adds \$241,055 in Information Technology Internal Service Fund costs to support two new FTE positions: a 1.0 new Systems Support Technician III position and for a 1.0 new Administrator Management Information Systems position.
- **IT Security Initiative:** The Budget adds \$100,000 in Information Technology Internal Service Fund costs to support the State's ongoing IT security initiatives including access management, database encryption, internet service provider secondary connection, guarding against email fraud.
- **Payroll:** The Budget includes savings of \$315,313 in the Human Resources Internal Service Fund that is generated through increased cost recovery from non-general revenue sources and personnel savings by allocating the costs of existing Accounts and Control personnel who process payroll to the Human Resources Internal Service Fund.
- **Statewide Janitorial Services:** The Budget adds \$1.0 million in Facilities Management Internal Service Fund costs to provide contracted janitorial service coverage to new state office buildings

with a single vendor, and includes janitorial and cleaning, trash and recycling, and pest control management. This would add no additional state positions.

- **Security Infrastructure:** The Budget includes \$257,000 in Facilities Management Internal Service Fund costs to improve and maintain security at state facilities.
- **New Real Estate Portfolio Manager FTE position:** The Governor adds \$146,949 in general revenue and 1.0 FTE position to oversee the real estate planning and management of state properties.

Business Regulation: The Budget includes \$18.7 million in general revenue expenditures (\$30.1 million all funds) for the Department of Business Regulation (DBR) in FY2021, increasing general revenue expenditures by \$773,536 (\$3.7 million all funds) compared to the FY2020 Budget as Enacted.

The major budget initiatives include the following:

- **Adult-Use Marijuana:** The Governor proposes a framework for the retail sale of adult-use marijuana in the State. The framework is modeled after liquor sales in New Hampshire. The State would hire one or more contractors to operate the sales for the adult-use market on the State's behalf. Profits from the market would be shared among the State (61.0 percent), municipalities (10.0 percent), and the contractor (29.0 percent). The State would receive an estimated \$21.8 million in net profits.

The Budget includes \$3.2 million from restricted receipts to fund the operating costs of adult-use marijuana sales and 13.0 new FTE positions.

- **Fire Marshal – Bomb Squad:** The Budget adds \$90,603 in general revenues for 1.0 FTE position within the Fire Marshal's office for the Bomb Squad. Currently, the Bomb Squad meets the FBI's requirement of six technicians for the State with four full-time technicians and two volunteer technicians. With the retirement of one volunteer technician, the Bomb Squad requires an additional FTE to retain FBI accreditation.
- **Funding Shift:** The Budget shifts \$314,703 for the personnel costs of 3.0 FTE positions from restricted receipts to general revenue to ensure the availability of funds in the future. The positions work within the Contractors' Registration and Licensing Board.
- **Behavioral Health Parity:** The Budget adds \$165,046 in restricted receipts from the Opioid Stewardship Fund for 1.0 FTE position in the Office of the Health Insurance Commissioner (OHIC). The position would provide support on issues related to behavioral health and substance use disorders to promote access to treatment.
- **Health Cost Trends:** The Budget adds \$154,000 in restricted receipts for OHIC from a new \$1 fee. The fee, paid by the insurer, would apply to each covered life in the State. The funds would be used to continue tracking health care spending across the State and establish an annual target, an initiative that began in August 2018.

Labor and Training: The Governor's Budget increases general revenue expenditures by \$8.2 million (all funds increase by \$15.7 million) relative to the FY2020 Enacted level. The major changes include the following:

- **Real Jobs Rhode Island:** The Governor includes an additional \$7.3 million in general revenue funding (\$14.1 million all funds) to continue growing the Real Jobs Rhode Island (RJRI) program. This includes an additional \$250,000 to create an apprenticeship program at the Department of Corrections to improve post-release employment opportunities for inmates.
- **Job Development Fund Expansion:** The Governor includes an additional \$1.4 million in restricted receipts that will be generated by subjecting non-governmental, nonprofit organizations, with at least 1,000 employees, to the Jobs Development Assessment, from which they are currently exempt.

- **Uninsured Employers Fund:** The Governor includes \$940,000 in restricted receipts for settlement payouts from the R.I. Uninsured Employers Fund. These funds used for settlements associated with an employee who is injured while working for an employer who did not maintain workers' compensation insurance.
- **South County Arrigan Center:** The Governor includes \$583,364 in restricted receipts for the creation of the proposed South County Arrigan Center. The Center will offer the same rehabilitation services as the Arrigan Center located in Providence and is expected to begin offering services in the spring of 2020.
- **Workplace Fraud Personnel:** The Budget includes a general revenue increase of \$409,195 to support an additional 4.0 FTE positions for misclassification and workplace fraud investigations.
- **Management Consultants:** The Budget includes \$347,146 in general revenues to continue ongoing consultant contracts working to restructure the Department's Business Affairs Office and develop standard financial practices across the programs.

Revenue: The Budget includes a net \$12.8 million increase in general revenue (\$28.9 million all funds) for the Department of Revenue (DOR). Major budget initiatives include:

Division of Motor Vehicles

- **Saturday Hours:** The Budget includes \$115,330 to support the personnel and operating costs associated with the proposed opening of the Division's Cranston office for four hours every other Saturday.
- **Real ID:** The Budget provides \$1.1 million related to the implementation of Real ID. This appropriation includes \$200,000 for a public awareness campaign regarding the federal mandate effective in October 2020 and \$905,406 for personnel costs related to the advance staffing ramp-up needed to handle the anticipated increased customer volume.
- **License Plate Reissuance:** The Governor includes \$170,000 to support compliance with the statutory requirement to begin to reissue license plates by June 1, 2020.
- **Inspection Enforcement:** The Budget includes 166,313 for personnel costs associated with 2.0 FTE positions associated with a new proposal to collect suspension reinstatement fees from drivers that fail to comply with State inspection requirements.
- **CDL Road Test Administration:** The Budget provides \$142,331 in additional personnel and operating expenses associated with the transfer of the administration of road testing for commercial driver licensing from the Community College of Rhode Island to the DMV.

State Aid

The Budget includes \$155.1 million across all sources of funds for the State Aid program, including an increase of \$4.7 million in general revenue. This net increase includes:

- **Motor Vehicle Excise Tax Payment:** The Governor recommends \$6.4 million in additional general revenue budgeted for reimbursements to towns and cities for the phase-out of the motor vehicle tax. This is \$11.8 million less than what would be required under current law. Through Article 9, the Governor adjusts the policy levers and variables that make up the annual motor vehicle excise phase-out calculation in a manner that extends the phase-out five years, reducing the FY2021 impact.
- **PILOT:** The Budget level funds the Payment in Lieu of Taxes (PILOT) program at \$46.1 million, which is 26.2 percent of assessed property taxes on eligible exempt properties. The statutory maximum is 27.0 percent. (Savings from current services?)
- **Distressed Communities Relief Program:** The Governor recommends \$6.2 million for the State's Distressed Community Relief program, which assists communities with the highest property tax

burdens relative to the wealth of taxpayers. This represents a 50.0 percent reduction, or \$6.2 million below the enacted level, and is the lowest appropriation level since FY2001.

Taxation

- **Sales Tax Enforcement and Compliance:** The Budget includes \$1.3 million in personnel and operating costs associated with several proposed sales tax changes, including \$676,676 for increased enforcement and compliance staff and \$600,000 for outreach and education within the Division of Taxation.
- **Health Care Individual Mandate:** The Budget includes \$125,590 to support the personnel costs associated with a proposed new 1.0 Data Analyst FTE position that would support the implementation and monitoring of the individual mandate tax filings required under the State's recently enacted Health Insurance Market Integrity Act.
- **Legal Services:** The Budget provides \$93,907 in personnel costs associated with a new 1.0 Deputy Chief of Legal Services FTE position.
- **Rlte Share Program Enforcement:** The Budget includes \$150,251 to ensure compliance by employers to new program changes to the States health insurance assistance program authorized in Article 14 of the Budget. These funds will pay for the \$100,251 in personnel costs and \$50,000 in operating expenses related to enforcement conducted by the Division of Taxation.

Office of the Lieutenant Governor: The Governor adds \$32,535 in general revenue for contracted legal services for drafting legislation, Access to Public Records Act (APPRO) requests, and general legal assistance for the office.

Office of the Secretary of State: The Budget adds \$655,000 in general revenue to support operating costs associated with the 2020 General Election; \$60,000 for advertising related to the 2020 General Election; and adds \$80,000 in all funds (\$26,667 general revenue) to support the relocation expenses for the state archives. The Budget includes turnover savings of \$815,131, an increase of \$139,719 from the FY2020 Budget as Enacted.

Board of Elections: The Budget adds \$486,498 in general revenue to support operating costs, associated with the 2020 General Election, reflecting \$258,908 for seasonal employees and \$165,000 for delivery and printing costs. The Governor also adds \$202,195 in general revenue for costs related to relocating the Board to a leased facility.

Ethics Commission: The Budget adds \$80,000 in general revenue for outside legal costs to support pending litigation in Superior Court.

Office of the Governor: The Governor adds \$354,160 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 includes an increase of \$100,000 to the discretionary contingency spending account.

Public Utilities Commission: The Budget adds 1.0 Engineer position to increase inspection capacity of utility infrastructure, and 1.0 Public Utilities Analyst to support utility regulatory proceedings. The positions will be financed by restricted receipts.

Executive Office of Commerce: The Governor includes \$44.3 million in total general revenue funding in support of the economic development and housing programming within the Executive Office of Commerce (EOC) and the Rhode Island Commerce Corporation (Commerce RI). This includes \$40.5 million for Economic Development Initiatives, Commerce Programs, and other programming. The Governor also recommends a major investment in affordable housing to be managed by EOC and financed by an increase in the State's real estate conveyance tax and a new bond referendum.

Economic Development Incentives & Commerce Programs

- **Rebuild RI:** The Governor includes \$22.5 million to assist economic development projects through the Rebuild RI program, \$12.5 million more than the enacted level. The Governor proposes several changes to the program including a reduction in the maximum project financing gap, a new credit for infrastructure investments, an extension of the program’s sunset, and an increase in the total program cap to from \$210.0 million to \$250.0 million.
- **Wavemaker:** The Budget provides \$2.1 million to help retain talented graduates through the Wavemaker Fellowship program, \$872,000 more than the enacted level. The Governor proposes to expand the program eligibility to include elementary and secondary educators specializing in science, technology, engineering, or mathematics (STEM).
- **I-195 Redevelopment:** The Budget includes \$1.0 million in new funding for the I-195 Redevelopment Fund. The fund is used to address financing gaps experienced by development projects located within the I-195 Redevelopment Zone. The Budget also increases the operating funds for the I-195 Commission by \$130,000 and provides \$1.0 million in Rhode Island Capital Plan (RICAP) funds designated for the maintenance of parks within the redevelopment zone.
- **Small Business Assistance:** The Governor recommends \$750,000 to support the small business assistance program, \$250,000 more than the enacted level. The program engages private lenders to support businesses with fewer than 200 employees.
- **International Trade and Export Programming:** The Budget includes \$476,000 to support international trade and export programming for Rhode Island businesses. The proposal is budget neutral relative to the FY2020 enacted level. The funding shifts from Bryant University’s John Chafee Center for International Business, which historically has received a pass-through appropriation to conduct this programming, to the Rhode Island Commerce Corporation.
- **Polaris Manufacturing Technical Assistance Program:** The Governor recommends \$450,000 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. This represents a \$50,000 increase over the enacted level. The Governor also provides additional funds to equip small existing manufacturers with the tools needed to transfer ownership to a new generation of business owners.
- **Municipal Capacity Building - Site Readiness:** The Budget includes \$390,000 to fund the work of five RI Commerce Corporation “fellows” within the Site Readiness program. The program provides municipalities with technical support aimed at reducing barriers to siting economic development projects.
- **Competitive Cluster Grants:** The Budget includes \$350,000 for the Competitive Cluster Grants program, \$250,000 more than the FY2020 enacted level. The program provides businesses within the State’s designated growth sectors with startup and technical assistance funding.
- **Deputy Secretary:** The Governor recommends \$209,911 in personnel costs associated with a new Deputy Secretary FTE position. The position will primarily focus on housing issues and other economic development priorities.
- **Minority Entrepreneurship:** The Budget provides \$150,000 within the Rhode Island Commerce Corporation to support minority entrepreneurship through assistance and grants programming managed by corporation staff. The Budget also defunds the State’s statutorily designated urban business incubator -Urban Ventures- creating a general revenue savings of \$140,000.

- **Commercial Property and Tangible Tax Study Commission:** The Budget also provides \$85,000 to fund the work of a proposed commission charged with studying the rate structure and administration of commercial property and tangible taxes at the municipal level.

Housing

The Budget includes several significant new initiatives to support affordable housing in Rhode Island.

- **Permanent Funding Stream:** The Governor establishes a new restricted receipt account, the Housing Production Fund, which would be capitalized by an increase in the real estate conveyance tax. The Budget includes \$3.5 million for this fund in FY2021; \$3.3 million will be used to build 250 new housing units and \$220,000 will be allotted for a new municipal housing development partnership initiative focused on improved local capacity and the removal of barriers to affordable housing at the local level.
- **Housing Opportunity Bond:** Article 5 includes a \$25.0 million bond proposal that would help finance the production of affordable and workforce housing throughout the State.
- **Governance:** Article 12 changes how the State coordinates, administers, and develops strategy and policy around affordable housing in Rhode Island. This includes the modernization of the Housing Resources Commission, establishment of a new Housing Resource Coordinating Committee, and codification of the Office of Housing and Community Development's roles and responsibilities.

Executive Office of Health and Human Services: The Governor includes \$1,010.7 million from general revenues (\$2,682.2 million all funds) for the Executive Office of Health and Human Services in FY2021. This represents a general revenue increase of \$8.4 million compared to the FY2020 Budget as Enacted, and is attributable to the following changes:

Central Management

- **Contracted Services:** The Governor recommends \$1.4 million from general revenues to finance an array of contracted services utilized by the Executive Office. This includes enhancements to the Medicaid Management Information System (MMIS), additional administrative support for the Rhody Health Options program, actuarial and related services, and improvements to managed care reporting and oversight.
- **Long-Term Services and Supports (LTSS) Investment:** The Governor adds \$1.0 million from general revenues to provide financial incentives to long-term care facilities to take empty nursing home beds out of service and to repurpose those beds for other uses, and to reward nursing facilities for transitioning low-acuity members from nursing homes to home- and community-based settings.
- **Unified Health Infrastructure Project (UHIP) Reductions:** The Budget includes \$422,284 in general revenue savings (\$3.7 million all funds) to reflect various contract and operational expenditure reductions within the United Health Infrastructure Project (UHIP).
- **Clinical Evaluation:** The Governor adds \$90,000 from general revenues (\$180,000 all funds) to contract a full-time clinician with expertise in children's intellectual and developmental disabilities and children's behavioral health. The clinician's primary focus will be to assess the current structure of the State's home-based services model, conduct clinical oversight of the agencies involved, research best practices across the country, and develop a plan for restructuring programs to best meet the needs of children served under the health and human services umbrella.

Medical Assistance

- **Caseload Estimating Conference:** The Governor recommends \$5.6 million in general revenue savings to reflect changes adopted by the November 2019 Caseload Estimating Conference. All Medicaid initiatives are applied against this estimate, rather than the Enacted Budget.

- **Disproportionate Share Hospital (DSH) Payment:** The Budget adds \$30.3 million more from general revenues (\$64.5 million all funds) to restore the Disproportionate Share Hospital (DSH) payment to the FY2020 Enacted level of \$142.3 million. The aggregate DSH payment was reduced to \$77.8 million in the adopted caseload estimate based on a reduction scheduled in current federal law. The Governor's Budget assumes that this reduction will be delayed and adjusts funding accordingly.
- **RI Bridges Eligibility Optimization:** The Budget includes \$8.1 million in general revenue savings (\$30.2 million all funds) to account for a significant reduction in Medicaid eligibility that occurred after the November 2019 Caseload Estimating Conference. In November 2019, the Executive Office experienced a 2.5 percent decline across its managed care programs, which is expected to impact caseload trends in the remainder of FY2020 and into FY2021. According to the Budget Office, this reduction is attributable to a one-time update to the RI Bridges system that terminated approximately 5,500 cases.
- **Hospital Rate Freeze:** The Governor recommends \$7.1 million in general revenue savings (\$20.3 million all funds) related to a rate freeze for inpatient and outpatient hospital services, rather than providing an annual rate inflator of approximately 2.9 percent.
- **Managed Care Organization (MCO) Full Risk:** The Budget includes \$5.4 million more from general revenues (\$15.7 million all funds) to transition the State's managed care plans from partial risk to full risk arrangements by increasing monthly capitation rates.
- **RIte Share:** The Governor recommends \$5.0 million in general revenue savings (\$18.4 million all funds) from maximizing RIte Share enrollment to move working Medicaid beneficiaries from standard Medicaid coverage onto employer-sponsored insurance, where the State will pay the costs of the employee's premium, rather than the full cost of enrolling the employee in one of the State's managed care plans. Article 14 also establishes a new penalty for employers who do not comply with RIte Share reporting requirements. The savings estimate includes \$600,000 in assumed implementation costs, including RI Bridges system changes as well as contracted support.
- **Adult Co-Pays:** The Budget includes \$4.5 million in general revenue savings (\$16.8 million all funds) from imposing adult co-pays for certain services as follows: \$1 for certain preferred prescription drugs, \$3.65 for all other prescription drugs, and \$3 for inpatient hospital visits. The co-pay requirement does not apply to adults in institutions, disabled adults, or children.
- **Nursing Home COLA:** The Governor recommends \$3.4 million in general revenue savings (\$7.5 million all funds) by providing a cost-of-living adjustment (COLA) of 1.0 percent to nursing home rates in lieu of an annual rate inflator of approximately 3.6 percent.
- **Fee-for-Service High Utilizers:** The Budget includes \$2.1 million in general revenue savings (\$6.1 million all funds) by engaging with a vendor to perform utilization management services for fee-for-service Medicaid members. This initiative would target the most expensive members, resulting in 6.5 percent cost savings. The estimate is net of \$250,000 in new contract expenses to procure a vendor.
- **Eliminate Outpatient Upper Payment Limit (UPL):** The Budget includes \$1.5 million in general revenue savings (\$4.6 million all funds) by eliminating the outpatient upper payment limit (UPL) payment in FY2021. The inpatient portion of this payment was eliminated in the enacted budget.
- **Neonatal Intensive Care Unit (NICU) Services:** The Governor recommends moving neonatal intensive care unit (NICU) services from fee-for-service into managed care, where managed care organizations (MCOs) will provide utilization management services, resulting in an estimated 10.0 percent cost savings. This equates to \$1.2 million in general revenue savings (\$2.5 million all funds) in FY2021.

- **Ambulance Rates:** The Governor provides \$790,395 in additional general revenue funding (\$2.2 million all funds) to maintain the increased non-emergency ambulance rates that were negotiated with the State's non-emergency medical transportation (NEMT) broker in August 2019.
- **Pharmacy Utilization:** The Budget includes \$497,726 in general revenue savings (\$1.5 million all funds) based on a pharmacy spend model that identifies the most cost-effective drugs within therapeutic classes and shifts a portion of assumed utilization towards those drugs in order to incentivize managed care organizations to achieve pharmacy savings.
- **Dual Care Management:** The Budget includes \$401,725 in general revenue savings (\$869,723 all funds) from accelerating expansion of a dual care pilot to increase nursing home diversion by modifying the current fee-for-service duals contract.
- **Perinatal Doula Services:** The Governor recommends adding Medicaid coverage for perinatal doula services, which provide individual supports for expectant mothers before, during, and after birth. The Budget includes an additional \$94,802 from general revenues (\$226,750 all funds), accordingly.
- **Graduate Medical Education (GME):** The Budget includes \$1.2 million in new federal funding to supplement the State's \$1.0 million general revenue payment for Graduate Medical Education (GME), for total funding of \$2.2 million. The State received approval for federal Medicaid matching funds on October 23, 2019, effective retroactively to July 1, 2019. In prior years, the \$1.0 million GME payment was not eligible for matching funds and was therefore made as a State-only payment.

Children, Youth, and Families: The Governor includes \$186.8 million from general revenues (\$263.6 million all funds) for the Department of Children, Youth, and Families in FY2021. This represents a general revenue increase of \$21.7 million compared to the FY2020 Budget as Enacted. Major changes include:

- **Caseload Increase:** The Budget adds \$28.4 million from general revenues to adjust for the Department's caseload trends and to bring funding more in line with prior year spending. Of this amount, \$18.1 million was included as a current service adjustment and an additional \$10.3 million was requested by the Department based on current FY2020 expenditure trends.
- **Federal Funding Optimization:** The Governor recommends \$3.3 million in general revenue savings by optimizing federal and restricted fund sources for the Department. The savings would be generated by streamlining current claiming processes associated with Medicaid and Title IV-E, cost allocation of probation workers to federal funds, and accurate determination of social security income eligibility.
- **Recruitment and Retention:** The Budget includes \$2.5 million in general revenue savings resulting from an investment included in the Revised Budget for 14.0 FTE positions to start in April 2020. These new positions will augment current staff in the Department's licensing unit to recruit, train, license, retain, and support of foster parents, doubling the number of available families from 200 to 400. The savings would be generated by shifting youth from other, more costly out-of-home placements into foster care, where appropriate. This initiative also includes an increase in per diem foster care rates.
- **Female Youth Project:** The Governor recommends \$1.1 million from general revenues to support the establishment of two new Psychiatric Residential Treatment Facilities (PRTFs) for approximately 40 identified female youth with complex mental and behavioral health needs that are currently being treated out-of-State, in a hospital, or at the Rhode Island Training School.
- **Private Agency Foster Care Procurement:** The Budget includes \$525,763 in general revenue savings resulting from an investment included in the Revised Budget for a 1.0 Chief of Program Development FTE position to start in April 2020. This position will act as a contract manager to assist the Department in renegotiating private agency foster care contracts. The savings would be generated by enhancing contract oversight and standardizing rates with private providers such that rates are based on a child's level of need rather than type of placement.

- **Training School Education Program:** The Governor recommends restructuring the education program at the Rhode Island Training School due to a historically low census and reduced demand for teachers. The Budget includes \$438,651 in general revenue savings, accordingly.
- **Supporting Safety Assessment Implementation:** The Budget includes \$341,801 in general revenue savings resulting from an investment included in the Revised Budget for 4.0 Child Protective Investigator FTE positions to start in April 2020. This initiative would reduce average employee caseloads to meet best practices and would lead to increased screenings and fewer youth entering care.
- **Higher Education Incentive Grants:** The Governor does not provide general revenue funding for the Higher Education Incentive Grant program, resulting in savings of \$200,000 compared to the Enacted Budget. According to the Budget Office, the program will be funded using reserve funds in FY2021.
- **Improving Child Advocacy and Caseworker Partnership:** The Governor adds \$77,457 from general revenues to hire 2.0 Senior Legal Counsel and 2.0 Paralegal FTE positions to allow for increased desk time for trial attorneys to engage with caseworkers and prepare for court events, thereby promoting availability and influence in court and accelerating the time for children in care to achieve permanency.
- **Director Salary:** The Governor adds \$8,048 from general revenues (\$10,920 all funds) to increase the Director's salary from \$127,500 to \$135,000, commensurate with directors in other health and human services agencies, and to adjust benefits accordingly.
- **RICHIST Replacement:** The Budget includes \$11.2 million from federal funds and \$17.0 million in certificates of participation (COPs) to replace the Department's legacy child welfare tracking system, known as RICHIST, with a new modular data system.

Health: The Budget includes \$33.0 million in general revenue expenditures (\$186.7 million all funds) for the Department of Health (DOH) in FY2021, increasing general revenue expenditures by \$2.0 million (\$87,087 all funds) compared to the FY2020 Budget as Enacted.

The major budget initiatives include the following:

- **Vaping Products:** The Governor includes an array of initiatives relating to vaping products, including the codification of the ban on flavored vaping products, providing tools for cessation and enforcement for RIDOH, and doubling the penalties associated with selling tobacco products to underage youth.
- **Dockside Sampling Program:** The Budget includes a new dockside sampling program to promote growth in the shellfish industry by sampling, lab testing, and monitoring Rhode Island shellfish. The program would be funded with a new permit fee, set by the Director of the Department of Health. The permit fee is expected to generate \$366,138 in revenues to finance the costs of the program.
- **Data Request Fee:** The Budget includes a data request fee on requests to the Center for Health Data and Analysis. The fee would only apply to for-profit businesses and is expected to generate \$438,900. The funds generated would increase the Center's ability to analyze and distribute the datasets.
- **Interstate Licensure Compact:** The Governor recommends that the State enter into five interstate medical licensure compacts to allow reciprocity or expedited licensing for nurses, physicians, EMS personnel, physical therapists, and psychologists. The compacts are expected to promote access to healthcare and increase the number of providers in the State.
- **EMS Exemptions:** The Budget eliminates licensing fee exemptions for municipal, volunteer, and non-profit Emergency Medical Services (EMS) professionals.
- **Home Visiting Programs:** The Budget increases funding for two home visiting programs that focus on prevention to promote healthier children and pregnancies and reduce poor outcomes. The Budget would increase general revenues to the Family Home Visiting Program by \$650,000 (\$1.4 million all funds) and \$378,000 (\$818,264 all funds) to the First Connections program.

- **Infectious Disease Prevention:** The Budget includes an additional \$88,109 in restricted receipts for 1.0 FTE position to promote education and treatment for HIV-positive individuals.
- **Medical Examiner Vehicle:** The Budget includes a \$13,647 increase in general revenue to finance a vehicle for the State Medical Examiner's Office. The vehicle will be paid for over three years.
- **Adult-Use Marijuana:** The Budget includes a \$643,372 increase in restricted receipts in FY2021 for food safety staffing and the operational costs associated with the proposed adult-use marijuana program.
- **Opioid Stewardship Program:** The FY2020 Budget established the Opioid Stewardship Fund, a restricted receipt account within the Department of Health. The account is funded with registration fees paid by all licensed manufacturers, distributors, and wholesalers of opioids. The Governor proposes \$58,326 for an additional FTE position to manage the finances of the fund.

Human Services: The Governor's Budget increases general revenue expenditures by \$25.7 million (all funds decrease by \$3.1 million) relative to the FY2020 Enacted level. The major changes include the following:

- **Child Care Assistance Program (CCAP) Reimbursement Rates:** The Budget includes an additional \$3.9 million in general revenues to increase reimbursement rates for licensed child care providers. This includes an additional \$1.8 million for licensed child care providers caring for infants and toddlers, and \$2.1 million for licensed child care providers caring for preschool aged children.
- **Child Care for Families in Higher Education:** The Governor includes \$200,000 in general revenues to provide child care for students who are enrolled in a Rhode Island public institution of higher education and have incomes at or below 180.0 percent of the federal poverty level.
- **Rhode Island Community Food Bank:** The Budget includes an additional \$175,000 in general revenues for the Rhode Island Community Food Bank. The additional funds will allow the Food Bank to continue providing support despite federal restrictions to the Supplemental Nutrition Assistance Program (SNAP).
- **Veterans' Services:** The Governor recommends the following changes to Veterans' Services:
 - **Redirect Resident Income:** The Governor recommends transferring all funds collected in resident income assessments to the Veterans' Home. Currently only 20.0 percent of the funds (\$1.1 million) are directed to the Veterans' Home. The remaining 80.0 percent (\$4.4 million) is directed to the general fund.
 - **Staffing and Contracts:** The Budget includes a \$1.0 million savings related to staffing and contracts and the Veterans' Home. Of the total savings, \$575,000 will be generated by implementing more efficient staffing policies and procedures at the Veterans' Home. The remaining \$450,000 is related to anticipated updates and renegotiations of current contracts, including the janitorial contract.
 - **Increase Resident Income Assessment:** The current income assessment for residents in the Veterans' Home is 80.0 percent of the resident's net income. For the purpose of the Veterans' Home, RIGL 30-24-10 defines net income as gross income, minus applicable federal and state taxes, minus a \$150 per month resident allowance and all amounts paid by the resident for the maintenance of a spouse or child who is blind and/or permanently disabled. The Governor's Budget increases the income assessment rate from 80.0 percent to 100.0 percent. The Budget also increases the monthly resident allowance from \$150 to \$300 and eliminates co-pays for physical and occupational therapy services.

- **Veterans' Cemetery Burial Cost:** The Governor recommends charging the U.S. Department of Veterans' Affairs plot allowance reimbursement rate for non-veteran burials. The fee is anticipated to generate \$351,600 to be transferred to the general fund.
- **Outstanding Small Estate Probates:** The Governor recommends collecting proceeds from open estate probates that are above \$15,000. This collection would generate \$280,000 to be transferred to the general fund.

Behavioral Healthcare, Developmental Disabilities, and Hospitals:

The Budget includes \$207.8 million in general revenue expenditures (\$487.0 million all funds) for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) in FY2021, increasing general revenue expenditures by \$11.4 million (\$23.9 million all funds) compared to the FY2020 Budget as Enacted.

Developmental Disabilities

- **Residential Rebalancing:** The Governor includes \$795,940 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 Increase:** The Budget includes an additional \$1.0 million in general revenue (\$2.2 million all funds) to increase wages for direct support professionals (DSPs) providing care for individuals with disabilities.
- **Caseload Estimate:** The Budget assumes a 1.5 percent caseload growth, less than originally expected, for FY2021, resulting in a \$1.0 million general revenue savings (\$2.2 million all funds).
- **Threshold Program:** The Budget includes a \$200,000 increase in general revenue expenditures for the Threshold Program within the Developmental Disabilities program. The Thresholds program provides safe affordable community housing options for behavioral healthcare and developmentally disabled clients. The Budget also includes a \$100,000 general revenue increase for the Access to Independence Program to finance home modifications for individuals with developmental disabilities.
- **RICLAS Privatization:** The Governor includes general revenue savings of \$2.9 million through an initiative to privatize the operations of the Rhode Island Community Living and Supports (RICLAS) system. Management, clients, properties and operations would be transferred to private Developmental Disability Organizations.

Hospital and Community Rehabilitation Services

- **Hospital Reorganization:** The Governor includes an additional \$12.0 million in certificates of participation (COPs) for the completion of the reorganization of the Eleanor Slater Hospital to comply with the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) standards.
- **Community Alternatives:** The Budget includes \$3.0 million in additional general revenue to provide a community alternative for individuals with behavioral health needs. Availability of a community alternative is expected to assist in rebalancing the system towards allowing individuals to live in the least restrictive setting and contain costs in the future.

Behavioral Health

- **Opioid Stewardship Funds:** The FY2020 Budget established the Opioid Stewardship Fund, a restricted receipt account funded with registration fees paid by all licensed manufacturers, distributors, and wholesalers of opioids. The Governor proposes that \$200,000 of the proceeds are used to expand the Recovery Housing program. The Budget also includes \$1.1 million from the Fund to support core housing programs, especially in cases where there are significant shortages for housing. The Governor

recommends that \$550,000 from the Fund is used to expand BH Link, a statewide resource providing 24-hour assessment, treatment, and referral for individuals in behavioral health crises.

- **Adult-Use Marijuana:** The Budget includes a \$530,762 increase in restricted receipts from the proposed adult-use marijuana program in FY2021 to support new substance use disorder prevention, treatment, and workforce development initiatives.
- **New DUI Fee:** The Budget includes a shift of \$220,016 in general revenues from a new \$250 fee effective January 1, 2021. The fee, paid by anyone who is convicted of driving under the influence (DUI) or refusal to submit a breathalyzer test, will be allocated to BHDDH to fund substance use disorder prevention and student assistance programs for youth.
- **Youth Substance Abuse Initiative:** The Budget redirects certain civil fines totaling \$249,653 to BHDDH for substance use disorder programs in middle schools, junior high schools, and high schools. The fines are collected on certain marijuana-related offenses and traffic violations.
- **Threshold Program:** The Budget includes a \$300,000 increase in general revenue expenditures for the Threshold Program within the Behavioral Health program. The Thresholds program provides safe affordable community housing options for behavioral healthcare and developmentally disabled clients.

Commission on Disabilities: The Budget adds \$45,000 in general revenue for community events recognizing the 30th anniversary of the Americans with Disabilities Act.

Office of the Child Advocate: The Governor includes \$1.1 million from general revenues, an increase of \$76,536 relative to the FY2020 Budget as Enacted. This is primarily related to personnel expenditures and reflects the annualized impact of the statewide cost-of-living adjustment effective December 22, 2019, as well as adjusted benefit rates. The FY2021 recommendation also includes \$4,000 for contracted clerical and legal services and \$2,000 for operating expenses.

Elementary and Secondary Education: The Governor increases funding in the Department by \$44.7 million in general revenue (\$64.4 million all funds) and provides 9.0 new FTE positions, two of which are funded from restricted receipts. The major changes include the following:

- **Funding Formula Aid:** The Budget provides \$31.5 million in general revenue to fully-fund the education funding formula in FY2021, excluding Davies Career and Technical School and Metropolitan Career and Technical Center. Included within this increase is an additional \$1.6 million for Central Falls.
- **Teacher Retirement:** The Budget includes an additional \$6.0 million (\$118.4 million total) for teacher retirement to support a projected wage increase of 2.5 percent.
- **Early Childhood Categorical and Pre-Kindergarten Expansion:** The Governor recommends \$4.5 million for the continued expansion of the early childhood categorical program and shifting Pre-K seats within Local Education Agencies (LEAs) into the education funding formula after the first year of the initial award. Of the \$4.5 million, \$3.3 million is attributable to shifting 358 seats into the funding formula. By leveraging additional federal funds, the Governor projects the new funding to support an increase of 750 seats.
- **English Learners (EL)/Multilingual Learners (MLL):** An increase of \$2.5 million in general revenue for the EL categorical, bringing total funding up to \$7.5 million. Article 10 changes the name of this categorical from EL to MLL.
- **School Resource Officer/Mental Health Categorical:** The Governor expands the categorical to include the hiring of new mental health professionals, including student assistance counselors, school counselors, psychologists, and social workers. The Budget includes \$1.0 million in general revenue for this category in FY2021, consistent with the enacted level; however, in FY2020 only \$325,000 was

utilized by the districts. The Governor also recommends \$1.0 million in restricted receipts from the Opioid Stewardship Fund, bringing total funding for FY2021 up to \$2.0 million. FY2021 is the final year for funding through this category.

- **School System Support within the Department:** The Budget adds \$623,961 in general revenue to support 3.0 new FTE positions and \$402,735 in restricted receipts to move the Department beyond compliance and into a more supportive role for districts. The restricted receipts are attributable to anticipated charitable donations.
- **School-Based Mental Health Services:** The Budget includes \$590,000 in restricted receipts from the Opioid Stewardship Fund to provide mental health/behavior health training, curricula, and other materials to prepare teachers to intervene with students. The FY2020 Budget established the Opioid Stewardship Fund, a restricted receipt account within the Department of Health. The account is funded through registration fees paid by all licensed manufacturers, distributors, and wholesalers. Licensed manufacturers, distributors, and wholesalers are required to report the details of all opioids sold or distributed in the State for the purposes of calculating their share of the fund's \$5.0 million total.
- **Curriculum:** The Budget provides \$297,608 in general revenue and 2.0 new FTE positions to assist in defining "high-quality" curriculum, establishing high-quality learning, and developing state social studies standards.
- **Rhode Island School for the Deaf-Audiology Billing:** The Governor transfers the responsibility for conducting hearing screenings from the School for the Deaf to the LEAs, and includes \$235,000 in general revenue savings.
- **School Building Authority (SBA):** The Budget finances the SBA operations through fees on debt issued for LEAs by the Rhode Island Health and Educational Building Corporation (RIHEBC) and includes an additional \$226,872 (\$998,000 total) in restricted receipts to provide funding for 6.0 FTE positions, including 4.0 current FTE positions and 2.0 new FTE positions.
- **Advanced Course Network:** The Budget includes an additional \$200,000 in Permanent School Funds (\$500,000 total) for the advanced course network. It is unclear if the Budget still includes the \$150,000 in general revenue and \$390,000 in Career and Technical Education categorical funds that were in the FY2020 Budget as Enacted.

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 School for the Deaf receives \$59,000 annually. Based on information from the 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.

- **Pre-Kindergarten Support:** The Governor recommends an increase of \$145,892 in general revenue and 1.0 FTE position to provide technical support, programming assistance, and facility visits for pre-kindergarten.
- **PrepareRI Support:** The Budget includes \$145,892 in general revenue to support 1.0 new FTE position to provide cross-agency coordination and project management associated with the Prepare RI program.
- **WIDA ACCESS Assessment Tests:** The Budget provides \$115,000 in general revenue for the Department to purchase WIDA ACCESS tests. WIDA is a consortium of state departments of education that developed the ACCESS test which is administered annually to English Language Learners to monitor the student's language development.

Higher Education: The Governor increases funding over the FY2020 Budget as Enacted by \$753,236 in general revenue for Public Higher Education. Changes in funding include the following:

- **Office of the Postsecondary Commission – Dual and Concurrent Enrollment:** The Budget provides an additional \$887,751 (\$3.2 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.
- **Rhode Island Promise Scholarship (RI Promise) CCRI:** An additional \$257,439 in general revenue (\$7.2 million total) is provided for RI Promise Scholarship. 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. Under current law, the high school graduating class of 2020 will be last eligible group; however, the Governor recommends eliminating the sunset of the RI Promise program.
- **Office of the Postsecondary Commission – Northern Rhode Island Education Center:** The Governor recommends 1.0 new FTE position for the Northern Rhode Island Education Center. This position will be supported by revenues generated from the Westerly Higher Education Center and the new Northern Rhode Island Education Center.
- **Community College of Rhode Island (CCRI) Advising Support:** The Governor recommends an additional \$268,995 to support three additional student advisors; however, there is not a corresponding increase in CCRI's FTE cap.
- **Debt Service:** Due to an updated debt schedule at the University of Rhode Island, the Budget increases general revenue debt service by \$16,966. Debt service at RIC decreases by \$474,574 and at CCRI by \$411,085.

Historical Preservation and Heritage Commission: The Governor's Budget increases general revenue expenditures by \$109,736 relative to the FY2020 Enacted level. The major changes include the following:

- **Statewide Adjustments:** The Governor includes statewide adjustments of \$120,787 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.

Attorney General: The Governor's Budget increases general revenue expenditures by \$1.4 million (\$976,136 all funds) relative to the FY2020 Enacted level. The major changes include the following:

- **Civil Division Personnel:** The Budget includes \$378,056 in general revenues to support an additional 4.0 FTE positions, including 2.0 FTE Staff Attorneys and 2.0 FTE Paralegals. These positions will support the Department's Civil Division which is responsible for multi-state cases that often generate monetary recoveries for the State.
- **Civil Litigation Funding:** The Governor includes an additional \$350,000 within the Civil Division to support additional civil litigation and increased participation in large, multi-state cases. The additional funding will support expert witnesses, eDiscovery, and legal software solutions and support.
- **Criminal Division Personnel:** The Governor includes \$299,397 in general revenues to support an additional 3.0 FTE positions, including 2.0 FTE Special Victims Unit Attorneys and 1.0 FTE Paralegal. These additional positions will support the Department's Special Victims Unit and allow for a decrease in caseloads and stronger representation in cases. The Budget also includes an additional \$110,369 to support the hiring of 1.0 Staff Attorney position. The new Staff Attorney will split their time between the Division's Intake Unit and Diversion Court.

Corrections: The Governor's Budget increases general revenue expenditures by \$21,181 (all funds decrease by \$3.2 million) relative to the FY2020 Enacted level. The major general revenue changes include the following:

- **Overtime Savings:** There is an anticipated general revenue savings of \$4.8 million related to a reduction in overtime including:
 - A savings of \$982,907 in Correctional Office (CO) overtime related to stricter enforcement of sick leave policies to reduce fraudulent discharging of sick time.
 - A \$972,754 savings in CO overtime due to the closure of two double modules at the Intake Service Center.
 - A \$780,270 savings in CO overtime related to the proposed eight month closure of a full module at Medium Security.
 - A savings of \$777,292 in CO overtime due to the closure of two 12-person modules in the High Security Center. The Governor proposes transferring 24 High Security inmates to out-of-state facilities and taking in 24 lower security inmates from out-of-state facilities who could be housed in lower security facilities.
 - A \$633,970 savings in CO overtime related to an anticipated reduction in emergency room and hospital trips. The Governor proposes hiring additional FTE's in the Health Services program, allowing for more focus on preventative treatment and less need for hospital trips.
 - A \$612,376 savings in non-Correctional Officer overtime through stricter enforcement of overtime policies throughout the Department.
- **Inmate Population Per-Diem Savings:** The Budget includes a general revenue savings of \$655,925 in per-diem expenses related to an anticipated decrease in the inmate population. The FY2020 Budget as Enacted was based on an average daily population of 2,671 inmates. The Governor's FY2021 Budget decreases this number by 122 individuals, to 2,549 inmates.
- **Correctional Officer Class:** The Governor includes an additional \$500,000 in general revenue funding to allow for an accelerated timeline for the next CO Class to begin at the Training Academy. The next class was anticipated to start in March 2021. The Budget moves the start date up to September 2020 with the recruits graduating in December 2020.
- **Healthcare Personnel and Savings:** The Governor includes \$498,848 in additional general revenue funding to support the hiring of 4.0 new FTE positions including 2.0 FTE Health Program Administrators, 1.0 FTE Co-Hospital Case Manager, and 1.0 FTE Data Analyst I. These additional positions are intended to allow the Department to focus more on preventative care and efficient management of medical issues, thereby reducing the number of hospital visits and reducing CO overtime as stated above. The Governor also includes \$165,900 in medical expenditure savings.
- **Discharge Planning:** The Budget includes \$595,000 in general revenues for the creation of a new Discharge Planning Office within the Department. This includes hiring an additional 7.0 FTE positions including 1.0 FTE Community Corrections Assessment Coordinator and 6.0 FTE Community Corrections Assessment Analysts. The increase in general revenues is offset by a \$515,000 savings related to the elimination of the current Discharge Planning contract, provided by an outside vendor, and \$88,350 savings in turnover.
- **Apprenticeship Program:** The Governor includes \$200,000 in general revenues to create an apprenticeship program within the Department. This funding includes \$110,336 for the hiring of an additional 1.0 FTE to manage the apprenticeship program in collaboration with the Department of Labor and Training, and \$87,664 to fund instructor and ancillary costs.

- **Re-Entry Partnership:** The Governor includes \$116,728 in general revenues to support the hiring of 1.0 new Coordinator of Employment and Training Programs FTE position. This position is intended to help reduce recidivism by working with the Department of Labor and Training to connect inmates with post-release work opportunities.
- **Medical Parole Update- Geriatric Parole:** The Governor includes a savings of \$150,000 related to the expansion of medical parole to include a new geriatric parole provision. This would allow for the release of elderly inmates whose age and illness decrease their safety risk to the public. The provision would allow eligible inmates over 65 who have served the lesser of 10 years or 75.0 percent of their sentence to be considered for geriatric parole.
- **Statewide Adjustments:** The Governor includes statewide adjustments of \$2.8 million throughout the Department, which reflect savings achieved through lower medical rates for State employees, adjustments in overtime financing, and adjustments for internal service fund charges.

Judiciary: The Governor increases funding over the FY2020 Budget as Enacted by \$1.2 million in general revenue across the Department, including an increase of \$150,551 for the defense of indigents fund for a one-time expense related to the transfer of up to 70 cases from the Office of the Public Defender.

Military Staff: The Budget includes \$157,564 in general revenue to support 1.0 new FTE Deputy Director position to assist in the newly extended roles of the military staff. The Budget also includes \$311,642 in federal funds for an additional 3.0 Firefighter positions at the Quonset Air Base.

Rhode Island Emergency Management Agency: The Budget includes \$277,750 in general revenue to support the Code RED emergency response notification system which sends alerts via various emergency alert systems.

Public Safety: The Governor recommends \$105.7 million in general revenue to support the operations of the Department of Public Safety (DPS). Major FY2021 budget initiatives include:

State Police

- **Southern Barracks:** The Budget includes \$35.0 million in certificates of participation (COPs) to finance the construction of new barracks in the southern part of Rhode Island that is meant to replace the obsolete Wickford and Hope Valley facilities. (Portsmouth?)
- **Exeter Reimbursement:** The Governor recommends \$441,310 in savings associated with a proposal to require the Town of Exeter to reimburse the State for services that the State Police provide to the town in the absence of a police department.
- **Training Academy:** The Budget provides \$424,371 in general revenue for costs associated with recruitment and other activities in preparation for the next State Police Training Academy class, scheduled for June 2021.
- **Adult-Use Marijuana:** The Governor recommends \$500,000 in restricted receipts to support public safety initiatives related to the legalization of adult-use marijuana.

Security Services

- **Injured-on-Duty Adjustments:** The Budget provides \$141,116 in general revenue savings related to employees previously out on injured-on-duty benefits that have either returned to work or received a disability pension.

E-911

- **Upgrades to Fiber Optics:** The Budget provides \$750,000 in restricted E-911 funds to upgrade current copper wiring to fiber optic cable that will increase telecommunication capacity.

Office of the Public Defender: The Budget includes \$338,778 in general revenue to support 3.0 new Assistant Public Defender IV positions to aid in the management of caseload levels.

Department of Environmental Management: The Governor increases funding over the FY2020 Budget as Enacted by \$2.6 million in general revenue and \$278,696 in all funds. Changes in funding include the following:

- **Investments in State Parks:** The Budget increase general funding for the Division of Parks and Recreation by \$648,685 in general revenue, including funding for 6.0 new FTE positions, \$150,000 for building maintenance and repairs, and \$150,000 for grounds maintenance. The FTE positions include three maintenance technicians, a plumber, a clerk, and a civil engineer. This investment is intended to complement the general obligation bond proposal to upgrade beach and park facilities.
- **Improved Permitting Efficiency:** The Governor recommends 5.0 new FTE Environmental Engineer I positions to expedite permit processing times and provide case manager services for applicants with complex needs. The Budget also includes an additional \$599,212 in projected expedited permitting fee revenues.
- **Local Agriculture and Seafood Act (LASA):** The Budget includes an increase of \$150,000 in general revenue (\$250,000 total) to provide additional grants through the LASA grant program. The LASA program was established to support the growth, development, and marketing of local food and seafood within Rhode Island. The program was launched in FY2014 and is co-administered by the Division of Agriculture, within the Rhode Island Department of Environmental Management, and the Rhode Island Food Policy Council. Grants are awarded through a competitive process open to farmers, fishermen/women, non-profits, and producer groups based in Rhode Island. The Department has indicated that applications for grants far exceed available funding.
- **Seasonal Employees and Minimum Wage Increase:** The Governor increases the minimum wage from \$10.50 to \$11.50 per hour; consequently, the Budget includes \$151,343 in general revenue for the minimum wage increase for seasonal workers in the Department.
- **Ocean State Climate Adaptation and Resilience Fund:** The Governor increases the fee on oil imports to generate \$1.9 million in restricted receipts to support resiliency projects in the State.
- **Commercial Fishing License Modernization:** The Governor updates the commercial fishing licensing program to allow more flexibility for the fishing industry and increase revenue to support marine fisheries operations. The Budget includes an additional \$81,025 in restricted receipts from this update.
- **Fish and Wildlife Fees:** The Governor increases fish and wildlife license and permit fees and projects an increase of \$62,482 in additional restricted receipts. The additional receipts would provide match for federal funds to support Rhode Island projects such as wildlife restoration and habitat management.

Transportation: The Governor recommends \$613.1 million in total funding for the Department of Transportation (DOT). This includes \$340.7 million in federal funds, \$233.4 million in other funds, \$36.3 million from the Rhode Island Capital Plan Fund, and \$2.7 million in restricted receipts. All funds decrease by \$10.7 million relative to the FY2020 Enacted level. This includes a \$23.2 million decrease in other funds, a \$2.8 million decrease in Rhode Island Capital Plan (RICAP) Funds, and a \$351,222 decrease in restricted receipts. These decreases are partially offset by a \$15.7 million increase in federal funds.

- **Federal Funds:** The Budget includes \$124.2 million in federal funds from the U.S. Congress to be used mainly for bridge rehabilitation, with smaller amounts being used for other transportation projects. The Governor recommends these funds be used to replace the Henderson Bridge, the Cranston Huntington Viaduct Bridge, and some related smaller bridge projects.

- **Motor Fuel Tax Revenue Bond:** The Governor's Budget includes \$64.3 million in bond proceeds from the issuance of a new motor fuel tax revenue bond. The Bond would be secured by the residual funding left over from the two cents of the gas tax currently dedicated to debt service for a 2003 bond issuance.
- **Toll Revenue Transfer:** The Governor's Budget transfers funds from the Bridge Replacement, Reconstruction and Maintenance Fund to the Intermodal Surface Transportation Fund. This transfer would be used to support ongoing projects including the 6/10 Interchange project. Funds can only be transferred once the immediate needs to the bridges associated with each gantry location have been met. The Governor's Budget includes a \$40.1 million transfer in FY2021.
- **GARVEE Debt Service:** The FY2020 Budget as Enacted included a new Grant Anticipation Revenue Vehicle (GARVEE) bond issuance of \$200.0 million. The Governor includes \$16.0 million of these funds in FY2021 to be used for debt service for both the new GARVEE bond and existing bonds.
- **RIPTA Bus Purchase:** The Governor includes \$3.1 million from the HMA to provide a 20.0 percent match to \$12.5 million in funding from the Federal Transit Administration. These funds will be used to purchase 34 replacement vehicles for the State's public transit fleet.
- **URI Bus Hub:** The Budget includes \$1.4 million to support the construction of a bus hub at the University of Rhode Island's (URI) Kingston Campus. \$850,000 will be used to support construction of the facility. The remaining \$500,000 will finance the purchase of additional vehicles to expand public transit within South County.

State Aid and Education Aid

STATE AID

State Aid to Cities and Towns

Distressed Communities Relief Fund: The Governor recommends \$6.2 million in general revenue for the Distressed Community Relief Fund, representing a 50.0 percent reduction from the FY2020 enacted level of \$12.4 million.

Payment in Lieu of Taxes (PILOT): PILOT is level-funded at \$46.1 million in FY2021. 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 FY2021 represents a rate of 26.2 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 \$100.6 million in total reimbursement funding for cities and towns, an increase of \$6.4 million over the FY2020 enacted level, and \$10.5 million above the FY2020 final amount. 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 FY2021 would be \$22.3 million.

Library Grant-in-Aid: The Governor recommends \$8.8 million in State Aid to Libraries for both FY2021 and the revised FY2020 Budgets.

Library Construction Aid: The Governor recommends \$2.7 million in FY2021 to reimburse communities for up to 50.0 percent of eligible costs of approved library construction projects.

Public Service Corporation Tax: The FY2021 Budget provides \$13.3 million to be distributed to municipalities on July 31, 2020. This estimate is subject to change upon the receipt of final (December 2019) data in the spring of 2020.

Meals & Beverage Tax: The 1.0 percent tax on gross receipts from the sale of food and beverages is estimated to generate \$30.2 million in revised FY2020 and \$31.4 million in FY2021 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 \$10.9 million in FY2020. Article 8 includes a 1.0 percent increase in the hotel tax, with all new revenue being retained by the State. To accomplish this without reducing the amount that is distributed to municipalities, Article 8 adjusts the local share from 25.0 percent to 20.8 percent. This is estimated to generate \$11.4 million in FY2021 for distribution to cities and towns.

Airport Impact Aid: The Budget level funds state aid funding to communities that host airports. The Airport Impact Aid program is funded at \$1.0 million. 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 \$1.1 million to reimburse municipalities for a portion of the cost of conducting statistical property revaluations. This is \$429,754 more than the enacted level.

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 \$38.6 million in education aid, including an increase of \$31.0 million to fully fund the tenth year of the funding formula and 358 pre-kindergarten seats previously provided through categorical aid.

Tenth Year of Funding Formula: The Budget includes an increase of \$31.0 million to fully fund the education aid formula in the tenth year of the phase in. This increase brings total formula aid funding to \$1,027.9 million and includes funding for 358 prekindergarten seats that were previously supported through the early childhood education categorical.

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 FY2021, Central Falls' Stabilization funding is estimated to increase by \$236,657 (\$7.0 million total); however, total education aid to the community is estimated to increase by \$1.6 million.

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 \$7.7 million in FY2021.

Governor's FY2021 Education Aid

Categorical	Change from	
	Enacted	Total Funding
Tenth Year of Formula	\$31.0	\$1,027.9
Central Falls Stabilization	(1.0)	7.0
Transportation	-	7.7
Early Childhood	4.8	19.6
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
Davies Stabilization	0.4	5.2
English Learners	2.5	7.5
Public School Choice Density	-	-
Met School Stabilization	0.1	1.9
Regionalization Bonus	-	-
Group Home Aid	(0.2)	3.0
School Resource Officer Support	1.0	2.0
Total	\$38.6	\$1,090.9
<i>\$ in millions</i>		

Early Childhood Education: This category provides funding for early childhood education programs. The Governor funds this category at \$16.3 million in FY2021, an increase of \$1.4 million over the FY2020 Budget as Enacted. This increase does not include the \$3.3 million added to the funding formula distribution to support 358 seats located in district schools. By leveraging federal funds, the increase is projected to support 750 new seats.

Article 10 also requires the Rhode Island Department of Elementary and Secondary Education (RIDE) to include the students enrolled in pre-kindergarten classes approved by the Department in the average daily membership, eliminates language specifying that the General Assembly determines the funds for the pre-kindergarten program, and requires the expansion of the program until every family who wants a seat has one.

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 \$367,044 (\$5.2 million total) in FY2021.

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 \$2.5 million (\$7.5 million total) in FY2021. Article 10 changes the name of this category from English learners (EL) to multilingual learners (MLL).

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.

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 \$139,253 is recommended to provide a zero net impact on funding relative to FY2020. 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 FY2021, as no new regional districts have been formed.

Group Homes: The Governor's FY2021 Budget includes \$3.0 million to fund group home beds, \$183,171 less than the FY2020 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/Mental Health: The Governor recommends expanding the categorical to include the hiring of new mental health professionals, including student assistance counselors, school counselors, psychologists, and social workers. Article 9 of the FY2019 Budget as Enacted established a category to support new Resource Officers at public middle and high schools. The Budget includes \$1.0 million in general revenue for this category in FY2021, consistent with the enacted level; however, in FY2020 only \$325,000 was utilized by the districts. The Governor also recommends \$1.0 million in restricted receipts from the Opioid Stewardship Fund, bringing total funding for FY2021 up to \$2.0 million. Under current law and pursuant to Article 10 of the FY2021 budget, FY2021 is the final year of funding for this category.

The FY2020 Budget established the Opioid Stewardship Fund, a restricted receipt account within the Department of Health. The account is funded through registration fees paid by all licensed manufacturers, distributors, and wholesalers. Licensed manufacturers, distributors, and wholesalers are required to report the details of all opioids sold or distributed in the State for the purposes of calculating their share of the fund's \$5.0 million total.

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 \$400,000 in general revenue for the Telecommunication Education Access Fund (E-Rate), an increase of \$7,777 from the FY2020 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 \$79.1 million, and recommends \$869,807 for the School Building Authority Capital Fund.

Teacher Retirement: The Governor recommends \$118.4 million for the State's share of teacher retirement, an increase of \$6.0 million over the enacted budget.

FY2020 Supplemental

For the FY2020 Budget, the Governor recommends \$8.7 million more in general revenue spending, and \$91.1 million more from all funding sources, than the FY2020 Budget as Enacted.

- **Administration:**
 - **Debt Service:** The Budget decreases \$9.9 million in general revenue for debt service, reflecting decreases of \$7.1 million for general obligation bonds and a general revenue decrease of \$2.8 million for other debt service costs.
 - **Personnel and Operating Savings:** There is an increase of \$4.6 million in general revenue reflecting the distribution of statewide personnel and operating savings to other departments.
 - **Centralized Services:** The budget includes general revenue increases of \$3.8 million for Capital Asset and Management centralized service expenses and \$3.6 million for additional Information Technology centralized service expenses.
- **Revenue:** The Budget decreases motor vehicle excise tax phase-out aid by \$4.0 million based on current available vehicle valuation data, and provides an additional \$398,000 in general revenue to ensure compliance with the June 1, 2020, implementation date for the reissuance of licenses plates.
- **Labor and Training:** The Budget includes an additional \$507,845 in restricted receipts related to the creation of the proposed South County Arrigan Center. The Center is expected to begin offering services in the Spring of 2020. The Budget also includes an additional \$1.9 million in restricted receipts for settlement payouts from the R.I. Uninsured Employers Fund.
- **Executive Office of Health and Human Services:** The Governor proposes \$986.0 million in general revenue funding (\$2,668.9 million all funds) for the Executive Office of Health and Human Services in FY2020, reducing general revenue expenditures by \$16.3 million (\$21.8 million all funds) compared to the Enacted Budget. Major changes include:
 - **Caseload Estimating Conference:** The Governor recommends \$11.2 million in general revenue savings to reflect changes adopted by the November 2019 Caseload Estimating Conference.
 - **RI Bridges Eligibility Optimization:** The Budget includes \$5.2 million in general revenue savings (\$19.5 million all funds) to account for a significant reduction in Medicaid eligibility that occurred after the November 2019 Caseload Estimating Conference. In November 2019, the Executive Office experienced a 2.5 percent decline across its managed care programs, which is expected to impact caseload trends in the remainder of FY2020 and into FY2021. According to the Budget Office, this reduction is attributable to a one-time update to the RI Bridges system that terminated approximately 5,500 cases.
 - **Graduate Medical Education (GME):** The Governor adds \$500,000 in new federal funding to supplement the State's \$1.0 million general revenue payment for Graduate Medical Education (GME), for total funding of \$1.5 million. The State received approval for federal Medicaid matching funds on October 23, 2019, effective retroactively to July 1, 2019. In prior years, the \$1.0 million GME payment was not eligible for matching funds and was therefore made as a State-only payment.
- **Children, Youth, and Families:** The Governor proposes \$185.7 million in general revenue funding (\$256.2 million all funds) for the Department of Children, Youth, and Families in FY2020, increasing general revenue expenditures by \$20.8 million (\$26.3 million all funds) compared to the Enacted Budget. Major changes include:

- **Caseload Increase:** The Budget adds \$22.0 million from general revenues to adjust for caseload trends, consistent with the Department's first quarter report.
- **Federal Funding Optimization:** The Budget includes \$310,265 in general revenue savings by optimizing federal and restricted fund sources for the Department. The savings would be generated by streamlining current claiming processes associated with Medicaid and Title IV-E, cost allocating probation workers to federal funds, and accurately determining social security income eligibility.
- **Recruitment and Retention:** The Budget includes \$279,657 in general revenue savings to hire 14.0 FTE positions to start in April 2020. These new positions will augment current staff in the Department's licensing unit to recruit, train, license, retain, and support foster parents, doubling the number of available families from 200 to 400. The savings would be generated by shifting youth from other, more costly out-of-home placements into foster care, where appropriate.
- **Training School Education Program:** The Governor recommends restructuring the education program at the Rhode Island Training School due to a historically low census and reduced demand for teachers. The Budget includes \$219,326 in general revenue savings, accordingly.
- **Improving Child Advocacy and Caseworker Partnership:** The Governor adds \$33,311 from general revenues to hire 2.0 Senior Legal Counsel and 2.0 Paralegal FTE positions to allow for increased desk time for trial attorneys to engage with caseworkers and prepare for court events, thereby promoting availability and influence in court and accelerating the time for children in care to achieve permanency.
- **Private Agency Foster Care Procurement:** The Governor adds \$25,258 from general revenues to hire 1.0 Chief of Program Development FTE to start in April 2020. This position will act as a contract manager to assist the Department in renegotiating private agency foster care contracts. The savings would be generated by enhancing contract oversight and standardizing rates with private providers such that rates are based on a child's level of need rather than type of placement.
- **Supporting Safety Assessment Implementation:** The Budget includes \$24,228 from general revenues to hire 4.0 Child Protective Investigator FTE positions to start in April 2020. This initiative would reduce average employee caseloads to meet best practices and would lead to increased screenings and fewer youth entering care.
- **Director Salary:** The Governor adds \$1,875 from general revenues to increase the Director's salary from \$127,500 to \$135,000, commensurate with directors in other health and human services agencies, and to adjust benefits accordingly.
- **Multisystemic Therapy:** The Budget includes \$386,022 in new restricted receipts to reflect the allocation of Opioid Stewardship funds for Multisystemic Therapy (MST), which is an intensive community-based behavioral health treatment program for juvenile offenders and their families.
- **Human Services:** The Budget includes an additional \$21,670 in general revenue relative to the FY2020 Budget at Enacted. The Governor includes an additional \$1.9 million in funding for the Veterans' Home related to higher than anticipated contract medical and janitorial costs. This increase is partially offset by a decrease of \$1.3 million in funds related to the November 2019 Caseload Estimating Conference.
- **Behavioral Healthcare, Developmental Disabilities, and Hospitals:** The Budget shifts \$200,000 from general revenue to restricted receipts for the Recovery Housing Program. The restricted receipts funds are from the Opioid Stewardship Fund, an account established in FY2020 and funded with the registration fees paid by all licensed manufacturers, distributors, and wholesalers of opioids.
- **Commission on Disabilities:** The Budget adds \$28,586 in general revenue for additional funds for the Livable Homes Modification Program.

- **Office of the Child Advocate:** The Governor includes \$970,275 from general revenues, a reduction of \$16,426 relative to the FY2020 Budget as Enacted. This change is primarily related to staff turnover in the current year. The Office experienced an average vacancy rate of 2.3 FTE positions, or 23.0 percent of the total authorization, in the first half of FY2020. As of the January 4, 2020, payroll period, 1.0 FTE position remains vacant and the Office anticipates that it will be fully staffed by the end of FY2020.
- **Elementary and Secondary Education:** The Budget decreases general revenue funding for the Department by \$276,082. The recommendation includes a decrease of \$675,000 in general revenue from the School Resource Officer categorical program (\$325,000 remaining) to reflect actual expenditures. This decrease is partially offset by an increase in education aid to Central Falls of \$500,000 in FY2020 to provide funding for an influx of new students that were not anticipated in the March 2019 enrollment update.
- **Higher Education:** The Budget shifts \$3.2 million in general revenue support for debt service on general obligation bonds for the University of Rhode Island and the Rhode Island College.
- **Corrections:** The Budget includes \$3.4 million from the Opioid Stewardship Fund be used for Individualized Treatment/Recovery assessments and services within the Department. The program provides intake assessments, counseling, clinicians, and discharge planning for inmates with substance abuse disorders. The Governor anticipates \$1.6 million in general revenue savings related to this program.
- **Transportation:** Relative to the FY2020 Budget as Enacted the Budget increases federal funds by \$12.7 million and increases Rhode Island Capital Plan (RICAP) Fund financing by \$1.3 million. The Budget decreases other funds by \$15.4 million and restricted receipts by \$351,222. The Budget includes an additional \$13.1 million to continue funding various highway projects, including ongoing construction of the Route 6/10 interchange. The decrease in other funds is related to the reappropriation of funds previously appropriated as gas tax, highway maintenance account funds or other funds into the Intermodal Surface Transportation fund and Bridge Replacement, Reconstruction and Maintenance fund.



DEPARTMENTAL SUMMARIES

Department of Administration

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Accounts and Control	\$4.9	\$5.6	\$5.6	(\$0.0)	-0.2%	\$5.3	(\$0.3)	-4.7%
Office of Management and Budget	8.4	9.8	9.5	(0.3)	(0.0)	9.6	(0.2)	(0.0)
Capital Asset Management and Maintenance	9.8	9.8	13.6	3.8	-	11.2	1.3	1.0
Central Management	2.1	2.4	2.4	-	-	2.4	0.0	0.0
Debt Service Payments	164.9	197.1	185.4	(11.7)	(0.1)	199.4	2.3	0.0
Energy Resources	2.7	8.8	17.9	9.1	1.0	8.5	(0.3)	(0.0)
General	44.4	62.6	62.7	0.1	0.0	52.6	(10.0)	(0.2)
Human Resources	0.6	0.8	1.3	0.5	0.6	0.4	(0.4)	(0.5)
Information Technology	7.3	8.4	23.0	14.6	1.7	13.5	5.1	0.6
Legal Services	1.9	2.3	2.2	(0.1)	(0.1)	2.0	(0.3)	(0.1)
Library and Information Services	2.6	2.6	2.8	0.2	0.1	3.0	0.4	0.1
Personnel Appeal Board	0.1	0.2	0.2	-	-	0.1	-	-
Personnel and Operational Reforms	(0.9)	(4.6)	-	4.6	(1.0)	-	4.6	(1.0)
Planning	4.0	6.5	7.6	1.1	0.2	7.2	0.8	0.1
Purchasing	4.3	4.3	4.3	0.0	0.0	4.5	0.2	0.1
Rhode Island Health Benefits Exchange (HealthSource RI)	8.1	10.0	10.8	0.9	0.1	21.5	11.5	1.2
The Office of Diversity, Equity and Opportunity	1.3	1.4	1.4	(0.0)	(0.0)	1.5	0.1	0.0
Total	\$266.4	\$327.9	\$350.7	\$22.8	7.0%	\$342.7	\$14.8	4.5%

Expenditures By Source								
General Revenue	\$174.1	\$206.6	\$208.9	\$2.3	1.1%	\$215.0	\$8.4	4.1%
Federal Funds	4.3	4.2	4.1	(0.1)	-2.4%	2.5	(1.7)	-40.5%
Restricted Receipts	14.0	24.4	45.3	20.9	85.7%	38.8	14.4	59.0%
Other Funds	74.0	92.7	92.4	(0.3)	-0.3%	86.4	(6.3)	-6.8%
Total	\$266.4	\$327.9	\$350.7	\$22.8	7.0%	\$342.7	\$14.8	4.5%

Authorized FTE Levels 655.7 647.7 647.7 - 0.0% 652.7 5.0 0.8%

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

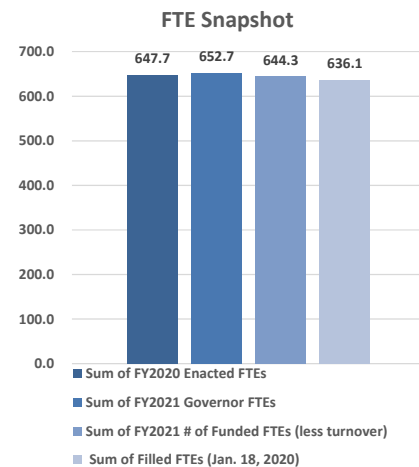
The Department of Administration's primary function is to provide support services to state departments and agencies. The Department of Administration was created to consolidate the finance, purchasing, and management functions of the State. There are 17 sub-programs with specific functions within the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

MAJOR ISSUES AND TRENDS

The FY2019 Final Budget totals \$266.4 million, of which \$174.1 million is general revenue. This reflects a general revenue overspend of \$1.6 million. The Agency reported surpluses of \$20.5 million in restricted receipts, \$16.6 million in other funds, and \$39,146 in federal funds.

The Revised Budget includes an all funds appropriation of \$350.7 million in FY2020, reflecting a net increase of \$22.8 million from the FY2020 Budget as Enacted. General revenues total \$208.9 million and comprise 59.6 percent of the Department's total appropriation. General revenues increase by \$2.2 million from the previous fiscal year.

The Budget includes an all funds appropriation of \$342.7 million in FY2021, reflecting a net increase of \$14.8 million from the FY2020 Budget as Enacted. General revenues total \$215.0 million and comprise 69.6 percent of the Department's total appropriation. For FY2021, general revenues increase by \$8.4 million from the previous fiscal year.



The Budget increases the Department's number of full-time employees by 5.0 FTE positions. The Budget adds 2.0 FTE positions for the development of a request for proposal for a single data system to administer the State's financial and human resources functions. The new Enterprise Resource Planning (ERP) System will replace the State's old legacy system, unify and standardize the processes and data. The Budget includes two new Information Technology positions: a 1.0 new Systems Support Technician III position and for a 1.0 new Administrator Management Information Systems position. The Governor also adds a 1.0 Real Estate Portfolio Manager FTE position to oversee the real estate planning and management of state properties.

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
FY2020 Enacted	\$5,412,043
<i>Target and Other Adjustments</i>	<i>(2,000)</i>
Personnel Adjustments	(199,286)
Turnover	(87,621)
Information Technology Charges	32,896
FY2021 Governor	\$5,156,032

Personnel Adjustments **(\$199,286)**

The Budget includes savings generated through increased cost recovery from non-general revenue sources and personnel savings by allocating the costs of existing Accounts and Control personnel who process payroll to the Human Resources Internal Service Fund. The savings are offset slightly by statewide planning value adjustments set by the Budget Office.

Turnover **(\$87,621)**

The Budget includes \$130,621 for turnover, an increase of \$87,621 in general revenue savings over the \$43,000 included in the FY2020 Budget as Enacted. According to the Budget Office, the turnover is partially attributable to the recommended constrained decision package for Accounts and Control. The Department of Administration averaged 15.7 vacancies over FY2020. The reduction is equivalent to 1.8 FTE positions.

Information Technology Charges **\$32,896**

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. These expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2020 Budget as Enacted appropriated \$891,730 for this expense, which is increased by \$32,896 to \$924,626 in the FY2021 proposed budget.

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.
- **Strategic Management:** Assists departments and agencies with strategic planning.
- **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
FY2020 Enacted	\$8,220,142
<i>Target and Other Adjustments</i>	<i>(525,536)</i>
Budget Office Reorganization Personnel	1,099,922
Office of Performance Management Consolidation	(651,025)
Information Technology Charges	109,247
Contract Services	40,500
FY2021 Governor	\$8,293,250

Budget Office Reorganization - Personnel **\$1.1 million**

The Budget increases general revenue funded personnel costs by \$1.1 million. Part of the increase reflects the transfer of 4.0 FTE positions from the Performance Management Office to the Budget Office to more fully integrate performance management practices into the budget development process. The FY2020 Budget as Enacted Performance Management salary and benefits totaled \$638,470. Other personnel cost increases are attributable to the following changes:

- Addition of 1.0 FTE Database Administrator (salary and benefits: \$231,309), hired in FY2019 after the submission of the Governor's FY2020 Budget Recommendation.
- Addition of 1.0 FTE Data Analyst II (salary and benefits: \$139,164)

There are also changes to positions as part of the OMB reorganization. This includes 2.0 Budget Office Supervisor positions that are now 2.0 Chief Budget and Policy Analysts and general changes to align positions with new job class (i.e., Budget and Policy Analyst rather than Budget Analyst job class)

Analyst Note: According to the Department, there has been significant turnover in the Budget Office: 6.0 of the FTE positions that the FY2020 Budget as Enacted is based upon, left during FY2019.

Performance Management Office Consolidation**(\$651,025)**

The Budget consolidates and transfers the responsibilities of the Office of Performance Management under the State Budget Office. The general revenue funding will internally transfer between the two offices.

Information Technology Charges**\$109,247**

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. These expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2020 Budget as Enacted appropriated \$348,406 for this expense, which is increased by \$109,247 to \$457,653 in the FY2021 proposed budget.

Contract Services**\$40,500**

The Budget adds \$35,000 in general revenue for contracted management consultant services within the Office of Internal Audit (OIA). The funding will allow the OIA to conduct an Internal Audit Quality Assurance review, which is required for the OIA to maintain certification from the Institute of Internal Auditors. According to the Institute of Internal Auditors, the Quality Assurance and Improvement Program (QAIP) enables an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the International Standards for the Professional Practice of Internal Auditing (Standards) and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Budget also adds \$5,500 for actual contract costs with IHS Global for economic forecasting services for the November and May Revenue Estimating Conferences.

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, Office of Facilities Management and Maintenance, and the Office of Planning, Design and Construction, and has oversight of the following areas:

- Planning, Design and Construction (PDC) manages new construction and rehabilitation projects.
- Facilities Management and Maintenance (OFMM) maintains State facilities.
- Risk Management
- 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
FY2020 Enacted	\$9,817,305
<i>Target and Other Adjustments</i>	<i>207,012</i>
Centralized Services Adjustment	839,966
Miscellaneous Expenses	153,532
Real Estate Portfolio Manager Position	146,950
FY2021 Governor	\$11,164,765

Centralized Services Adjustment**\$839,966**

The Budget increases general revenue expenditures by \$839,966 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 FY2020 Budget as Enacted appropriated \$7.8 million for these expenses, which is increased by \$839,966 to \$8.6 million in the FY2021 proposed budget.

Miscellaneous Expenses**\$153,532**

The FY2020 Budget as Enacted included \$4.6 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 Budget includes an increase of \$153,532 in general revenue under miscellaneous expenses reflecting the zero-sum reallocation adjustment to natural accounts with positive budgeted amounts.

Real Estate Portfolio Manager Position**\$146,950**

The Budget adds \$146,950 in general revenue to hire a new 1.0 Real Estate Management position to oversee the strategic real estate planning and management of state properties. The recommendation for this position was born from the Commission on Government Efficiency's Real Estate Working Group that was convened in 2019.

Analyst Note: The inclusion of a Real estate Portfolio Manager position is not netted into the efficiency savings presented by the Commission on government Efficiency.

CENTRAL MANAGEMENT

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

- The Director's Office provides for the overall operation of the department and assists 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.

Central Management	General Revenue
FY2020 Enacted	\$2,389,232
<i>Target and Other Adjustments</i>	-
Personnel Adjustments	299,248
Turnover	(227,003)
Information Technology Charges	(37,569)
FY2021 Governor	\$2,423,908

Personnel Adjustments**\$299,248**

There is an increase of \$299,248 for personnel costs in general revenue for salary and benefits, exclusive of turnover, when compared to the FY2020 enacted budget. According to the Department, the increase reflects the addition of a Senior Management and Methods Analyst position and an Associate Director (Department of Human Services) Division of Management Services to the program. The added costs are offset slightly by a 50.0 percent cost reduction of an Executive Secretary position for the State Properties Committee, which was transferred to the Division of Capital Asset Maintenance and Management general revenue program.

Turnover**(\$227,003)**

The Budget includes \$247,003 for turnover, an increase of \$227,003 in general revenue over the \$20,000 included in the FY2020 Budget as Enacted. According to the Budget Office, the turnover is partially attributable to the recommended constrained decision package for Central Management. The Department of Administration averaged 15.7 vacancies over FY2020. The reduction is equivalent to 4.6 FTE positions.

Information Technology Charges**(\$37,569)**

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 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 FY2020 Budget as Enacted appropriated \$118,588 for this expense, which is decreased by \$37,569 to \$81,019 in the FY2021 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
FY2020 Enacted	\$158,777,282
<i>Target and Other Adjustments</i>	-
Other Debt Service Changes	9,593,037
General Obligation Bond Changes	(6,850,449)
Certificates of Participation (COPs)	(2,090,073)
FY2021 Governor	\$159,429,797

Other Debt Service Changes**\$9.6 million**

The Budget includes \$61.4 million in general revenue for debt service expenses on seven items, reflecting an increase of \$9.6 million from various adjustments from the FY2020 Budget as Enacted. Significant adjustments include \$11.7 million for the final debt service payment for the 38 Studios Debt Service, a decrease of \$3.6 million reflecting debt service no longer required for the Providence Place Mall, and higher projected debt service for the Rhode Island Convention Center debt as a result of previous bond refunding of 2009 Series A tax-exempt bonds that do not continue into FY2021.

Other Debt Service	FY2020 Enacted	FY2021 Governor	Change
38 Studios Debt Service	\$0.4	\$12.1	\$11.7
EDC - Providence Place Mall Sales Tax	3.6	-	(3.6)
Convention Center Authority	20.7	22.1	1.4
Garrahy Clifford Street Parking Garage	1.7	2.1	0.4
EDC - Fidelity Job Rent Credits	3.0	2.8	(0.2)
I-195 Land Acquisition	3.0	2.9	(0.1)
Historic Structures Tax Credit	19.4	19.4	-
Total	\$51.8	\$61.4	\$9.6

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

38 Studios Debt Service: The Budget includes \$12.1 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 \$52.1 million in settlement payments and earned interest. The net collections are used to offset the annual debt service requirements. The State will make the final debt service payment of \$12.1 million in FY2021. The total debt service cost to the state, less settlement collections, is projected at \$36.2 million.

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

FY	Total Debt Service			Source of Debt Payment				Cummulative 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	3,666,995	38,296,456	74,290,631
2016	8,360,000	4,139,112	12,499,112	-	12,499,113	1,958	10,416,667	50,795,568	61,791,519
2017	8,860,000	3,589,287	12,449,287	-	-	-	36,895,833	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	-	446,819	-	1,081,149	100,298,674	12,288,413
2021	11,830,000	458,413	12,288,413	-	12,075,000	-	-	112,587,087	-
Total	\$75,000,000	\$37,587,087	\$112,587,087	\$23,353,490	\$36,155,932	1,061,121	\$52,060,644	\$112,587,087	

Source: State Budget Office

EDC – Providence Place Mall Sales Tax: The Budget does not include any funding for outstanding debt service for obligations concerning the Providence Place Mall, reflecting a decrease of \$3.6 million in general revenue as compared to the FY2020 Budget as Enacted. The original financing of this debt required a final debt service payment in FY2020. However, the debt service reserve funds that were set aside in FY1999 were sufficient to fully defease the remaining debt in October 2019. This defeasance negated the need for the \$3.6 million general revenue debt service appropriation in FY2020 and any future requirement for debt service beyond FY2020.

Analyst Note: In May 2000, the then Rhode Island Economic Development Corporation issued a \$40.8 million revenue note to finance a portion of the Providence Place Mall. The financing was supported by two-thirds of the sales tax generated at the mall. Final payment of the bonds occurred in October 2019.

Convention Center Authority Debt Service: The FY2020 Budget as Enacted included \$20.7 million for debt service, reflecting the restoration of the refunding savings less \$500,000 for projected energy savings, resulting in an appropriation that was \$2.0 million more than appropriated in FY2019. The FY2020 Revised Budget does not change the appropriation. For FY2021, the Budget includes \$22.1 million in general revenue, reflecting an increase of \$1.5 million from the previous fiscal year. The FY2021 recommendation is based on current service debt service levels, including a \$750,000 savings resulting from energy

conservation savings. The debt service increase is due to the previous refunding savings that were available in FY2019 and FY2020, but do not continue into FY2021.

Garrahy Clifford Street Parking Garage: The Budget includes \$2.1 million in general revenue reflecting debt service for the new Garrahy (Clifford Street) Parking Garage. This is an increase of \$355,497 from the previous year. The FY2016 Budget as Enacted authorized the State to enter into an agreement with the Rhode Island Convention Center Authority (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 project is nearly complete. There is one outstanding issue to complete that involves the elevator installation. According to the Authority, the contractor experienced a manpower shortage throughout the region which delayed the elevator installation. However, the Authority began parking approximately 400 vehicles from employees of the Department of Administration and the Department of Children, Youth, and Families.

EDC – Fidelity Job Rent Credits: The Budget includes \$2.8 million for debt service payments relating to the Fidelity Job Credits, reflecting a decrease of \$170,000 as compared to the FY2020 Budget as Enacted. Fidelity Investments receives a job credit of \$1,000 per employee for each job over the first 1,000 positions employed at their facility. The job credit calculation occurs on a semi-annual basis, over two credit periods. The first credit period calculates the average number of jobs from March to August. The second credit period covers the average number of jobs from September to February. The FY2020 Budget as Enacted anticipated the Fidelity Job Credit to be \$3.0 million in general revenue. Based on revised average employment reports from Fidelity Investments, the Governor recommends a revised general revenue appropriation of \$2.8 million, a decrease of \$170,000 in FY2020 and FY2021.

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 \$1.7 million in land sale proceeds, resulting in a state general revenue appropriation of \$2.7 million. In FY2021, the total debt service is \$4.4 million, projected to be offset by \$1.5 million in land sale proceeds, resulting in a state general revenue appropriation of \$2.9 million, reflecting a decrease of \$150,000. 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	(1.7)	2.7
2021	1.7	2.7	4.4	(1.5)	2.9
2022	1.8	2.6	4.4	(1.2)	3.2
2023	1.9	2.4	4.3	(1.9)	2.4
Total	\$8.3	\$13.5	\$21.8	(\$8.1)	\$13.7

\$ 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 \$32.0 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. The following table illustrates the projected payments from FY2024 to FY2033.

Projected Debt Service FY2024 – FY2033

Fiscal Year	Principal	Interest	Total Debt Service	Estimated Offset	Projected State Appropriation
2024	\$2.4	\$1.5	\$3.9	\$0.0	\$3.9
2025	2.5	1.4	3.9	-	3.9
2026	2.6	1.3	3.9	-	3.9
2027	2.8	1.1	3.9	-	3.9
2028	2.9	1.0	3.9	-	3.9
2029	3.1	0.8	3.9	-	3.9
2030	3.2	0.7	3.9	-	3.9
2031	3.4	0.5	3.9	-	3.9
2032	3.5	0.4	3.9	-	3.9
2033	3.7	0.2	3.9	-	3.9
Total	\$30.1	\$8.9	\$39.0	\$0.0	\$39.0

\$ in millions

General Obligation Bond Changes

(\$6.9 million)

The Budget includes \$70.9 million in general revenue to fund the costs of the State's general obligation debt service in FY2021, or \$6.9 million less than FY2020 Budget as Enacted.

General Obligation Debt	FY2020 Enacted	FY2021 Governor	Change
G.O. Bond New Bond Issue Projected Costs	\$14.7	\$10.5	(\$4.2)
All Other G.O. Bond Adjustments	63.1	60.4	(2.7)
Total	\$77.8	\$70.9	(\$6.9)

\$ in millions

Totals may vary due to rounding.

New General Obligation Bond Debt: The debt service projected for FY2021 decreases costs by \$4.2 million in general revenue and is based on the issuance of \$153.0 million in bonds in December 2019 and a planned issuance of \$156.4 million the fall of 2020. The projected debt service is based on a 5.0 percent interest rate.

Certificates of Participation (COPs)

(\$2.1 million)

The Budget includes \$27.1 million in general revenue to cover the debt service on eight projects financed through certificates of participation (COPs). This reflects a decrease of \$2.1 million from the FY2020 Budget as Enacted.

Certificates of Participation	FY2020 Enacted	FY2021 Governor	Change
BHDDH - Power Plant	\$2.2	\$2.2	\$0.0
COPS - DCYF Training School	4.2	4.2	-
COPS - Energy Conservation	7.1	5.0	(2.1)
COPS - Kent County Courthouse	4.6	4.6	-
COPS - Pastore Hospital Consolidation	1.9	1.9	-
COPS - School for the Deaf	2.5	2.5	-
COPS - Technology	5.0	5.0	-
COPS - Traffic Tribunal - Debt Service	1.7	1.7	-
Total	\$29.2	\$27.1	(\$2.1)

\$ in millions

Totals may vary due to rounding.

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
Regional Greenhouse Gas Initiative	(1,774,287)
Electrify RI - Volkswagen Settlement Fund	1,356,289
Rooftop Solar Challenge II	41,521

Regional Greenhouse Gas Initiative (restricted receipts) ***(\$1.8 million)***

The Budget includes \$5.0 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects a decrease of \$1.8 million from the FY2020 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.

Electrify RI - Volkswagen Settlement Fund (restricted receipts) ***\$1.4 million***

The Budget includes \$1.4 million in restricted receipts to fund the Electrify RI Electric Vehicle (EV) Charging Station Program. This initiative is supported by the State's Volkswagen Settlement funds and provides financial incentives to install electric vehicle (EV) charging stations at Rhode Island workplaces, multi-unit dwellings, non-profits, and government-owned properties.

The program is administered by the Rhode Island Office of Energy Resources (OER) to make more charging stations accessible to Rhode Island drivers. The increased availability of charging stations will encourage state residents and businesses to make the switch to electric vehicles to reduce transportation-related carbon emissions and pollutants. This program will help fund the installation of new EV charging stations – including Level II and Direct Current Fast Charging (DCFC).

The funds for Electrify RI come from the Volkswagen Diesel Settlement (VW Settlement) Environmental Mitigation Trust and are being invested according to the state's Beneficiary Mitigation Plan (BMP) to achieve significant and sustained reductions in diesel emissions and expedite the development and widespread adoption of zero-emission vehicles. The FY2020 revised budget includes \$1.6 million in restricted receipts for Electrify RI.

Analyst Note: In 2016 the Environmental Protection Agency filed a complaint against Volkswagen alleging that they violated the Clean Air Act. During normal operation and use, Volkswagen vehicles emitted levels of nitrogen oxides (NOx) significantly in excess of EPA's compliance levels. Volkswagen was found guilty and agreed to spend up to \$14.7 billion to settle allegations of cheating emissions. Settlement funds will be used to buy back and / or modify vehicles, and to support national and state-level projects to reduce NOx emissions.

Rooftop Solar Challenge II (federal funds) ***\$41,521***

The Budget adds \$41,521 in federal funds for a regional solar program. The Rhode Island Office of Energy Resources (RIOER) is participating in a regional effort called the New England Solar Cost-Reduction Partnership that will target non-hardware "soft" costs of photovoltaic (PV) solar electricity systems and

increase coordination throughout New England. Clean Energy States Alliance (CESA), a national nonprofit organization that works with state leaders, federal agencies, industry players, and other stakeholders to promote renewables and energy efficiency, will coordinate the initiative, which has been awarded \$1.5 million under the U.S. Department of Energy (DOE) SunShot Initiative Rooftop Solar Challenge II program.

The New England Solar Cost-Reduction Partnership will help strengthen the solar market in the five-state region with 13 million residents. The partnership will refine and deploy innovations developed in Connecticut and Massachusetts for DOE's Rooftop Solar Challenge I and will more widely implement solar best practices from around the region. Through this award, the OER will collaborate with agencies from the four other states to tackle a range of barriers to PV deployment, including permitting and interconnection challenges; the need for new financing tools; and planning and zoning rule variations. The FY2020 revised budget includes \$41,521 in federal funds for the partnership.

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
FY2020 Enacted	\$12,529,302
<i>Target and Other Adjustments</i>	-
Library Construction Aid	765,636
FY2021 Governor	\$13,294,938
General	Other Fund Changes
RICAP Project Changes	(\$10,767,572)

Library Construction Aid **\$765,636**

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 FY2021, the Budget includes \$2.7 million, an increase of \$765,636 from the FY2020 Budget as Enacted.

RICAP Project Adjustments (other funds) **(\$10.8 million)**

The Budget includes \$38.6 million in RICAP funds for various capital projects in FY2021 reflecting a decrease of \$10.8 million from the previous fiscal year. Significant project changes include:

- **Hospital Consolidation:** Includes \$12.0 million to fund the Hospital Reorganization and Consolidation project to improve the quality of care and obtain operational efficiencies. The total project cost is \$49.9 million (\$27.9 million RICAP funds and \$22.0 million from Certificates of Participation (COPs).
- **Pastore Center Campus Projects:** Includes \$7.5 million to fund various major maintenance and repairs to 35 structures at the Pastore Government Center.

- **Rhode Island Convention Center Authority Venues:** Includes \$3.6 million in RICAP funds for continued asset protection, upgrades, renovations, and funding of the renewal and replacement bond covenant for the Dunkin Donuts Center. This is a decrease of \$3.5 million from the previous year.
- **Capitol Hill Campus Projects:** Includes \$5.1 million, an increase of \$1.5 million from the previous year, to fund various infrastructure upgrades to structures listed as the Capitol 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 \$250,000 for continued structural stabilization work on the facility.

Analyst Note: The Department of Administration issued a Request for Information (RFI) last year to test the waters and determine who might be interested in developing/programming/managing the Cranston Street Armory. The State intends to retain ownership. The Department received four proposals. The Department also hired a consultant, UTILE, two years ago that has been working to collect data from the community and getting feedback from the various community stakeholders as to how to use the Armory. The Department drafted a Request for Proposal (RFP) and vetted it with the community as well as with Commerce RI to connect with their network of potential responders from across the country. The RFP was released in February 2020 and it is now posted. The plan is to post for 60-90 days to receive responses.

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
FY2020 Enacted	\$788,541
<i>Target and Other Adjustments</i>	<i>16,237</i>
Centralized Service Charges	(415,636)
FY2021 Governor	\$389,142
Centralized Service Charges	(\$415,636)

The Budget includes \$388,541 in general revenue expenditures for Human Resource Service Center projected costs in FY2021. This is a reduction of \$415,636 from the FY2020 Budget as Enacted amount of \$804,177. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. 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 FY2021. The FY2020 Budget as Enacted appropriated \$804,177 for centralized human resource center expenses, which is decreased by \$415,636 to \$388,541 in the FY2021 budget.

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. 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
FY2020 Enacted	\$1,647,418

<i>Target and Other Adjustments</i>	28,587
Enterprise Resource Planning	1,500,000
Information Technology Charges	(378,587)
FY2021 Governor	\$2,797,418

Information Technology	Other Fund Changes
Information Technology Investment Fund	\$3,968,226

Enterprise Resource Planning (ERP) \$1.5 million

The Budget includes \$1.5 million in general revenue to support two new FTE positions and for contracted employees and consultants for the development of a request for proposal for a single data system to administer the State's financial and human resources functions. The new ERP system will replace the State's old legacy system, unify and standardize the processes and data. This supports the request for \$54.8 million in certificate of participation (COPs) as presented in Article 4.

Information Technology Charges (\$378,587)

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 FY2020 Budget as Enacted appropriated \$1.7 million for this expense, which is decreased by \$378,587 to \$1.3 million in the FY2021 proposed budget.

Information Technology Investment Fund (restricted receipts) \$4.0 million

The Budget includes \$10.6 million in restricted receipts for the Information Technology Investment Fund (ITIF), reflecting an increase of \$4.0 million in restricted receipts from the FY2020 Budget as Enacted, and a decrease of \$529,812 from the Governor's FY2020 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. In FY2015, 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, but this was repealed under Article 2 of the FY2020 Budget as Enacted and replaced with a

new revenue source derived from 10.0 percent of a \$0.50 fee imposed on land-lines and 10.0 percent of the \$0.75 fee imposed on wireless phone lines. The surcharge change is projected to provide the technology investment fund annually \$1.0 million.

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.

Article 4 of the FY2018 Budget as Enacted established a \$1.50 surcharge on every DMV fee transaction. This 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 was previously authorized through June 30, 2022.

Article 7 of the FY2020 Budget as Enacted made 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 increase 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 remaining \$1.50 is deposited into the ITIF. The article removes the existing sunset and shifts the remaining \$1.50 from the ITIF 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 will receive \$2.5 million of this revenue and \$1.7 million will be deposited into the DMV restricted receipt account.

Each year the Department establishes a list of proposed and approved projects. For FY2020, this list consists of \$16.7 million in approved projects. All projects listed by the Department are subject to the availability of funds in the ITIF. The ITIF available cash balance is \$6.3 million excluding obligations, approved projects, and approximately \$17.0 million in projected revenues. The projected revenue includes \$7.2 million in property sales. Including the proposed project costs, the Fund would have a balance of \$321,261 at the end of FY2020. However, if the proposed property sales do not materialize, the ending balance would be in deficit by \$6.9 million.

For FY2021, the Department's list of proposed and approved projects totals \$9.5 million. The ITIF available cash balance is \$321,261 (assuming the property sales occur in FY2020) and approximately \$9.2 million in projected revenues. Total available resources will be \$9.5 million. Including the proposed project costs, the Fund would have a balance of \$0 at the end of FY2021. It appears that in order for the Fund to continue forward funding IT projects, the Fund will require additional revenue resources or appropriations.

Between FY2022 and FY2025, there are \$22.5 million in project requests. The projected revenue over the same period totals \$6.6 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 a timely matter. The following table illustrates the proposed and approved ITIF projects, funding balance and requested project costs:

Information Technology Fund	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Total Approved Projects	(\$16,708,598)	(\$9,549,630)	(\$3,300,000)	(\$1,100,000)	(\$1,100,000)	(\$1,100,000)
Projected FY Beginning Balance	6,263,099	321,261	-	-	-	-
Estimated Sale of Property	7,194,760	5,800,000	-	-	-	-
E-911 Fees	1,072,000	928,369	900,000	900,000	900,000	900,000
DMV \$1.50 Surcharge	2,300,000	2,300,000	2,200,000	-	-	-
Vital Records Surcharge	200,000	200,000	200,000	200,000	200,000	200,000
Projected FY Ending Balance	\$321,261	\$0	\$0	\$0	\$0	\$0
Variance Capital Request to Approved Projects	(\$6,619,081)	(\$9,893,324)	(\$16,718,592)	(\$60,000)	\$440,000	\$440,000
Capital Budget Requests	\$23,327,679	\$19,442,954	\$20,018,592	\$1,160,000	\$660,000	\$660,000
Projected Cash Availability	17,029,859	9,549,630	3,300,000	1,100,000	1,100,000	1,100,000

Source: Department of Administration

Analyst Note: According to the Department as of March 27, 2020, The Department is minimizing expenditures from the ITIF for the remainder of FY2020 to the \$3.9 million available figure, consisting of any carry-forward from FY2020, DMV fees and Telecommunication fees, plus limited revenue from the Department of Health Vital Record fees.

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
FY2020 Enacted	\$2,294,340
Target and Other Adjustments	(1,519)
Personnel Adjustments	(202,486)
Deputy Chief of Legal Services	(101,202)
FY2021 Governor	\$1,989,133

Personnel Adjustments (\$202,486)

The Budget reduces general revenues by \$202,486 for salary and benefit costs reflecting savings from several vacant FTE positions in the program that will remain unfilled in FY2021. These savings were requested by the Department.

Deputy Chief of Legal Services (\$101,202)

The Budget decreases \$101,202 in general revenue reflecting the vacancy of a 1.0 Deputy Chief of Legal Services position. The Department requested the position remain unfilled in FY2021 as a cost-savings measure but expects to fill the position in the future (after FY2021), hence why there is a decrease in the FTE authorization.

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
FY2020 Enacted	\$1,457,501
<i>Target and Other Adjustments</i>	51,295
Interlibrary Delivery System	61,750
Turnover	30,000
Information Technology Charges	13,781
FY2021 Governor	\$1,614,327

Library and Information Services	Other Fund Changes
Library Services Technology	\$222,507

Interlibrary Delivery System **\$61,750**

The Budget increases \$61,750 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.

Turnover **\$30,000**

The Budget increases general revenue by \$30,000 reflecting lower projected personnel turnover savings as compared to the previous fiscal year.

Information Technology Charges **\$13,781**

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. These expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2020 Budget as Enacted appropriated \$26,486 for centralized information technology expenses, which is increased by \$13,781 to \$40,267 in the FY2021 budget.

Library Services Technology (federal funds) **\$222,507**

The Budget adds \$222,507 in federal funds to support innovation and other projects in public libraries. This includes an increase of \$150,000 for pass-through Museums for America project grants.

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 before 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
FY2020 Enacted	\$151,521
<i>Target and Other Adjustments</i>	(26,223)
FY2021 Governor	\$125,298

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
FY2020 Enacted	(\$4,607,518)
<i>Target and Other Adjustments</i>	-
Personnel and Operating Savings	4,607,518
FY2021 Governor	\$0

Personnel and Operating Savings **\$4.6 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 FY2020 Budget as Enacted included \$4.6 million in statewide general revenue savings to be identified in the current fiscal year.

The Budget includes no statewide personnel and operating savings in FY2021, reflecting decreased statewide savings of \$4.6 million (reflected as a positive number) as compared to the FY2020 Budget as Enacted.

Personnel and Operating Reforms	FY2020 Enacted Savings	FY2021 Projected Savings	Change
Waste and Fraud Detection System	(1,950,518)	-	\$1,950,518
Injured on Duty Savings	(1,657,000)	-	\$1,657,000
Overtime Savings	(1,000,000)	-	\$1,000,000
Total	(\$4,607,518)	\$0	\$4,607,518

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
FY2020 Enacted	\$1,530,465
<i>Target and Other Adjustments</i>	47,333
Complete Count (Census 2020)	(450,000)
Personnel Adjustments	(180,610)
Capital Leases	31,557
FY2021 Governor	\$978,745

Planning	Other Fund Changes
Payment of Sub-awards	\$1,150,000
Capital Leases	71,632

Complete Count (Census 2020) ***(\$450,000)***

The Budget includes \$50,000 in general revenue, a decrease of \$450,000 from the FY2020 Budget as Enacted to fund the Complete Count Initiative. 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 FY2020 Budget as Enacted included \$500,000 in general revenue to pay for outreach activities to hard-to-count populations; media buys; distribute information to communities, non-profits, and other partners; and, a coordinated campaign to ensure awareness and visibility. The project will be largely complete by the start of FY2021, resulting in reduced funding in FY2021.

Personnel Adjustments ***(\$180,610)***

The Budget decreases \$180,610 in general revenue, of which \$122,841 of the decrease reflects the allocation of the new Data Analyst II position for the census. It was 100 percent funded by general revenue in the enacted budget. The balance of the reduction is turnover savings.

Capital Leases ***\$31,557***

The Budget adds \$31,557 in general revenue for capital lease costs related to the relocation of the Statewide Planning office and personnel from the Department of Administration (William Powers Building) on Capitol Hill, a state-owned structure, to the privately-owned Foundry Building at 235 Promenade Street in the City of Providence. The relocation is in response to recommendations from the Commission on Government Efficiency, established by Executive Order on February 21, 2019. The Commission's final report issued on May 8, 2019, recommended relocating the Statewide Planning Office to create space sufficient to move the consolidated Rhode Island Education Department (RIDE) and Office of Post-Secondary Commissioner (OPC) from the state-owned Shephard Building to the Powers Building. There is a corresponding increase of \$71,632 in other funds for the same purpose.

Analyst Note: As of March 10, 2020, the consolidation of RIDE and OPC has not occurred nor has either entity relocated to the Powers Building.

Payment of Sub-awards (other funds) ***\$1.2 million***

The Budget adds \$1.2 million in other funds, reflecting an increase of \$1.0 million for transportation projects originally budgeted in FY2019 but due to delays the expenditures will happen in FY2020/FY2021 and \$150,000 from delayed/unspent Hurricane Sandy Disaster Recovery federal funds.

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 proposals 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
FY2020 Enacted	\$3,335,156
<i>Target and Other Adjustments</i>	93,238
Information Technology Charges	163,477
FY2021 Governor	\$3,591,871

Information Technology Charges **\$163,477**

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 FY2020 Budget as Enacted appropriated \$468,405 for this expense, which is increased by \$163,477 to \$631,882 in the FY2021 proposed budget.

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
FY2020 Enacted	\$1,591,498
<i>Target and Other Adjustments</i>	10,000
Contract Services	1,043,912
Software Maintenance Agreements	(400,000)
Rental of Outside Property	94,244
FY2021 Governor	\$2,339,654

Rhode Island Health Benefits Exchange (HealthSource RI)	Other Fund Changes
Rhode Island Health Benefits Exchange - restricted receipts	\$10,778,239
Rhode Island Health Benefits Exchange - federal	Informational

Contract Services **\$1.0 million**

The Budget increases by \$1.0 million in general revenue for contract service expenditures as compared to the FY2020 Budget as Enacted. According to Healthsource RI, the program relies on general revenue and restricted receipts to fund its operations and is allowed to use either funding source to budget and incur expenses. The FY2020 Budget as Enacted used restricted receipts to fund several contracted expenses. As

part of the FY2021 Budget, Healthsource RI uses restricted receipts to predominately fund personnel, operating, and other costs, while shifting some of the contracted costs to general revenue.

Software Maintenance Agreements - Individual Mandate

(\$400,000)

The Budget removes \$400,000 in general revenue expenses as compared to the FY2020 Budget as Enacted. Article 11 of the FY2020 Budget as Enacted established 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 FY2020 Budget as Enacted included \$400,000 in general revenue for software maintenance agreements to implement the state individual mandate/market stabilization of health insurance. This funding is not required in FY2021.

Rental of Outside Property

\$94,244

The Budget adds \$94,244 in general revenue reflecting a shift of funding for the lease costs of the Healthsource RI office located at 501 Wampanoag Trail in the City of East Providence. The FY2020 Budget as Enacted appropriated \$140,598 in restricted receipts for the lease costs. However, the Budget shifts \$94,244 (65.0 percent) of the costs from restricted receipts to general revenue in the proposed FY2020 Revised Budget and FY2021 Budget. There is a corresponding decrease of \$89,842 in restricted receipt for the lease costs. The lease for the Healthsource RI office was recently renewed and the rent increased \$4,402, which is divided 65.0 percent general revenue and 35.0 percent restricted receipts.

Rhode Island Health Benefits Exchange (restricted receipts)

\$10.8 million

The Budget includes \$19.1 million in restricted receipts for personnel and operating costs for 16.0 FTE positions. This reflects a net increase of \$10.8 million from the FY2020 Budget as Enacted, and includes increases of \$8.3 million for the payment of sub-awards, \$1.3 million for contracted services, and \$1.3 million for operating and computer costs, and a decrease of \$156,811 for personnel costs. The increase is largely due to increased restricted receipts from the Health Insurance Market Integrity Fund (HIMIF). The Health Insurance Market Integrity Fund (HIMIF) is funded by taxpayer penalty payments for not maintaining minimum essential health insurance coverage. The fund supports the State's reinsurance program.

Rhode Island Health Benefits Exchange (federal)

Informational

The Budget includes no federal funds for the Rhode Island Health Benefits Exchange for FY2021. 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 the FY2018 Budget as Enacted, the design, development, and implementation of HealthSource RI has been funded with \$140.7 million in federal grants.

HealthSource RI	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Enacted	FY2020 Revised	FY2021 Governor	Total
Federal Funds	\$21.8	\$47.3	\$48.5	\$17.6	\$3.7	\$1.8	\$0.1	-	-	-	\$140.7
Restricted Receipts	-	-	-	2.8	5.5	5.3	5.2	8.4	9.2	19.1	41.9
Total	\$21.8	\$47.3	\$48.5	\$20.4	\$9.2	\$7.1	\$5.3	\$8.4	\$9.2	\$19.1	\$182.6

\$ 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
FY2020 Enacted	\$1,304,197
<i>Target and Other Adjustments</i>	<i>(1,694)</i>
Information Technology Charges	67,437
FY2021 Governor	\$1,369,940

Information Technology Charges **\$67,437**

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. These expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2020 Budget as Enacted appropriated \$21,595 for this expense, which is increased by \$67,437 to \$89,032 in the FY2021 proposed budget.

Department of Business Regulation

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$2.3	\$2.5	\$2.5	-	0.0%	\$3.1	\$0.6	22.8%
Banking Regulation	1.4	1.7	1.7	-	0.0%	1.7	(0.1)	-3.5%
Board of Accountancy	0.0	0.0	0.0	-	0.0%	0.0	0.0	0.0%
Commercial Licensing, Gaming & Athletics	2.3	2.1	2.0	(0.1)	-5.1%	2.0	(0.1)	-6.1%
Division of Building, Design & Fire Professionals	8.0	9.1	9.0	(0.1)	-1.0%	9.0	(0.0)	-0.2%
Insurance Regulation	5.0	5.9	6.0	0.1	1.1%	6.1	0.2	3.3%
Office of Cannabis Regulation	-	1.3	1.3	(0.0)	-1.4%	4.6	3.3	244%
Office of Health Insurance Commissioner	2.9	2.6	2.8	0.2	7.3%	2.6	0.1	2.3%
Securities Regulation	1.0	1.1	1.1	-	0.0%	0.9	(0.2)	-15.7%
Total	\$22.9	\$26.4	\$26.4	\$0.0	0.1%	\$30.1	\$3.7	14.2%

Expenditures By Source	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
General Revenue	\$16.4	\$17.9	\$17.8	(\$0.1)	-0.5%	\$18.7	\$0.8	4.3%
Federal Funds	1.0	0.8	1.0	0.3	38.3%	0.8	0.0	1.7%
Restricted Receipts	5.1	7.1	7.0	(0.1)	-1.6%	10.4	3.2	45.4%
Other Funds	0.4	0.6	0.5	(0.1)	-9.8%	0.3	(0.3)	-51.8%
Total	\$22.9	\$26.4	\$26.4	\$0.0	0.1%	\$30.1	\$3.7	14.2%

Authorized FTE Levels 161.0 161.0 161.0 - - 171.0 10.00 6.2%

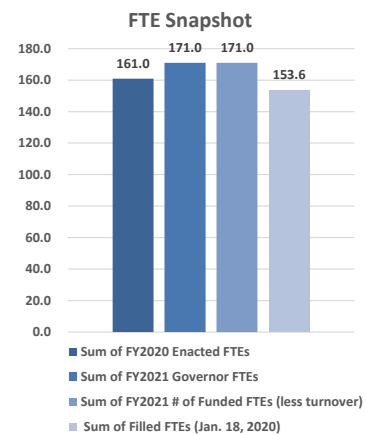
\$ in millions. Totals may vary due to rounding.

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 Regulation, Office of the Health Insurance Commissioner, Securities Regulation, and the Office of Cannabis Regulation.

MAJOR ISSUES AND TRENDS

The FY2021 Budget includes an all funds increase of \$3.7 million, or 14.2 percent, from the FY2020 Budget as Enacted. The Budget includes a \$0.8 million general revenue increase as compared to the FY2020 Budget as Enacted.

Article 13 of the Budget would establish the Adult-Use of Marijuana Act and the Marijuana Regulation, Control, and Revenue Act to provide a framework for the legalization of adult-use marijuana, increasing restricted receipt expenditures by \$3.2 million. The Budget also includes an increase of 10.0 FTE positions, including 13.0 new FTEs for the proposed state-controlled adult-use marijuana program, 1.0 new bomb technician FTE, and 2.0 FTEs within the Office of the Health Insurance Commissioner (OHIC), offset by the elimination of 5.0 FTEs from the Division of Building, Design and Fire Professionals, and 1.0 FTE from Securities Regulation.



CENTRAL MANAGEMENT

Central Management is composed of the Director's Office, and separate units for budgeting, 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.

Central Management	General Revenue
FY2020 Enacted	\$2,529,586
<i>Target and Other Adjustments</i>	(29,771)
Centralized Service Charges	446,100
Small Business Ombudsman	160,989
FY2021 Governor	\$3,106,904

Centralized Service Charges **\$446,100**

The Budget increases general revenue expenditures to reflect billed amounts for human resources, capital asset management and maintenance and 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. These expenditures are reflected in each agency based on actual use, showing the true costs associated with a particular program or agency. The Budget includes \$1.4 million in general revenue for centralized service charges in FY2021, reflecting a \$446,100 increase.

Small Business Ombudsman **\$160,989**

The Budget recommends the transfer of the Small Business Ombudsman from Commercial Licensing and Gaming and Athletics Licensing to Central Management, increasing general revenues in Central Management by \$160,989. The FY2020 Budget as Enacted transferred the Small Business Ombudsman to DBR from the Office of Regulatory Reform within the Office of Management and Budget. There is an associated decrease in funding within the Commercial Licensing and Gaming and Athletics to account for the transfer.

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.

Banking Regulation	General Revenue
FY2020 Enacted	\$1,659,819
<i>Target and Other Adjustments</i>	-
Personnel Adjustments	(60,894)
FY2021 Governor	\$1,598,925

Personnel Adjustments **(\$60,894)**

The Budget includes \$60,894 in general revenue savings from various personnel adjustments. Included in the adjustments is a \$55,497 decrease in direct wages, reflecting the departure several employees that were later filled without longevity pay and lower steps, in addition to other statewide adjustments.

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
FY2020 Enacted	\$5,883
<i>Target and Other Adjustments</i>	-
FY2021 Governor	\$5,883

COMMERCIAL LICENSING AND GAMING AND ATHLETICS LICENSING

The Division of 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.

Commercial Licensing and Gaming and Athletics Licensing	General Revenue
FY2020 Enacted	\$1,135,403
<i>Target and Other Adjustments</i>	29,838
Small Business Ombudsman	(160,989)
Operating Expenses	10,000
FY2021 Governor	\$1,014,252

Small Business Ombudsman **(\$160,989)**

The Budget recommends the transfer of the Small Business Ombudsman from the Commercial Licensing and Gaming and Athletics Licensing to Central Management, reducing general revenues in the Division by \$160,989. The FY2020 Budget as Enacted transferred the Small Business Ombudsman to DBR from the Office of Regulatory Reform within the Office of Management and Budget. There is an associated decrease in funding within the Building, Design and Fire Professionals to account for the transfer.

Operating Expenses **\$10,000**

The Budget includes \$17,102 in general revenue for operating expenses, an increase of \$10,000 from the FY2020 Budget as Enacted. This includes an increase of \$3,000 for telecom overhead, \$3,000 for record center overhead, and \$4,000 for office supplies and equipment.

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.

Division of Building, Design and Fire Professionals	General Revenue
FY2020 Enacted	\$5,846,047
<i>Target and Other Adjustments</i>	(16,089)
State Building Commission Shift	314,703
Fire and Building Code Updates	100,145
Bomb Technician	90,604
FY2021 Governor	\$6,335,410

State Building Commission **\$314,703**

The Budget shifts \$314,703 in restricted receipts to general revenues to ensure sufficient funding for 3.0 FTE positions within the State Building Commission. The positions include a business management officer and two administrative assistants.

Fire and Building Code Updates**\$100,145**

The Budget includes an additional \$100,145 for the Building Code Commission to adopt new building code books and train staff on the building code updates. Updates are made to the code every three years and were last made in 2018. The increase includes \$90,000 for the purchase of new building code books and \$10,145 for staff training.

Bomb Technician**\$90,604**

The Budget adds \$90,603 in general revenues for 1.0 FTE position within the Fire Marshal's office for the Bomb Squad. Currently, the Bomb Squad meets the FBI's requirement of six technicians for the State with four full-time technicians and two volunteer technicians. With the retirement of one volunteer technician, the Bomb Squad requires an additional FTE to retain FBI accreditation.

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 to maintain accreditation by the National Association of Insurance Commissioners.

Insurance Regulation	General Revenue
FY2020 Enacted	\$3,919,342

<i>Target and Other Adjustments</i>	-
Personnel Adjustments	47,877
FY2021 Governor	\$3,967,219

Insurance Regulation	Other Fund Changes
Actuary Services	\$142,627

Personnel Adjustments**\$47,877**

The Budget includes a \$47,877 general revenue increase in personnel expenditures. The increase reflects the elimination of turnover savings and statewide personnel adjustments, offset by savings expected from vacant positions being filled at lower steps without longevity benefits.

Actuary Services (restricted receipts)**\$142,627**

The Budget includes \$1.8 million for actuary services within the Insurance Regulation division, an increase of \$142,627 for a 5.0 percent inflationary increase.

OFFICE OF CANNABIS REGULATION

The FY2020 Budget established the Office of Cannabis Regulation within the Department of Business Regulation. The division is responsible for licensing the medical marijuana program, cannabidiol (CBD) products and would be responsible for the proposed state-controlled adult-use marijuana market. The division is funded entirely by restricted receipts.

Office of Cannabis Regulation	Other Fund Changes
State-Run Adult-Use Marijuana	\$3,216,792

State-Run Adult-Use Marijuana (restricted receipts)**\$3.2 million**

Article 13 of the Budget proposes a state-controlled, adult-use marijuana market, increasing restricted receipt expenditures within the Office of Cannabis Regulation by \$3.2 million, of which \$1.4 million is for salary and benefits for the personnel costs of 13.0 FTEs. The Budget also includes \$1.0 million for the

purchase of seed-to-sale software and \$800,000 for the administrative costs of the market including outside legal counsel, a firm to assist with pricing of products, and office-related expenses.

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.

Office of the Health Insurance Commissioner	General Revenue
FY2020 Enacted	\$1,717,106
<i>Target and Other Adjustments</i>	<i>5,660</i>
Centralized Service Charges	21,407
Personnel Adjustments	(13,286)
FY2021 Governor	\$1,730,887

Office of the Health Insurance Commissioner	Other Fund Changes
Opioid Stewardship Fund	\$157,365
Health Quality and Utilization Reviews	152,144
State Flexibility Grant	(135,807)

Centralized Service Charges **\$21,407**

The Budget increases general revenue expenditures by \$21,407 to reflect billed amounts for human resources, capital asset management and maintenance and 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. These expenditures are reflected in each agency based on actual use, showing the true costs associated with a particular program or agency. The FY2020 Budget as Enacted appropriated \$23,277 for the centralized services, increased to \$44,684 in the FY2021 Budget.

Personnel Adjustments **(\$13,286)**

The Budget decreases general revenues by \$13,286 for various personnel adjustments. The adjustments include decreased costs in health plans and longevity pay, offset by increases in wages and retirement contributions.

Opioid Stewardship Fund (restricted receipts) **\$157,365**

Article 13 of the FY2020 Budget as Enacted established an opioid registration fee paid deposited quarterly to the Opioid Stewardship Fund by all manufacturers, distributors, and wholesalers of opioids. The fee is calculated based on the licensee's in-state market share of opioid sales. The total amount of the Fund equals \$5.0 million and is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million. The FY2021 Budget allocates \$157,365 for 1.0 senior policy analyst to meet the expanded regulatory functions of the Office. The remaining \$4.3 million is distributed among the Departments of Children, Youth, And Families; Elementary and Secondary Education; Corrections; and Health for substance abuse programs and projects.

Health Quality and Utilization Reviews (restricted receipts)**\$152,144**

The Budget increases restricted receipts by \$152,144 to reflect a new FTE to examine the quality and utilization of health insurers in the State. The additional FTE and associated funding would allow the OHIC to continue to conduct market conduct examinations of the State's health insurers. The State recently completed examinations of the four major insurers in the State and collected penalty revenues totaling \$350,000. Additionally, insurers have donated millions of dollars to a behavioral health crisis prevention fund at the Rhode Island Foundation. The examinations are also expected to increase compliance with mental health parity laws.

State Flexibility Grant (federal funds)**(\$135,807)**

The Budget reduces federal funds by \$135,807 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 was granted a total of \$276,715 over two years.

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.

Securities Regulation	General Revenue
FY2020 Enacted	\$1,083,495
<i>Target and Other Adjustments</i>	<i>7,836</i>
Deputy Director	(180,594)
FY2020 Governor	\$910,737

Deputy Director**(\$180,594)**

The Budget includes a general revenue savings of \$180,594 to reflect the retirement of the Division's Deputy Director. The Department is not going to fill the position and the FTE is eliminated.

CAPITAL PROJECTS

The Budget includes \$200,000 in RICAP funds for capital projects in FY2021, including \$100,000 for asset protection for the fire academy and \$100,000 to fund a feasibility study to construct an evidence repository in Exeter for a permanent, climate-controlled environment to house sensitive documents, physical evidence.

Department of Labor and Training

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$1.1	\$1.0	\$1.0	(\$0.0)	-2.5%	\$1.1	\$0.1	12.1%
Income Support	369.4	385.0	380.3	(4.7)	-1.2%	390.5	5.5	1.4%
Injured Workers Services	9.5	10.6	13.0	2.4	22.9%	12.4	1.8	16.9%
Labor Relations Board	0.5	0.4	0.4	(0.0)	-0.1%	0.4	(0.1)	-13.3%
Workforce Development Services	22.9	26.5	36.0	9.5	35.8%	24.7	(1.8)	-6.8%
Governor's Workforce Board	26.3	22.3	25.3	3.0	13.6%	31.8	9.5	42.8%
Workforce Regulation and Safety	4.2	3.2	3.2	(0.0)	-0.1%	3.9	0.6	19.7%
Total	\$433.8	\$449.0	\$459.2	\$10.2	2.3%	\$464.7	\$15.7	3.5%
Expenditures By Source								
General Revenue	\$15.4	\$14.7	\$14.7	(\$0.0)	0.0%	\$22.9	\$8.2	56.1%
Federal Funds	34.1	38.3	45.3	7.0	18.4%	36.7	(1.5)	-4.0%
Restricted Receipts	33.5	30.0	36.4	6.4	21.2%	33.3	3.3	10.9%
Other Funds	350.8	366.0	362.8	(3.2)	-0.9%	371.8	5.8	1.6%
Total	\$433.8	\$449.0	\$459.2	\$10.2	2.3%	\$464.7	\$15.7	3.5%
Authorized FTE Levels	409.7	390.7	390.7	-	0.0%	395.7	5.0	1.3%

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

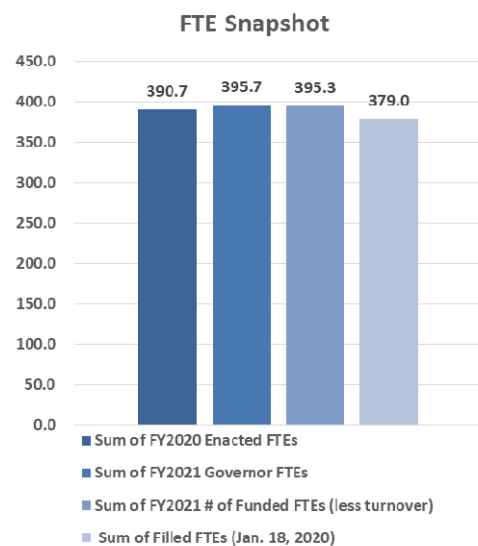
The Department of Labor and Training is charged with providing an array of employment and training services to Rhode Islanders and administering the laws pertaining to workforce regulation, safety and labor law enforcement. The Department consists of six divisions: Central Management, Income Support,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

MAJOR ISSUES AND TRENDS

The Budget includes \$464.7 million in total expenditures for FY2021, including \$22.9 million in general revenue, an increase of \$8.2 million over the FY2020 enacted level.

The \$8.2 million increase in general revenue is mainly related to an additional \$7.3 million in funding within the Governor's Workforce Board for the Real Jobs RI program. The increase in restricted receipts is mostly associated with an additional \$1.4 million that the Department anticipates generating by expanding the Jobs Development Assessment to include non-profit entities. The \$6.0 million increase in other funds is related to higher projections for unemployment insurance and temporary disability benefits.

The Budget authorizes 395.7 positions in FY2021, an increase of 5.0 FTE positions from the FY2020 Enacted levels. This includes an additional 3.0 FTE investigatory positions and 1.0 Attorney position within the Workplace Fraud Unit which enforces laws pertaining to the misclassification of employees, wage and hour issues, and the State's prevailing wage requirements for public works construction projects. The Budget also provides 1.0 FTE Principle Interviewer position to assist post-release employment at the Department of Corrections to help improve employment outcomes.



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
FY2020 Enacted	\$797,120
<i>Targets and Other Adjustments</i>	13,222
Centralized Service Charges	130,559
FY2021 Governor	\$940,901
Centralized Service Charges	\$130,559

The Budget includes \$854,258 in general revenue expenditures for Information Technology, Capital Assets Management, and Human Resource Service Center projected costs in FY2021, an increase of \$130,559 from the FY2020 Budget as Enacted. 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 FY2021.

	FY2020	FY2021		
Centralized Service Charges	Enacted	Governor	Change from Enacted	
Information Technology	\$294,232	\$364,205	\$69,973	23.8%
Capital Asset and Management	305,844	366,430	60,586	19.8%
Human Resources	123,623	123,623	-	0.0%
Total	\$723,699	\$854,258	\$130,559	18.0%

GOVERNOR'S WORKFORCE BOARD

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 to invest in impactful workforce development. The GWB manages multiple programs including:

- **Real Jobs Rhode Island:** Created by the Governor in 2015, 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.

Article 11 of the FY2019 Budget included an adjustment to the Job Development Assessment, for tax year 2019 only, allowing 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). 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.

The FY2021 Budget includes the Governor's Workforce Board as a separate program, rather than a subprogram under Workforce Development Services.

Governor's Workforce Board	General Revenue
FY2020 Enacted	\$5,450,000
<i>Targets and Other Adjustments</i>	-
Real Jobs Rhode Island	7,000,000
Real Jobs Rhode Island - Corrections Apprenticeship	250,000
FY2021 Governor	\$12,700,000
Governor's Workforce Board	Other Funds
Job Development Assessment (restricted receipts)	\$1,400,000

Real Jobs Rhode Island ***\$7.0 million***

The Budget includes \$12.5 million in general revenues to support the Real Jobs Rhode Island (RJRI) program in FY2021, an increase of \$7.0 million above enacted levels. The additional funding will be used to support new partnerships across the state, allowing employers to have access to a trained and educated workforce that fits their needs. The program, now in its sixth year of operating, serves employers and participants by investing in sector-based intermediaries who serve as RJRI Partners, enabling employers to design and implement tailored initiatives to serve their industry.

As of February 2020, the RJRI program has created 43 partnerships and served 1,374 businesses within 16 different sectors. This has allowed the program to place over 3,600 new hires and upskill 5,172 incumbent workers. On average, 77.0 percent of workers who complete a training are hired upon completion with an average wage placement of \$33,107.

Real Jobs Rhode Island – Corrections Apprenticeship ***\$250,000***

The Budget includes \$250,000 within the Real Jobs Rhode Island (RJRI) program to support an apprenticeship program at the Department of Corrections. The program will aim to improve post-release employment outcomes by allowing inmates to gain access to relevant job training before being released.

Job Development Assessment (restricted receipts) ***\$1.4 million***

Article 8 of the Budget would subject any non-government, nonprofit organizations with at least 1,000 employees to the job development assessment. The Budget includes \$1.4 million in restricted receipt funding related to this expansion.

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. Under current law, the JDA is 0.21 percent of taxable wages, 0.19 percent is dedicated to job training programs operated by the Governor's Workforce Board (GWB) and 0.02 percent is dedicated to costs associated with administering the State's Unemployment Insurance (UI) and employment service programs.

Along with the expansion of the JDA, Article 8 authorizes the Director of DLT to promulgate regulations to administer this assessment and to allow employers to make in-kind contributions in lieu of monetary payments. The Department anticipates that between 11 and 12 new employers will be impacted.

	FY2020 Enacted	FY2021 Governor (without non-profits)	FY2021 Governor (with non-profits)	Difference
Job Development Fund	\$16,843,397	\$17,710,179	\$19,122,676	\$1,412,497 8.0%

Analyst Note: The Article does not define "in-kind contributions". According to the Department of Labor and Training, what constitutes in-kind contributions will be decided if the Article is passed and may include providing instructors and spaces to use for work training programs.

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
FY2020 Enacted	\$3,932,826
<i>Targets and Other Adjustments</i>	24,167
Police and Firefighters' Relief Fund	(104,613)
Unemployment Insurance Benefit Statistics	Informational
FY2021 Governor	\$3,852,380

Police and Firefighters' Relief Fund **(\$104,613)**

The Budget includes a decrease of \$104,613 in general revenue for Police and Firefighters' annuity and tuition benefits, reflecting a decline in the need of services. This reflects a decrease of \$104,613 in tuition benefits paid to the families of deceased of injured police officers and firefighters, and a net zero change in annuity benefit payments.

	FY2020 Enacted	FY2021 Governor	Change
Police Officers' Relief Fund			
Police Officer Annuities	\$774,000	\$710,000	(\$64,000)
Tuition Benefits	180,000	153,462	(26,538)
Supplemental Pension	-	-	-
Total	\$954,000	\$863,462	(\$90,538)
Firefighters' Relief Fund			
Firefighter Annuities	\$2,466,000	\$2,530,000	\$64,000
Tuition Benefits	408,983	330,908	(78,075)
Supplemental Pension	-	-	-
Total	\$2,874,983	\$2,860,908	(\$14,075)
Grand Total	\$3,828,983	\$3,724,370	(\$104,613)

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 26 highest UI benefits paid nationally, and has the fourth highest average UI benefits paid in New England.

12 Months Ending 4th Quarter 2019

Average UI Benefits Paid

State	Amount	New England	National
Massachusetts	\$8,824	1	1
Connecticut	6,035	2	10
Vermont	5,310	3	20
Rhode Island	4,673	4	26
Maine	4,671	5	27
New Hampshire	3,895	6	35

Source: US Dept. of Labor/UI Data Summary

As of January 1, 2020

Maximum Weekly UI Benefit

State	Amount	New England	National
Massachusetts	\$823	1	1
Connecticut	649	2	4
Rhode Island	586	3	8
Vermont	513	4	16
Maine	445	5	29
New Hampshire	427	6	33

Source: US Dept. of Labor

12 Months Ending 4th Quarter 2019

Average Weekly UI Benefits Paid

State	Amount	New England	National
Massachusetts	\$555.49	1	1
Connecticut	414.48	2	12
Vermont	387.12	3	18
Rhode Island	379.36	4	23
Maine	352.46	5	28
New Hampshire	345.57	6	31

Source: US Dept. of Labor/UI Data Summary

As of January 1, 2020

Maximum Weekly UI Benefit with Dependents

State	Rate	New England	National
Massachusetts	\$1,234	1	1
Rhode Island	732	2	4
Connecticut	724	3	5
Maine	667	4	8
Vermont*	513	5	21
New Hampshire*	427	6	34

* No dependent's benefit provision

Source: US Dept. of Labor

INJURED WORKERS SERVICES

The Injured Workers Services program operates the State's Workers' Compensation System. The Donley/Arrigan 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.

Injured Workers Services	Other Funds
Uninsured Employers Funds (restricted receipts)	\$940,000
South County Arrigan Center (restricted receipts)	\$583,564

Uninsured Employers Fund (restricted receipts)

\$940,000

The Budget includes an additional \$940,000 in restricted receipts for claim and settlement payments from the R.I. Uninsured Employers Fund. Filing fees collected from the Worker's Compensation Court go into this fund and are used for costs and fees associated with an employee who is injured while working for an employer who has failed to maintain a workers' compensation insurance policy.

South County Arrigan Center (restricted receipts)

\$583,564

The Budget includes \$583,564 in restricted receipts for the proposed South County Arrigan Center. The Center will provide the same rehabilitation services as the Arrigan Center on Blackstone Boulevard in Providence, RI. The additional funding including facility and equipment rental costs, medical services for physical, occupational, and psychological therapy, and other medical services. The Center was expected to

begin offering services in the spring of 2020; however, due to the COVID-19 pandemic, the Department now anticipates a fall 2020 opening.

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
FY2020 Enacted	\$441,669
<i>Targets and Other Adjustments</i>	<i>7,618</i>
Personnel	(66,379)
FY2021 Governor	\$382,908
Personnel	(\$66,379)

The Budget includes a decrease of \$66,379 in general revenues for personnel costs within the Labor Relations Board. The decrease is mainly related to statewide adjustments in healthcare and retirement costs.

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).

Workforce Development Services	General Revenue
FY2020 Enacted	\$826,757
<i>Targets and Other Adjustments</i>	<i>5,376</i>
Year Up Grant	250,000
Principal Employment and Training Interviewer - 1.0 FTE	96,168
FY2021 Governor	\$1,178,301
Workforce Development Services	
Federal Assistance and Grants (federal funds)	(\$2,004,289)

Year Up Grant **\$250,000**

The Budget includes \$250,000 in general revenue to support the Year Up program within the State. Year Up is a national workforce development program for young adults that provides participants with one year of educational internship experience. Participants are able to gain hands on experience to ensure that they are able to succeed when they enter the workforce.

Principal Employment and Training Interviewer – 1.0 FTE**\$96,168**

The Budget includes \$96,168 in general revenue to support a new FTE position, Principal Employment and Training Interviewer. This position will work with the Department of Corrections to help inmates gain post-release employment. This position is part of the initiative between the Department and the Department of Corrections to reduce recidivism by helping inmates to gain employment after incarceration. The Budget also includes \$250,000 within the Governor's Workforce Board to support an apprenticeship program.

Federal Assistance and Grants (federal funds)**(\$2.0 million)**

The Budget includes \$23.4 million, a decrease of \$2.0 million from FY2020 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 allow the worker to upgrade their position in high-growth employment sectors of the economy. The FY2021 Budget includes \$196,935, a decrease of \$310,957 from FY2020 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. The Budget includes \$1.0 million, a decrease of \$892,804 from FY2020 enacted levels.
- **National Dislocated Worker Grants:** This grant provides funding assistance for states to respond to major economic dislocations, and supports employment and training activities. This is a new grant with \$1.1 million in funding in FY2021.
- **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 \$1.9 million, an increase of \$427,904 from FY2020 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. The Budget includes \$1.7 million in FY2021 for this grant, a decrease of \$1.2 million from FY2020 enacted levels.

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
FY2020 Enacted	\$3,231,560
<i>Targets and Other Adjustments</i>	<i>80,629</i>
Personnel	331,263
Management and Consultant Services	224,200
FY2021 Governor	\$3,867,652

Personnel**\$331,263**

The Budget includes an additional \$331,263 in general revenue for personnel expenditures. This includes an additional \$405,849 to support the hiring of an additional 4.0 FTE positions, 3.0 new investigatory positions within the Workplace Fraud Unit, and 1.0 Attorney in the Adjudication Unit. The additional positions will help to reduce the number of caseloads each investigator is responsible for, allowing the lifecycle of each case to remain closer to the 90-day timeframe established by the Department. This increase is partially offset by a \$74,586 decrease related to statewide adjustments in healthcare and retirement costs.

Management and Consultant Services**\$224,200**

The Budget includes an additional \$224,200 in general revenue for Management and Consultant Services. The FY2020 Budget as Enacted did not include any funds for Management and Consultant Services within the Workforce Regulation and Safety Unit. This increase is related to consults that are helping the Department to restructure the Business Affairs Office and develop standard financial practices across all programs.

CAPITAL PROJECTS

The Budget includes no RICAP funding in FY2021. Starting in FY2020, the Department of Administration began overseeing all of the Department of Labor and Training's facilities.

Department of Revenue

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Director of Revenue	\$2.1	\$2.1	\$2.1	(\$0.0)	-1.2%	\$2.2	\$0.0	0.6%
Division of Collections	0.3	0.9	0.9	(\$0.0)	-2.7%	0.9	(\$0.0)	-5.5%
Lottery Division	392.9	420.1	434.5	\$14.3	3.4%	434.6	\$14.4	3.4%
Municipal Finance	2.5	2.5	2.4	(\$0.1)	-3.3%	2.4	(\$0.0)	-0.7%
Office of Revenue Analysis	0.7	0.8	0.8	-	-	0.9	\$0.1	7.4%
Registry of Motor Vehicles	27.1	31.4	32.1	\$0.7	2.2%	37.8	\$6.5	20.6%
State Aid	116.8	154.4	150.5	(\$3.9)	-2.5%	155.1	\$0.8	0.5%
Taxation	34.9	31.0	33.0	\$2.1	6.6%	38.2	\$7.2	23.3%
Total	\$577.2	\$643.2	\$656.2	\$13.0	2.0%	\$672.1	\$28.9	4.5%

Expenditures By Source

General Revenue	\$179.7	\$216.3	\$214.5	(\$1.7)	-0.8%	\$229.1	\$12.8	5.9%
Federal Funds	1.5	2.0	2.3	0.3	15.4%	1.6	(0.4)	-19.8%
Restricted Receipts	2.0	3.6	3.7	0.1	2.8%	5.6	2.0	54.2%
Other Funds	394.0	421.4	435.7	14.4	3.4%	435.8	14.5	3.4%
Total	\$577.2	\$643.2	\$656.2	\$13.0	2.0%	\$672.1	\$28.9	4.5%

Authorized FTE Levels 604.5 602.5 602.5 - - 611.5 9.0 1.5%

\$ 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.

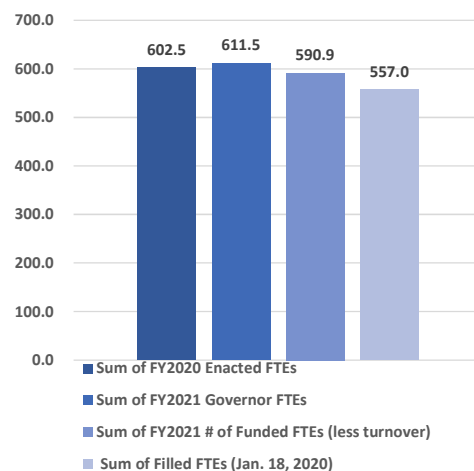
MAJOR ISSUES AND TRENDS

The Budget includes a net \$12.8 million increase in general revenue (\$28.9 million all funds) for the Department of Revenue (DOR) and a net additional 9.0 FTE positions. Major budget initiatives include:

Division of Motor Vehicles

- **License Plate Reissuance:** The Budget provides an additional \$4.7 million to support compliance with the statutory requirement to begin reissuing license plates by June 1, 2020.
- **Real ID:** The Budget provides \$1.5 million related to the implementation of Real ID. This appropriation includes \$200,000 for a public awareness campaign regarding the federal mandate effective in October 2020, and \$1.3 million for personnel costs to provide the staffing required to handle customer volume.
- **CDL Road Test Administration:** The Budget provides \$142,331 in additional personnel and operating expenses associated with the transfer of the administration of road testing for commercial driver's licenses from the Community College of Rhode Island to the DMV.

FTE Snapshot



- **Inspection Enforcement:** The Budget includes \$166,313 for personnel costs associated with 2.0 FTE positions and \$14,960 in operating expenses for a new proposal to collect suspension reinstatement fees from drivers that fail to comply with State inspection requirements.
- **Saturday Hours:** The Budget includes \$115,330 to support the overtime costs associated with the proposed opening of the Division's Cranston office for four hours every other Saturday.

State Aid

- **Motor Vehicle Excise Tax Payment:** The Governor recommends \$6.5 million in additional general revenue budgeted for reimbursements to towns and cities for the phase-out of the motor vehicle tax. This is \$11.8 million less than what would be required under current law. Through Article 9, the Governor adjusts the policy levers and variables that make up the annual motor vehicle excise phase-out calculation in a manner that extends the phase-out five years, reducing the FY2021 impact.
- **PILOT:** The Budget level funds the Payment in Lieu of Taxes (PILOT) program at \$46.1 million, which is 26.2 percent of assessed property taxes on eligible exempt properties. The statutory maximum is 27.0 percent.
- **Distressed Communities Relief Program:** The Governor recommends \$6.2 million for the State's Distressed Community Relief program, which assists communities with the highest property tax burdens relative to the wealth of taxpayers. This represents a 50.0 percent reduction, or \$6.2 million, compared to the enacted level, and is the lowest appropriation level since FY2001.

Taxation

- **IT System Support:** The Budget adds \$3.0 million to support the maintenance and operations of the Division's IT system, known as the State Tax Administration and Revenue System (STAARS).
- **TCIP Accounting Correction:** The Budget adds \$1.8 million related to accounting changes with the Division's Tax Compliance Improvement Project (TCIP).
- **New Taxation Initiatives:** The Budget includes \$1.2 million to implement new tax initiatives proposed in the FY2021 Budget, including:
 - **Tax Expansion Proposals:** \$1.1 million to implement the new sales, excise, and alcohol tax initiatives proposed in the Budget, including \$526,424 in additional general revenue personnel costs and \$600,000 in public relations services to ensure awareness and compliance.
 - **RIt Share Proposal:** \$50,000 to support IT changes necessary within the Division to implement the new RIt Share employer penalty proposed in Article 20 of the FY2021 Budget. The article requires that a penalty be assessed against employers who do not comply with the reporting requirements of the RIt Share program.

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
FY2020 Enacted	\$2,141,620
<i>Target and Other Adjustments</i>	<i>(29,743)</i>
Personnel and Operating Changes	43,337
FY2021 Governor	\$2,155,214

Personnel and Operating Changes**\$43,337**

The Budget includes a net increase of \$43,337 in general revenue funds related to changes in personnel and operating expenses within the Office of the Director of Revenue.

Director of Revenue	Amount
Deputy Chief of Legal Services	\$93,907
Operational Costs Changes	(50,570)
Total	\$43,337

- **Deputy Chief of Legal Services:** The Governor recommends adding a 1.0 Deputy Chief of Legal Services FTE position in FY2021, along with \$93,907 in personnel funding to support the new position. The Office of the Director of Revenue includes a small legal services unit that provides legal support the entire Department. It is comprised of a 1.0 Administrative and Legal Support Services Administrator who serves as the head of the unit and a 1.0 Chief Legal Officer position dedicated to taxation issues. According to DOR, the amount of staff does not meet the legal needs of the Department and has resulted in an average of \$627,616 in outside legal services contract costs from FY2016-FY2018. The Deputy Chief would provide additional support to the Department's eight programs.
- **Operational Costs Changes:** The Budget includes a net \$50,570 in general revenue savings associated with an assumed reduction in DOR's centralized human services charges. The net decrease includes a \$65,811 reduction in centralized human resources services charges, offset by a \$15,241 increase in miscellaneous operational expenses. The savings in HR charges are based on updated estimates for human resources centralized services in FY2021.

DIVISION OF COLLECTIONS

The Division of Collections was established in FY2019 for the purpose of assisting State agencies in the collection of delinquent debt. The Division 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
FY2020 Enacted	\$899,649
<i>Target and Other Adjustments</i>	-
Case Management Savings	(79,579)
Salary and Benefits Changes	30,422
FY2021 Governor	\$850,492

Case Management System**(\$79,579)**

The Budget includes \$79,579 in general revenue savings related to the Division's case management system procurement. Currently, the unit uses general cloud-based services to address their casework and workflow. For FY2020, DOR requested funding for a new custom case management IT system. The Department argued at the time that a tailored system would increase productivity and efficiency. The FY2020 Budget as Enacted provided the Division with \$51,000 for computer/software equipment and \$60,000 for IT programming costs to support the development and implementation of the system. According to DOR, the Division is still pursuing software options, but is exploring developing a shared platform that could be used and partially financed by the agencies that the Division partners with. The Budget eliminates the computer/software equipment costs in FY2021 and reduces the IT programming costs by half, or \$30,000, to reflect cost-sharing with other agencies.

Salary and Benefit Changes**\$30,422**

The Budget includes a net \$30,422 increase in general revenue for personnel costs within the Division of Collections. The Division has 8.0 FTE authorized positions, including 1.0 Chief of Legal Services that runs the unit.

According to the DOR, the Collections Unit has experienced an increase in workload related to a new partnership with the Traffic Tribunal. DOR plans to hire an additional 1.0 Administrative Officer in FY2021 to help support this increased collection activity.

The net \$30,422 increase in personnel costs reflects this new hire, along with current service adjustments for direct salaries as well as benefit savings from updated benefit selections.

	FY2020	FY2021	
Salary and Benefits	Enacted	Governor	Change
Direct Salaries	\$440,949	\$520,335	\$79,386
Health Benefits	119,915	82,773	(37,142)
Turnover	(14,909)	(48,477)	(33,568)
Retirement	116,692	133,476	16,784
FICA	32,594	36,097	3,503
Assessed Fringe Benefits	16,827	18,638	1,811
Payroll Accrual	2,469	2,752	283
Retiree Health	28,333	27,698	(635)
Total	\$742,870	\$773,292	\$30,422

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 Funds
FY2020 Enacted	\$420,149,414
<i>Target and Other Adjustments</i>	22,358
Commissions and Prize Payments	14,042,099
Salary and Benefits Changes	372,549
FY2021 Governor	\$434,586,420

Commissions and Prize Payments (other funds)

\$14.0 million

The net increase of \$14.0 million in Commissions and Prize Payments is based on the November 2019 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 \$305.2 million. Traditional lottery games are estimated to yield \$58.6 million. Table games are budgeted at \$15.7 million and sports betting is estimated to yield \$16.0 million in FY2021.

Salary and Benefit Changes (other funds)

\$372,549

The Budget includes a net \$372,549 increase in Lottery Fund support for salary and benefits expenses within the Division of the Lottery. The Lottery has 106.0 employees, of which 54.0 are casino staff. The changes reflect current service adjustments for direct salaries as well as benefit savings from updated benefit selections.

	FY2020	FY2021	
Salary and Benefits	Enacted	Governor	Change
Direct Salaries	\$7,580,699	\$7,751,747	\$171,048
Turnover	(291,176)	(177,480)	113,696
Retiree Costs	2,488,044	2,607,183	119,139
Health and Fringe Benefits	1,498,353	1,443,541	(54,812)
FICA	556,146	577,641	21,495
Payroll Accrual	42,264	44,247	1,983
Overtime	239,900	239,900	-
Total	\$12,114,230	\$12,486,779	\$372,549

DIVISION OF MUNICIPAL FINANCE

The Division of Municipal Finance (DMF) 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
FY2020 Enacted	\$2,465,897
<i>Target and Other Adjustments</i>	1,833
IT Expenses	79,981
Fiscal Stability Act Administration	(50,697)
Salary and Benefits Changes	(48,160)
FY2021 Governor	\$2,448,854

IT Expenses **\$79,981**

The Budget includes a \$79,981 increase in general revenue support for informational technology expenses within the Division of Municipal Finance, including \$48,864 in software maintenance agreement expenditures and \$31,117 other IT operating expenses. According to the Department, the Division plans to develop and implement an interactive software program to assist with tracking and follow up with municipalities regarding data submissions. It is also expected to help streamline the process of getting information into the Division's Municipal Transparency Portal and facilitate the transfer the data into more usable formats and reduce the need for manual parsing of data.

Fiscal Stability Act Administration **(\$50,697)**

The Budget includes savings of \$50,697 related to the completion of Division's financial responsibilities under the Fiscal Stability Act (FSA). The FSA is the primary mechanism by which the State works with a municipality in financial distress to mitigate fiscal damage and stabilize the community's finances. It involves three levels of increasing intervention – financial oversight, budget commission, and receivership. During these interventions, the DMF is engaged in the oversight by selecting and funding a dedicated financial advisor. The costs associated with the advisor are shared equally between DMF and the city. Since FY2016, the Division spent \$461,671 fiscal oversight costs in Woonsocket, East Providence and Central Falls. These municipalities no longer require oversight pursuant to the FSA; therefore, DMF will not have FSA expenditures in FY2021. This results in a \$50,697 savings as compared to the FY2020 enacted level.

Fiscal Year	FSA Expenditures
2016	\$125,804
2017	30,143
2018	215,468
2019	39,559
2020	50,697
2021	-
Total	\$461,671

Salary and Benefits Changes**(\$48,160)**

The Budget includes a net \$48,160 in personnel savings in FY2021 within the Division of Municipal Finance. The DMF has 10.0 authorized FTE positions. The savings is primarily related to statewide changes in healthcare benefits, offset by small increases in salaries and turnover. The changes are summarized below:

	FY2020	FY2021	
Salaries and Benefits	Enacted	Governor	Change
Health and Fringe Benefits	\$232,738	\$173,066	(\$59,672)
Turnover	(36,380)	(28,349)	8,031
Retiree Costs	276,373	279,041	2,668
Direct Salaries	844,351	845,538	1,187
FICA	62,892	62,515	(377)
Payroll Accrual	4,763	4,766	3
Total	\$1,384,737	\$1,336,577	(\$48,160)

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
FY2020 Enacted	\$841,407
<i>Target and Other Adjustments</i>	2,362
Salary and Benefits Changes	60,073
FY2021 Governor	\$903,842

Salary and Benefits Changes**\$60,073**

The Budget includes an additional \$60,073 in personnel costs within ORA for FY2021. According to the Department, the increase reflects statewide benefit changes, planned step increases, and other updated planning values. The Budget includes the Office's existing 6.0 FTE positions and reduces turnover savings by \$8,069.

	FY2020	FY2021	
Salary and Benefits	Enacted	Governor	Change
Direct Salaries	\$490,308	\$514,100	\$23,792
Health and Fringe Benefits	64,617	77,794	13,177
Retiree Costs	160,375	172,352	11,977
Turnover	(19,167)	(11,098)	8,069
FICA	35,202	38,042	2,840
Payroll Accrual	2,718	2,936	218
Total	\$734,053	\$794,126	\$60,073

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.

Registry of Motor Vehicles	General Revenue
FY2020 Enacted	\$29,140,414
<i>Target and Other Adjustments</i>	<i>(20,000)</i>
License Plate Reissuance	4,762,391
Other Personnel and Operating	2,764,699
Real ID	(2,694,589)
A2 Inspection	181,273
Saturday Hours	115,330
CDL Transfer	104,831
FY2021 Governor	\$34,354,349

License Plate Reissuance

\$4.8 million

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every ten years. The law was enacted in 2009 and the General Assembly required a full reissuance in 2011. The reissuance, however, has been repeatedly delayed. Most recently, the FY2020 Budget as Enacted pushed the implementation date out from January 1, 2019 to June 1, 2020. The Budget provides \$4.8 million for license plate reissuance in FY2021. These funds are to pay for the manufacture and distribution of the plates, which will be undertaken by the DMV in conjunction with its license plate vendor, 3M.

Article 7 of the FY2020 Budget as Enacted also changed the fee for the plates from \$6.00 per reissued set to \$8.00. It also required monthly reporting to the General Assembly outlining the previous month's activity and progress towards the implementation of the license plate reissuance.

Analyst Note: The DMV has not provided a monthly report to the General Assembly since January 21, 2020. At that time, the Division indicated that it had received concept designs from its license plate vendor, 3M, and that the State Police were reviewing them for compliance with public safety standards. The DMV also reported that 3M would manufacture the plates and its vendor, IHG, would distribute the plates to customers directly using DOR postage accounts. Internal project meetings are held weekly between DMV and 3M to address the project's technical requirements and any operational changes necessary to meet the goal of June 1, 2020. DMV IT staff continue to work with 3M to develop and implement technology changes needed to facilitate plate ordering, including stock, remake, and vanity plates. DMV and 3M have been working on an amendment to the vendor contract to include the changes necessary to effectuate the changes to work identified to date. At the time of the report, a draft contract and statement of work was circulating between DOR legal staff and 3M attorneys for review.

Other Personnel and Operating

\$2.8 million

The Budget provides \$1.6 million in net additional other salary and benefit changes. According to the Department, the increase reflects statewide benefit changes, planned step increases, and other updated planning values. The Budget also provides \$1.1 million in net additional DMV operating supplies and expenses, including \$845,073 for updated centralized facilities services charges and \$8,262 in increased rental expenses associated with the relocation of the Woonsocket DMV. These increases are offset by a \$279,762 net reduction in other operating expenses.

Real ID

(\$2.7 million)

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 25 states that have a waiver from complying with the law. The 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 Budget reduces Real ID expenses by \$2.7 million in FY2021. This includes:

- A reduction of \$2.3 million in salary and benefit expenses. The Department anticipates that after the October 1, 2020, deadline, staff support for the ongoing implementation of issuing Real IDs can be reduced. The DMV currently has 40.0 FTE positions assigned to Real ID implementation.
- A reduction of \$600,000 for operating expenses. The FY2020 Budget as Enacted provided the DMV with \$600,000 to meet an anticipated surge in demand for the new ID cards in advance of the deadline. The Department expects that this additional funding will no longer be needed in FY2021.
- An increase of \$200,000 to fund a public relations campaign alerting the public of the federal Real ID requirements set to go into effect on October 1, 2020. According to the DMV, the messaging effort is part of a proactive strategy to manage the anticipated elevated customer volume and spread it out over a longer period of time.

Analyst Note: On March 26, 2020, the Department of Homeland Security announced that it was extending the deadline to October 2021 as a result of the adverse impacts of the COVID-19 pandemic.

A2 Inspection

\$181,273

The Budget includes \$166,313 for personnel costs and \$14,960 in contracted IT programming costs to facilitate the collection of fees for reinstating suspended vehicle registrations.

Currently, the penalty for operating a vehicle without a valid up-to-date (A2) inspection sticker is a fine of \$85 and may also include suspension of the vehicle's registration. The DMV, however, has generally refrained from imposing the latter penalty. Historically, the DMV has not been able to accurately determine all of the non-compliant vehicles at any one point in time. Violations were usually only discovered during routine traffic stops. Prior to July 1, 2018, the penalty, had it been enforced, was a \$250 registration reinstatement fee. Because the suspension penalty was never enforced, this fee was never collected. The General Assembly eliminated the \$250 reinstatement fee in FY2019. With the advent of the Division's new IT system in 2017, the DMV was able to determine the status of vehicle inspections uniformly and accurately. As the DMV prepared to implement the reinstatement fee in the fall of 2017 and notice of the policy change was communicated, a public backlash materialized. The Governor placed a moratorium on the fee's enforcement and the General Assembly indicated it would address the issue in the 2018 session.

Article 6 of the Budget reestablishes the fee, but sets the fee amount at \$100, or \$150 less than the original fine. According to the DMV, the Division does not immediately suspend a registration for not having a valid inspection sticker. The DMV notifies individuals 45 days after an inspection sticker expires that they have 20 more days to have their vehicle successfully inspected before DMV suspends the registration.

According to the DMV, this work will require 2.0 new FTE positions, including 1.0 Motor Vehicle Appeals Officer and 1.0 Adjudication Service Representative. The staff will be assigned to handle an anticipated increase in appeal hearings related to the fee. The funding for IT programming is to make modifications to the DMV's IT system to track and report on fee assessment and collection.

Saturday Hours**\$115,330**

In an effort to provide improved customer service, the Governor proposes opening the DMV's Cranston office every other Saturday. According to the proposal, approximately 20.0 DMV staff would work overtime, every other Saturday, from 8:30 AM until 12:30 PM. The DMV would require customers to make reservations in advance to ensure that staff coverage can meet the customer demand. The Budget provides \$115,330 to support the additional overtime costs for this proposal.

CDL Transfer**\$104,831**

Article 3 of the Budget shifts the administration of the commercial driver's license (CDL) road test from the Community College of Rhode Island (CCRI) to the DMV, effective January 1, 2021. A CDL permits the licensee to operate large, heavy, or hazardous materials vehicles for commercial purposes. In addition to the base CDL, licensees may obtain additional endorsements such as semi-trailer (T), school bus driver (S), or passenger vehicle (P). To obtain these endorsements, an individual must possess a valid CDL and typically pass both a written and driving test.

Currently, training for the base CDL and accompanying endorsements are provided by private truck driving schools. CCRI also provides preparation classes for the base CDL, as well as the 10-hour and 3-hour school bus driver certification classes and tests. These classes are conducted at all three of its campuses. The written test for the CDL and its endorsements are administered by the DMV. The road test is paid for by the DMV but is administered by CCRI. Article 3 proposes that the responsibility for administering the road test shift to the DMV. According to the DMV, this shift would improve oversight and customer service.

The Budget includes \$138,726 to provide the additional personnel at the DMV required to administer the CDL road testing program. This includes for 3.0 FTE positions, including 2.0 Senior Motor Vehicle Examiners and 1.0 Customer Service Specialist III. The Budget also includes \$3,605 in miscellaneous operating expenses to support program administration at the DMV. The funds will be used in part for rental costs of a trailer on-site at the testing facility in Quonset Business Park.

The Budget also includes a savings of \$37,500 in operating transfers to other State agencies related to the proposal. The DMV has been providing CCRI with \$75,000 per year for several years. The funds were originally leveraged by the College to secure a school bus driver education grant. The DMV indicates, however, that CCRI does not currently have this type of grant, and has not for some time. According to OMB and the DMV, CCRI has been notified that they will no longer be receiving these funds. The DMV explained that CCRI charges tuition for its classes and does not need the funds to support the training. The elimination of this payment is shown as \$37,500 savings in FY2021. This is half of the full \$75,000, presumably based on the January 1, 2021, effective date of the Article 3.

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
FY2020 Enacted	\$153,438,281
<i>Target and Other Adjustments</i>	-
Motor Vehicle Excise Phase Out	6,470,474
Distressed Communities Relief Fund	(6,192,229)
Property Revaluation Program	429,754
FY2021 Governor	\$154,146,280

Motor Vehicle Excise Tax**\$6.5 million**

The Budget includes a \$6.5 million increase in local aid for the Motor Vehicle Excise Tax phase-out program. This is \$11.8 million less than what is anticipated under current law using vehicle data at the time the FY2020 Budget as Enacted was passed.

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 \$11.8 million in general revenue savings in FY2021 with an equivalent reduction in State aid to municipalities.

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

	FY2018	FY2019	Comparison Between Current Law and Governor's Proposed Motor Vehicle Tax Phase-out								FY2026	FY2027	FY2028	FY2029
			FY2020	FY2021	FY2022	FY2023	FY2024	FY2025						
Current Law														
State Assessment Ratio	95.0%	90.0%	85.0%	80.0%	75.0%	70.0%	-	-	-	-	-	-	-	-
Rate Cap	\$60.0	\$50.0	\$35.0	\$35.0	\$30.0	\$20.0	-	-	-	-	-	-	-	-
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	\$102,566,219	\$130,378,609	\$165,259,237	\$224,550,736	\$231,605,162	\$237,136,338	\$242,721,320	\$248,343,148	\$253,991,518		
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$37,993,163	\$18,290,756	\$27,812,389	\$34,880,629	\$59,291,499	\$7,054,426	\$5,531,176	\$5,584,982	\$5,621,828	\$5,648,371		
Governor's Proposal														
State Assessment Ratio	95.0%	90.0%	85.0%	82.5%	80.0%	77.5%	75.0%	72.5%	70.0%	67.5%	65.0%			
Rate Cap	\$60.0	\$50.0	\$35.0	\$35.0	\$33.0	\$31.0	\$26.5	\$22.5	\$19.0	\$15.0	\$10.0			
Exemption Amount	\$1,000	\$2,000	\$3,000	\$3,500	\$4,000	\$4,500	\$5,000	\$5,500	\$6,000	\$7,000	\$8,000			
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$84,275,463	\$90,745,937	\$102,632,964	\$114,418,804	\$131,447,356	\$147,107,315	\$161,573,760	\$180,521,698	\$197,303,934	\$224,550,736		
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$37,993,163	\$6,470,474	\$11,887,027	\$11,785,840	\$17,028,552	\$15,659,959	\$14,466,445	\$18,947,938	\$16,782,236	\$27,246,802		
Statewide Aid Variance				(\$11,820,282)	(\$27,745,645)	(\$50,840,434)	(\$93,103,380)	(\$84,497,848)	(\$75,562,578)	(\$62,199,622)	(\$51,039,214)	(\$29,440,782)		

Distressed Communities Relief Fund**(\$6.2 million)**

The Governor recommends a \$6.2 million reduction within the Distressed Community Relief program in FY2021. 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 FY2021 will be \$6.2 million.

Distressed Community Relief Fund Distribution

	FY2020	FY2021	
Municipality	Enacted	Governor	Change
Central Falls	\$201,648	\$110,055	(\$91,593)
Cranston	2,547,805	1,335,630	(1,212,175)
Johnston	532,972	-	(532,972)
North Providence	914,169	480,580	(433,589)
Pawtucket	1,400,733	731,357	(669,376)
Providence	5,155,694	2,689,318	(2,466,376)
West Warwick	859,102	460,708	(398,394)
Woonsocket	772,334	384,581	(387,753)
Total	\$12,384,458	\$6,192,230	(\$6,192,228)

Property Revaluation Program**\$429,754**

The Budget includes \$1.1 million for the Property Revaluation program in FY2021, an increase of \$429,754 from the FY2020 Enacted level. The change is based on anticipated reimbursements, which are required by law. The following communities will be reimbursed for statistical updates in FY2021: Barrington, Cranston, East Greenwich, Foster, Middletown, Pawtucket, and Woonsocket. Full revaluations will occur in Exeter, Narragansett, Newport, and Tiverton.

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
FY2020 Enacted	\$27,326,969
<i>Target and Other Adjustments</i>	-
Maintenance and Operations for Taxation IT System	6,179,302
Salaries and Benefit Changes	731,569
FY2021 Governor	\$34,237,840

Taxation Operations**\$6.2 million**

The Budget includes an additional \$6.2 million from general revenues related to changes in operational expenditures within the Division of Taxation.

	FY2020	FY2021	
Operational Changes	Enacted	Governor	Change
IT System Support	\$1,085,232	\$4,085,232	\$3,000,000
TCIP Accounting Correction	201,649	1,956,649	1,755,000
Miscellaneous Expenses	1,707,799	2,482,101	774,302
New Taxation Initiatives	-	650,000	650,000
Total	\$2,994,680	\$9,173,982	\$6,179,302

- **IT System Support:** \$3.0 million 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 after five years of phased-in development. The system centralizes all taxpayer information in one computer system and assists in the administration of 57 different taxes and fees amounting to nearly \$3.0 billion in revenue annually. STAARS was originally paid for using Certificates of Participation (COPs), which were authorized up to \$25.0 million. The \$3.0 million will be used to pay the estimated costs for licenses and support needs of the system in FY2021.
- **TCIP Accounting Correction:** \$1.8 million related to accounting changes with the Division's Tax Compliance Improvement Project (TCIP). The TCIP is a revenue compliance program that utilizes a private vendor to review data on filings related to refunds, interests, penalties, and tax collection to identify compliance problems and opportunities for revenue recapture. Payments are contingency-based and historically have been recorded as a reduction in revenue. An audit of the project was conducted by the Department in conjunction with the Auditor General in FY2019 and it was determined that these payments should be recorded as an expenditure. The FY2021 will be the first fiscal year that the accounting change will be reflected in the Budget in this manner.
- **Miscellaneous Expenses:** \$774,302 in additional miscellaneous expenses in FY2021 to meet various other operational needs in the Division, including \$731,904 to reflect the updated billing for Taxation's

internal services charges by the Division of Information Technology (DoIT) and \$42,398 in other miscellaneous expenses.

- **New Taxation Initiatives:** \$650,000 to implement new tax initiatives proposed in the FY2021 Budget.
 - **Tax Expansion Public Relations:** \$600,000 for contracted public relations services to ensure awareness of and compliance with new sales, excise, and alcohol tax initiatives proposed in the FY2021 Budget.
 - **RItE Share Proposal:** \$50,000 to support IT changes necessary within the Division to implement the new RItE Share employer penalty proposed in Article 20 of the FY2021 Budget. The article requires that a penalty be assessed against employers who do not comply with the reporting requirements of the RItE Share program and is modeled after a penalty in place in Massachusetts. This penalty complements a savings initiative within the Medicaid program designed to encourage enrollment in RItE Share.

Salary and Benefits Changes

\$731,569

The Budget includes a net \$731,569 in additional general revenue personnel costs in FY2021, primarily in support of the numerous tax expansion proposals included in the Budget.

For FY2021, the Governor proposes expanding the types of services subject to the State's sales and use tax, adjusts how alcoholic beverages are taxed, increases the cigarette and cigar excise taxes, and subjects vaping products to the other tobacco products excise tax. These initiatives are estimated to generate \$24.8 million in new revenue in FY2021. According to the Department, implementation of these initiatives will initially require 2.0 additional FTE positions, a 1.0 Data Analyst I and 1.0 Tax Investigator. The full-year salary and benefits cost for this staff is approximately \$128,806. It is expected that full implementation of the new initiatives will eventually require additional staff in FY2021. The Budget funds the 2.0 new FTE positions and also provides \$397,618 in additional personnel funding to meet the later staffing needs of the tax expansion, for a total of \$526,424. At full-year funding, this amount represents approximately 4.0 FTE positions. According to the Department, any new hires would come from vacancies within their existing FTE authorization.

The remaining \$205,145 net increase in salaries and benefits is related to updated wages, planned step increases, and other updated planning values.

	FY2020	FY2021	
Salaries and Benefits	Enacted	Governor	Change
Direct Salaries	\$13,612,622	\$14,037,462	\$424,840
Retiree Costs	4,554,846	4,748,359	193,513
FICA	1,001,739	1,089,656	87,917
Health and Fringe Benefits	2,972,994	2,995,355	22,361
Payroll Accrual	77,811	80,749	2,938
Turnover	355,913	355,913	-
Total	\$22,575,925	\$23,307,494	\$731,569

Legislature

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Auditor General	\$4.8	\$6.1	\$6.0	(\$0.1)	-1.1%	\$6.1	\$0.0	0.7%
Fiscal Advisory Staff	1.7	2.0	2.0	0.0	1.6%	2.0	0.0	1.2%
General Assembly	6.4	6.3	10.4	4.1	65.5%	6.4	0.1	1.1%
Joint Comm. on Legislative Services	23.7	26.0	29.2	3.1	12.0%	27.3	1.3	5.0%
Legislative Council	4.2	5.2	5.1	(0.1)	-1.7%	5.0	(0.2)	-3.2%
Special Legislative Commissions	0.0	0.0	0.0	0.0	2.0%	0.0	0.0	2.0%
Total	\$40.8	\$45.6	\$52.8	\$7.1	15.6%	\$46.9	\$1.3	2.8%

Expenditures By Source	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
General Revenue	\$39.3	\$43.8	\$51.0	\$7.2	16.3%	\$45.1	\$1.3	2.9%
Restricted Receipts	1.4	1.8	1.8	(0.0)	-1.4%	1.8	0.0	0.4%
Total	\$40.8	\$45.6	\$52.8	\$7.1	15.6%	\$46.9	\$1.3	2.8%

Authorized FTE Levels	298.5	298.5	298.5	-	-	298.5	-	-
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\$ 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:

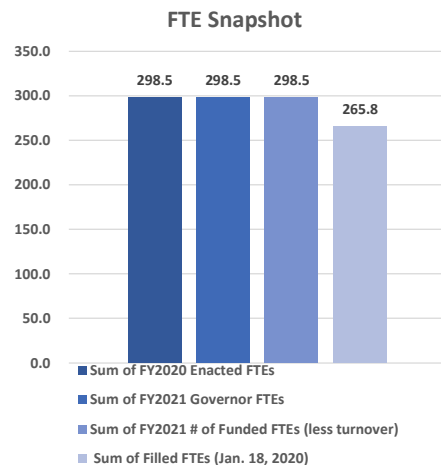
- The General Assembly consists of two chambers, with the Senate composed of 38 members and the House of Representatives with 75 members. The General Assembly meets annually.
- The House Fiscal Advisory Staff provides fiscal research support to the House membership and the House Finance Committee.
- 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 \$46.9 million for the Legislature in FY2021, including \$45.1 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 and are used to finance personnel costs associated with the Auditor General's annual Single Audit Report.

The Governor increases the general revenue appropriation in the FY2020 Revised Budget by \$7.2 million. This includes a FY2019 required reappropriation of \$9.7 million, less other reductions.

The Budget provides for 298.5 FTE positions for FY2020 and FY2021, consistent with the FY2020 Budget as Enacted.



Lieutenant Governor

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Lieutenant Governor	\$1.1	\$1.1	\$1.1	\$0.0	0.0%	\$1.2	0.02	1.8%
Expenditures By Source								
General Revenue	\$1.1	\$1.1	\$1.1	\$0.0	0.0%	\$1.2	0.02	1.8%
Authorized FTE Levels	8.0	8.0	8.0	-	-	8.0	-	-

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

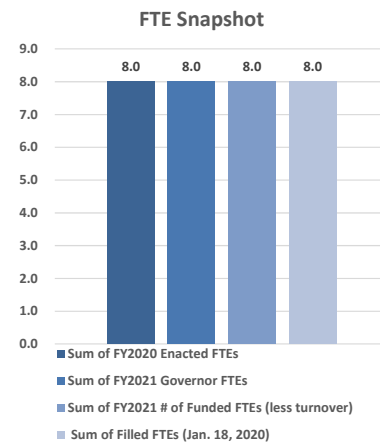
The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant 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 FY2020 Budget as Enacted includes \$1.1 million in general revenue. The FY2020 Revised Budget request includes a slight decrease of \$1,924, reflecting a decrease of \$35,934 personnel costs offset by an increase of \$34,010 for contracted legal services, for drafting legislation, Access to Public Records Act (APRA) requests, and general legal assistance for the office.

The Governor includes \$1.2 million for FY2021, reflecting a reduction of \$24,389 in salary and benefit costs, offset by an increase of \$32,535 for contracted legal services and \$7,060 for centralized information technology adjustments.

The Budget includes 8.0 FTE positions for FY2020 and FY2021, consistent with the enacted budget.



Lieutenant Governor	General Revenue
FY2020 Enacted	\$1,147,816
<i>Target and Other Adjustments</i>	-
Contracted Services	32,535
Personnel Adjustments	(24,389)
Centralized Service Charges	7,060
FY2021 Governor	\$1,163,022

Legal Services**\$32,535**

The Budget increases general revenue expenditures by \$32,535, reflecting an increase for outside legal costs impacting the agency. Previously, no funds had been appropriated for legal expenses within the Office of the Lieutenant Governor. However, the Office has incurred legal expenses over the past four years, for drafting legislation, Access to Public Records Act (APRA) requests, and general legal assistance for the office. In FY2020, these expenses total \$31,326 to date.

In order to pay for these expenses, the Office has used personnel savings to cover these costs. The following table illustrates the legal expenses incurred by the Office over the past four years.

	FY2017	FY2018	FY2019	FY2020
Legal Service Expenses	\$112,849	\$45,486	\$54,151	\$31,326

Personnel Adjustments**(\$24,389)**

The Budget increases general revenue expenditures to reflecting statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit decrease of 2.2 percent as compared to the FY2020 Budget as Enacted.

Personnel Costs	FY2020 Enacted	FY2021 Governor	Change
Assessed Fringe Benefits	\$24,982	\$26,033	\$1,051
Direct Salaries	698,120	659,037	(39,083)
Payroll Accrual	3,665	3,851	186
Health Benefits	95,527	95,364	(163)
FICA	47,873	49,978	2,105
Retiree Health Insurance	42,056	38,686	(3,370)
Retirement	173,576	188,461	14,885
Total	\$1,085,799	\$1,061,410	(\$24,389)

Centralized Service Charges**\$7,060**

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 FY2020 Budget as Enacted appropriated \$20,953 for centralized information technology expenses, which is increased by \$7,060 to \$28,013 in the FY2021 budget.

Office of the Secretary of State

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Administration	\$3.3	\$3.9	\$3.8	(\$0.1)	-1.8%	\$3.5	(\$0.4)	-10.1%
Corporations	2.3	2.3	2.3	-	-	2.3	0.0	0.4%
State Archives	0.5	0.5	0.5	0.0	0.2%	0.6	0.1	15.4%
Elections and Civics	3.8	3.1	3.9	0.8	24.6%	3.4	0.2	7.0%
State Library	0.7	0.7	0.7	0.0	6.9%	0.7	0.0	0.4%
Office of Public Information	0.5	0.5	0.5	0.1	13.2%	0.5	0.0	3.6%
Total	\$11.1	\$11.0	\$11.8	\$0.8	7.0%	\$10.9	(\$0.1)	-0.5%
Expenditures By Source								
General Revenue	\$9.8	\$9.5	\$9.5	(\$0.0)	-0.4%	\$9.9	\$0.4	3.7%
Federal Funds	0.9	1.01	1.8	0.8	79.2%	0.4	(0.6)	-61.5%
Restricted Receipts	0.4	0.5	0.5	0.0	1.1%	0.5	0.1	11.3%
Operating Transfers from Other Funds	-	-	-	-	-	0.2	0.2	-
Grand Total	\$11.1	\$11.0	\$11.8	\$0.8	7.0%	\$10.9	(\$0.1)	-0.5%
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).

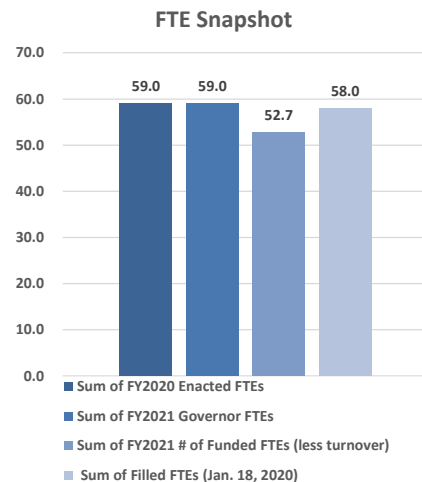
MAJOR ISSUES AND TRENDS

The Preliminary FY2019 Closing report lists the Office expending \$9.8 million in general revenue, \$885,017 in federal funds, and \$449,987 in restricted receipts, reflecting a surplus of \$3,931 in general revenue, \$1.1 million in federal funds, and \$19,725 in restricted receipts. The Office reported that the federal surplus reflects the unexpended federal Help America Vote Act (HAVA) grant fund.

The FY2020 Revised Budget all funds increase \$753,933 from the budget as enacted is mainly due to the carry-over of federal HAVA grant funds from the previous year. For FY2021, all fund expenses decrease by \$55,964, but general revenue increases \$350,373 from the FY2020 Budget as Enacted, primarily for election expenses that occur in FY2021. These expenses increase in odd-numbered fiscal years when there is a general election.

The Budget includes turnover savings of \$815,131, equivalent to 8.5 FTE positions. This may become an issue because the Office of the Secretary of State averaged only 1.7 vacancies over FY2020. In addition, the FY2020 Revised Budget restores \$634,575 in general revenue for unachieved turnover savings out of the \$675,412 turnover included in the budget as enacted.

The Budget includes 59.0 FTE positions in FY2020 and in FY2021, consistent with the enacted level.



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.

Administration	General Revenue
FY2020 Enacted	\$3,875,528
<i>Target and Other Adjustments</i>	<i>79,456</i>
Personnel Adjustments	(277,632)
Contracted Services	(80,112)
Computer Equipment	(72,750)
Centralized Services	(42,589)
FY2021 Governor	\$3,481,901

Personnel Adjustments ***(\$277,632)***

The Budget includes \$2.8 million in general revenue for personnel costs within the Corporations program. This reflects a decrease of \$277,632, reflecting turnover savings, salary and benefit reductions, and statewide planning value adjustments set by the Budget Office. This reduction translates into an effective salary and benefit decrease of approximately 10.0 percent as compared to the FY2020 Budget as Enacted.

Contracted Services ***(\$80,112)***

The Budget includes \$63,627 in general revenue for contracted services, reflecting a decrease of \$80,112 for IT Design consultants from FY2020 Budget as Enacted. According to the Office of the Secretary of State, the IT Design consultants will not be required for the full fiscal year.

The FY2020 Budget as Enacted included \$112,224 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 was also included to finance a Senior Application Developer for the on-going work.

Computer Equipment ***(\$72,750)***

The Budget includes \$52,000 in general revenue to purchase computer equipment. This reflects a decrease of \$72,750 from the FY2020 Budget as Enacted. The FY2020 Budget as Enacted included \$124,750 to replace the server infrastructure that was purchased ten years ago, which, due to the age of the equipment, was no longer supported by the server manufacturer. For FY2021, the Budget includes \$52,000 in general revenue to purchase computer monitors, computer replacements, database server and hard drive updates.

Centralized Service Charges ***(\$42,589)***

The Budget decreases general revenue expenditures by \$42,589 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. As of FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

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
FY2020 Enacted	\$2,291,898
<i>Target and Other Adjustments</i>	-
Personnel Adjustments	(70,126)
Operating Adjustments	51,410
Records Scanning Project	20,000
Legal Costs	10,000
FY2021 Governor	\$2,303,182

Personnel Adjustments (\$70,126)

The Budget includes \$1.8 million in general revenue for personnel costs within the Corporations program. This is a decrease of \$70,126 as compared to the FY2020 Budget as Enacted, reflecting turnover savings and statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit decrease of 3.7 percent as compared to the FY2020 Budget as Enacted.

Operating Adjustments \$51,410

The Budget adds \$51,410 in general revenue for operating adjustments within the Corporations program, mainly for computer supplies and equipment and utility expenses.

Operating Expenses	FY2020 Enacted	FY2020 Governor	Change	FY2021 Governor	Change
Computer Supplies/Software & Equipment	\$5,200	\$5,200	\$0	\$35,200	\$30,000
CUF: Overhead	16,000	-	(16,000)	-	(16,000)
Electricity	-	18,300	18,300	18,300	18,300
All Other Operating	288,878	141,269	(147,609)	307,988	19,110
Total	\$310,078	\$164,769	(\$145,309)	\$361,488	\$51,410

Records Scanning Project \$20,000

The Budget adds \$20,000 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. The FY2020 Revised Budget includes \$58,000, an \$8,000 increase, to continue the project. For FY2021, the Budget includes \$70,000, a \$20,000 increase to maintain the temporary staff so that the project can be completed within the next five years.

Legal Costs \$10,000

The Budget adds \$10,000 for legal costs within this program to increase resources to the level expended in FY2019. The FY2019 Budget as Enacted included \$30,000 for legal and the Office expended \$47,703.

However, in the preceding fiscal years legal expenses have been \$30,000 in FY2020 and \$24,805 in FY2018.

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
FY2020 Enacted	\$112,670
<i>Target and Other Adjustments</i>	<i>6,166</i>
Relocation Costs	26,667
FY2021 Governor	\$145,503

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

Relocation Costs **\$26,667**

The Budget includes \$26,667 in general revenue (\$53,334 all funds) to fund the relocation costs of the State Archives from the present location at 337 Westminster Street, Providence to 33 Broad Street (One Weybosset Hill) in Providence. The State Properties Committee approved a 10-year lease at this property and the Budget Office is preparing the joint resolution pursuant to RIGL 37-6-2(d) requiring the approval of the General Assembly for this long-term lease. There is a corresponding appropriation of \$26,667 in restricted receipts for the relocation costs.

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	FY2021
Collections	\$466,886	\$379,423	\$415,273	\$431,942	\$444,712	\$431,501	\$478,343
Expenditures	470,308	378,549	409,008	413,839	429,348	431,043	477,410

Source: Office of the Secretary of State and Technical Appendix

Collections for FY2020 and FY2021 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	\$2,117,101

<i>Target and Other Adjustments</i>	5,795
Election Costs	952,927
Turnover	(151,964)
Personnel Adjustments	(126,809)
FY2020 Governor	\$2,797,050

Elections and Civics	Other Fund Changes
Federal HAVA Grant	(\$627,075)
Election Equipment	170,000

Election Costs **\$952,927**

The Budget includes \$2.4 million in general revenue for election expenses, an increase of \$952,927 as compared to the FY2020 Budget as Enacted, because FY2021 is in the general election cycle. 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	FY2018 Actual	FY2019 Actual	FY2020 Enacted	FY2020 Governor	FY2021 Governor	Change
Ballot Printing	\$33,484	\$646,191	\$150,000	\$150,000	\$735,000	\$585,000
Computer Supplies and Equipment	1,021	(13)	2,000	2,000	196,000	194,000
Election/Referenda Mailing	10,140	54,212	50,000	50,000	120,000	70,000
Legal/Advertising	96,769	104,789	50,000	50,000	110,000	60,000
Clerical Services	-	16,496	-	-	28,000	28,000
Software Maintenance Agreements	1,196,559	1,212,598	1,233,648	1,233,648	1,249,575	15,927
Total	\$1,337,973	\$2,034,273	\$1,485,648	\$1,485,648	\$2,438,575	\$952,927

Election Costs	FY2018 Actual	FY2019 Actual	FY2020 Enacted	FY2020 Governor	FY2021 Governor	Change
Ballot Printing	\$33,484	\$646,191	\$150,000	\$150,000	\$735,000	\$585,000
Computer Supplies and Equipment	1,021	(13)	2,000	2,000	196,000	194,000
Election/Referenda Mailing	10,140	54,212	50,000	50,000	120,000	70,000
Legal/Advertising	96,769	104,789	50,000	50,000	110,000	60,000
Clerical Services	-	16,496	-	-	28,000	28,000
Software Maintenance Agreements	568,986	585,029	1,233,648	1,233,648	1,249,575	15,927
Total	\$710,400	\$1,406,704	\$1,485,648	\$1,485,648	\$2,438,575	\$952,927

Turnover **(\$151,964)**

The Budget includes \$308,192 for turnover, an increase of \$151,964 in general revenue more than \$156,228 included in the FY2020 Budget as Enacted. The Office of the Secretary of State averaged 1.7 vacancies over FY2020. The reduction is equivalent to 1.6 FTE positions in the Election and Civics program and 8.5 FTE positions agency wide.

Analyst Note: The FY2020 Budget as Enacted included turnover for this program, but in the FY2020 Revised Budget, no turnover was achieved and the \$156,228 is restored in the revised budget. 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.

Personnel Adjustments **(\$126,809)**

The Budget includes \$444,808 in general revenue for personnel costs within the Elections and Civics program. This is a decrease of \$126,809 as compared to the FY2020 Budget as Enacted, reflecting costs reductions from the projected turnover and from statewide planning value adjustments set by the Budget

Office that translates into an effective salary and benefit decrease of 22.2 percent as compared to the FY2020 Budget as Enacted.

Federal HAVA Grant (federal funds) (\$627,075)

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. A total of \$967,311 was expended in FY2019. The FY2020 Budget as Enacted included \$1.0 million and as of February 25, 2020, the Office of the Secretary of State has expended \$877,853 of the FY2020 appropriation. The Budget includes \$389,155 in FY2021, \$627,075 less than the amount appropriated in the FY2020 Budget as Enacted.

Election Equipment (other funds) \$170,000

The Budget includes \$170,000 in Rhode Island Capital Plan (RICAP) funds to purchase 200 Automark voting tables and 500 privacy booths with 200 booth leg extenders. The Office of the Secretary of State is statutorily responsible to purchase the State's voting equipment. The Budget includes the expense of this item under RICAP because, according to the Budget Office, it is a one-time purchase of durable equipment.

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
FY2020 Enacted	\$683,490
<i>Target and Other Adjustments</i>	<i>3,491</i>
FY2021 Governor	\$686,981

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
FY2020 Enacted	\$452,568
<i>Target and Other Adjustments</i>	<i>12,046</i>
Personnel Adjustments	(60,203)
Software Maintenance Agreements	37,600
Rhode Island Government Owner's Manual	17,000
State House Tours	10,000
FY2021 Governor	\$469,011

Personnel Adjustments (\$60,203)

The Budget includes \$322,438 in general revenue for personnel costs within the Office of Public Information program. This is a decrease of \$60,203 as compared to the FY2020 Budget as Enacted, reflecting turnover savings and statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit decrease of 3.7 percent as compared to the FY2020 Budget as Enacted.

Software Maintenance Agreements \$37,600

The Budget adds \$37,600 in general revenue to complete the Open Meetings computer application.

Rhode Island Government Owner's Manual**\$17,000**

The Budget adds \$17,000 in general revenue for printing services for the Rhode Island Government Owner's Manual in FY2021. 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 FY2021 Budget as Enacted included the funding for the printing requirement for the 2020 election.

State House Tours**\$10,000**

The Budget includes \$40,000 in general revenue for State House tours. This is an increase of \$10,000 from the previous fiscal year. The increase funding will allow for tours and additional unspecified exhibitions in the State House.

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.

Analyst Note: The State Properties Committee approved a request to relocate the State Archives from its present leased location at 333 Westminster Street in Providence to 33 Broad Street (One Weybosset Hill) in Providence. The new location is not in a flood plain. The present lease expires May 31, 2020, and the Office of the Secretary of State presumes the relocation will commence shortly thereafter.

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 requested \$52.7 million in RICAP funds spread from FY2020 to FY2025 (\$5.0 million in FY2021) for the construction of a State Archives structure. The Budget does not fund the request. Instead the Budget includes \$170,000 in Rhode Island Capital Program (RICAP) funds to purchase Automark voting tables and privacy booths.

Office of the General Treasurer

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
General Treasurer	\$3.3	\$3.6	\$3.5	(\$0.1)	-2.4%	\$3.5	(\$0.1)	-2.6%
Employees' Retirement System	9.8	12.0	11.8	(0.2)	-1.3%	13.1	1.1	9.0%
Unclaimed Property	27.5	25.4	25.4	0.0	0.2%	25.9	0.5	2.0%
Crime Victim Compensation Program	1.5	1.7	1.7	(0.1)	-3.4%	2.2	0.4	23.6%
Total	\$42.0	\$42.7	\$42.4	(\$0.3)	-0.6%	\$44.6	\$1.9	4.5%
Expenditures By Source								
General Revenue	\$2.9	\$3.0	\$3.0	(\$0.1)	-2.3%	\$3.0	(\$0.0)	-1.3%
Federal Funds	0.9	1.0	1.0	(0.0)	-0.3%	1.0	0.0	1.2%
Restricted Receipts	37.7	38.0	37.8	(0.2)	-0.4%	40.0	2.0	5.2%
Other Funds	0.6	0.7	0.6	(0.0)	(0.0)	0.6	(0.0)	-3.5%
Grand Total	\$42.0	\$42.7	\$42.4	(\$0.3)	-0.6%	\$44.6	\$1.9	4.5%
Authorized FTE Levels	89.0	89.0	89.0	-	-	89.0	-	-

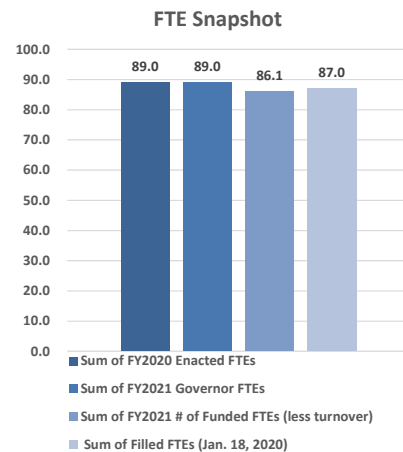
\$ in millions. Totals may vary due to rounding.

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 FY2020, of which \$3.0 million (7.0 percent) is general revenue. This reflects an all fund decrease of \$234,704 from the FY2020 Budget as Enacted. The decrease includes \$71,558 in general revenue, \$127,132 in restricted receipts, \$3,884 in federal funds, and \$32,130 in other funds.

The Budget for FY2021 includes \$44.6 million, of which \$3.0 million (6.7 percent) is general revenue. This reflects an all funds increase of \$1.9 million from the FY2020 Budget as Enacted. The increase includes \$2.0 million in restricted receipts and \$12,068 in federal funds. Offsetting these changes are decreases of \$46,131 in general revenue and \$23,435 in other funds. The Budget provides 89.0 FTE positions in FY2020 and in FY2021, 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
FY2020 Enacted	\$2,643,533
<i>Target and Other Adjustments</i>	<i>14,637</i>
Centralized Service Charges	(63,157)
FY2021 Governor	\$2,595,013

Centralized Service Charges ***(\$63,157)***

The Budget decreases general revenue expenditures by \$63,157 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. As of 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 FY2020 Budget as Enacted appropriated \$234,532 for these expenses, which is reduced by \$63,157 to \$171,375 in the FY2021 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
Contract Services	\$424,202
Turnover	108,118
Centralized Service Adjustment	(36,221)

Contract Services (restricted receipts) ***\$424,202***

The Budget includes \$4.4 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, reflecting the contract holdback to the vendor installing the new system. Treasury expects the vendor to complete the punch list in FY2021.

The next two largest changes include the \$280,230 increase for Temporary Services and a corresponding decrease of \$200,000 for IT General Services, both related to the ongoing data cleanse project that was to be completed by Stonewall Solutions. Treasury changed direction on how the services will be handled and hired temporary workers to continue the work on this project and moved the costs to Temporary Services. Other major changes include a decrease of \$124,800 in building and grounds reflecting Treasury's decision to delay renovation work. The adjustments result in an increase of \$424,202 from the FY2020 Budget as Enacted.

Contract Services	FY2019 Actual	FY2020 Enacted	FY2021 Governor	Change
IT System Support	1,951,912	2,273,892	2,816,664	542,772
Temporary Services	-	-	280,230	280,230
IT General Services	163,800	200,000	-	(200,000)
Other Building and Grounds	-	124,800	-	(124,800)
Legal: Special Counsel	46,728	130,000	60,000	(70,000)
Other Professional Svcs	8,625	200,000	150,000	(50,000)
All Other Contract Services	486,023	1,074,950	1,120,950	46,000
Total	\$2,657,088	\$4,003,642	\$4,427,844	\$424,202

Turnover (restricted receipts)**\$108,118**

The Budget increases restricted receipts by \$108,118 reflecting lower projected personnel turnover savings as compared to the previous fiscal year. The Office of the General Treasurer averaged 5.3 vacancies over FY2019. The reduction is equivalent to 0.9 FTE position.

Centralized Service Adjustment (restricted receipts)**(\$36,221)**

The Budget decreases restricted receipt expenditures by \$36,221 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. As of 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 FY2020 Budget as Enacted appropriated \$263,391 for these expenses, which is reduced by \$36,221 to \$227,170 in the FY2021 proposed budget.

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	\$263,292
Contracted Services	100,000
Turnover	52,098

Revenue Collections and Expenditures (restricted receipts)**\$263,292**

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 increases \$264,192, 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), increases \$863,292 and the surplus transfer to the general fund decreases by \$600,000, resulting in a net decrease of \$1,299,221. [\$0 + \$863,292 + (\$600,000) = \$263,292].

Analyst Note: The Budget does not reflect the unclaimed property transfer adopted by the November Revenue Estimating Conference of \$8.4 million. Instead the Budget has the transfer as \$9.3 million, \$600,000 less than the FY2020 Budget as Enacted estimate of \$9.9 million and \$900,000 more than the Conference estimate.

Contracted Services (restricted receipts)**\$100,000**

The Budget includes an increase of \$100,000 in restricted receipts for contracted unclaimed property audit services service expenditures.

Turnover (restricted receipts)**\$52,098**

The Budget increases restricted receipts by \$52,098 reflecting lower projected personnel turnover savings as compared to the previous fiscal year. The Office of the General Treasurer averaged 5.3 vacancies over FY2019. The reduction is equivalent to 0.4 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
FY2020 Enacted	\$394,018
<i>Target and Other Adjustments</i>	<i>2,389</i>
FY2021 Governor	\$396,407

Crime Victim Compensation Program	Other Fund Changes
Crime Victims Claim Payments	\$450,000

Crime Victims Claim Payments (restricted receipts)**\$450,000**

The Budget includes \$900,000 in restricted receipts for claims and settlement payouts in FY2021, reflecting an increase of \$450,000 over the FY2020 Budget as Enacted. This increase of restricted receipts is a result of the proposed statutory change under Article 3, Section 4 of the FY2021 proposed budget. This change will reprioritize the court order restitution payments to victims of violent crime. The Governor recommends the statutory change as a mechanism to stem declining revenue from court imposed fees. The following table illustrates the declining revenue from the court fees since FY2012.

Court Revenue	Amount
<i>FY2020</i>	<i>\$448,768</i>
FY2019	425,746
FY2018	536,217
FY2017	584,405
FY2016	838,621
FY2015	785,967
FY2014	809,288
FY2013	858,955
FY2012	1,079,792

Projected revenue in italics

Board of Elections

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Board of Elections	\$4.3	\$2.7	\$2.7	(\$0.0)	-1.1%	\$3.5	\$0.7	26.6%
Expenditures By Source								
General Revenue	\$4.3	\$2.7	\$2.7	(\$0.0)	-1.1%	\$3.5	\$0.7	26.6%
Authorized FTE Levels	12.0	13.0	13.0	-	-	13.0	-	-

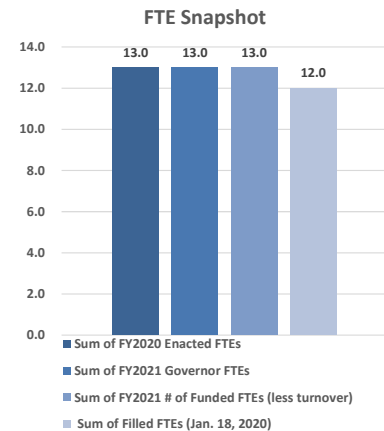
\$ in millions. Totals may vary due to rounding.

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 \$2.7 million in FY2020, reflecting a net reduction of \$31,208 in general revenue, largely due to lower than anticipated rent for the leased space, lower centralized service costs, lower than expected statewide personnel costs, and the inclusion of \$55,399 in turnover savings. Savings are offset by an increase of \$146,496 for buildout costs at the new facility located at 2000 Plainfield Pike in Cranston and \$47,561 for new furniture.

For FY2021, the Budget includes \$3.5 million in general revenue, which is \$724,066 more than the FY2020 Budget as Enacted. The increase is largely attributable to temporary employees, voting equipment transportation, printing, and postage expenses required in a general election year and to cover annual lease and utility costs associated with the relocation of the Board of Elections from state-owned property to leased space. The Budget includes 13.0 FTE positions in FY2020 and in FY2021 consistent with the enacted level.



Central Management	General Revenue
FY2020 Enacted	\$2,748,855
Target and Other Adjustments	20,650
General Election Adjustments	466,565
Rental of Outside Property and Utilities	278,059
Centralized Services	(98,208)
(e-Poll) Books	57,000
FY2021 Governor	\$3,472,921

General Election Adjustments

\$466,565

The Budget increases general revenue expenditures by \$466,565 to reflect personnel and operating expenditures for voter operating supplies and expenses required in a general election year. The increase includes \$238,487 for seasonal employees who perform election work, \$115,000 to transport the election equipment to and from polling stations, and \$63,078 for election supplies and items for the risk limiting audit. The general election adjustment also includes an increase of \$25,000 for postage and an increase of \$25,000 to print election and voter registration-related material.

Election Costs	FY2020 Enacted	FY2020 Revised	Change	FY2021 Governor	Change
Seasonal Staff	\$175,000	\$200,000	\$25,000	\$413,487	\$238,487
Equipment Delivery	50,000	50,000	-	165,000	115,000
Miscellaneous Expenses	46,922	23,589	(23,333)	110,000	63,078
Postage and Postal Services	20,000	40,000	20,000	45,000	25,000
Printing	65,000	65,000	-	90,000	25,000
Total	\$356,922	\$378,589	\$21,667	\$823,487	\$466,565

Rental of Outside Property and Utilities**\$278,059**

The Budget adds \$278,059 in general revenue to reflect the annual lease and utility costs associated with the relocation of the Board of Elections from state-owned property to leased space. The Board of Elections, following the Governor's Efficiency Commission report recommendation, moved from state-owned property located at 50 Branch Avenue in Providence to leased property located at 2000 Plainfield Pike in Cranston. This relocation increased expenses for rental space, utilities, and janitorial costs. This is partially offset by a reduction of facilities management centralized service costs of \$70,864.

Rental and Facility Costs	FY2019 Actual	FY2020 Enacted	FY2021 Governor	Change
Rental of Outside Property	\$0	\$366,667	\$550,000	\$183,333
Telecommunication Overhead	57,589	20,000	60,000	40,000
Electricity	-	-	25,000	25,000
Natural Gas	-	-	23,000	23,000
Waste Disposal	-	360	4,360	4,000
Sewer Use	2,719	2,600	4,000	1,400
Janitorial Supplies and Equipment	547	360	1,360	1,000
Water	523	474	800	326
Total	\$61,378	\$390,461	\$668,520	\$278,059

Centralized Service**(\$98,208)**

The Budget decreases general revenue expenditures reflecting 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 FY2020 Budget as Enacted appropriated \$158,808 for these expenses, which is decreased by \$98,208 to \$60,600 in the FY2021 proposed budget, reflecting the elimination of facilities management centralized service costs of \$70,864.

ePoll Books**\$57,000**

The Budget adds \$57,000 in general revenue for contract support services with Knowlink 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 are exhausted and the Budget included \$5,000 in general revenue in the FY2019 Revised Budget to fully cover the support costs that fiscal year and the FY2020 Budget as Enacted included \$55,000 for the ePoll Book support services.

Ethics Commission

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted	FY2021 Governor	Change from Enacted
RI Ethics Commission	\$1.7	\$1.8	\$1.8	(\$0.0) -0.1%	\$2.0	0.1 7.2%
Expenditures By Source						
General Revenue	\$1.7	\$1.8	\$1.8	(\$0.0) -0.1%	\$2.0	0.1 7.2%
Authorized FTE Levels	12.0	12.0	12.0	- -	12.0	- -

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

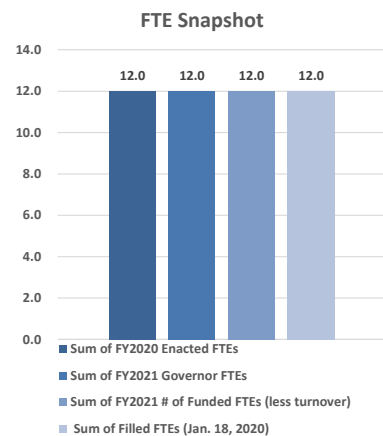
The Rhode Island Ethics Commission is responsible for adopting and disseminating the Rhode Island Code of Ethics, issuing advisory opinions to public officials and employees, enforcing financial disclosure policies and maintaining financial disclosure records, investigating and adjudicating complaints 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 \$1.8 million for FY2020, reflecting a decrease of \$1,853 as compared to the FY2020 Budget as Enacted.

The Budget includes \$2.0 million for FY2021, which provides an increase of \$131,809 (7.1 percent) over the FY2020 Budget as Enacted. This includes an increase of \$20,553 in personnel costs, reflecting statewide planning value adjustments set by the Budget Office, an increase of \$80,000 for contracted legal services, and a net increase of \$30,256 for other operating and capital equipment adjustments.

The Budget includes 12.0 FTE positions in FY2020 and FY2021, consistent with the enacted level.



RI Ethics Commission	General Revenue
FY2020 Enacted	\$1,845,298
<i>Target and Other Adjustments</i>	<i>13,468</i>
Legal Services	80,000
Personnel Adjustments	20,553
Centralized Services	12,788
Rental of Outside Property	5,000
FY2021 Governor	\$1,977,107

Legal Services **\$80,000**

The Budget includes \$116,000 in general revenue expenditures for outside legal costs, reflecting an increase of \$80,000 over the FY2020 Budget as Enacted for anticipated outside legal costs impacting the Commission. The FY2020 Budget as Enacted included \$36,000 to cover legal costs impacting the agency on cases filed in Superior Court. During the ensuing year, one of the cases was appealed and the Commission expects the matter to be brought to the State Supreme Court. The Commission is experiencing significant legal 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.

Personnel Adjustments**\$20,553**

The Budget increases general revenue expenditures to reflect statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit increase of 1.3 percent as compared to the FY2020 Budget as Enacted.

Personnel Costs	FY2020 Enacted	FY2021 Governor	Change
Assessed Fringe Benefits	\$39,627	\$40,104	\$477
Direct Salaries	1,003,176	1,015,296	12,120
Payroll Accrual	5,814	5,936	122
Health Benefits	105,019	103,152	(1,867)
FICA	75,934	76,904	970
Retiree Health	66,713	59,598	(7,115)
Retirement	275,719	291,565	15,846
Total	\$1,572,002	\$1,592,555	\$20,553

Centralized Service Charges**\$12,788**

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 FY2020 Budget as Enacted appropriated \$42,920 for centralized information technology expenses, which is increased by \$12,788 to \$55,708 in the FY2021 budget.

Rental of Outside Property**\$5,000**

The Commission'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 \$112,000, reflecting an increase of \$5,000 from the FY2020 Budget as Enacted.

Office of the Governor

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Governor	\$5.6	\$6.1	\$6.1	(\$0.0)	-0.1%	\$6.6	\$0.5	8.0%
Expenditures By Source								
General Revenue	\$5.6	\$6.1	\$6.1	(\$0.0)	-0.1%	\$6.6	\$0.5	8.0%
Authorized FTE Levels	45.0	45.0	45.0	-	-	45.0	-	-

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

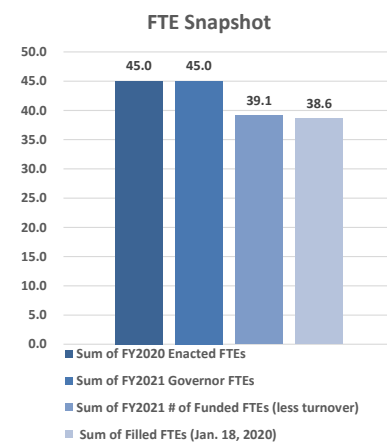
The Office of the Governor is one of five general offices subject to voter election under the Constitution of Rhode Island. The Office is responsible for directing the executive branch of government, including the preparation and submission of the annual state budget.

MAJOR ISSUES AND TRENDS

The FY2020 Revised Budget for the Office of the Governor is \$6.1 million in general revenue, \$6,886 less than the amount appropriated in the FY2020 Budget as Enacted.

The FY2021 Budget includes an appropriation of \$6.6 million in general revenue, reflecting a \$486,946 (8.0 percent) increase from the previous year. The majority of this funding (89.8 percent) supports personnel costs. The Budget includes \$52,550 for longevity costs that are listed separately from salary costs by the Budget Office.

The Budget includes 45.0 FTE positions in both FY2020 and FY2021, consistent with the enacted budget.



Governor	General Revenue
FY2020 Enacted	\$6,093,211
Target and Other Adjustments	7,324
Personnel Adjustments	338,534
Contingency Fund	100,000
Centralized Services	41,088
Governor's Office Budget History	Informational
FY2021 Governor	\$6,580,157

Personnel Adjustments **\$338,534**

The Budget includes \$5.9 million in general revenue for salary and benefits, resulting in a net increase of \$338,534 from the previous fiscal year. The increase in personnel expenses reflects increases in statewide planning value adjustments set by the Budget Office, such as health benefit costs and retirement contribution rates as well as a reduction of \$631,768 for projected turnover savings that translates into an effective salary and benefit increase of 6.1 percent as compared to the FY2020 Budget as Enacted.

Contingency Fund **\$100,000**

The Budget adds \$100,000 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 FY2020 Budget as Enacted included \$150,000 in general revenue. As of January 20, 2020, a total of \$111,172 is spent from the fund leaving a balance of \$38,828. There is no change proposed for the contingency fund in the FY2020 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	-	200,000	156,590	43,410
FY2020	150,000	-	150,000	111,172	38,828
<i>FY2021</i>	<i>250,000</i>	<i>-</i>	<i>250,000</i>	<i>-</i>	<i>250,000</i>

Source: Budget Data Tables

FY2020 Expenditures as of January 20, 2020

Italics reflects proposed amounts or non-finalized amounts

Centralized Service

\$41,088

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 FY2020 Budget as Enacted appropriated \$95,867 for this expense, which is increased by \$41,088 to \$136,955 in the FY2021 budget.

Governor's Office Budget History

Informational

The FY2021 Budget includes an appropriation of \$6.6 million in general revenue. In comparison to previous budget appropriations and expenditures, the FY2021 proposed appropriation is 8.0 percent greater than the appropriation in FY2020, 38.4 percent greater than FY2016 (first budget of Governor Raimondo), and 42.2 percent greater than FY2009 (last budget of Governor Carcieri).

Table 1 illustrates the Office of the Governor's Budget (general revenue) at the end and beginning of the gubernatorial terms of the past decade.

Category	Gov. Carcieri		Gov. Chafee		Gov. Raimondo			
	FY2009	Perc.	FY2012	Perc.	FY2016	Perc.	FY2021	Perc.
Salary and Benefits	\$4,150,784	89.7%	\$3,660,542	91.5%	\$4,443,748	93.5%	\$5,907,600	89.8%
All Other Expenses	476,604	10.3%	341,079	8.5%	311,354	6.5%	672,557	10.2%
Total	\$4,627,388	100.0%	\$4,001,621	100.0%	\$4,755,102	100.0%	\$6,580,157	100.0%

Table 2 illustrates the Office of the Governor's Budget (general revenue) from FY2009 to the proposed FY2021 Budget.

Table 2		
Fiscal Year	Appropriation	Perc Chg.
<i>FY2021</i>	<i>\$6,580,157</i>	<i>8.0%</i>
<i>FY2020</i>	<i>6,093,211</i>	<i>8.3%</i>
<i>FY2019</i>	<i>5,624,462</i>	<i>2.6%</i>
<i>FY2018</i>	<i>5,481,059</i>	<i>9.4%</i>
<i>FY2017</i>	<i>5,008,393</i>	<i>5.3%</i>
<i>FY2016</i>	<i>4,755,102</i>	<i>8.0%</i>
<i>FY2015</i>	<i>4,401,893</i>	<i>10.7%</i>
<i>FY2014</i>	<i>3,975,744</i>	<i>-1.2%</i>
<i>FY2013</i>	<i>4,024,335</i>	<i>-1.4%</i>
<i>FY2012</i>	<i>4,081,232</i>	<i>-13.2%</i>
<i>FY2011</i>	<i>4,701,867</i>	<i>8.2%</i>
<i>FY2010</i>	<i>4,344,370</i>	<i>-6.1%</i>
<i>FY2009</i>	<i>4,627,388</i>	

Projected in Italics

Rhode Island Commission for Human Rights

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Commission for Human Rights	\$1.7	\$1.9	\$1.9	(\$0.0)	-0.5%	\$2.0	\$0.0	2.1%
Expenditures By Source								
General Revenue	\$1.3	\$1.4	\$1.4	\$0.0	0.0%	\$1.5	\$0.1	7.4%
Federal Funds	0.4	0.6	0.6	(0.0)	-1.8%	0.5	(0.1)	-10.7%
Total	\$1.7	\$1.9	\$1.9	(\$0.0)	-0.5%	\$2.0	\$0.0	2.1%
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 \$800 for each co-filed employment case processed pursuant to its work-sharing agreement with the federal Equal Employment Opportunities Commission (EEOC). This reflects an increase of \$100 for the EEOC reimbursement over the previous year. The Commission also receives a reimbursement 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.

According to the most recently available data, during FY2019, the Commission took an average of 325 days to process a case to final disposition, 20 days longer than those processed during FY2018 and 10 days longer than those processed during FY2017.

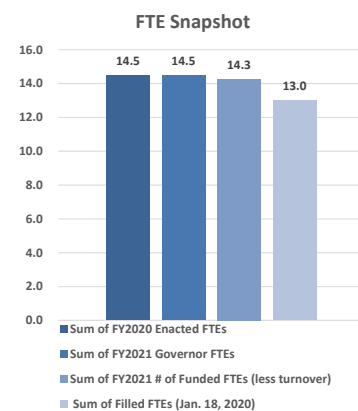
MAJOR ISSUES AND TRENDS

The Agency received \$1.8 million in all funds in the FY2019 Revised Budget, of which \$1.3 million is general revenue and \$467,587 in federal funds. The Preliminary FY2019 Closing report lists the Agency expending \$1.3 million in general revenue and \$445,001 in federal funds, reflecting a surplus of \$36,904 in general revenue and a surplus of \$43,410 in federal funds. The Agency reported that the general revenue surplus was a result of the retirement of a senior investigative staff member in February 2018 that was eventually filled by a junior investigative staff member, leaving the junior position vacant. That position was not filled until December 2018. The federal revenue surplus was partly due to receipt of higher than estimated federal funds.

The FY2020 Budget as Enacted includes \$1.9 million in all funds, of which \$1.4 million is general revenue and \$563,414 is federal funds. General revenues increased \$18,150 (1.4 percent) over the FY2019 Budget as Enacted. The FY2020 Revised Budget includes \$1.9 million in all funds, of which \$1.4 million is general revenue and \$557,527 is federal funds. This reflects a decrease of \$3,370 in general revenue and a decrease of \$5,887 in federal funds over the enacted budget.

For FY2021, the Budget includes \$2.0 million, of which \$1.5 million is general revenue and \$504,702 is federal funds, reflecting an increase of \$99,156 in general revenue and a decrease of \$58,712 in federal funds largely reflecting the shift of rent costs back to general revenue.

The Budget includes 14.5 FTE positions in FY2020 and in FY2021, consistent with the enacted level.



Commission for Human Rights	General Revenue
FY2020 Enacted	\$1,353,591
<i>Target and Other Adjustments</i>	2,292
Personnel Adjustments	29,676
Rental of Outside Property	67,188
FY2021 Governor	\$1,452,747

Commission for Human Rights	Other Funds
Rental of Outside Property (federal funds)	(\$67,689)

Personnel Adjustments **\$29,676**

The Budget increases general revenue expenditures to reflect various statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit increase of 2.4 percent as compared to the FY2020 Budget as Enacted.

	FY2020	FY2021	
Personnel Costs	Enacted	Governor	Change
Assessed Fringe Benefits	\$29,631	\$30,366	\$735
Direct Salaries	\$750,160	\$768,777	\$18,617
Retirement	205,021	218,929	13,908
FICA	57,385	58,813	1,428
Health Benefits	164,939	164,545	(394)
Payroll Accrual	4,347	4,489	142
Retiree Health Insurance	49,886	45,126	(4,760)
Total	\$1,261,369	\$1,291,045	\$29,676

Rental of Outside Property **\$67,188**

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 \$198,438, a decrease of \$501 from the previous fiscal year. The FY2020 Budget shifted over 90.0 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). The FY2021 Budget shifts more of the rental cost back to general revenues. The FY2019 and FY2020 Budgets as Enacted shifted rental costs to federal funds to reduce general revenue expenses and absorb an existing federal fund surplus in the agency. For FY2021, the rental costs shift back to general revenue because the actual and estimated federal receipts for FY2021 are not sufficient to fully cover these expenses.

General revenues will account for \$75,110 of the rent cost and federal funds account for \$123,328. There is a corresponding decrease of \$67,689 in federal funds for rental expense.

Public Utilities Commission

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Public Utilities Commission	\$9.1	\$11.4	\$11.4	(\$0.0)	-0.1%	\$11.6	\$0.3	2.4%
Expenditures By Source								
Federal Funds	\$0.2	\$0.2	\$0.2	(\$0.0)	(\$0.0)	\$0.2	\$0.0	\$0.0
Restricted Receipts	8.9	11.2	11.2	(0.0)	-0.1%	11.5	0.3	9.0%
Grand Total	\$9.1	\$11.4	\$11.4	(\$0.0)	-0.1%	\$11.6	\$0.3	2.4%
Authorized FTE Levels	53.0	52.0	52.0	-	-	54.0	2.0	3.8%

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

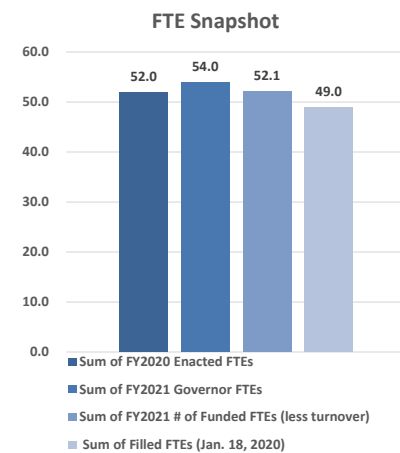
The Public Utilities Commission (PUC) regulates public utilities, Community Antenna Television, common carriers, and major energy facilities; regulates rates; ensures sufficient utility infrastructure to promote economic development; and, cooperates with other states and federal government agencies to 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 FY2020 Revised Budget provides a total operating budget of \$11.4 million, including \$11.2 million in restricted receipts, and \$175,928 in federal funds. The recommendation represents a decrease of \$13,056 (0.1 percent) from the FY2020 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 FY2021 Budget provides a total operating budget of \$11.6 million, including \$11.5 million in restricted receipts and \$178,744 in federal funds. The recommendation represents an all funds increase of \$275,254 (2.4 percent) compared to the FY2020 Budget as Enacted, and reflects an increase of \$274,512 in restricted receipts and \$742 in federal funds. The single largest increase is \$203,624 in restricted receipts for the addition of 2.0 new FTE positions. The Budget provides a staffing level of 52.0 FTE positions in FY2020 and 54.0 FTE positions in FY2021 for the Commission, an increase of 2.0 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
Personnel - New FTE Positions	203,624
Centralized Service Charges	40,132

Personnel – New FTE Positions (restricted receipts)**\$203,624**

The Budget adds 2.0 new FTE positions in FY2021 including a 1.0 Public Utilities Engineering Specialist II position and a 1.0 Public Utilities Analyst III position. The Governor adds the positions to handle an increase in workload to expand the DPUC's capacity to inspect utility infrastructure, in response to the Aquidneck Island gas outage, and to handle increased regulatory proceedings regarding renewable energy and energy-efficiency.

New Positions	Cost
1.0 Public Utilities Engineering Specialists II	\$101,812
1.0 Public Utilities Analyst III	101,812
Total	\$203,624

Centralized Service Charges**\$40,132**

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 FY2020 Budget as Enacted appropriated \$95,867 for this expense, which is increased by \$40,132 to \$130,456 in the FY2021 budget.

CAPITAL PROJECTS

The 5-year capital plan includes \$1.0 million in restricted receipts for two capital projects including ongoing asset protection of the state-owned facility at 89 Jefferson Boulevard in the City of Warwick and to develop an online electronic business portal (EBP).

- The Budget includes \$250,000 in in FY2020 and \$250,000 in FY2021 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.
- The Budget also includes \$50,000 in FY2020, \$50,000 in FY2021, and \$400,000 to fund four asset protection projects between FY2022 and FY2024, including replacing exterior windows, the roof membrane, handicap railings and ramp, and to resurface the parking lot. The structure has been used by the Division of Public Utilities and Carriers/Public Utilities Commission since 2002 for office and public hearing space.

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.

Executive Office of Commerce

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$0.9	\$1.9	\$1.9	(\$0.0)	0.0%	\$2.6	\$0.7	37.5%
Commerce Programs	2.1	1.2	1.2	-	-	2.1	0.9	72.7%
Economic Development Initiatives Fund	14.3	12.1	12.1	-	-	26.1	14.0	115.7%
Housing and Community Development	16.4	23.2	20.0	(3.2)	-13.9%	24.8	1.6	6.7%
Quasi-Public Appropriations	19.5	21.6	21.6	-	-	24.9	3.3	15.3%
Total	\$53.2	\$60.0	\$56.8	(\$3.2)	-5.4%	\$80.5	\$20.5	34.1%
Expenditures By Source								
General Revenue	\$30.2	\$28.2	\$28.2	(\$0.0)	0.0%	\$44.3	\$16.1	57.1%
Federal Funds	11.3	17.6	14.4	(3.2)	-18.3%	\$15.4	(\$2.2)	-12.4%
Restricted Receipts	4.3	4.8	4.8	(0.0)	0.0%	\$8.3	\$3.5	73.7%
Other Funds	7.4	9.5	9.5	0.0	0.0%	\$12.5	\$3.1	32.4%
Total	\$53.2	\$60.0	\$56.8	(\$3.2)	-5.4%	\$80.5	\$20.5	34.1%
Authorized FTE Levels	16.0	14.0	14.0	0.0	0.0%	15.0	1.0	7.1%

\$ 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.

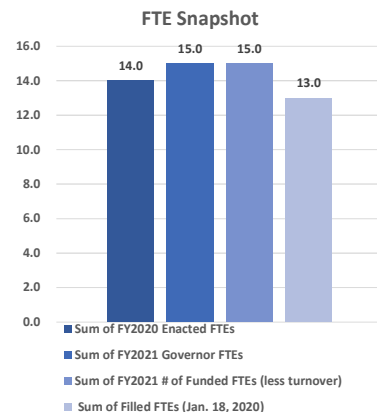
The Housing and Community Development program was transferred to the Executive Office of Commerce by the General Assembly in FY2016. In addition, the funding and administration for the Rhode Island Commerce Corporation and the I-195 Redevelopment Commission, both previously funded in the Department of 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 Budget provides a total of \$80.5 million to fund the economic development initiatives and operations of the Executive Office of Commerce and Commerce RI in FY2021. Over half of this, or \$44.3 million, is general revenue, an increase of \$16.1 million (57.1 percent) from enacted levels. The Budget authorizes 14.0 FTE positions in FY2020 and 15.0 in FY2021. EOC maintained an average of 13.0 filled FTE positions in FY2020.

Incentives

In 2015, the General Assembly 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 \$136.8 million through FY2020. The FY2021 Budget includes an additional \$14.3 million. The following table shows the total appropriations, awards, and remaining balances for each of the incentives:



Incentive	Pre-FY2020	FY2020 Enacted	FY2020 Revised	FY2021 Governor	Appropriated To Date	Awarded to Date	Balance
Rebuild RI	\$49.7	\$10.0	\$10.0	\$22.5	\$59.7	\$154.2	(\$94.5)
I-195 Redevelopment Fund	28.0	-	-	1.0	28.0	26.0	2.0
First Wave Closing Fund	15.3	-	-	-	15.3	2.6	12.7
Wavemaker Fellowship	6.1	1.2	1.2	2.1	7.3	3.1	4.2
Small Business Assistance Fund	5.5	0.5	0.5	0.8	6.0	3.5	2.4
Innovation Initiative	8.5	2.0	2.0	2.0	10.5	5.7	4.8
Main Street RI Streetscape Improvement Fund	3.0	-	-	-	3.0	3.0	0.0
Air Service Development Fund	2.5	-	-	-	2.5	2.0	0.5
P-Tech	2.3	0.2	0.2	0.2	2.5	1.3	1.2
Industry Cluster Fund	1.4	0.1	0.1	0.4	1.5	1.2	0.3
SupplyRI/Small Business Promotion	0.3	0.3	0.3	0.3	0.6	0.6	0.0
Qualified Jobs Tax Incentive	-	-	-	-	-	67.0	(67.0)
Tax Increment Financing	-	-	-	-	-	29.4	(29.4)
Tax Stabilization Agreement Incentive	-	-	-	-	-	0.6	(0.6)
Total	\$122.5	\$14.3	\$14.3	\$29.2	\$136.8	\$300.2	(\$163.4)

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

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

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

The Governor recommends revisions to some of the incentives along with increased funding. The Governor recommends elevating the Office of Housing and Community Development to a full division in the agency with its own deputy secretary. Other changes include:

- **Rebuild RI:** The Governor includes \$22.5 million to assist economic development projects through the Rebuild RI program, \$12.5 million more than the enacted level. The Governor proposes several changes to the program including a reduction in the maximum project financing gap, a new credit for infrastructure investments, an extension of the program's sunset, and an increase in the total program cap to from \$210.0 million to \$250.0 million.
- **Wavemaker:** The Budget provides \$2.1 million to help retain talented graduates through the Wavemaker Fellowship program, \$872,000 more than the enacted level. The Governor expands the program eligibility to include elementary and secondary educators specializing in science, technology, engineering, or mathematics (STEM).
- **I-195 Redevelopment:** The Budget includes \$1.0 million in new funding for the I-195 Redevelopment Fund. The fund is used to address financing gaps experienced by development projects located within the I-195 Redevelopment Zone. The Budget also increases the operating funds for the I-195 Commission by \$130,000 and provides \$1.0 million in Rhode Island Capital Plan (RICAP) funds designated for the maintenance of parks within the redevelopment zone.
- **Small Business Assistance:** The Governor recommends \$750,000 to support the small business assistance program, \$250,000 more than the enacted level. The program engages private lenders to support businesses with fewer than 200 employees.
- **International Trade and Export Programming:** The Budget includes \$476,000 to support international trade and export programming for Rhode Island businesses. The proposal is budget neutral relative to the FY2020 enacted level. The funding shifts from Bryant University's John Chafee Center for International Business, which historically has received a pass-through appropriation to conduct this programming, to the Rhode Island Commerce Corporation.
- **Polaris Manufacturing Technical Assistance Program:** The Governor recommends \$450,000 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. This represents a \$50,000 increase over the enacted level. The Governor also provides additional funds to equip existing manufacturers with the tools needed to transfer ownership to a new generation of business owners.

- **Municipal Capacity Building - Site Readiness:** The Budget includes \$390,000 to fund the work of five RI Commerce Corporation “fellows” within the Site Readiness program. The program provides municipalities with technical support aimed at reducing barriers to siting economic development projects.
- **Competitive Cluster Grants:** The Budget includes \$350,000 for the Competitive Cluster Grants program, \$250,000 more than the FY2020 enacted level. The program provides businesses within the State’s designated growth sectors with startup and technical assistance funding.
- **Minority Entrepreneurship:** The Budget provides \$150,000 within the Rhode Island Commerce Corporation to support minority entrepreneurship through assistance and grants programming managed by corporation staff. The Budget also defunds the State’s statutorily designated urban business incubator, Urban Ventures, creating a general revenue savings of \$140,000.
- **Commercial Property and Tangible Tax Study Commission:** The Budget also provides \$85,000 to fund the work of a proposed commission charged with studying the rate structure and administration of commercial property and tangible taxes at the municipal level.

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 3.0 FTE positions in FY2020 and 4.0 in FY2021.

Central Management	General Revenue
FY2020 Enacted	\$1,921,663
<i>Target and Other Adjustments</i>	<i>36,256</i>
Site Readiness	390,000
Deputy Secretary	209,911
Commercial Property and Tangible Tax Study Commission	85,000
FY2021 Governor	\$2,642,830

Site Readiness **\$390,000**

The Budget includes \$390,000 to fund the work of five RI Commerce Corporation “fellows” under a new municipal capacity-building pilot program. The program is designed to complement the recently-established Site Readiness program. The Site Readiness program is the State’s primary approach towards increasing the availability of pad-ready locations for development. The pilot will provide municipalities with technical support aimed at reducing barriers to siting economic development projects.

According to EOC, an existing program manager will administer the pilot program with the assistance of five CommerceRI “fellows” that will be “embedded” in participating municipalities. These positions will be employed by CommerceRI but will not be considered state employees. EOC indicates that personnel costs for the fellows will be in the \$110,000 to \$115,000 range including benefits and will be shared equally by CommerceRI and the participating municipality. The program manager will be funded 100.0 percent by general revenue program funds.

Deputy Secretary **\$209,911**

The Budget includes \$209,911 in personnel costs associated with a 1.0 Deputy Chief of Staff/Policy FTE position. This position is intended to serve as a deputy secretary for the Executive Office of Commerce. The EOC has requested the deputy secretary position each year since it was eliminated in FY2018. According to the EOC’s FY2021 Budget Request, the position is “integral to coordinating the interagency responsibilities of the agency and will promote better alignment across those agencies.” The EOC also

indicates that the deputy secretary will also head the Office of Housing and Community Development which is elevated to Division status in Article 11.

Article 12 of the Budget specifically assigns the deputy secretary to the role of executive director of the proposed new Housing Resources Coordinating Council. The article states that the executive director shall be employed in the Executive Office of Commerce as a Deputy Secretary of Housing and Homelessness.

Commercial Property and Tangible Tax Study Commission

\$85,000

The Budget provides \$85,000 to fund the work of a proposed commission charged with studying the rate structure and administration of commercial property and tangible taxes at the municipal level.

Article 9 of the Budget establishes a limited incentive program for municipalities to reduce their tangible personal property tax (TPPT) rates in order to make these cities and towns, and Rhode Island as a whole, more competitive, regionally and nationally, in attracting business. Under the program, the State would provide partial offsetting payments to participating municipalities that reduce their TPPT rates.

Offset payments will be made from a fund established within the Department of Revenue. The article provides a year-long implementation period, with the first payments to municipalities being made in FY2022. Part of the preparation includes the establishment of a commercial property and tangible tax study commission charged with reviewing the State's commercial property tax framework and delivering recommendations the Department of Revenue and the Executive Office of Commerce.

COMMERCE PROGRAMS

The Budget includes \$2.1 million from general revenues in FY2021 to support Commerce Programs. The funding recommendation is \$872,000 more than what was appropriated in the FY2020 Budget as Enacted.

Commerce Programs	General Revenue
FY2020 Enacted	\$1,200,000
<i>Target and Other Adjustments</i>	-
Wavemaker Fellowship	872,000
FY2021 Governor	\$2,072,000

Wavemaker Fellowship

\$872,000

The Budget provides \$2.1 million in general revenue funding for the Wavemaker Fellowship program in FY2021, \$872,000 more than the FY2020 enacted level. The increase is related to an expansion of the program to include STEM teachers.

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 four years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate's degree and up to \$6,000 for a graduate or post-graduate degree.

Article 10 of the Budget expands the RI Wavemaker Fellowship to include STEM teachers. It limits the awards that may be made to eligible STEM teachers to 100 or less or no more than 25.0 percent of the awards made in a given calendar year. The Commerce Corporation will establish the

Cohort	Fellows*	Appropriation	Original Award	Amount	
				Reimbursed to Date	Outstanding Balance
2016	208	\$1,700,000	\$788,049	\$668,135	\$119,914
2017	219	2,000,000	862,597	108,241	754,356
2018	236	800,000	856,314	427,615	428,699
2019	153	1,600,000	579,489	-	579,489
2020	215	1,200,000	-	-	-
2021	215	2,072,000	-	-	-
Total		\$9,372,000	\$3,086,449	\$1,203,991	\$1,882,458

* Applications and awards for the FY 2020 Wavemaker Fellowship program are still in process. The number of fellows for both the FY2020 and FY2021 are estimates from EOC.

guidelines ensuring the cap on the proportion of awards to STEM teachers, in consultation with the Rhode Island Department of Education.

ECONOMIC DEVELOPMENT INITIATIVES FUND

The Budget provides \$26.1 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 \$14.0 million more than the FY2019 Budget as Enacted.

Economic Development Initiatives Fund	General Revenue
FY2020 Enacted	\$12,100,000
<i>Target and Other Adjustments</i>	-
Rebuild RI	12,500,000
I-195 Redevelopment Fund	1,000,000
Competitive Cluster Grant Program	250,000
Small Business Assistance Program	250,000
FY2021 Governor	\$26,100,000

Rebuild RI

\$12.5 million

The Budget provides \$22.5 million in general revenue for Rebuild RI, \$12.5 million more than the FY2020 enacted level.

The Rebuild Rhode Island program uses both tax credit and sales tax exemption incentives. The tax credit is administered by the Commerce Corporation and is designed to promote investment in real estate development for commercial and/or residential use. Commerce RI can 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 a given year, the credit may be carried forward up to four years or until the full credit is used, whichever occurs first. Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income. 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 Credits and Exemptions

Budget	Appropriation	Awarded*
2016 Enacted (Final)	\$1,000,000	\$31,672,729
2017 Enacted (Final)	25,000,000	63,485,977
2018 Enacted (Final)	12,500,000	29,055,000
2019 Enacted (Final)	11,200,000	28,343,333
2020 Enacted	10,000,000	1,653,848
<i>Subtotal - Activity to Date</i>	<i>\$59,700,000</i>	<i>\$154,210,887</i>
2020 Revised	10,000,000	1,653,848
2021 Governor	22,500,000	-
Total	\$82,200,000	\$154,210,887

* Rebuild RI tax credits combined with and Rebuild RI sales and use tax exemptions.

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 and exemptions. Each year, the Director of Revenue requests the amounts necessary to pay for the redemption of tax credits and sales tax exemptions. The following table provides the estimated obligations and annual drawdowns by fiscal year. It also shows

an appropriation scenario that sufficiently covers planned draw down activity, keeps annual appropriations below \$25.0 million, and leaves a reasonable annual ending balance for the following fiscal year.

Estimated Cash Flow Summary for Rebuild RI										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Balance	\$50.1	\$54.0	\$27.2	\$21.9	\$15.0	\$14.0	\$18.4	\$19.3	\$15.3	\$13.6
Combined Draw Downs*	(18.6)	(46.8)	(30.3)	(31.9)	(26.0)	(15.6)	(9.1)	(9.0)	(6.7)	(1.7)
Estimated Appropriation^	22.5	20.0	25.0	25.0	25.0	20.0	10.0	5.0	5.0	1.0
Ending Balance	54.0	27.2	21.9	15.0	14.0	18.4	19.3	15.3	13.6	12.9

*Includes tax credits and sales tax exemptions. Amounts take into consideration all projects as of January 1, 2020, including Fane Tower.

^ Appropriation levels for FY2021 through FY2030 have been chosen for demonstration purposes only. Consideration was given to keeping annual appropriations below \$25.0 million, while covering the draw downs, and leaving a reasonable ending balance (Senate Fiscal Staff estimates).

Article 11: Article 11 makes several changes to the Rebuild RI program limits.

- **Program Cap Increase:** Under current law, the combined total amount of tax credits and sales tax exemptions that may be issued under the Rebuild RI program is \$210.0 million. Article 11 raises that cap to \$250.0 million.
- **Project Cap Reduction:** The article also reduces the per project limit of 20.0 percent of the total project cost down to 15.0 percent, with the exception of those projects that involve historic structures or include infrastructure investment. These latter types of projects are also eligible for an additional 10.0 percent of projects costs, for a maximum of 30.0 percent, if they meet certain criteria. This criteria includes adaptive reuse of a historic structures, involves a prioritized industry, located in a transit-oriented development area, and other similar economic objectives.
- **Sunset Extension:** The article extends the Rebuild RI sunset from December 31, 2020, to December 31, 2023.

Rebuild RI Projects: The following table shows the current projects which have been awarded Rebuild RI tax credits:

Project	Date Approved	Amount	Sales Tax Rebate Estimate	Total Investment Leveraged
Wexford Innovation Cent	5/1/2017	\$15.0	\$1.6	\$104.7
Downcity	1/27/2017, 12/28/2017	11.9	0.4	39.7
River House	5/1/2017	8.4	0.7	61.9
78 Fountain Street	3/28/2016	6.1	1	48.4
Edge II	11/19/2018	6.0	1.3	59.2
Providence Commons	1/25/2016	5.6	1.1	54.4
Prospect Heights	3/28/2016	3.7	0.2	12.2
Pontiac Mills	5/23/2016	3.6	0.5	34.6
Hope Artiste	9/26/2016	3.6	0.8	38.9
Chestnut Commons	12/19/2016, 10/30/2017	3.5	0.6	32.9
Immunex RI Corporation	4/10/2018	3.5	3.3	165.1
Virgin Pulse	12/19/2016	3.2	0.3	10.8
Ocean State Job Lot	6/27/2016	3.1	2	49.1
The Edge	5/22/2017	3.0	1.0	56.9
ONE MetroCenter	11/19/2018	3.0	0.5	19.0
Rubius Therapeutics	6/28/2018	2.8	2.7	188.0
Louttit Laundry	1/25/2016	2.7	0.3	10.1
Lippitt Mill	8/22/2016	2.6	0	18.8
45 Pike	9/26/2016	2.5	0.4	23.2
Innovate Newport	11/21/2016, 12/17/2018	2.4	-	8.3
Farm Fresh	3/26/2019	2.2	-	15.5
Electric Boat	5/21/2018	2.0	18.0	792.1
Infinity Meat Solutions	5/21/2018	1.9	1.8	110.2
Case Mead	2/22/2016, 5/1/2017	1.6	0.2	11.0
Warwick Hyatt Hotel	6/27/2016	1.4	0.3	23.8
Gotham Greens	11/20/2017	1.3	-	12.2
Union Trust	3/28/2016	1.1	0.3	14.6
R&W Phase II	1/22/2018	1.0	0.2	7.2
Bristol Belvedere	2/27/2017	1.0	0.2	9.4
Infosys	12/18/2017	0.8	0.1	8.5
A.T. Cross	5/9/2016	0.4	0.7	2.1
Finlay	8/10/2016	0.3	0.3	54.3
Aloft Hotel	1/28/2019	0.1	1.5	55.2
Residence Inn	2/22/2016, 5/22/2017	0.1	1.3	59.8
Total		\$111.1	\$43.1	\$2,212.3

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

Note: Multiple dates refer to original board approval dates and dates award was amended.

I-195 Redevelopment Fund

\$1.0 million

The Governor includes \$1.0 million in general revenue funding for the I-195 Redevelopment Fund in FY2021. This is \$4.0 million less than the Executive Office of Commerce requested, but \$1.0 million more than the fund was appropriated in FY2020. The EOC indicates that the pace of development in the I-195

District over the past two years will lead to increased deal flow in FY2021. EOC anticipates that with current and new projects, along with new deals in the Commission's pipeline, the fund will soon be depleted, hampering future development.

The I-195 Redevelopment Fund has received \$28.0 million in appropriations since it was established in FY2016. Most of the funding, \$25.0 million, occurred in FY2016, and was intended to be a one-time capitalization to serve as a catalyst for real estate development on the former highway land to be used to:

- Provide gap financing on real estate projects within the district.
- Acquire adjacent (abutting parcels) or proximate land (nearby I-195 District owned land but not an abutting parcel, including areas around the Garrahy Courthouse Garage and the South Street Landing project). The I-95 Redevelopment Commission oversees 20 acres of developable space.
- Finance public infrastructure and facilities that will enhance the District.

Recipient	Award Date	Award	Disbursed
Wexford Science and Technology	12/12/2016	\$19,800,000	\$15,965,498
I-195 Redevelopment District	5/15/2017 -8/28/2019	4,985,000	1,137,903
The Seafood Shack	7/10/2017	320,000	319,884
Venture Café Foundation	10/4/2018	156,000	41,899
BAC CVP Aloft	2/13/2019	750,000	-
Total		\$26,011,000	\$17,465,184

Since FY2016, an additional \$3.0 million has been appropriated, for a total of \$28.0 million. I-195 projects have been awarded \$26.0 million to date, with \$17.5 million disbursed:

I-195 Redevelopment Fund

Fiscal Year Budget	Appropriation	Awarded	Disbursed	Balance	Percent Awarded
2016 Final	\$25,000,000	\$22,800,000	\$15,965,498	\$2,200,000	91.2%
2017 Final	-	1,760,000	1,225,705	440,000	98.2%
2018 Final	2,000,000	1,351,000	273,981	1,089,000	96.0%
2019 Final	1,000,000	100,000	-	1,989,000	92.9%
2020 Enacted	-	-	-	1,989,000	92.9%
<i>Subtotal - Activity to Date</i>	<i>\$28,000,000</i>	<i>\$26,011,000</i>	<i>\$17,465,184</i>	<i>1,989,000</i>	<i>92.9%</i>
2020 Revised	-	-	-	1,989,000	-
2021 Governor	1,000,000	-	-	2,989,000	89.7%
Total	\$29,000,000	\$26,011,000	\$17,465,184	\$2,989,000	89.7%

Competitive Cluster Grant Program

\$250,000

The Budget includes \$250,000 in general revenue in FY2021 for the Competitive Cluster Grant program. The program provides matching grants to start or improve industry sector partnerships or "clusters" to exchange technology and share personnel resources. Industry clusters involve pooling labor forces, collaborative problem solving, and sharing technology. The fund is divided into two sub-grant programs consisting of startup and technical assistance grants between \$75,000 to \$250,000 to eligible in-State or regional organizations to support or enable the development of an industry cluster, and competitive program grants of \$100,000 to \$500,000 to support activities to overcome identified problems that impede the cluster growth or effectiveness.

Recipient	Award Date	Award	Disbursed
DesignxRI	4/29/2016	\$100,000	\$99,969
Highlander	4/29/2016	149,750	149,750
International Yaht Restoration School	4/29/2016	75,290	75,290
Partnership for Future Greater PVD	4/29/2016	115,000	115,000
Polaris MEP / RI Maritime Trades Association	4/29/2016	99,600	99,600
RI Manufacturing Association	4/29/2016	100,000	100,000
SENEDIA	4/29/2016	109,000	108,477
Farm Fresh RI	10/1/2016	85,000	85,000
International Yaht Restoration School	5/1/2017	160,000	160,000
Polaris MEP / RI Maritime Trades Association	5/1/2017	85,000	74,213
RI Virtual Reality	7/30/2018	85,000	85,000
Total		\$1,163,640	\$1,152,299

Since FY2016, \$1.5 million has been appropriated to the program. CommerceRI has awarded \$1.2 million to date, with 80.3 percent of this disbursed:

Cluster Grants Program

Fiscal Year Budget	Appropriation	Awarded	Disbursed	Balance	Percent Awarded
2016 Final	\$750,000	\$748,640	\$748,086	\$1,360	99.8%
2017 Final	500,000	330,000	319,213	171,360	86.3%
2018 Final	-	85,000	85,000	86,360	93.1%
2019 Final	100,000	-	-	186,360	86.2%
2020 Enacted	100,000	-	-	286,360	-
<i>Subtotal - Activity to Date</i>	<i>\$1,450,000</i>	<i>\$1,163,640</i>	<i>\$1,152,299</i>	<i>286,360</i>	<i>80.3%</i>
2020 Revised	100,000	-	-	286,360	-
2021 Governor	350,000	-	-	636,360	-
Total	\$1,800,000	\$1,163,640	\$1,152,299	\$636,360	64.6%

Small Business Assistance Program

\$250,000

The Governor recommends \$750,000 for the Small Business Assistance incentive program, \$250,000 more than the FY2020 enacted level.

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, total value of loans originated, and amount of Small Business Assistance incentive program funds used to date:

Lender	Total Value of Loans Originated	SBA Incentive Funds
Business Development Co of RI	3,480,500	\$1,033,000
South Eastern Economic Devel. Corp (SEED)	2,700,000	1,000,000
BDC Capital of MA	\$7,225,399	\$607,503
Community Investment Corporation (CIC)	1,300,074	274,865
CIC Microloans	441,500	231,250
CWE Microloans	159,000	159,000
SEG Microloans	102,500	93,750
Rhode Island Black Business Association	7,500	7,500
Total	\$15,416,473	\$3,406,868

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.

Small Business Assistance Fund				
Fiscal Year Budget	Appropriation	Disbursed	Balance	Percent Awarded
2016 Final	\$5,458,000	\$5,458,000	-	100.0%
2017 Final	-	-	-	100.0%
2018 Final	-	-	-	100.0%
2019 Final	-	-	-	100.0%
2020 Enacted	500,000	500,000	-	92.9%
<i>Subtotal - Activity to Date</i>	<i>\$5,958,000</i>	<i>\$5,958,000</i>	<i>-</i>	<i>100.0%</i>
2020 Revised	500,000	500,000	-	-
2021 Governor	750,000	-	-	89.7%
Total	\$6,708,000	\$5,958,000	\$750,000	88.8%

Analyst Note: According to the EOC, the Small Business Assistance program needs approximately \$4.5 million more in appropriations to become self-sustaining.

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
FY2020 Enacted	\$841,208

<i>Target and Other Adjustments</i>	35,089
Centralized Services Charges	210,712
FY2021 Governor	\$1,087,009

Housing and Community Development	Other Fund Changes
Housing Production Fund (restricted receipt funds)	3,514,146
Federal Grants (federal funds)	(2,189,986)

Centralized Services Charges **\$210,712**

The Budget includes \$210,712 in additional general revenue expenditures in FY2021 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 2019.

Centralized Services Charges	Amount
Facilities Management	\$183,330
Information Technology Charges	16,558
Telecomm Overhead	10,824
Total	\$210,712

Housing Production Fund (restricted receipt funds) **\$3.5 million**

The Budget provides \$3.5 million from a proposed new restricted receipt fund to support the production of affordable housing in Rhode Island. Article 12 of the Budget proposes a comprehensive new framework for the development of affordable housing in Rhode Island. The article significantly modifies the governance, policy-making, and funding mechanisms available to the State to ensure sufficient affordable and workforce housing for Rhode Islanders. As part of these changes, the Governor recommends creating a dedicated funding stream for affordable housing construction. The funding would come from new revenue generated from a proposed increase in a portion of the real estate conveyance tax. This revenue would be deposited into a new restricted Housing Production Fund (HPF) account administered by the OHCD and RIHousing. The Budget assumes \$3.6 million in new HPF revenue in FY2021 and provides \$3.5 million from the account to OHCD. The remaining revenue balance in the HPF will be used towards other affordable housing incentives for municipalities in FY2021.

Federal Grants (federal funds) **(\$2.2 million)**

The Budget provides a net decrease of \$2.2 million from federal funds for Housing and Community Development programming in FY2021. The federal grant sources and respective amounts are summarized in the following table:

Federal Grant	FY 2020 Enacted	FY2021 Governor	Change	
Community Development Block Grants	\$13.9	\$10.2	(\$3.7)	-26.8%
Housing Opportunities for Persons with AIDS	0.6	1.9	1.3	220.7%
Neighborhood Stabilization Program	1.0	1.1	0.2	16.9%
Emergency Shelter Grants	2.1	2.2	0.1	2.4%
Total	\$17.6	\$15.4	(\$2.2)	-12.4%
<i>\$ in millions</i>				

CDBG Program: The Budget includes a net \$3.7 million reduction in Community Development Block Grant (CDBG) funds. 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.

The net decrease is related to the reduction of previous CDBG annual award balances, including 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.

Housing Opportunities for Persons with AIDS: The Budget includes \$1.3 million more in federal funds as a result of new program awards available in FY2021. The program is unique in that it is the only federal program focused on housing for low-income, HIV-positive individuals.

Neighborhood Stabilization Program: The Budget provides \$161,840 in additional federal HUD grant funds for the Neighborhood Stabilization Program (NSP) in FY2021. 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.

Emergency Shelter Grants: The Budget includes a \$51,630 increase in the Emergency Shelter Grants (ESG) program. The federal ESG program funds the development and implementation of homelessness prevention activities, such as short-term and first-month's rent, eviction or foreclosure assistance, utility payments, security deposits, landlord-tenant mediation, and tenant legal services.

QUASI-PUBLIC APPROPRIATIONS

The Budget provides \$12.4 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
FY2020 Enacted	\$12,118,258
<i>Target and Other Adjustments</i>	-
Pass-Through Appropriations	190,000
Commerce RI Base Appropriation	54,000
FY2021 Governor	\$12,362,258

Pass-Through Appropriations **\$190,000**

The Budget includes \$4.9 million in “pass-through” general revenue appropriations in the Executive Office of Commerce, reflecting an increase of \$190,000 over the FY2020 Enacted Budget. The net increase is related to several changes to existing pass-through initiatives.

Pass-Through Appropriation	FY2020 Enacted	FY2020 Governor	Change
International Trade and Export Programming	-	\$476,200	\$476,200
Chafee Center At Bryant	476,200	-	(476,200)
Minority Entrepreneurship	-	150,000	150,000
Urban Ventures Grant	140,000	-	(140,000)
I-195 Redevelopment District Commission	761,000	891,000	130,000
Polaris Manufacturing	350,000	400,000	50,000
Airport Impact Aid	1,010,036	1,010,036	-
Innovative Matching Grants	1,000,000	1,000,000	-
STAC	900,000	900,000	-
East Providence Waterfront Commission	50,000	50,000	-
Grand Total	\$4,687,236	\$4,877,236	\$190,000

- **International Trade and Export Programming/Chafee Center at Bryant:** The Budget eliminates Commerce RI's support for the export assistance programs at the John H. Chafee Center for International Business at Bryant University. The Center provides comprehensive international trade services for businesses in the State and is home to Rhode Island's designated State Trade Expansion Program (STEP), a U.S. Department of Commerce initiative promoting exports. Commerce RI has had a long-standing partnership with Center and has augmented the trade programming through grants. The Governor, however, does not recommend funding the Center in FY2021. The Budget shifts the \$476,200 from the Center to Commerce RI. The funds continue to be designated for support of international trade and export programming in FY2021.
- **Minority Entrepreneurship Programming/Urban Ventures Grant:** The Budget eliminates funding for Urban Ventures, a not-for-profit business incubator. Urban Ventures functions as the State's statutorily-required urban business incubator

The purpose of an urban business incubator is to provide support to minority entrepreneurship and businesses operated by low-income owners located in Rhode Island's urban centers. Under RIGL 42-64-13.1, the State is required to establish, authorize and support an urban business incubator. 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 Budget shifts the \$140,000 from Urban Ventures to Commerce RI and recommends an additional \$10,000 to meet the current service level activity associated with the incubator. According to the EOC, the \$150,000 in general revenue funds will now support direct grants made directly to minority and low-income entrepreneurs and business.

Analyst Note: Although the Budget transfers Urban Ventures' funding to Commerce RI, it does not repeal or amend RIGL 42-64-13.1. This appears to create a conflict between the statute and the Budget.

- **I-195 Redevelopment District Commission:** The Governor recommends \$891,000 in general revenue to fund I-195 Redevelopment District Commission, \$130,000 more than the FY2020 enacted level. The increase in funding is associated with new responsibilities placed on the Commission in its role as a Special Economic Development District (SEDD). The Commission will be required to undertake

significantly more work related to permitting and other legal background work related to real estate development and construction, including developing approval, review, and appeals processes.

Created in 2011, the I-195 Redevelopment Commission is tasked with developing the land formerly covered by the old I-195 Highway and administering the I-195 Redevelopment Fund. In FY2020, the General Assembly authorized the creation of SEDDs and specifically designated the I-195 Redevelopment District as one. SEDDs are geographic-based zones with various legal and financial characteristics to incentivize economic development. SEDDs have distinct permitting authority separate from the municipality they are located in.

- **Polaris Manufacturing Technical Assistance Program (Polaris):** The Governor recommends \$400,000 to support Polaris, the State's official Manufacturing Extension Partnership. This is \$50,000 more than the FY2020 enacted level.

This program supports Rhode Island manufacturers by expanding the technical assistance capacity of Polaris. Polaris provides group and individual trainings in manufacturing and promotes manufacturing statewide. Polaris is also an officially designated Real Jobs Partnership by the Governor's Workforce Board, a role that allows the organization to leverage multiple funding streams to address the workforce needs of manufacturers. The additional funding in FY2021 is to support a new pilot initiative to provide assistance and tools for manufacturers to better transfer ownership to successive generations.

The Budget level funds the other pass-through appropriations which include:

- **Airport Impact Aid:** The Budget includes \$1.0 million in additional funding for Airport Impact Aid payments to municipalities that have airports. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000. The following table illustrates the distribution of the Airport Impact Aid in FY2020:

Airport	FY2020
Warwick T.F. Green	\$784,348
Block Island	35,706
Middletown - Newport Airport	47,094
North Central - Smithfield	25,003
North Central - Lincoln	25,003
North Kingstown - Quonset	47,442
Westerly	45,440
Total	\$1,010,036

- **Innovation Matching Grant Program:** The Budget provides \$1.0 million in general revenue for the Innovation Matching Grant Program. Commerce RI provides matching fund grants for small businesses to access technical assistance, obtain business operating space, and access capital from private and non-profit organizations. Grants are issued only when matched with private or non-profit funds.
- **STAC:** The Budget provides \$900,000 for programming administered by the Rhode Island Science and Technology Advisory Council (STAC). Since its establishment in FY2005, the STAC has worked to support the State's research infrastructure for the sciences, engineering, biotechnology, and other technologies. STAC funding is used to assist eligible businesses to offset costs associated with applying for Small Business Technology research grants and to provide matching funds to assist businesses in applying for federal research funds.

- **East Providence Waterfront Commission:** The Budget includes \$50,000 in general revenue in FY2021 to support the work of the East Providence Waterfront Commission in its efforts to revitalize the city's waterfront.

Commerce RI Base Appropriation

\$54,000

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 \$7.5 million from general revenues to Commerce RI as its base allocation. This is \$54,000 more from general revenues than the F2020 Budget as Enacted. Commerce RI's total budget in FY2021 is \$14.0 million. The base allocation represents 54.6 percent of the quasi-public agency's annual revenue. The balance is comprised of hotel tax revenue (39.8 percent), federal grants (2.3 percent), financial programs (2.3 percent), and other miscellaneous revenue (2.4 percent).

According to the Executive Office, the increase in the base allocation is attributable to costs associated with compliance activities related to increased volume and complexity of financial transactions, including compliance officer staffing costs.

The following table shows the revenues and expenditures that compose the annual Commerce RI budget:

Commerce RI Budget			
			FY2021
Revenues	FY2019 Actual	FY2020 Enacted	Recommended
State Appropriations			
RI Commerce Corporation Base Appropriation	\$7,474,514	\$7,431,022	\$7,485,022
Total State Appropriations	\$7,474,514	\$7,431,022	\$7,485,022
Other Revenues			
Hotel Tax Revenue	\$5,604,258	\$5,277,596	\$5,600,000
Finance Program Allocation	318,194	320,000	318,194
Federal Grants	1,645,622	450,510	325,789
Other	141,851	140,000	340,206
Total Other Revenues	\$7,709,925	\$6,188,106	\$6,584,189
Total Revenues	\$15,184,439	\$13,619,128	\$14,069,211
Expenditures			
Total Operations (Personnel and Operating)	\$13,120,173	\$13,150,000	\$13,670,970
Grants or Partnerships	1,645,622	450,510	325,789
Total Expenditures	\$14,765,795	\$13,600,510	\$13,996,759
Operating Surplus/(Deficit)	418,644	384,514	72,452
Pass-Through Grants			
STAC Research Alliance (EPScore)	\$900,000	\$900,000	\$900,000
Innovative Matching Grants	1,000,000	1,000,000	1,000,000
Renewable Energy Fund	2,250,000	1,000,000	1,000,000
Airport Impact Aid	1,010,036	1,010,036	1,010,036
Chafee Center at Bryant/International Trade Export Prog.	476,200	476,200	476,200
Polaris Manufacturing Technical Assistance	350,000	350,000	400,000
Urban Ventures/Minority Entrepreneurship Prog.	140,000	140,000	150,000
East Providence Waterfront Commission	-	50,000	5,000
Federal Pass-thru Grants	1,520,901	450,510	325,789
Total	\$7,647,137	\$5,376,746	\$5,267,025

Source: Executive Office of Commerce

CAPITAL PROJECTS

The Budget includes \$22.0 million in capital project spending for FY2020-FY2021. In addition to the projects described below, Article 5 of the Budget includes several bond referenda associated with Executive Office of Commerce responsibilities. These referenda include a \$25.0 million bond proposal for affordable housing, a \$21.5 million industrial site development bond proposal, and a \$20.0 million Port of Davisville/Quonset infrastructure bond proposal.

Project	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change	FY2021 Governor	Change
Quonset Projects	\$7.0	\$9.0	\$9.0	-	\$11.0	\$2.0
I-195 Redevelopment District Projects	0.4	0.5	0.5	-	1.5	1.1
Total	\$7.4	\$9.5	\$9.5	-	\$12.5	\$3.1

Quonset Projects (other funds)**\$2.0 million**

The Budget provides \$2.0 million more in Rhode Island Capital Plan (RICAP) funding in FY2021 as compared to the FY2020 enacted level to support infrastructure improvement at Quonset Point in North Kingstown. The currently authorized projects include:

- **Quonset Business Park Infrastructure Improvement:** The Governor recommends \$4.0 million in FY2020 and \$6.0 million in FY2021 for infrastructure improvements within the business park, including increasing roadway crossings capacity for heavier shipping, electrical, gas and sewer line relocation in preparation for expansion and development, and overall road improvements.
- **Port of Davisville Infrastructure Improvement:** The Governor recommends \$5.0 million in both FY2020 and FY2021, for a total of \$10.0 million in RICAP funds, to finance improvements at the Port of Davisville. The Port has two piers that are long past their expected useful lifespan. As part of the Quonset Development Corporation's \$205.0 million Port of Davisville master plan, Pier 2 will be rehabilitated 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. A \$20.0 million general obligation bond referendum proposed in Article 5 of the Budget would continue the infrastructure modernization and repairs at the Port called for in the master plan. These projects include the construction of a new pier at Terminal Five, the rehabilitation of Pier One, and dredging around the main piers. These projects will allow for the Port of Davisville to support the existing cargo and auto export business onto the smaller Pier 1 and onto a new pier to be located south of Pier 1. This will allow the space on the larger pier to accommodate the cargo and logistics staging for the offshore wind business.

I-195 Redevelopment District Projects (other funds)**\$1.1 million**

The Budget provides \$1.1 million more in Rhode Island Capital Plan (RICAP) funds in FY2021 as compared to the FY2020 enacted level to support projects located within the I-195 Redevelopment District. These projects include:

- **I-195 Park:** The Budget provides \$4.0 million in RICAP funds over the next three fiscal years (\$1.0 million in FY2021, \$2.3 million in FY2022, and \$700,000 in FY2023) for the park adjacent to the Providence River Pedestrian Bridge. This funding will be used for the construction of park infrastructure enhancements including a pavilion with food and beverage service, park office space and storage facilities.
- **I-195 Redevelopment District Commission Projects:** The Budget includes \$510,000 in FY2021, \$60,000 more than the FY2020 enacted and recommended revised levels. The funding will be used to continue to support the development of the I-195 land through engineering, design review, legal work for ongoing and prospective deals, and the design and construction of additional park infrastructure enhancements.

Executive Office of Health and Human Services

Expenditures by Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$153.6	\$181.3	\$197.8	\$16.4	9.1%	\$183.0	\$1.6	0.9%
Medical Assistance	2,448.0	2,509.4	2,471.1	(38.3)	-1.5%	2,499.2	(10.2)	-0.4%
Total	\$2,601.6	\$2,690.7	\$2,668.9	(\$21.8)	-0.8%	\$2,682.2	(\$8.5)	-0.3%

Expenditures by Source

General Revenue	\$972.5	\$1,002.3	\$986.0	(\$16.3)	-1.6%	\$1,010.7	\$8.4	0.8%
Federal Funds	1,601.1	1,664.5	1,623.2	(41.3)	-2.5%	1,632.0	(32.5)	-2.0%
Restricted Receipts	28.0	23.9	59.7	35.8	149.7%	39.5	15.6	65.2%
Total	\$2,601.6	\$2,690.7	\$2,668.9	(\$21.8)	-0.8%	\$2,682.2	(\$8.5)	-0.3%

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

Authorized FTE Levels	192.0	186.0	186.0	-	-	201.0	15.0	8.1%
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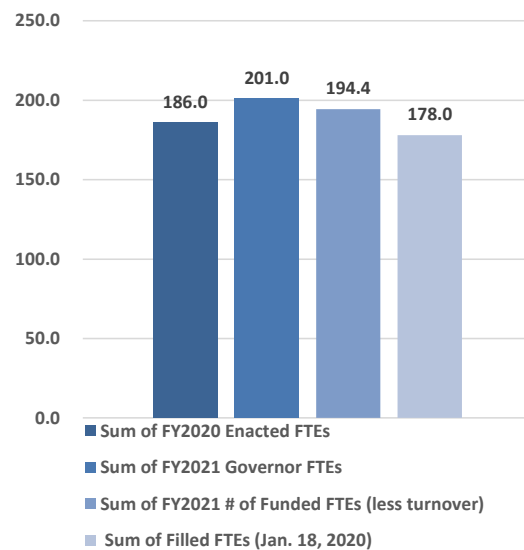
The Executive Office of Health and Human Services (EOHHS) is the umbrella agency which oversees the Departments of Health (DOH); Human Services (DHS); Children, Youth, and Families (DCYF); and Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). EOHHS coordinates the organization, 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 2019 Caseload Estimating Conference projected that the program would require \$970.9 million from general revenues in FY2021; however, this figure assumed a significantly lower Disproportionate Share Hospital (DSH) payment than has been issued in prior years. Excluding the DSH payment, general revenue expenditures for the remaining Medicaid benefit programs are expected to increase by \$25.2 million in FY2021 compared to the Enacted Budget. The Budget restores the DSH payment by adding \$30.3 million from general revenues, but also includes provider cuts to hospitals, long-term care facilities and managed care organizations and makes a number of other program changes in order to limit State Medicaid spending to \$972.9 million in FY2021.

The Governor's Budget authorizes 201.0 FTE positions for EOHHS, an increase of 15.0 FTEs relative to the FY2020 Enacted level. The Budget transfers 4.0 existing legal positions—including 2.0 Senior Legal Counsels from DCYF, 1.0 Senior Legal Counsel from DOH, and 1.0 Deputy Chief of Legal Services from DHS—consistent with the State's consolidation of health and human services legal staff within the Executive Office. These positions are currently filled within the respective agency authorizations but are funded in EOHHS through inter-agency transfers. The Budget authorizes and adds funding for 5.0 new FTE positions, including 2.0 FTEs for a DCYF advocacy initiative, 1.0 FTE for BHDDH legal staff, and 2.0 FTEs for Medicaid initiative implementation. The Budget

FTE Snapshot



authorizes, but does not fund, 6.0 other new FTE positions, including 2.0 FTEs for the United Health Infrastructure Project (UHIP) and 4.0 FTEs for data analytics and financial management. The Governor's Budget does not authorize additional FTE positions in FY2020; however, 2.0 Senior Legal Counsels are transferred from DCYF within the Executive Office's existing authorization.

Caseload Estimating Conference

Each November and May, the State revises medical assistance caseload forecasts in order to estimate entitlement program spending for both the current and following fiscal year. The November 2019 Caseload Estimating Conference (CEC) adopted estimates dictate the entitlement program appropriations included in the FY2020 Revised and FY2021 recommendations.

Total spending for medical assistance programs is estimated to decrease by \$20.8 million in FY2020 and increase by \$1.9 million in FY2021 compared to the FY2020 Budget as Enacted. This includes both State and federal spending on hospital services, long-term care, managed care, and pharmacy benefits. As previously noted, the FY2021 estimate is impacted by a \$64.5 million reduction in the Disproportionate Share Hospital (DSH) payment.

Medical Assistance - November 2019 Adopted Estimates

	FY2020 Enacted	FY2020 Adopted	Change from Enacted	FY2021 Adopted	Change from Enacted
Hospitals	\$194.9	\$195.1	\$0.2	\$132.7	(\$62.2)
Regular	52.6	52.8	0.2	54.9	2.3
Disproportionate Share	142.3	142.3	(0.0)	77.8	(64.5)
Long-Term Care	\$428.1	\$440.4	\$12.3	\$457.5	\$29.4
Nursing and Hospice	352.5	362.0	9.5	375.0	22.5
Home and Community Care	75.6	78.4	2.8	82.5	6.9
Managed Care	\$1,769.2	\$1,738.3	(\$30.9)	\$1,803.3	\$34.1
Managed Care	747.7	719.0	(28.7)	740.0	(7.7)
Rhody Health Partners	249.5	255.1	5.6	267.0	17.5
Rhody Health Options	152.6	145.2	(7.4)	149.3	(3.3)
Expansion	483.1	481.0	(2.1)	500.0	16.9
Other	136.3	138.0	1.7	147.0	10.7
Pharmacy	\$74.1	\$71.7	(\$2.3)	\$74.7	\$0.7
Pharmacy	(0.1)	0.1	0.2	0.2	0.4
Clawback	74.2	71.7	(2.6)	74.5	0.3
Total	\$2,466.3	\$2,445.5	(\$20.8)	\$2,468.2	\$1.9
General Revenues	976.6	965.3	(11.2)	970.9	(5.6)
Federal Funds	1,479.7	1,470.1	(9.6)	1,487.2	7.5
Restricted Receipts	10.1	10.1	-	10.1	-

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

Unified Health Infrastructure Project

In September 2016, the State launched Phase II of the Unified Health Infrastructure Project (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 general revenue projections of \$89.3 million. In January 2020, the State submitted an Implementation Advanced Planning Document Update (IAPD-U) to the federal government, which projected total project costs of \$150.3 million in State funds (\$647.0 million all funds) through September 30, 2020. These costs are shared across EOHHS, DHS, and HealthSource RI.

EOHHS UHIP Funding						
	Pre-FY2019	FY2019 Actual	FY2020 Enacted	FY2020 Governor	FY2021 Governor	Total
General Revenue	\$35,914,263	\$4,921,729	\$2,048,556	\$2,047,842	\$9,713,034	\$52,596,868
Federal Funds	236,386,854	40,143,291	62,876,509	40,657,950	41,492,922	\$358,681,017
Restricted Receipts	-	-	6,614,152	26,937,365	-	\$26,937,365
Total	\$272,301,117	\$45,065,020	\$71,539,217	\$69,643,157	\$51,205,956	\$438,215,250

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 make “offline” payments to nursing facilities for applications they have submitted but which RI Bridges has not fully processed. While advances are being made, the State has begun reconciling payments previously made to nursing facilities in order to properly claim Medicaid match. The State continues to negotiate with the developer, Deloitte, to ensure that a functional eligibility system is procured.

On March 15, 2019, the State announced plans to extend its contract with Deloitte through June 30, 2021. The contract was set to expire on March 31, 2019. 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. The payment was received in February 2020 and the full \$50.0 million is included in restricted accounts in the Governor’s Revised Budget. The Governor’s Budget assumed that \$22.0 million would be returned to the federal government, although the final agreement indicates that the federal government agreed to retain \$19.9 million, which will provide additional State cost savings of \$2.2 million compared to the Revised Budget.

Health System Transformation Project

The Governor’s Budget includes \$38.0 million from federal funds and \$22.8 million from restricted receipts to reflect the approved level of funding for the Health System Transformation Project (HSTP) in FY2021.

The Health System Transformation Project is an ongoing initiative that began in FY2017. It was a product of the Governor’s Working Group to Reinvent Medicaid, which established a model to reform the State’s Medicaid program to shift to value-based payments; coordinate physical, behavioral, and long-term healthcare; rebalance the care delivery system away from high-cost settings; and promote efficiency, transparency, and flexibility in publicly-funded healthcare.

The primary focus of the HSTP has been to partner with the State’s institutions of higher education to bolster the health workforce and with the State’s managed care organizations (MCOs) to establish Accountable Entities (AEs). Accountable Entities are integrated provider organizations responsible for improving quality of care and outcomes for patients while also managing costs. This delivery system provides coordinated care and reduces unnecessary and ineffective utilization of services. The State promotes AE arrangements by providing incentive payments which are used to promote alternative payments to providers that incents improved health outcomes through shared savings. Currently, the State has approved the operation of six certified Accountable Entities: Blackstone Valley Community Health Care, Coastal Medical, Integrated Healthcare Partners, Integra Community Care Network, Providence Community Health Centers, and Prospect Health Services.

On October 20, 2016, the federal government approved an amendment to the State’s 1115 Waiver to provide funding for HSTP. This amendment brought in up to \$130.0 million in federal funding from October 2016 through December 2020. The level of funding was determined by evaluating the State’s existing investment in health professional education at the time of the 1115 Waiver amendment submission, which totaled approximately \$260.0 million, and matching 50.0 percent of this investment. This federal match enabled the State to free up \$130.0 million, which was deposited into a restricted receipt account to be invested in the development of Accountable Entities. The federal government also agreed to match these restricted receipt expenditures. Because the State did not have a program fully developed in the first year, the full federal match originally approved will not be used. The State expects to use approximately \$110.0 million

in federal funds and \$130.0 million in restricted receipts, for a total of approximately \$240.0 million, for the duration of the Health System Transformation Project.

Health System Transformation Project	FY2017-FY2019	FY2020	FY2021	Out Years	Total
Accountable Entities	\$38.9	\$30.0	\$50.7	\$42.3	\$161.9
Workforce/IT Investments	3.3	2.8	3.3	18.9	28.3
Administration	5.5	6.7	6.8	30.9	49.9
Total	\$47.7	\$39.4	\$60.8	\$92.1	\$240.1

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

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
FY2020 Enacted	\$25,723,262
<i>Target and Other Adjustments</i>	<i>329,274</i>
United Health Infrastructure Project (UHIP)	7,664,478
Medicaid Initiative Implementation	2,069,543
Non-UHIP Contracted Services	1,550,000
Non-UHIP Personnel	397,493
FY2021 Governor	\$37,734,050

Central Management	Other Fund Changes
Prescription Drug Monitoring Program (federal funds)	\$2,438,741
SUD Provider Capacity (federal funds)	1,273,360

Unified Health Infrastructure Project (UHIP) \$7.7 million

The Budget includes \$7.7 million more from general revenues relative to the FY2020 Enacted Budget for UHIP expenditures, attributable to an increase in contracted services. As previously noted, the State received a \$50.0 million settlement from Deloitte in March 2019. The FY2020 Budget as Enacted established restricted receipt accounts to offset State UHIP costs in FY2020. The Enacted Budget shifted \$6.6 million in contract expenses from general revenues to restricted receipts to reflect the use of Deloitte settlement funds within EOHHS. These funds will be exhausted in FY2020; therefore, the Governor's Budget restores the general revenue funding for these contracts in FY2021. The Governor's Budget also adds \$2.0 million from general revenues for continued maintenance and operations under the Deloitte contract, but also identifies \$800,000 in general revenue savings for other targeted contract reductions.

Medicaid Initiative Implementation \$2.1 million

The Governor's Budget includes \$2.1 million from general revenues (\$2.5 million all funds) to support implementation of several Medicaid budget initiatives.

Medicaid Initiative Implementation			
Initiative	General Revenue	Federal Funds	All Funds
LTSS Investment	\$1,000,000	-	\$1,000,000
Rlte Share	600,000	-	600,000
FFS High Utilizers	250,000	250,000	500,000
Adult Co-Pays	219,543	141,763	361,306
Total	\$2,069,543	\$391,763	\$2,461,306

- **Long-Term Services and Supports (LTSS) Investment:** The Governor adds \$1.0 million from general revenues to provide financial incentives to long-term care facilities to take empty nursing home beds out of service and to repurpose those beds for other uses, and to reward nursing facilities for transitioning low-acuity members from nursing homes to home- and community-based settings.
- **RIte Share:** The Governor adds \$600,000 from general revenues to support the changes to the RIte Share program included in Article 20. This includes \$500,000 for enhancements to the RI Bridges system and \$100,000 for a contracted employee.
- **Fee-for-Service High Utilizers:** The Governor adds \$250,000 from general revenues and \$250,000 from federal funds to contract with a vendor to manage fee-for-service high utilizers in order to achieve \$2.1 million in general revenue savings within the Medicaid program.
- **Adult Co-Pays:** The Governor adds \$219,543 from general revenues and \$141,763 from federal funds in order to make the necessary changes to implement the adult co-pay proposal included in Article 14. This includes 2.0 FTE positions and additional funding for contracted services as follows:

Adult Co-Pay Implementation	General Revenue	Federal Funds	All Funds
Contracted Services	\$77,780	-	\$77,780
Interdepartmental Project Manager (1.0 FTE)	75,305	75,305	150,610
Health Program Administrator (1.0 FTE)	66,458	66,458	132,916
Total	\$219,543	\$141,763	\$361,306

Analyst Note: The Governor's Budget appears to exclude the federal portion of the contracted services noted above. These services should be matched 10.0 percent with general revenues and 90.0 percent with federal funds, for total funding of \$777,800. According to the Budget Office, the Governor plans to submit a budget amendment to include \$700,020 in federal funds.

Non-UHIP Contracted Services

\$1.6 million

The Governor's Budget includes \$11.7 million from general revenues to support an array of finance and management contracts, excluding those related to Medicaid initiative implementation which are noted separately above. This represents a general revenue increase of \$1.6 million compared to the FY2020 Budget as Enacted.

Contract Purpose	FY2020 Enacted	FY2021 Governor	Change to Enacted
RIPIN Call Center	\$675,000	\$1,125,000	\$450,000
Medicaid Management Information System (MMIS)	5,059,024	5,377,174	318,150
Milliman	724,822	1,028,798	303,976
HCH Enterprises	949,774	1,235,297	285,523
1115 Waiver	-	146,004	146,004
RIC - Early Intervention	126,495	-	(126,495)
LTSS Redesign	-	100,000	100,000
Clinical Evaluation	-	90,000	90,000
Independent Provider Model	192,500	103,037	(89,463)
Consent Decree Coordinator	-	50,000	50,000
All Other	2,428,685	2,450,990	22,305
Total	\$10,156,300	\$11,706,300	\$1,550,000

- **RIPIN Call Center:** The Governor's Budget includes \$1.1 million from general revenues (\$2.3 million all funds) for the RIPIN call center contract in FY2021, consistent with the Executive Office's request. Supporting documentation indicates that this represents a general revenue increase of \$450,000 compared to the FY2020 Enacted level.

The General Assembly provided a \$1.1 million general revenue appropriation in order to fully fund this contract in the Enacted Budget. However, the Enacted Budget also included a \$2.0 million contract savings target for the Executive Office in FY2020. It appears that EOHHS reduced the RIPIN contract by \$450,000 in order to achieve part of these savings, which it restores in FY2021.

The FY2019 Budget as Enacted included a savings initiative that involved redesigning the Rhody Health Options (RHO) program, a Medicaid delivery system for dual eligible beneficiaries (those eligible for both Medicare and Medicaid). The 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 Rhode Island Parent Information Network (RIPIN) provides case management services for high-risk individuals in the Rhody Health Options (RHO) transition population.

- **Medicaid Management Information System (MMIS):** The Governor's Budget includes \$5.4 million from general revenues (\$23.8 million all funds) to support the Medicaid Management Information System (MMIS) in FY2021. This represents a general revenue increase of \$318,150 relative to the FY2020 Enacted Budget. The Governor's recommendation is consistent with prior year expenditures.

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 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.

- **Milliman:** The Governor's Budget includes \$1.0 million from general revenues (\$2.2 million all funds) for the Milliman contract in FY2021, consistent with the Executive Office's request. Supporting documentation indicates that this represents a general revenue increase of \$303,976 compared to the FY2020 Enacted level. The General Assembly included a \$2.0 million contract savings target for the Executive Office in the FY2020 Budget as Enacted. It appears that EOHHS reduced the Milliman contract by \$400,000 in order to achieve part of these savings, most of which are restored in FY2021.

The Milliman contract provides an array of financial support to the Medicaid program, including actuary, rate setting, and financial analysis. According to the Budget Office, EOHHS will also rely on Milliman to assist in the transition to full risk as noted in the Medicaid program.

- **HCH Enterprises:** The Governor's Budget includes \$1.2 million from general revenues (\$3.0 million all funds) for the HCH Enterprises contract in FY2021. This represents a general revenue increase of \$288,560 compared to the FY2020 Enacted level. The General Assembly included a \$2.0 million contract savings target for the Executive Office in the FY2020 Budget as Enacted. It appears that EOHHS reduced the HCH Enterprises contract by \$240,000 in order to achieve part of these savings, which are restored in FY2021.

The HCH Enterprises contract provides data analytics and IT support for the Medicaid program. According to the Executive Office, the funding is required to effectively manage the State's three managed care contracts, the Medicaid dental contract, and the non-emergency medical transportation brokerage contract.

- **1115 Waiver Evaluation:** The Governor's Budget includes \$146,002 from general revenues (\$292,008 all funds) to procure a contract with the National Opinion Research Center (NORC) to conduct the State's 1115 Waiver evaluation.

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 funding for an evaluation contract, accordingly. This contract has already been awarded. This funding will be required for all five years of the waiver approval period.

- **RIC – Early Intervention:** The Governor’s Budget includes \$126,495 in general revenue savings by shifting the cost for a contract with Rhode Island College to federal funds. This contract supports early intervention services for children ages 0 to 3 years old with identified developmental disabilities or delays. The Executive Office determined that this contract could be shifted to the Early Childhood Intervention federal grant award. The Governor’s Budget allocates the contract entirely to federal funds, accordingly.
- **LTSS Redesign:** The Governor’s Budget includes \$100,000 from general revenues and \$100,000 from federal funds for the No Wrong Door (NWD) initiative to streamline access to long-term services and supports (LTSS) for older adults and individuals with disabilities. This initiative offers multiple application and renewal access points which all lead to a comprehensive list of service options for individuals, ensuring that they receive the appropriate type of care for their needs. This investment will be targeted at system costs associated with standardizing the LTSS assessment process and building capacity for person-centered planning and case management for these beneficiaries.
- **Clinical Evaluation:** The Governor adds \$90,000 from general revenues (\$180,000 all funds) to contract a full-time clinician with expertise in children’s intellectual and developmental disabilities and children’s behavioral health. The clinician’s primary focus will be to assess the current structure of the State’s home-based services model, conduct clinical oversight of the agencies involved, research best practices across the country, and develop a plan for restructuring programs to best meet the needs of children served under the health and human services umbrella.
- **Independent Provider Model:** The Governor’s Budget includes \$103,037 from general revenues (\$230,366 all funds) to support the Independent Provider (IP) Model in FY2021, a general revenue reduction of \$89,463 compared to the Enacted Budget.

The 2018 General Assembly directed the State to establish an IP Model for the delivery of long-term services and supports. This model establishes a public registry of home health aides which promotes flexibility for seniors and individuals with disabilities when accessing long-term care services. The Enacted Budget provided \$192,500 from general revenues and \$577,500 from federal funds to establish the IP Model infrastructure; however, supporting documentation indicates that this work only requires approximately \$30,000, with 10.0 percent paid through general revenues, in both FY2020 and FY2021. The Governor’s Budget adjusts funding, accordingly, but provides an additional \$100,000 from general revenues and \$100,000 from federal funds to train health care providers in using the IP Model system.

Analyst Note: The Executive Office testified at the November Caseload Estimating Conference that the Department of Labor and Training was providing training assistance for the independent provider model.

- **Consent Decree Coordinator:** The Governor’s Budget includes \$50,000 from general revenues (\$100,000 all funds) for the consent decree coordinator contract in FY2021. The contract is shifted from the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH).

Non-UHIP Personnel

\$397,493

The Governor’s Budget includes an additional \$397,493 from general revenues to add new health and human services legal staff. These positions work with other agencies within the Secretariat but are centralized within EOHHS. As previously noted, the Governor’s Budget increases the Executive Office’s

personnel authorization by 15.0 FTE positions relative to the FY2020 Budget as Enacted, of which 2.0 are related to the United Health Infrastructure Project (UHIP) and 2.0 are related to the Adult Co-Pay initiative. Supporting documentation indicates that the Governor adds, but does not fund, 11.0 other positions; however, it appears that 3.0 of them are fully funded in FY2021. This includes 2.0 Senior Legal Counsel FTE positions to support an advocacy initiative within the Department of Children, Youth, and Families (DCYF) as well as 1.0 Legal Counsel as requested by the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH).

Prescription Drug Monitoring Program (federal funds)

\$2.4 million

The Budget includes \$2.4 million in new federal funding for the Prescription Drug Monitoring Program (PDMP) in FY2021. The Rhode Island PDMP collects dispensing data for Schedule II, III, and IV prescriptions from all pharmacies in the State. The PDMP provides patient prescription information in order to prevent the proper or illegal use of controlled substances.

The Governor's recommendation includes \$1.7 million for contracted services, primarily for the PDMP software license agreement with Appriss, as well as \$640,000 for personnel costs. The majority of these positions are authorized within the Department of Health, where the PDMP is operated, but are cost allocated to EOHHS. The remainder are existing positions within EOHHS' current authorization whose salaries and benefits are partially paid through the PDMP program.

SUD Provider Capacity (federal funds)

\$1.3 million

The Governor's Budget includes \$1.3 million from federal funds to reflect a new grant award. This is related to the Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) grant, a two-year grant that was awarded in FY2020. These are planning grants aimed to increase the capacity of Medicaid providers to provide substance use disorder (SUD) treatment or recovery services to Medicaid populations.

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
FY2020 Enacted	\$976,559,149
<i>Target and Other Adjustments</i>	-
November Caseload Estimating Conference and DSH	24,701,230
Hospital Payments	(8,568,492)
RI Bridges Optimization	(8,126,462)
Rlte Share	(5,627,570)
Managed Care Organizations (MCOs) Full Risk	5,375,446
Adult Co-Pays	(4,677,813)
Nursing Home COLA	(3,437,910)
Fee-for-Service High Utilizers	(2,098,560)
Neonatal Intensive Care Unit (NICU)	(1,157,896)
Ambulance Rates	790,395
Pharmacy	(497,726)
Dual Care Management	(401,725)
Perinatal Doula Services	94,802
FY2021 Governor	\$972,926,868

Medical Assistance	Other Fund Changes
Graduate Medical Education (federal funds)	\$1,200,000

November Caseload Estimating Conference and DSH **\$24.7 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 appropriations for entitlement programs. Projections are based on enrollment trends as well as inflation-based price adjustments.

The November 2019 CEC projected general revenue expenditures of \$970.9 million in the medical assistance program in FY2021, or \$5.6 million less than the FY2020 Budget as Enacted. The projected savings is attributable entirely to changes in the Disproportionate Share Hospital (DSH) program.

The DSH program is jointly funded by the State and federal government and compensates community hospitals for uncompensated care that they provide to uninsured or underinsured patients. The adopted caseload estimate assumed a significant reduction in the DSH payment in response to pending changes at the federal level, which are expected to reduce the all funds DSH payment from \$142.3 million to \$77.8 million in FY2021. This assumption resulted in a \$30.9 million reduction in general revenue expenditures. Excluding the changes to the DSH program, however, general revenue expenditures for all other Medicaid benefits are estimated to increase by \$25.2 million in FY2021.

The Governor's Budget restores the aggregate DSH payment to \$142.3 million, commensurate with the Enacted Budget. This assumption increases general revenue funding by \$30.3 million compared to the November estimate, but \$530,860 less compared to the Enacted Budget due to an increase in the federal match rate in FY2021. As of March 9, 2020, the federal DSH cuts have not yet been delayed.

Including the full DSH payment, medical assistance expenditures are estimated to increase by \$24.7 million compared to the FY2020 Budget as Enacted.

Medical Assistance - General Revenues	FY2020 Enacted	FY2021 November	Change to Enacted	FY2021 Governor	Change to Enacted	Change to November
Disproportionate Share Hospital Payment	\$67.5	\$36.6	(\$30.9)	\$67.0	(0.5)	\$30.3
All Other Medicaid Benefits	909.1	934.3	25.2	934.3	25.2	-
Total	\$976.6	\$970.9	(\$5.6)	\$1,001.3	\$24.7	\$30.3

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

The Medicaid budget initiatives described below are applied relative to the caseload estimate.

Hospital Payments

(\$8.6 million)

The Budget reduces general revenue payments to hospitals by \$8.6 million (\$24.9 million all funds) relative to the adopted caseload estimate by freezing hospital reimbursement rates and eliminating the outpatient upper payment limit (UPL) payment.

- **Hospital Rate Freeze:** Hospitals are reimbursed by Medicaid on a fee-for-service basis and by managed care organizations (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).

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%
FY2020	7.2%	7.2%
FY2021 Gov	0.0%	0.0%

The November 2019 Caseload Estimating Conference adopted FY2021 hospital payment figures assuming cost growth of 3.7 percent for inpatient and 2.7 percent for outpatient services relative to FY2020 rates. Article 14 of the Governor's Budget eliminates the inflator in FY2021 and freezes hospital rates at FY2020 levels. This would generate \$7.1 million in general revenue savings (\$20.3 million all funds) relative to the adopted estimate and would require a State Plan Amendment.

Although this initiative would significantly reduce expenditures, the proposal also negatively impacts revenue collections. Of the \$20.3 million in estimated savings, \$18.9 million would otherwise be subject to the 2.0 percent insurance gross premium tax. Therefore, by freezing hospital rates, the State would forego approximately \$377,040 in revenues in FY2021 relative to the estimate adopted by the November 2019 Revenue Estimating Conference.

- **Outpatient Upper Payment Limit:** Upper Payment Limit (UPL) payments compensate hospitals for the difference between what hospitals receive for Medicaid services and what they are paid 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. Article 14 eliminates UPL payments for outpatient hospital services in FY2021. The inpatient portion of the UPL payment was eliminated in the FY2020 Budget as Enacted.

UPL payments are authorized, but not required, by federal law. According to EOHHS, these payments limit the State's ability to utilize federal Medicaid funds in order to drive value. The November 2019 CEC adopted estimate includes a total of \$4.6 million in outpatient UPL payments in FY2021, of which \$1.5 million is from general revenues. The Governor's Budget reduces expenditures by the equivalent amount.

Outpatient UPL	
Hospital	FY2021 Adopted
Butler	-
Kent	467,307
Women and Infants	503,725
Care New England	\$971,032
Bradley	-
Miriam	526,739
Newport	153,358
Rhode Island Hospital	2,150,649
Lifespan	\$2,830,746
Roger Williams	331,194
St. Joseph's	211,401
Prospect - CharterCARE	\$542,595
Landmark	142,564
South County	114,418
Westerly	34,665
Rehabilitation	6,382
Other	\$298,029
Total	\$4,642,402

RI Bridges Optimization**(\$8.1 million)**

The Budget includes \$8.1 million in general revenue savings (\$30.2 million all funds) to account for a significant reduction in Medicaid eligibility that occurred after the November 2019 Caseload Estimating Conference. In November 2019, the Executive Office experienced a 2.5 percent decline across its managed care programs, which is expected to impact caseload trends in the remainder of FY2020 and into FY2021. According to the Budget Office, this reduction is attributable to a one-time update to the RI Bridges system that terminated approximately 5,500 cases.

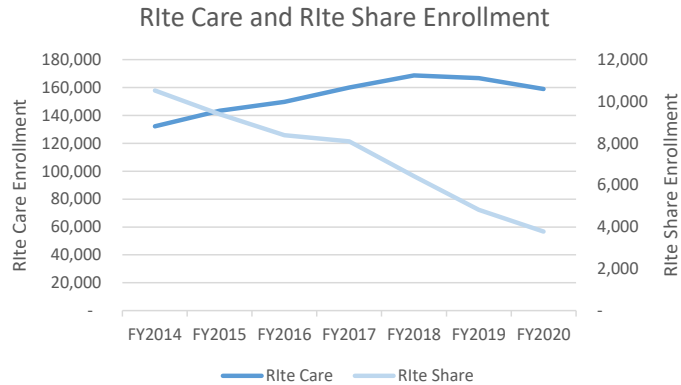
Analyst Note: Changes in caseload assumptions, favorable or not, are typically addressed through the Caseload Estimating Conference process. It is unclear why this is included as a separate savings initiative. The updated enrollment trends will be captured at the May conference.

RIte Share**(\$5.6 million)**

The Governor's Budget includes \$5.6 million in general revenue savings (\$19.0 million all funds) from an initiative to streamline the RIte Share eligibility determination process.

Article 20 amends RIGL 40-8.4-12 to expand enrollment in the RIte Share program, Rhode Island's premium assistance program for working Medicaid beneficiaries, by ensuring that employers submit the requisite eligibility information. The Rhode Island Health Reform Act of 2000 established the RIte Share program to subsidize the costs of enrolling working Medicaid beneficiaries in employer-sponsored insurance (ESI) plans. The program is an alternative to RIte Care or Medicaid Expansion, Rhode Island's primary managed care plans that provide health insurance coverage to low-income children, pregnant women, families, and non-disabled adults. Instead of enrolling individuals in either RIte Care or Expansion, the RIte Share program pays all or a portion of an individual or family's premium on an approved ESI plan, which is significantly more cost-effective. On average, the cost avoided by enrolling one individual in RIte Share instead of RIte Care or Expansion is approximately \$3,200 annually.

Average RIte Share enrollment has steadily declined over the last decade, although overall participation in Medicaid has increased. This is attributable to the current RIte Share enrollment process, which Article 20 seeks to amend. Currently, the State requires employees to furnish information about available ESI plans and EOHHS must confirm with their employers. This puts the burden of enrollment on employees and is inefficient for employers, who often respond to EOHHS on a per-employee basis.



Article 20 shifts the burden of ESI data collection from the employee to the employer to efficiently enroll all eligible employees from a single employer at the same time. In order to accomplish this, the article requires for-profit employers with 50 or more employees to provide EOHHS and the Division of Taxation with sufficient and necessary information for EOHHS to determine employee eligibility for RIte Share and establishes penalties in order to ensure compliance with the amended requirements.

The Budget assumes that approximately 5,800 members will be enrolled in RIte Share instead of either RIte Care or Expansion as a result of this initiative, generating \$5.6 million in general revenue savings (\$19.0 million all funds) to the Medicaid program in FY2021. The savings would be offset by \$600,000 in implementation costs within the Central Management program. The \$19.0 million in all funds Medicaid savings would also result in a \$380,000 loss in revenues from the 2.0 percent insurance premium tax.

Managed Care Organizations (MCOs) Full Risk**\$5.4 million**

The Medicaid resolution included in Article 14 allows EOHHS to execute contract amendments in order to transition Medicaid managed care organizations (MCOs) from risk sharing arrangements to full risk arrangements. The Governor adds \$5.4 million from general revenues (\$15.7 million all funds) within the Medicaid program to increase monthly capitation rates in order to enable this transition. This investment will also generate an additional \$314,000 in revenues from the 2.0 percent insurance premium tax in FY2021 relative to the adopted revenue estimate.

Each of the managed care contracts calls for the State and each MCO to share in aggregate gains or losses related to the medical expenditures incurred by the MCO over the course of a contract year. These risk/gain share arrangements are set in relationship to actuarially certified capitation rates (per member per month payment rates) that combine forecasts for the costs of future experience with estimates of the risk entailed in taking on responsibility for those costs for the health plan's covered populations. In developing these rates, a range of factors are considered, including historical experience, changes in program requirements or structure, and the level of exposure to financial risk. In general, the greater the level of risk taken, the larger the premium to be paid for taking that risk. Under this proposal, the State would no longer share in the health plans' gains or losses. This would encourage the health plans to coordinate with accountable care organizations, which are in risk sharing arrangements with the MCOs as part of the State's Health System Transformation Project. According to EOHHS, this investment would incentivize the MCOs to manage costs for their populations and would enhance budget predictability in the long term.

By transitioning the State's MCOs to full risk arrangements, the monthly capitation rates would be increased to incorporate a larger factor for risk. The Governor's Budget assumes that rates would be increased to include a 2.5 percent risk margin, compared to the current 1.5 percent margin. EOHHS projects that this would cost \$15.7 million from all funds across the State's managed care programs, including \$5.4 million from general revenues. The Governor's Budget includes funding, accordingly.

Adult Co-Pays**(\$4.7 million)**

Article 14 implements co-pays for adults over age 19, including for inpatient hospital visits (\$3.00) and prescription drug coverage (up to \$3.65), mirroring the Medicaid co-pays currently charged in Massachusetts. The Governor's Budget assumes \$4.7 million in general revenue savings (\$17.8 million all funds) within the Medicaid program, offset by an additional \$220,000 from general revenues to support implementation costs as noted in the Central Management program. The Governor's Budget also assumes that the State would forego \$178,014 in revenues from the 2.0 percent insurance premium tax. This proposal requires a State Plan Amendment.

The Governor's Budget assumes that the \$17.8 million in Medicaid savings would result from the collection of co-pay revenue as well as a reduction in utilization.

Co-Pays Included	Utilization	Co-Pay	Co-Pay Savings	Reduced Utilization	Costs Avoided	Utilization Savings	Total Savings
Preferred Prescription Drugs	252,923	\$1.00	\$252,923	29,086	\$29.55	\$859,450	\$1,112,372
Non-Preferred Prescription Drugs	2,343,721	\$3.65	\$8,554,581	269,528	\$29.55	\$7,964,134	\$16,518,716
Inpatient Hospital Visits	56,759	\$3.00	\$170,276	N/A		N/A	\$170,276
Total			\$8,977,781			\$8,823,584	\$17,801,364
<i>General Revenue</i>			<i>2,363,705</i>			<i>2,314,108</i>	<i>4,677,813</i>

States are permitted to charge co-pays for non-emergency services, up to certain maximums set by the federal government. These maximums vary based on annual income as a proportion of the federal poverty level (FPL). Copayments may not exceed 5.0 percent of annual income. The co-pays included in Article 14 are well below these caps and would apply equally to all income levels. The Governor proposes co-pays of \$3.00 for inpatient hospital visits; \$1.00 for preferred prescription drugs that treat diabetes, high blood pressure, and high cholesterol; and \$3.65 for all other prescription drugs. The article exempts family planning prescription drugs from the co-pay requirements.

According to a survey conducted by the Kaiser Family Foundation, as of January 2019, 26 states charged co-pays for inpatient hospital visits and 38 states charged co-pays for prescription drug coverage. While the specific services subject to co-pays vary by state, four of the six New England states currently charge co-pays in some form, including Maine, New Hampshire, Vermont, and Massachusetts.

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 2019 Caseload Estimating Conference adopted FY2021 nursing home payments assuming a 3.6 percent price increase over FY2020 rates. Article 14 limits the rate increase to 1.0 percent, saving \$3.4 million in general revenues (\$7.5 million all funds) compared to the adopted estimate. This proposal requires a State Plan Amendment.

Although this initiative would significantly reduce expenditures, the proposal also negatively impacts revenue collections. Of the \$7.5 million in estimated savings, \$1.0 million would otherwise be subject to the 2.0 percent insurance gross premium tax and \$6.5 million would otherwise be subject to the 5.5 percent nursing home provider tax. Therefore, by limiting the nursing home COLA, the State would forego approximately \$376,673 in revenues in FY2021 relative to the estimate adopted by the November 2019 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	10/1/2019	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%	
FY2020	10/1/2019	1.0%	3.0%	-2.0%	
FY2021 Gov	10/1/2020	1.0%	3.6%	-2.6%	

Fee-for-Service High Utilizers

(\$2.1 million)

The Budget includes \$2.1 million in general revenue savings (\$6.1 million all funds) by engaging with a vendor to perform utilization management services for fee-for-service Medicaid members. This initiative would enhance oversight of the most expensive Medicaid members. The Governor's Budget assumes that utilization management will result in 7.5 percent cost savings against estimated expenditures of \$82.0 million in fee-for-service inpatient, outpatient, and physician services.

The Governor's Budget also includes \$250,000 from general revenues and \$250,000 from federal funds, noted in the Central Management program, in order to procure the vendor to perform this service.

Neonatal Intensive Care Unit (NICU)

(\$1.2 million)

The Governor recommends moving neonatal intensive care unit (NICU) services from fee-for-service into managed care, where managed care organizations (MCOs) will provide utilization management services, resulting in an estimated 10.0 percent cost savings. This equates to \$1.2 million in general revenue savings (\$2.5 million all funds) in FY2021, based on the November 2019 CEC estimate of \$25.0 million in NICU expenditures. Additionally, this initiative would result in a revenue increase of \$451,226 because NICU expenditures would be subject to the 2.0 percent insurance premium tax if they are paid through the managed care plans.

According to the Executive Office, the MCOs would be charged with implementing policies, procedures, and utilization management techniques in order to achieve the savings. According to the National Institute of Health, unplanned pregnancies are more likely than planned pregnancies to result in a NICU admission. It appears that this initiative would focus on reducing unplanned pregnancies in order to achieve the savings.

Ambulance Rates

\$790,395

The Medicaid resolution included in Article 14 provides the authority to maintain non-emergency ambulance rates, which were increased in FY2020. These rates cover non-emergency ambulance trips for

individuals who require transportation by stretcher and need medical attention during transport to medical appointments. Emergency ambulance rates are covered separately and are not affected by this proposal.

In August 2019, the State amended its transportation brokerage contract to increase non-emergency ambulance rates to match Massachusetts' rates, effective from July 1, 2019, through June 30, 2020. The Governor includes \$790,395 from general revenues (\$2.2 million all funds) to carry this change forward to FY2021, which would require another contract amendment. The Governor's Budget assumes that this \$2.2 million investment will result in a corresponding increase in revenue collections from the 2.0 percent insurance premium tax, and includes an additional \$44,349, accordingly.

Before the rates were increased on July 1, 2019, non-emergency ambulance rates had not been increased in Rhode Island in over 25 years. The State's reimbursement rates for both basic life support (BLS) and advanced life support (ALS) had remained stagnant at \$71.50 per one-way trip. The contract amendment increased rates to \$147.67 for BLS ambulance services (a 111.1 percent increase) and \$177.20 for ALS ambulance services (a 153.3 percent increase).

Pharmacy ***(\$497,726)***

The Budget includes \$497,726 in general revenue savings (\$1.5 million all funds) based on a pharmacy spend model that identifies the most cost-effective drugs within therapeutic classes and shifts utilization towards those drugs. The savings would be achieved by reducing the capitation rates paid to the managed care organizations (MCOs). The initiative assumes MCOs are not already effectively managing pharmacy expenditures. The Governor's Budget assumes that 1.0 percent of projected pharmacy utilization will be shifted to lower-cost drugs in FY2021.

Dual Care Management ***(\$401,725)***

The Budget includes \$401,725 in general revenue savings (\$869,723 all funds) from accelerating expansion of a dual care pilot to increase nursing home diversion. This would be accomplished by modifying the current fee-for-service duals contract, resulting in four fewer nursing home admissions per month. These members would be diverted to home- and community-based services. This would generate a \$1.1 million reduction in all funds nursing home expenditures, offset by approximately \$200,000 for the provision of home and community care.

The FY2020 Budget as Enacted included \$2.0 million in general revenue savings (\$4.2 million all funds) based on an initiative to increase care management and oversight for dual-eligible beneficiaries, or those eligible for both Medicare and Medicaid. This population is currently served through a contract with the Rhode Island Parent Information Network (RIPIN). The Governor's Budget assumes that the contract will be modified in order to improve call center promotion and community outreach, increasing the number of individuals served by RIPIN from 700 to 2,000, enhancing analytics, and increasing the number of dual-eligibles receiving high-intensity preventive care management and coordination. Supporting documentation indicates that this would not require additional contract costs beyond the requested funding for the RIPIN contract noted in the Central Management program.

Perinatal Doula Services ***\$94,802***

The Medicaid resolution included in Article 14 allows EOHHS to submit a State Plan Amendment in order to add Medicaid coverage for perinatal doula services. The Governor includes \$94,802 from general revenues (\$226,750 all funds) to cover \$850 per birth for these services.

Doulas are non-medical professionals trained in childbirth who provide women with continuous physical, emotional, and informational support before, during, and after birth. During childbirth, doulas provide breathing techniques, massages, advice, and advocacy. Studies show that one-on-one support during labor and delivery is associated with improved outcomes, particularly in communities of color, including shorter labor periods, reduced risk for costly C-section procedures and premature births, and a reduction in the use of pain medication. EOHHS anticipates that doula coverage will reduce the likelihood of higher-cost interventions in labor and delivery within Medicaid populations.

The Governor's Budget assumes that 10.0 percent of Medicaid births, or 495 births, would be assisted by a doula in FY2021. Studies show that doulas reduce the incidence of C-section births by approximately 40.0 percent. The Governor's Budget assumes that providing doula services would result in 67 fewer C-section births for savings of \$194,000, offset by an increase of \$420,750 to cover the additional cost of providing doula services at \$850 per birth. This would result in a net expenditure increase of \$226,750, including \$94,802 from general revenues, in FY2021.

Graduate Medical Education (federal funds)

\$1.2 million

The Budget includes \$1.2 million in new federal funding to supplement the State's \$1.0 million general revenue payment for Graduate Medical Education (GME), for total funding of \$2.2 million. The general revenue payment is included in the adopted caseload estimate.

The GME program 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. The State received approval for federal Medicaid matching funds for the program on October 23, 2019, effective retroactively to July 1, 2019. In prior years, the \$1.0 million GME payment was not eligible for matching funds and was therefore made as a State-only payment.

Department of Children, Youth, and Families

Expenditures by Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$13.4	\$15.1	\$16.2	\$1.1	7.3%	\$16.0	\$0.9	5.9%
Children's Behavioral Health Services	12.9	13.7	12.5	(1.2)	-8.8%	12.6	(1.2)	-8.6%
Child Welfare	199.1	175.6	203.6	28.0	16.0%	210.6	35.0	20.0%
Juvenile Correctional Services	23.0	25.2	23.6	(1.5)	-6.1%	24.3	(0.8)	-3.3%
Higher Education Incentive Grants	(0.2)	0.2	0.2	-	0.0%	-	(0.2)	-100.0%
Total	\$248.2	\$229.9	\$256.2	\$26.4	11.5%	\$263.6	\$33.7	14.7%

Expenditures by Source	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
General Revenue	\$180.7	\$165.1	\$185.7	\$20.6	12.5%	\$186.8	\$21.7	13.1%
Federal Funds	65.1	60.0	66.8	6.8	11.3%	72.7	12.7	21.2%
Restricted Receipts	1.9	1.9	2.3	0.5	23.9%	2.1	0.2	10.2%
Other Funds	0.4	2.9	1.4	(1.5)	-52.2%	2.0	(0.9)	-30.1%
Total	\$248.2	\$229.9	\$256.2	\$26.4	11.5%	\$263.6	\$33.7	14.7%

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

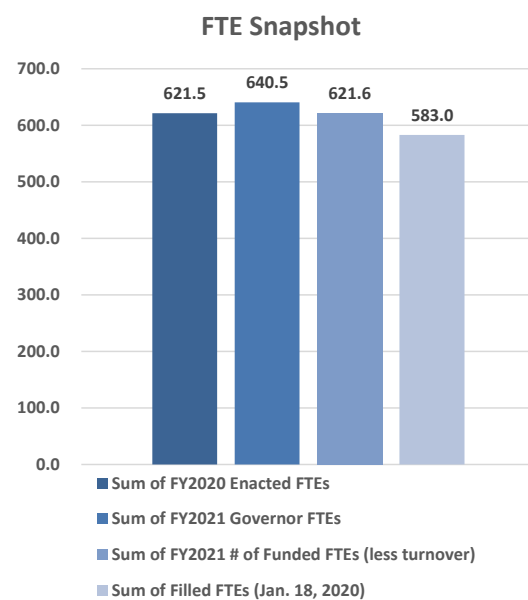
Authorized FTE Levels	629.5	621.5	642.5	21.0	3.4%	640.5	19.0	3.1%
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The Department of Children, Youth, and Families (DCYF) is charged with implementing a statewide network of supports to protect vulnerable children and families. The Department develops, oversees, and evaluates programs which provide opportunities for children to reach their full potential. DCYF has three major operational divisions: Children's Behavioral Health Services, Child Welfare (including child protective services, family services, and permanency support), and Juvenile Corrections (including the Rhode Island Training School and juvenile probation). The Department supports an average of 3,300 children and their families, and indirectly serves thousands more through community-based programs.

MAJOR ISSUES AND TRENDS

The Budget includes \$263.6 million from all funds for the Department of Children, Youth, and Families in FY2021. This includes \$186.8 million from general revenues, \$72.7 million from federal funds, \$2.1 million from restricted receipts, and \$2.0 million from RICAP funds. General revenue funding increases by \$21.7 million (13.1 percent) relative to the FY2020 Budget as Enacted.

The Budget increases the Department's FTE authorization by 21.0 positions in FY2020 and by 19.0 positions in FY2021. This reflects the addition of 2.0 Paralegals to support the Department's advocacy initiative; 1.0 Chief of Program Development to procure new private agency foster care contracts; 14.0 additional support staff to enhance the Department's ability to recruit and retain foster families; and 4.0 Child Protective Investigators to bolster the Department's frontline staff in accordance with national best practices. The Budget assumes that these 21.0 positions will be added in the fourth quarter of FY2020. The Governor's Budget shifts the Department's existing 2.0 Senior Legal Counsel positions to the Executive Office of Health and Human Services in FY2021.



Children's Rights Settlement

In January 2018, the State and DCYF settled a long-standing class action lawsuit. The lawsuit, initially filed in 2007, demanded systemic reforms to the State's child welfare system and cited deficiencies throughout DCYF, including excessive caseworker assignments and an inappropriate residential service array. 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 assess conformity with federal requirements, evaluate child and family experiences, and assist states in their efforts to achieve positive outcomes. The ACF determined that DCYF needed improvement in 27 of the 45 areas reviewed. Although child welfare systems across the country typically exhibit similar shortcomings and the Department has worked to transform its system of care in recent years, the report reflects its ongoing challenges. 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 encouraged the State to focus on the following improvements: 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.

Rhode Island Children's Information System (RICHIST) Upgrade

Article 4 of the Governor's Budget authorizes the issuance of \$17.0 million in certificates of participation (COPs) to replace DCYF's child welfare case management system, known as RICHIST. The COPs would be supplemented by \$11.0 million in federal funding. The total funding of \$28.0 million would be utilized over three years, FY2021 through FY2023, as follows:

Rhode Island Children's Information System	FY2021	FY2022	FY2023	Total
Certificates of Participation	\$2,000,000	\$10,000,000	\$5,000,000	\$17,000,000
Federal Funds	1,300,000	6,500,000	3,200,000	11,000,000
Total	\$3,300,000	\$16,500,000	\$8,200,000	\$28,000,000

Analyst Note: The Governor's recommendation for FY2021 does not include the \$1.3 million in federal funds planned for this project. According to the Budget Office, the Governor plans to submit an amendment to include a new account with the requisite federal funding.

RICHIST was developed in 1998 and serves as a registry for all confidential case, financial, provider, and staff management information. RICHIST also generates the caseload and financial data which the Department reports to the Governor, General Assembly, and the federal government. While Rhode Island was a national leader when RICHIST was first developed, it now relies on antiquated technology that has not adapted well to changes over the last 22 years. Most significantly, the existing RICHIST system does not enable easy mobility for staff in the field which inhibits the Department's ability to operate efficiently. The new system would be a modular system that enables data analytics and reporting, allows easy access to real-time information when making important decisions for children and families, and simplifies the system's mobile interface.

The annual general revenue payment on the COPs authorized by this article would be approximately \$1.9 million, based on an assumed interest rate of 2.75 percent over ten years. These payments would be budgeted within the Department of Administration, with the first payment made in FY2022.

Budget Deficit

The Department has experienced substantial budget deficits over the last several fiscal years. These deficits have been driven by the Child Welfare program as the Department receives growing numbers of child maltreatment reports and completes more investigations, while also moving towards a more comprehensive and appropriate service array for the children and families it serves.

Fiscal Year	Enacted	Actual	Variance to Enacted
FY2016	\$152.6	\$154.7	\$2.2
FY2017	151.8	159.8	8.0
FY2018	145.9	173.7	27.8
FY2019	161.6	180.7	19.1

\$ in millions

The FY2020 Enacted Budget included \$165.1 million from general revenues for the Department. This was significantly less than both FY2018 and FY2019 actual expenditures. The Department's first quarter report for FY2020 projected total general revenue expenditures of \$187.0 million, a deficit of \$21.9 million to the Enacted.

The FY2020 Budget enacted by the General Assembly was essentially level with the Governor's recommendation, based on testimony by the Department that the appropriation was achievable. Similar testimony was provided in prior fiscal years, although recommended funding levels significantly understated actual expenditure and caseload trends. In response, the General Assembly included a provision in Article 2 of the Enacted Budget, placing additional controls on State spending by requiring any department with a projected deficit to provide monthly corrective action plans to the chairpersons of the Senate and House Finance Committees. The State then contracted with a fiscal implementation team (FIT) in September 2019 to help oversee DCYF's spending and budget development processes. This process highlighted that the savings targets included in the budget were not realistic, requiring a significant increase in funding. Based on the needs identified by the FIT, the Governor's Budget includes the requisite general revenue funding in both FY2020 and FY2021. Specifically, the Governor includes \$185.7 million in FY2020 (\$20.6 million more than Enacted) and \$186.8 million in FY2021 (\$21.7 million more than Enacted). The Department's second quarter report projected a slight surplus of approximately \$500,000 in FY2020 compared to the Revised Budget.

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
FY2020 Enacted	\$11,389,069
<i>Target and Other Adjustments</i>	<i>80,073</i>
Personnel	1,385,260
Centralized Service Charges	(674,561)
Accreditation	(500,000)
Financial Consultants	350,000
Budget Initiative Implementation	245,866
Director Salary Increase	8,048
FY2021 Governor	\$12,283,755

Personnel

\$1.4 million

The Governor's Budget includes a general revenue increase of \$1.4 million for personnel within Central Management in FY2021. The Enacted Budget cost allocated a significant portion of Central Management

personnel expenses to other programs within the Department. The Governor's Budget shifts these expenses back to Central Management, with concurrent reductions in other programs. The Governor's Budget also updates the Department's personnel roster to reflect the employee titles and pay grades that are currently authorized as well as the appropriate cost allocations between general and federal funding sources. The Governor's Budget also restores approximately \$250,000 in turnover savings in both FY2020 and FY2021 to account for a significantly higher number of filled positions than assumed in the Enacted Budget.

Centralized Service Charges **(\$674,561)**

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 FY2020 Budget as Enacted included \$3.0 million for these expenses within Central Management. The Governor's Budget reduces these charges by \$674,561 to reflect a statewide adjustment to the existing accounts based on actual billings during FY2019.

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

The FY2020 Budget as Enacted provided \$500,000 from general revenues to support accreditation by the Council on Accreditation (COA), a national human service accrediting organization. The Governor's Budget removes this funding, consistent with the Department's request.

In light of ongoing challenges, the General Assembly required that DCYF seek accreditation in order to establish how its operations compare to national best practices and identify areas for improvement. The Enacted Budget required that the Department initiate the application process by September 1, 2019, with a final accreditation plan due to the Governor and General Assembly by October 1, 2020. This plan would inform the Governor and General Assembly regarding the changes that would need to be made to obtain and maintain accreditation along with the resources that would need to be provided in order to do so.

The \$500,000 was included in FY2020 to cover the application fee, site visits by COA staff, and incidental personnel and operating costs; however, the Department's first quarter report indicated that the funding would not be required in FY2020. According to the Department, it was determined that a number of operational and policy changes were required prior to successfully seeking accreditation. The Department plans to submit the required plan by October 1, 2020, which will include the steps taken and plan to achieve accreditation, along with the timeline to do so. DCYF removed the funding in its FY2020 Revised request and did not request any new funding for FY2021.

Analyst Note: Given the timeline for the submission of DCYF's accreditation plan, it is clear that accreditation expenses will not be incurred before the second quarter of FY2021; however, it is possible that some expenses may be incurred in the remainder of the fiscal year. It is unclear why the Department removed the entirety of the funding in its request if it still plans to pursue accreditation.

It is important to note that this has occurred in the past. The General Assembly first required DCYF to seek accreditation through the COA in 2010. The General Assembly added RIGL 42-72-5.3 to initiate the process on July 1, 2011. The FY2012 Budget as Enacted included approximately \$450,000 from general revenues to support the application process. The General Assembly shifted the funding to FY2013. The Department conducted a readiness assessment, as recommended by the COA, which determined that undergoing the accreditation process would be worthwhile. At the time, the Department reported that it would pursue accreditation in FY2015 and requested that the \$450,000 be shifted from FY2013 to FY2015. Ultimately, the funding was not included and DCYF was never accredited.

Financial Consultants**\$350,000**

The Governor's Budget includes \$350,000 from general revenues for financial consulting services in FY2021. This appears to fund the fiscal implementation team contract that was added in FY2020, although the Department does not intend to extend the contract into FY2021.

Budget Initiative Implementation**\$245,866**

The Governor's Budget includes \$245,866 from general revenues and \$22,163 from federal funds in order to hire new personnel required to achieve savings initiatives included in the Child Welfare program. This involves the addition of 3.0 FTEs to the Central Management program, with an additional 13.0 FTEs in Child Welfare. One of the positions added to the Central Management program (Community Services Coordinator) is cost allocated to the Child Welfare program. Conversely, one of the new positions added to the Child Welfare program (Chief Program Development) is cost allocated to Central Management.

Title	Initiative	FTE	General Revenue	Federal Funds	All Funds
Paralegal Aide	Improving Advocacy	2.0	\$129,759	\$12,708	\$142,467
Community Services Coordinator	Recruitment and Retention	1.0	-	-	-
Chief Program Development*	Private Agency Foster Care	-	116,107	9,455	125,562
Total		3.0	\$245,866	\$22,163	\$268,029

*Position authorized in Child Welfare

Director Salary Increase**\$8,048**

The Governor's Budget includes \$8,048 from general revenues and \$2,872 from federal funds in order to increase the DCYF Director's annual salary from the current rate of \$127,500 to \$135,000, and to adjust benefit expenses accordingly.

	Position	Annual Salary
The State has consistently struggled to recruit and retain talent to lead the Department, with many advocates citing compensation as a contributing factor. The current pay grade is the lowest of the departmental directors within the State's health and human services secretariat.	Secretary of Health and Human Services	\$155,000
	Director - BHDDH	\$151,705
	Director - RIDOH	\$143,000
	Director - DHS	\$135,000
	Director - DCYF	\$127,500

The DCYF Director's salary is also low for the region—annual salaries for comparable positions in Massachusetts and Connecticut are set at \$150,000 and \$172,000, respectively.

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
FY2020 Enacted	\$7,185,060
Target and Other Adjustments	(55,724)
Caseload Shift	(562,647)
Personnel	(142,724)
FY2021 Governor	\$6,423,965

Caseload Shift**(\$562,647)**

The Governor's Budget shifts assistance and grants funding for certain behavioral health services from the Children's Behavioral Health Services program to the Child Welfare program in FY2021. According to the Department, some behavioral healthcare services are more appropriately charged to Child Welfare accounts. This results in a general revenue reduction of \$562,647 within the Children's Behavioral Health Services program, but is included in the caseload adjustment noted in Child Welfare, thus producing no net impact on the Department overall.

Personnel**(\$142,724)**

The Governor's Budget includes a general revenue reduction of \$142,724 for personnel within Children's Behavioral Health Services in FY2021. The Enacted Budget cost allocated a significant portion of personnel expenses to Children's Behavioral Health Services from other programs within the Department. The Governor's Budget shifts these expenses back to their respective programs, representing a reduction to the Children's Behavioral Health Program but no change to the Department overall. The Governor's Budget also updates the Department's personnel roster to reflect the employee titles and pay grades that are currently authorized as well as the appropriate cost allocations between general and federal funding sources. The Governor's Budget also does not assume any turnover in Children's Behavioral Health Services in FY2021 and restores approximately \$100,000 in turnover savings, accordingly.

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 State care 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 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, 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 Budget includes \$146.1 million from general revenues to support Child Welfare. This is \$21.9 million more than the FY2020 Budget as Enacted. Actual general revenue expenditures in FY2019 were \$142.4 million.

Child Welfare	General Revenue
FY2020 Enacted	\$124,238,478
<i>Target and Other Adjustments</i>	<i>61,952</i>
Caseload Adjustment	21,797,952
Personnel	5,597,550
Federal Funding Optimization	(3,101,000)
Recruitment and Retention	(2,487,971)
Female Youth Placement	1,058,640
Private Agency Foster Care	(642,293)
Supporting Safety Assessment	(343,489)
Improving Advocacy	(282,693)
Centralized Service Charges	226,117
FY2021 Governor	\$146,123,243

Caseload Adjustment ***\$21.8 million***

The majority of expenditures in the Child Welfare program are caseload-driven and funded through the assistance and grants category. Since FY2018, the Department has experienced significant increases in reports, investigations and removals, which has translated into increases in out-of-home placements. The Enacted Budget, based on the Governor's recommendation, included aggressive caseload assumptions that have not been realized in FY2020. Caseload levels appear to be plateauing, rather than declining, indicating a need for funding commensurate with prior year spending.

The FY2020 Budget as Enacted provided \$91.8 million from general revenues in assistance and grants for direct services, which was \$10.5 million less than FY2018 actual expenditures and \$14.5 million less than FY2019 actual expenditures. As noted previously, the Enacted Budget was essentially level with the Governor's FY2020 recommendation; however, the inclusion of Article 2 in the FY2020 Enacted Budget pushed the Department to reevaluate its budgeting processes. This led the Department to hire a fiscal improvement team to assist in the development of its budget request. Based on the needs identified, the Governor's Budget adds a baseline general revenue adjustment of \$21.8 million to support the Department's caseload-based trends, for total direct service expenditures of \$113.6 million in FY2021. The Governor's Budget also includes a number of savings initiatives, described separately below, in order to limit these expenses to \$106.3 million.

Personnel ***\$5.6 million***

The Governor's Budget includes a general revenue increase of \$5.6 million for personnel within Child Welfare in FY2021. The Governor's Budget updates the Department's personnel roster to reflect the employee titles and pay grades that are currently authorized, including the appropriate cost allocations between general and federal funding sources, and assumes that the Department will utilize vacancies from the Juvenile Correctional Services program to add staff to Child Welfare. The Governor's Budget also restores approximately \$1.7 million in turnover savings to account for a significantly higher number of filled positions than assumed in the Enacted Budget. This is related to the Department's efforts to minimize frontline vacancies. The Governor's Budget also increases overtime expenses by \$2.4 million in order to bring overtime funding more in line with historical actuals. The Enacted Budget assumed significantly less overtime spending than the Child Welfare program incurred in FY2017, FY2018, or FY2019.

Federal Funding Optimization**(\$3.1 million)**

The Governor's Budget shifts \$3.1 million from general revenues to other fund sources to reflect the impact of an initiative to optimize other funding streams by claiming additional funding for certain services within the Child Welfare program. This includes:

- **Federal Funds:** The Department identified opportunities to charge private agency foster care expenses to Medicaid Home and Community Based Services accounts, increase income and asset attestations to accelerate Title IV-E claiming, and reduce the backlog of kinship licensures in order to claim federal funding for certain foster care households. The Governor's Budget assumes that these changes will shift \$3.0 million from general revenues to federal funds in FY2021.
- **Restricted Receipts:** The Department is also able to claim Social Security Income (SSI) benefits for some children and youth in low-cost placements. The Governor's Budget assumes that the Department will identify eligible youth and claim SSI, thereby shifting \$100,000 from general revenues to restricted receipts in FY2021.

Analyst Note: The Budget has included a number of similar federal funding optimization initiatives in recent fiscal years, including \$2.5 million in Child Care Block Grant claiming in FY2020, \$3.5 million in combined Title IV-E and Medicaid claiming in FY2019, and \$4.0 million in Medicaid claiming in FY2018. While these initiatives have not been successful in containing costs due to understated baseline spending, the Department has successfully enhanced federal claiming for Child Welfare services overall—23.9 percent of program expenses were paid through federal funds in FY2018, increasing to 26.3 percent in FY2019 and projected 26.4 percent in FY2020. The Governor's Budget assumes that federal claiming will increase to 29.5 percent in FY2021, which may be aggressive.

Recruitment and Retention**(\$2.5 million)**

The Budget assumes \$2.5 million in general revenue savings (\$3.3 million all funds) by enhancing foster family recruitment and retention.

The Department has focused on bolstering its foster family licensing unit in recent years. The Department's goal is to increase the total pool of foster families in the State from 200 to 400 by the end of FY2021. By increasing the available supply of foster families, the Department will be able to shift approximately 100 youth from more expensive private agency foster care and congregate care settings into DCYF foster care. This initiative involves hiring additional staff dedicated to foster family recruitment and licensing as well as an increase in per diem foster care rates to incentivize more families to foster children.

The savings is net of \$1.4 million to increase rates from an average of \$25.50 per day to \$28.90 per day and \$1.1 million in additional personnel costs in order to increase staff in the licensing unit to recruit, train, license, sustain, and support all foster parents. The Governor's Budget includes 14.0 new staff within the Department for this initiative. One of these positions is added to the Central Management program but is cost allocated to Child Welfare.

Title	FTE	General Revenue	Federal Funds	All Funds
Social Case Worker II	10.0	\$748,146	\$188,441	\$936,587
Case Work Supervisor	2.0	175,705	44,256	219,961
Community Services Coordinator*	-	107,264	27,018	134,282
Principal Resource Specialist	1.0	81,731	20,586	102,317
Total	13.0	\$1,112,846	\$280,301	\$1,393,147

*Position authorized in Central Management

Female Youth Placement**\$1.1 million**

The Governor's Budget includes \$1.1 million from general revenues (\$3.2 million all funds) to establish two new Psychiatric Residential Treatment Facilities (PRTFs) for female youth. The Department has identified a need to develop in-State capacity to service female youth with complex behavioral health needs who are currently served out-of-State, at the Rhode Island Training School, or in a hospital. These alternative placements are expensive and often not appropriate to achieve positive outcomes. All services provided in a PRTF are Medicaid claimable, providing an opportunity for DCYF to leverage additional federal funds for approximately 35 to 40 female youth who fit the criteria for this type of facility.

The Department's request included twice the amount of funding provided in the Governor's recommendation. The request assumed that the Department would issue a request for proposals (RFP) in order to have the PRTFs operational by July 1, 2020. The Governor's Budget shifts this timeline by six months, to January 1, 2021, requiring half the amount of funding initially requested. The full amount of funding will be required in future years.

Analyst Note: The Enacted Budget included \$1.5 million in Rhode Island Capital Plan (RICAP) funds for the construction of a residential facility for female youth. The Governor removes the RICAP funding, as the Department now plans to contract with providers that have their own facilities, rather than utilizing a State-owned facility.

Private Agency Foster Care**(\$642,293)**

The Budget includes \$642,293 in general revenue savings (\$689,871 all funds) from renegotiating and managing its private agency foster care (PAFC) contracts.

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 (relatives or close family friends paid directly by DCYF), DCYF-licensed foster care (non-relative families recruited and paid by DCYF), or private agency foster care (families recruited by private providers which set their own, typically higher, payment rates). The wide array of placement options results in foster families receiving varying levels of reimbursement for providing the same level of care.

The Department plans to procure new contracts with private placement agencies in FY2021 in order to support a more equitable rate-setting process. This will allow DCYF to determine all reimbursement rates, ensuring that rates reflect each child's level of need rather than placement type, and provide the same support services to all families. Some of the savings will be achieved by incentivizing placement of higher-need youth in foster care instead of more expensive settings such as congregate, therapeutic, or out-of-State placements. By enhancing rate transparency and managing placements, DCYF will also be better able to charge federal accounts, specifically Medicaid Home and Community Based Services, for private agency foster care placements. This portion of the savings is noted in the Federal Funds Optimization initiative.

This initiative involves hiring 1.0 Chief of Program Development dedicated to contract management. This position is added to the Child Welfare program but, as previously noted, is funded within Central Management.

Supporting Safety Assessment**(\$343,489)**

The Budget includes \$343,489 in general revenue savings by increasing staff on the front line in order to reduce average caseloads. By hiring 4.0 Child Protective Investigators (CPIs), the Department will be able to meet national best practices of 12 to 15 active cases per month per investigator. This initiative also involves making practice changes to safely reduce screen-in rates and removals of children from their homes by implementing a structured decision-making tool at the DCYF hotline. By reducing CPI caseload,

individual investigators would be able to dedicate more time to work with families to explore and implement alternatives to removal. The savings target assumes that fewer children will be removed from their homes and placed in DCYF care, thereby reducing the Department's family service caseload.

Improving Advocacy

(\$282,693)

The Governor's Budget includes \$282,693 in general revenue savings associated with the 2.0 Paralegal positions added within the Central Management to improve the Department's advocacy work. This initiative also involves hiring 2.0 Senior Legal Counsels which are added to the Executive Office of Health and Human Services, where health and human services lawyers are centralized. According to the Department, increasing desk time for legal staff will expedite the court process to accelerate permanency and will reduce the length of time in care for some youth, generating savings. Additional desk time supports the ability to meet with Social Case Workers to discuss and prepare for court events, review court documents, and update case records.

Centralized Service Charges

\$226,117

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 Child Welfare program incurs expenses for IT support; however, the FY2020 Budget as Enacted did not include funding for these charges within Child Welfare because funding for IT charges was centralized in the Central Management program. The Governor's Budget includes \$226,117 in both FY2020 and FY2021 to reflect the actual expenses incurred within Child Welfare, based on billings during FY2019.

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 who are 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 prevent recidivism.

Juvenile Correctional Services	General Revenue
FY2020 Enacted	\$22,111,978
<i>Target and Other Adjustments</i>	<i>281,627</i>
Personnel	1,382,271
Centralized Service Charges	(1,178,186)
Training School Education Program	(438,651)
Federal Funding Optimization	(200,000)
FY2021 Governor	\$21,959,039

Personnel

\$1.4 million

The Governor's Budget includes a general revenue increase of \$1.4 million for personnel within Juvenile Correctional Services in FY2021. The Governor's Budget updates the Department's personnel roster to

reflect the employee titles and pay grades that are currently authorized and assumes that the Department will utilize vacancies from the Juvenile Correctional Services program to add staff to Child Welfare. This results in savings to the Juvenile Correctional Services program. However, the Governor's Budget also restores approximately \$1.5 million in turnover savings to account for a significantly higher number of filled positions than assumed in the Enacted Budget. This addition encompasses the restoration of an Enacted savings initiative to reduce the number of teachers at the Training School, which the Department has not achieved. The Governor includes this initiative again in FY2021. The Governor's Budget also increases overtime expenses by \$650,000 in order to bring overtime funding more in line with historical actuals. The Enacted Budget assumed significantly less overtime spending than the Juvenile Correctional Services program incurred in FY2017, FY2018, or FY2019.

Centralized Service Charges

(\$1.2 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 FY2020 Budget as Enacted included \$1.4 million for these expenses within Juvenile Correctional Services. The Governor's Budget reduces these charges by \$1.2 million to reflect a statewide adjustment to the existing accounts based on actual billings during FY2019.

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 Elementary and Secondary Education regulations. Currently, there are 13.0 full-time teachers. The average salary, excluding benefits and longevity, is approximately \$87,000. 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 Budget includes savings of \$438,651 related to a reduction in the number of teachers in the program, which can be achieved through a combination of attrition and layoffs. The savings estimate is based on the impact of freezing 3.0 FTE positions. The savings are budgeted as turnover.

The FY2020 Budget as Enacted also included this initiative. The Department's request restored the savings because the positions were not frozen in FY2020, and thus the turnover savings were not achieved. The Governor includes the same level of savings in FY2021 that were included in the Enacted Budget.

Federal Funding Optimization

(\$200,000)

The Governor's Budget shifts \$200,000 from general revenues to federal funds to reflect the impact of an initiative to optimize other funding streams by claiming additional funding for certain services within the Juvenile Correctional Services program. Specifically, the Department is able to claim Medicaid reimbursement for juvenile probation workers through proper documentation of time and cost allocation.

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
FY2020 Enacted	\$200,000
Target and Other Adjustments	-
Transfer to Reserve Funds	(200,000)
FY2021 Governor	\$0

Transfer to Reserve Funds **(\$200,000)**

The Governor's Budget does not appropriate funding to the Higher Education Incentive Grant program in FY2021. These funds have been transferred to DHEA for several years, but have not been fully expended. This has resulted in a large balance of reserve funds accruing within DHEA's restricted receipt account. This account was shifted to DCYF on December 27, 2019, with a balance of \$851,601. The Governor's Budget assumes that higher education expenses will be paid through existing funding in the escrow account in FY2021, therefore not requiring the annual \$200,000 appropriation.

Analyst Note: The Governor's Budget does not include any restricted funds for this program in FY2021, apparently in error. According to the Budget Office, the Governor plans to submit an amendment to establish a new restricted account to fund the program. The Governor also does not strike the statutory language requiring an annual general revenue appropriation.

CAPITAL PROJECTS

The Budget includes a total of \$1.4 million from Rhode Island Capital Plan (RICAP) funds in FY2020 and \$2.0 million in FY2021. Projects include:

- Redesigning a vacant module at the Rhode Island Training School for updates and reconfigurations. The Governor's Budget includes \$1.8 million in FY2021.
- Upgrades and improvements at the Training School, including roof repairs, sprinkler head replacements, and the installation of a new security system. The Budget includes a total of \$1.0 million for these improvements, including \$750,000 in FY2020 and \$250,000 in FY2021.
- Acquisition and installation of a generator at the Training School. The Budget includes \$617,062 for this project in FY2020.

Department of Health

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$13.0	\$15.2	\$17.0	\$1.7	11.5%	\$15.7	\$0.5	3.1%
Community Health and Equity	94.9	107.2	107.7	0.5	0.5%	106.7	(0.4)	-0.4%
Customer Services	12.2	13.6	13.9	0.3	2.4%	15.3	1.7	12.7%
Environmental Health	12.5	13.2	13.9	0.7	5.4%	14.6	1.3	10.2%
Health Laboratories and Medical Examiner	12.6	12.6	12.9	0.4	2.9%	13.4	0.8	6.3%
Policy, Information and Communications	5.1	6.5	5.7	(0.8)	-11.9%	5.3	(1.2)	-17.9%
Preparedness, Response, Infectious Disease, & Emergency Services	16.8	18.4	20.9	2.5	13.9%	15.7	(2.7)	-14.5%
Total	\$167.0	\$186.6	\$192.1	\$5.5	2.9%	\$186.7	\$0.1	0.0%
Expenditures By Source								
General Revenue	\$30.3	\$31.0	\$30.9	(\$0.0)	-0.1%	\$33.0	\$2.0	6.6%
Federal Funds	97.7	105.8	110.7	4.9	4.6%	104.3	(1.5)	-1.4%
Restricted Receipts	39.0	49.5	50.1	0.6	1.2%	49.0	(0.4)	-0.9%
Other Funds	0.0	0.4	0.4	0.0	0.0%	0.4	0.0	0.0%
Total	\$167.0	\$186.6	\$192.1	\$5.5	2.9%	\$186.7	\$0.1	0.0%

Authorized FTE Levels 514.6 499.6 499.6 0.0 0.0% 540.6 41.0 8.2%

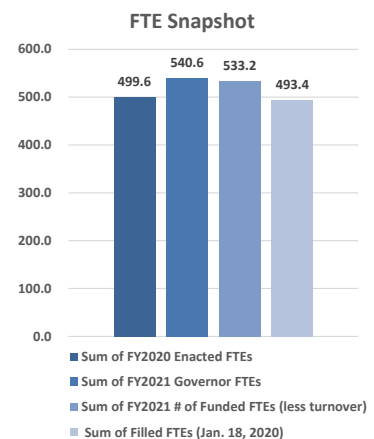
\$ in millions. Totals may vary due to rounding.

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 FY2021 Budget allocates 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 \$186.7 million in all funds for FY2021, an increase of \$87,087 from the FY2020 Budget as Enacted. General revenues comprise 17.7 percent of the budget, equaling \$33.0 million, an increase of \$2.0 million from the FY2020 Budget as Enacted.

The Budget increases the FTE authorization by 41.0 FTEs compared to the FY2020 Budget as Enacted. This includes 42.0 new positions, offset by the transfer of 1.0 legal position to the Executive Office of Health and Human Services (EOHHS). The new positions include 27.0 federally funded positions required to continue to receive certain federal grants, 3.0 FTEs federally funded in EOHHS for the adult immunization registry, and 9.0 FTEs funded by restricted receipts for the adult-use marijuana market, lead prevention, opioid overdose prevention, and HIV prevention. The Budget includes 3.0 FTE positions funded by general revenues for the proposed Shellfish Dockside Program.



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.

Central Management	General Revenue
FY2020 Enacted	\$3,644,060
<i>Target and Other Adjustments</i>	19,788
Centralized Services	(445,825)
Licensure Compact Fees	12,000
FY2021 Governor	\$3,230,023

Centralized Services **(\$445,825)**

The Budget decreases general revenue for centralized services by \$445,825. 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 FY2020 Budget as Enacted appropriated \$2.9 million for centralized services, which is decreased by \$445,825 to \$2.4 million in the FY2021 Governor's Budget.

Licensure Compacts **\$12,000**

Article 20 of the Budget establishes and modifies language to allow the State to enter into several medical profession interstate compacts. Interstate licensure compacts allow special licensure or exceptions to state licensing requirements for specific health care providers to practice across state lines in other states that have adopted the same compact as long as certain requirements are met. The compacts would decrease license fee revenues by \$59,331 and increase expenditures by \$12,000.

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.

Community Health and Equity	General Revenue
FY2020 Enacted	\$645,497
<i>Target and Other Adjustments</i>	1,580
Family and Home Visiting	650,000
First Connections	378,000
FY2021 Governor	\$1,675,077

Community Health and Equity	Other Fund Changes
Federal Grant Changes	(\$969,337)

Family and Home Visiting **\$650,000**

The Budget increases general revenues by \$650,000 (\$1.8 million all funds) 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 resulted in a shortage of funds for the program. 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**\$378,000**

The Budget adds \$378,000 in general revenues to expand the First Connection program to serve additional cases. The First Connections program provides access to services such as food assistance, mental health, child care, family home visiting, and Early Intervention. At the current funding level of \$542,736 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. Currently, program funding is primarily used to serve 3,000 children per year. The expansion of the program would provide the capability to 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 Fund Adjustments**(\$969,337)**

The Budget decreases federal funds by \$969,337 within the Community Health and Equity Program as compared to the FY2020 Budget as Enacted. The following table illustrates the various federal fund adjustments.

Federal Fund Adjustments	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted	FY2021 Governor	Change from Enacted
Women, Infants, and Children (WIC)	\$22,471,246	\$25,653,593	\$24,710,409	(\$943,184)	\$23,508,948	(\$2,144,645)
Prescription Drug Overdose Prevention	2,276,356	2,672,122	3,970,995	1,298,873	4,386,071	1,713,949
Prevent and Manage Heart Disease	582,728	-	1,751,953	1,751,953	1,447,789	1,447,789
Family Home Visiting	-	-	-	-	1,197,331	1,197,331
Immunizations	13,422,972	15,095,832	13,907,720	(1,188,112)	14,087,271	(1,008,561)
Suicide Prevention Project	764,374	863,995	382,374	(481,621)	-	(863,995)
Chronic Disease Prevention And Control	1,968,420	2,438,937	1,136,478	(1,302,459)	1,144,045	(1,294,892)
All changes less than \$500,000	21,435,227	21,662,819	22,815,369	1,152,550	21,646,506	(16,313)
Total	\$62,921,323	\$68,387,298	\$68,675,298	\$288,000	\$67,417,961	(\$969,337)

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.

Customer Services	General Revenue
FY2020 Enacted	\$8,145,908
Target and Other Adjustments	48,407
Information Technology Charges	79,276
FY2021 Governor	\$8,273,591

Customer Services	Other Fund Changes
Prescription Drug Monitoring Program	\$1,020,468
State Controlled Adult-Use Marijuana	641,536
Opioid Stewardship Fund	58,096

Information Technology Charges**\$79,276**

The Budget increases general revenues by \$79,276 (\$129,276 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.

Prescription Drug Monitoring Program (federal funds)**\$1.0 million**

The Budget includes a \$1.0 million increase in federal funding for the Prescription Drug Monitoring Program (PDMP). The PDMP collects data for controlled substance prescriptions into a centralized

database. Prescribers are required to check the database for patient prescription history prior to prescribing opioids to a patient, and/or when a patient is on opioids for more than six months in a twelve-month period.

State-Controlled Adult-Use Marijuana (restricted receipts) \$641,536

Article 13 of the Budget legalizes the adult-use of marijuana and provides restricted receipt funding to DOH for food safety staffing and operational costs related to the adult-use marijuana market. DOH is allocated \$643,372 in restricted receipts for adult-use marijuana expenditures, of which \$394,518 is dedicated to the personnel costs of 4.0 FTEs and \$247,018 is allocated to operating costs.

Opioid Stewardship Fund (restricted receipts) \$58,096

Article 13 of the FY2020 Budget as Enacted established an opioid registration fee paid deposited quarterly to the Opioid Stewardship Fund by all manufacturers, distributors, and wholesalers of opioids. The fee is calculated based on the licensee's in-state market share of opioid sales. The total amount of the Fund equals \$5.0 million and is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million. The FY2021 Budget allocates \$58,096 for 1.0 supervising accountant to administer the funds. The remaining \$4.4 million is distributed among the Departments of Children, Youth, And Families, Behavioral Healthcare, Developmental Disabilities and Hospitals, Elementary and Secondary Education, Corrections, and the Office of the Health Insurance Commissioner (OHIC) for substance abuse programs and projects.

Analyst Note: Documents provided by the Office of Management and Budget (OMB) state that half of the funding for the new FTE is allocated in DOH. It is unclear where the remaining funding is located.

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.

Environmental Health	General Revenue
FY2020 Enacted	\$5,441,319
Target and Other Adjustments	38,027
Shellfish Dockside Sampling Program	366,138
FY2021 Governor	\$5,845,484

Shellfish Dockside Sampling Program \$366,138

Article 7 of the Budget authorizes the Director of DOH, with the assistance of Department of Environmental Management (DEM), to establish a shellfish dockside sampling program. The article also provides DOH with the authority to set a shellfish-licensing fee through rules and regulations. In April 2019, the National Marine Fisheries Council closed a large portion of fishing grounds used for harvesting surf clams in order to protect certain marine species. Authorizing DOH to establish the program allows companies in the State to continue processing certain shellfish and ensure they are safe for human consumption.

The new dockside program would require 2.0 FTE Lab Scientist positions and 1.0 FTE Food Specialist with \$296,952 in personnel funding. The Budget also includes \$69,186 in operating costs for the purchase and maintenance of dockside testing equipment. Personnel and operating costs would increase by \$366,138. The expenditures are fully funded by the proposed license fee, which would be deposited as general revenues.

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.

Health Laboratories and Medical Examiner	General Revenue
FY2020 Enacted	\$10,170,047
<i>Target and Other Adjustments</i>	76,966
Salary and Benefits	343,122
Medical Examiner Contract Services	90,950
Non-Prescription Medical Supplies	85,000
Medical Examiner Vehicle	26,800
FY2021 Governor	\$10,792,885

Personnel Adjustments **\$343,122**

The Budget increases general revenues by \$343,122 for various personnel adjustments. A number of positions have been vacant, including the chief medical examiner, resulting in expected turnover savings. The Budget assumes that some of these positions will be filled, resulting in an increase in direct salaries of \$148,861 and \$194,261 in health and retirement benefits.

Medical Examiner Contract Services **\$90,950**

The Budget increases general revenues by \$90,950 for contract professional services within the Office of the Medical Examiner (OSME). The increase reflects the increased need for pathologists as the chief medical examiner position remains vacant.

Non-Prescription Medical Supplies **\$85,000**

The Budget includes an \$85,000 increase in general revenues for non-prescription medical supplies, including \$60,000 for molecular diagnostics and \$20,000 for the OSME due to a loss of federal funding and switching certain supplies to disposables.

Medical Examiner Vehicle **\$26,800**

The Budget includes \$26,800 for the purchase of a new vehicle for the Office of State Medical Examiners (OSME). One of the two OSME vehicles is reaching its end of life and a new vehicle would ensure that OSME can continue to respond to the scenes of deaths in an appropriate manner.

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.

Policy, Information and Communication	General Revenue
FY2019 Enacted	\$924,067
<i>Target and Other Adjustments</i>	7,475
Center for Health Data and Analysis	219,450
FY2021 Governor	\$1,150,992

Center for Health Data and Analysis**\$219,450**

The Budget increases general revenue expenditures by \$219,450 to support the management of data systems within the Center for Health Data and Analysis. The additional expenditures are funded with a new fee of \$140 proposed in Article 6 of the Budget for special data requests that require CDHA to analyze, calculate, and/or interpret data. The fee would be set by the Department of Health through rules and regulations and is expected to generate \$438,900 in general revenues. The fee would apply to external requests that require fifteen or more hours and would not apply to Access to Public Records Act (APRA) requests as the records must be created and APRA requests are for existing records. Massachusetts also charges fees for special data requests, at a rate of \$140 per hour.

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.

Preparedness, Response, Infections Disease, and Emergency Medical Services	General Revenue
FY2020 Enacted	\$1,998,023
<i>Target and Other Adjustments</i>	<i>33,903</i>
FY2021 Governor	\$2,031,926

Department of Human Services

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$9.5	\$9.9	\$9.5	(\$0.3)	-3.4%	\$9.3	(\$0.5)	-5.3%
Child Support Enforcement	14.2	9.7	10.7	1.0	10.1%	10.8	1.1	10.9%
Office of Healthy Aging	19.6	21.0	22.2	1.2	5.8%	30.3	9.3	44.2%
Health Care Eligibility	21.4	11.8	14.5	2.6	22.3%	19.7	7.9	66.9%
Individual and Family Support	127.9	162.7	155.0	(7.6)	-4.7%	149.2	(13.5)	-8.3%
Rhode Island Works	92.3	97.3	96.4	(0.9)	-0.9%	102.8	5.6	5.7%
State Funded Programs	251.0	266.2	251.0	(15.1)	-5.7%	251.0	(15.1)	-5.7%
Supplemental Security Income Program	19.0	19.5	18.9	(0.5)	-2.8%	18.9	(0.6)	-3.1%
Veterans Services	39.3	40.3	40.3	(0.1)	-0.2%	43.1	2.8	6.9%
Total	\$594.2	\$638.3	\$618.5	(\$19.8)	-3.1%	\$635.2	(\$3.1)	-0.5%

Expenditures By Source								
General Revenue	\$114.0	\$92.2	\$92.2	\$0.0	0.0%	\$117.9	\$25.7	27.9%
Federal Funds	471.0	514.4	496.5	(17.9)	-3.5%	505.4	(9.0)	-1.8%
Restricted Receipts	4.5	26.8	25.1	(1.6)	-6.0%	7.3	(19.5)	-72.9%
Other Funds	4.8	5.0	4.7	(0.3)	-6.0%	4.7	(0.3)	-6.4%
Total	\$594.2	\$638.3	\$618.5	(\$19.8)	-3.1%	\$635.2	(\$3.1)	-0.5%

Authorized FTE Levels	1,020.1	1,038.1	1,038.1	-	0.0%	1,037.1	(1.0)	-0.1%
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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.

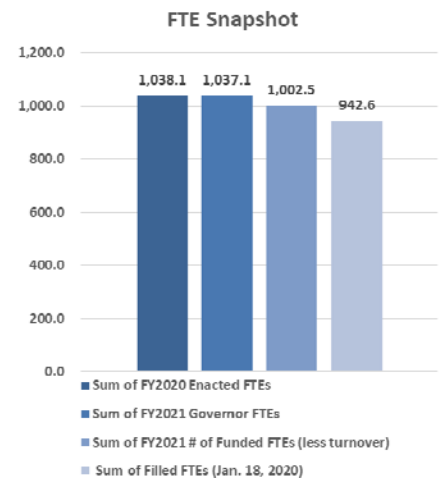
MAJOR ISSUES AND TRENDS

The FY2021 Budget includes total funding of \$635.2 million, a \$3.1 million decrease from the FY2020 Budget as Enacted. This includes a general revenue increase of \$25.7 million. The majority of the general revenue increase is related to the shifting of funds for UHIP costs from restricted receipts back to general revenue. In FY2020, the State received a settlement payment that covered the costs of UHIP related programs. No settlements are anticipated in FY2021 and all costs will need to be covered with general revenues.

The Budget also includes an additional \$2.7 million in general revenue related to adjustments from the November 2019 Caseload Estimating Conference, mainly within the State's Child Care Assistance Program.

The Budget authorizes 1,037.1 FTE positions for FY2021, a decrease of 1.0 FTE from the FY2020 Budget as Enacted. The 1.0 FTE decrease is related to the transfer of the Assistance Director for Legal Services from the Department of Human Services to the Executive Office of Health and Human Services.

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, Supplemental Nutrition Assistance Program (SNAP), General Public Assistance (GPA), and Supplemental Security Income (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 \$656.0 million through FY2021, of which \$502.0 million is federal funds and \$153.9 million is state funds. Costs are shared across the Executive Office of Health and Human Services (EOHHS), DHS, and HealthSource RI (HSRI).

The Department's budget includes a total of \$27.3 million related to UHIP expenditures.

In 2019, Deloitte was ordered to pay the State \$50.0 million in settlement funds, to be shared between DHS, EOHHS, and the federal government. The FY2020 Revised Budget includes \$20.1 million in the UHIP cost recovery restricted receipt account for DHS's share of the settlement. The additional settlement will fund UHIP related program costs in FY2020; however, no settlements are planned for FY2021. Any costs for UHIP related programs that were funded by the restricted receipt account will need to be funded by additional general revenues.

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 2019 Caseload Estimating Conference adopted estimates dictate the entitlement program appropriations included in the FY2021 Governor's 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 \$122.5 million in FY2021, an increase of \$5.2 million from the FY2020 Enacted level. The major contributor to this increase is an anticipated increase in both subsidies and cost per subsidy for the child care assistance program.

Cash Assistance Program - Nov 2019 Adopted Estimates							
	FY2019	FY2020	FY2020	FY2020	FY2021	FY2021	Change to
	Actuals	Enacted	Nov. CEC	Gov.	Nov. CEC	Gov.	Enacted
Rhode Island Works							
Persons	9,321	9,334	9,275	9,275	9,275	9,397	63
Monthly Cost per Person	\$187.7	\$188.0	\$186.1	\$186.1	\$186.1	\$186.1	(\$1.9)
Federal Funds*	23.1	23.3	23.1	23.1	23.1	23.7	0.4
Child Care							
Subsidies	9,099	9,240	9,294	9,294	9,550	9,574	334
Annual Cost per Subsidy	\$7,678.0	\$7,966.0	\$7,840.0	\$7,840.0	\$7,854.0	\$8,262.0	\$296.0
Federal Funds*	59.9	63.6	63.4	63.4	65.7	65.7	2.1
General Revenue*	9.9	10.0	9.4	9.4	9.3	13.4	3.4
SSI- State Supplement							
Persons	33,806	33,750	33,887	33,887	33,800	33,800	50
Monthly Cost per Person	\$46.9	\$47.9	\$46.4	\$46.4	\$46.4	\$46.4	(\$1.5)
General Revenue*	19.1	19.5	18.9	18.9	18.9	18.9	(0.6)
General Public Assistance							
Persons	159	162	115	115	104	104	(58)
Monthly Cost per Person	\$144.8	\$150.0	\$151.0	\$151.0	\$150.0	\$150.0	\$0.0
General Revenue*	0.9	0.9	0.8	0.8	0.8	0.8	(0.1)
Total	\$112.9	\$117.3	\$115.6	\$115.6	\$117.8	\$122.5	\$5.2
Federal Funds*	83.0	86.9	86.5	86.5	88.8	89.4	2.5
General Revenue*	29.9	30.4	29.1	29.2	29.0	33.1	2.7

* \$ 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
FY2020 Enacted	\$4,676,879

<i>Target and Other Adjustments</i>	16,777
Personnel	(81,138)
Boys and Girls Club Grant	(75,000)
FY2021 Governor	\$4,537,518

Central Management	Other Funds
Community Service Block Grant (federal funds)	(\$156,196)

Personnel (\$81,138)

The Budget includes an \$81,275 reduction for personnel costs within Central Management. The decrease is due to changes in the Department's cost allocation plan based on the most recent Random Moment Time Studies (RMTS) and statewide adjustments.

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.

Boys and Girls Club Grant (\$75,000)

The Budget decreases general revenues by \$75,000 to reflect to elimination of the Boys and Girls Club community service objective grant. The Boys and Girls Club also receives \$200,000 in federal funds; the decrease in the Budget only eliminates the general revenue portion of the grant.

Community Service Block Grant (federal funds) (\$156,196)

The Budget includes a reduction of \$156,195 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
FY2020 Enacted	2,822,190

<i>Target and Other Adjustments</i>	(22,636)
RI Kids Bridge	121,225
FY2021 Governor	\$2,920,779

RI Kids Bridge**\$121,225**

The Budget includes an additional \$121,225 within salary and benefits due to an anticipated increase in need from RI Kids Bridge. RI Kids Bridge is the IT system that the Child Support Enforcement division uses to deliver services to people involved with the program. The system is provided by Northrup Grumman and has not yet been integrated into the Unified Health Infrastructure Project (UHIP). The additional funds will support program programming, system enhancement, and interface processing.

OFFICE OF HEALTHY AGING

The Office of Healthy Aging, previously the Division of Elderly Affairs, provides comprehensive services, advocacy, and public policy dedicated to the needs of older Rhode Islanders, adults with disabilities, their caregivers, and families. The Office implements a system of community-based care for individuals sixty years and older as well as adults with disabilities. The Office is responsible for developing and implementing a State Plan on Aging under the federal Older Americans Act. The Office 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.

Office of Healthy Aging	General Revenue
FY2020 Enacted	\$8,024,596
<i>Target and Other Adjustments</i>	<i>139,916</i>
Elderly Transportation Program	2,920,852
FY2021 Governor	\$11,085,364

Elderly Transportation Program**\$2.9 million**

The Budget shifts \$2.9 million in general revenues for the Elderly Transportation Program (ETP). This program was previously included in the Individual and Family Support division and is being transferred to the Office of Health Aging to centralize all elderly programs under one division. Of the increase, \$2.8 million will be used for operating costs and \$160,715 will be used as costs not otherwise matchable (CNOM). The federal Centers for Medicare and Medicaid Services have allowed the State to obtain federal matching funds for services that would otherwise not be eligible, these funds are CNOMs.

ETP services are provided by a vendor, Medical Transportation Management (MTM), to residents who are over 60 and who do not have access to any means of transportation. The ETP provides transportation to medical appointments, special medical treatments, and nutrition services for elderly and disabled clients.

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
FY2020 Enacted	\$1,231,216
<i>Target and Other Adjustments</i>	<i>84,097</i>
UHIP Cost Recovery	4,164,433
Personnel	1,511,585
Operating Supplies and Expenses	480,000
Contract Services - Information Technology	209,000
FY2021 Governor	\$7,680,331

UHIP Cost Recovery**\$4.2 million**

The FY2020 Budget as Enacted shifted \$4.2 million from general revenues to the UHIP cost recovery restricted receipt account in the Individual and Family Support program resulting in a \$4.2 million decrease in general revenue. The FY2021 Budget does not include any general revenue funds to be shifted to the UHIP cost recovery account; however, in comparison with the FY2020 Budget as Enacted, it appears as an increase.

UHIP Cost Recovery General Revenue Funds	FY2020 Enacted	FY2021 Governor	Change from Enacted	
Health Care Eligibility	(\$4,164,433)	\$0	\$4,164,433	-100.0%
Individual and Family Support	(\$7,242,650)	\$0	\$7,242,650	-100.0%

The UHIP cost recovery account was intended to fund UHIP-related operating costs, including a portion of salary and benefits associated with additional technicians and other support staff. UHIP cost recovery funds were based on settlement funds Deloitte Consulting, the primary developer of the system.

In FY2020, Deloitte agreed to pay the State \$50.0 million in settlement funds, this amount is shared between DHS, EOHHS, and the federal government. The FY2020 Revised Budget includes \$20.1 million in the UHIP cost recovery restricted receipt account for DHS's share of the settlement. No settlements are anticipated in FY2021.

Personnel**\$1.5 million**

The Budget includes an additional \$1.5 million in general revenue (\$3.1 million total) to fund personnel costs for Medical Services Administration. This increase in costs is based on the most recent Random Moment Time Studies (RMTS).

FY2019 actuals include \$2.9 million in general revenues to fund salary and benefit costs for Medical Services Administration. Medical Services Administration work to determine if applicable individuals are eligible for certain medical benefits

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.

Operating Supplies and Expenses**\$480,000**

The Budget includes an additional \$480,000 in general revenue expenditures for operating supplies and expenses; specifically an additional \$310,000 for miscellaneous expenses and an additional \$170,000 for postage and postal services. This increase brings these operating expenses back in line with FY2019 Actuals.

Contract Services – Information Technology**\$209,000**

The Budget includes \$209,000 in general revenue for information technology contract services. FY2019 actuals include \$207,251 for information technology contract services. This funding was removed in the FY2020 Budget as Enacted. The FY2021 Budget restores funding based on FY2019 actuals.

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
FY2020 Enacted	\$19,421,725
<i>Target and Other Adjustments</i>	<i>(454,333)</i>
Personnel	9,022,202
UHIP Cost Recovery	7,242,650
IAPD- UHIP Fund Alignment	3,672,652
Elderly Transportation Program	(2,918,933)
FY2021 Governor	\$35,985,963

Personnel **\$9.0 million**

The Budget includes a general revenue increase of \$9.0 million for personnel costs. This increase is due to updated allocations based on the most recent Random Moment Time Studies (RMTS). The majority of this increase, \$8.7 million, is related to Food Stamp Administration and FIP Administration costs. FY2019 actuals include \$10.7 million for personnel costs within the Food Stamp and FIP Administration, the FY2020 Budget as Enacted decreased this amount to \$5.1 million and shifted the remaining funding to the UHIP Cost Recovery restricted receipt account. The Budget returns funding for Food Stamp and FIP Administration back to general revenues as the UHIP Cost Recovery restricted receipt account is not included in the FY2021 Budget.

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.

Analyst Note: The FY2020 Budget as Enacted included a UHIP Cost Recovery restricted receipt account to fund personnel and related expenses for UHIP related programs. The Cost Recovery account was funded through current and anticipated settlements from Deloitte, the primary developer of UHIP. In 2019, Deloitte was ordered to pay the State a \$50.0 million settlement. The State retained \$33.2 million from this settlement to be used in the Department of Human Services, the Executive Office of Health and Human Services, and Health Source RI. All funding from this settlement, within the Department of Human Services budget, was allocated in FY2020.

UHIP Cost Recovery **\$7.2 million**

The FY2020 Budget as Enacted shifted \$7.2 million from general revenues to the UHIP cost recovery restricted receipt account in the Individual and Family Support program resulting in a \$7.2 million decrease in general revenue. The FY2021 Budget does not include any general revenue funds to be shifted to the UHIP cost recovery account; however, in comparison with the FY2020 Budget as Enacted it appears as an increase.

UHIP Cost Recovery General Revenue Funds	FY2020 Enacted	FY2021 Governor	Change from Enacted
Health Care Eligibility	(\$4,164,433)	\$0	\$4,164,433 -100.0%
Individual and Family Support	(\$7,242,650)	\$0	\$7,242,650 -100.0%

IAPD – UHIP Funding Alignment**\$3.7 million**

The Budget includes an additional \$3.7 million in general revenue related to UHIP funding shifts to align with the State's Implementation Advanced Planning Document (IAPD).

Beginning January 2020, the 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 \$3.7 million increase. The increase is comprised of an additional \$3.2 million in the state allocation for SNAP, \$615,217 in the state allocation for SSI, and \$141,701 in the state allocation for child care. These increases are partially offset by a decrease of \$241,112 in the state allocations for General Public Assistance, FNS, and CHIP.

Elderly Transportation Program**(\$2.9 million)**

The Budget shifts \$2.9 million in general revenues from Individual and Family Support to the Office of Health Aging for the Elderly Transportation Program (ETP). This program is being transferred to the Office of Health Aging to centralize all elderly programs under one division. Of the decrease, \$2.8 million will be used for operating costs and \$160,715 will be used as costs not otherwise matchable (CNOM). The federal Centers for Medicare and Medicaid Services have allowed the State to obtain federal matching funds for services that would otherwise not be eligible, these funds are CNOMs.

ETP services are provided by a vendor, Medical Transportation Management (MTM), to residents who are over 60 and who do not have access to any means of transportation. The ETP provides transportation to medical appointments, special medical treatments, and nutrition services for elderly and disabled clients.

RHODE ISLAND WORKS/CHILD CARE

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.

Prior to FY2020, beneficiaries were not allowed to receive cash assistance for more than 24 months (consecutive or not) within 60 continuous months. Article 13 of the FY2020 Budget as Enacted eliminated 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.

Article 15 of the FY2021 Budget amends the RI Works program to include children who are over 18 and still in high school, and amends the Income section of the RI Works program, such that the first six months

of earned income received by a RI Works member, in compliance with their employment plan, shall be excluded from the family's income as it pertains to receiving cash assistance.

Article 15 of the FY2021 Budget also Expands child care supports to include families, at or below 180.0 percent of the Federal Poverty Level, with parents enrolled at a Rhode Island institution of higher education or in a qualified training program. The article also amends child care reimbursement rates for licensed child care centers providing care for infants/toddlers and preschool-aged children.

Rhode Island Works/Child Care	General Revenue
FY2020 Enacted	\$10,039,632
<i>Target and Other Adjustments</i>	-
Child Care Rates	3,897,452
Caseload Estimating Conference - Child Care Assistance	(713,600)
Post-Secondary Child Care Assistance	200,000
FY2021 Governor	\$13,423,484
Rhode Island Works	Other Fund Changes
Caseload Estimating Conference - Child Care Assistance (federal funds)	\$4,611,300
Caseload Estimating Conference - Rhode Island Works (federal funds)	(478,457)

Child Care Rates **\$3.9 million**

The Budget includes an additional \$3.9 million in general revenues for increased child care reimbursement rates for licensed child care centers. The increase includes an additional \$2.1 million for preschool rates and \$1.8 million for infant and toddler rates.

Article 15 of the budget amends child care reimbursement rates for licensed, child care centers to include a base rate. The base rate will be set at the 25th percentile of the 2018 weekly market rate for infant/toddler care and halfway to the 25th percentile of the 2018 weekly market rate for preschool aged children. The maximum reimbursement rates for infant/toddler and preschool care that will be paid to licensed child care centers will be implemented in a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system. The Article also includes a weekly reimbursement rate of \$146.26 for licensed, child care centers providing care to school-aged children.

The Article also states that the minimum, base reimbursement rates for licensed family child care providers caring for infants/toddlers and preschool aged children will be determined through a collective bargaining agreement. Like licensed child care centers, the maximum reimbursement rates for infant/toddler and preschool care that will be paid to licensed family child care providers will be implemented in a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system.

The Department of Human Services is required to conduct an independent survey of current weekly market rates for child care in Rhode Island beginning June 30, 2021, and triennially thereafter.

Child care reimbursement rates for licensed child care centers were last altered in the FY2019 Budget as Enacted. The below tables illustrate the changes in reimbursement rates for infants/toddlers and preschool-aged children.

FY2019				
Licensed Child Care Centers	Infant/Toddler	Art. 15	Change from	
Infant/Toddler Rates	Rates	Infant/Toddler Rates	FY2019	
Tier 1	\$198.48	\$222.38	\$23.90	12.0%
Tier 2	203.32	226.83	23.51	11.6%
Tier 3	218.81	240.17	21.36	9.8%
Tier 4	232.37	249.07	16.70	7.2%
Tier 5	257.54	257.54	-	-

* Based on FY2018 weekly rate of \$193.64

FY2019				
Licensed Child Care Centers	Preschool	Art. 15 Preschool	Change from	
Preschool Rates	Rates	Rates	FY2019	
Tier 1	\$165.75	\$176.67	\$10.92	6.6%
Tier 2	169.80	180.53	10.73	6.3%
Tier 3	177.88	193.94	16.06	9.0%
Tier 4	182.73	201.99	19.26	10.5%
Tier 5	195.67	212.84	17.17	8.8%

* Based on FY2018 weekly rate of \$161.71

Caseload Estimating Conference – Child Care Assistance

(\$713,600)

The Budget includes a general revenue decrease of \$713,600 for child care assistance related to the November 2019 Caseload Estimating Conference (CEC). The November 2019 Conference adopted a decrease in general revenue related to an updated FMAP percentage for child care. The general revenue share of the FMAP was lowered from 47.15 percent in FY2020 to 46.20 percent in FY2020, a 2.0 percent decrease.

Post-Secondary Child Care Assistance

\$200,000

Article 15 of the 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 in general revenue 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

\$2.5 million

The Budget includes a net increase of \$2.5 million in federal funds, including the following:

- **Caseload Estimating Conference - Child Care Assistance:** The November 2019 Caseload Estimating Conference (CEC) adopted a child care subsidies estimate of 9,550 persons at an annual cost of \$7,854 per subsidy. The FY2021 Budget as Enacted includes 9,574 persons but increases the annual cost per subsidy by \$296 to \$8,262 leading to an increase of 334 subsidies and an increase of \$296.00 per subsidy from the FY2020 Enacted level. The increase in the cost per subsidy included in the Budget is related to the increase in tiered reimbursement rates for licensed child care centers providing care to infants and toddlers and preschool aged children, as stated in Article 15.

The total federal fund cost of the Child Care Assistance program in FY2021 is \$65.7 million, an increase of \$2.1 million from the FY2020 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 2019 Caseload Estimating Conference (CEC) adopted a RI Works caseload estimate of 9,275 at a monthly cost of \$186.10 per person. The FY2021 Budget includes an additional 122 persons for a total of 9,397, leading to an increase of 63 persons and a decrease of \$1.90 per person from the FY2020 Enacted level. The increase in RI Works is related to the amendment of the definition of a dependent child within the RI Works program to allow children who turn 18 while in high school to continue receiving cash assistance regardless of their graduation date, as stated in Article 15.

The total federal fund cost of the RI Works program in FY2021 is \$23.7 million, an increase of \$478,457 from the FY2020 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); however, only one of these programs 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 (\$250.0 million in FY2021) 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
FY2020 Enacted	\$996,600

<i>Target and Other Adjustments</i>	-
Caseload Estimating Conference - General Public Assistance	(138,400)
FY2021 Governor	\$858,200

State Funded Programs	Other Fund Changes
SNAP Benefits (federal funds)	(15,000,000)

Caseload Estimating Conference—General Public Assistance (\$138,400)

Estimators at the November 2019 Caseload Estimating Conference (CEC) projected that, in FY2021, 104 people would receive general public assistance (GPA) at a monthly cost of \$150.00 per person. Expenditures for monthly cash payments, indigent burials, and the GPA hardship contingency fund are projected to be \$858,200 in FY2021, a \$138,400 general revenue decrease from FY2020 enacted levels. This decrease is due to an estimated savings of \$34,000 related to burials, as well as an estimated 58 fewer persons collecting GPA benefits.

Federal Funds Changes (\$15.0 million)

The Budget includes a decrease of \$15.0 million in federal funds, including the following:

- **SNAP Benefits:** The Budget decreases Supplemental Nutrition Assistance Program (SNAP) benefits by \$15.0 million in FY2021. SNAP is administered by the Federal U.S. Department of Agriculture. Beginning in April 2020, the Federal Administration imposed a new rule that will limit states from waiving work requirements in areas of high unemployment for people between the ages of 18 and 49

who are childless and not disabled. The Federal Funds Information for States estimate the change in SNAP benefits will result in 7,200 fewer SNAP recipients, a 4.7 percent decrease.

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, 2020, the federal SSI payment was increased 1.6 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 federal monthly payment is \$783.00 for an individual and \$1,175.00 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
FY2020 Enacted	\$19,487,100
<i>Target and Other Adjustments</i>	-
Caseload Estimating Conference - SSI	(597,260)
FY2021 Governor	\$18,889,840

Caseload Estimating Conference—SSI (\$597,260)

The November 2019 Caseload Estimating Conference (CEC) adopted an SSI estimate of 33,800 persons at a monthly cost of \$46.40 and \$70,000 for transaction fees. The FY2021 Budget as Enacted includes the November adopted numbers, resulting in a decrease of 50 persons and a monthly cost per person decrease of \$1.5 relative to the FY2020 Budget as Enacted.

The total general revenue cost of the SSI program in FY2021 is \$18.9 million, a decrease of \$597,260 from the FY2020 Enacted level.

VETERANS SERVICES

The Office of Veterans' Services, previously 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' Services	General Revenue
FY2020 Enacted	\$25,478,689
<i>Target and Other Adjustments</i>	<i>862,892</i>
Veterans' Home – Resident Income Assessment	(5,334,167)
Veterans' Home - Personnel	1,496,028
Veterans' Cemetery- Burial of Non-Veterans	Informational
FY2021 Governor	22,503,442

Veterans' Services	Other Funds Changes
Veterans' Home – Resident Income Assessment (restricted receipts)	\$5,334,167

Veterans' Home – Resident Income Assessment **(\$5.3 million)**

The Budget shifts \$5.3 million from general revenues to a restricted receipt account related to an increase in the resident income assessment for residents of the Veterans' Home. This initiative is included in Article 16 of the Budget and further discussed below in restricted receipts.

Veterans' Home – Personnel **\$1.5 million**

The Budget adds \$1.5 million in general revenue to more accurately reflect personnel costs based on FY2019 actuals. The FY2020 Budget as Enacted included a \$747,599 reduction in salary and benefit costs relative to FY2019 actuals. In FY2021, the Budget restores decreases made in salary costs and includes increases for an additional holiday in 2020 and in retirement costs relative to statewide adjustments.

Veterans' Cemetery – Burial of Non-Veterans **Informational**

Article 16 allows Veterans Services to charge for the burial of eligible non-veterans in the Veterans Cemetery. Under current law, Veterans Services may only charge eligible non-veterans for the cost of a grave liner. The Article would allow Veterans Services to charge non-veterans up to the amount of the U.S. Department of Veterans Affairs burial plot allowance, which is set forth annually on October 1st. As of October 1, 2019, the plot-interment allowance was \$796. This increase is anticipated to generate an additional \$351,600, which will be deposited into the general fund.

Connecticut does not charge for the burial of eligible non-veterans in the Veterans' Cemetery. Massachusetts currently charges \$300 for a casket burial or \$150 for an urn.

Veterans' Home – Resident Income Assessment (restricted receipts) **\$5.3 million**

The Budget shifts \$5.3 million from general revenues to restricted receipts. This increase is comprised of two initiatives included in Article 16 of the Budget. Article 16 increases the resident income assessment for veterans within the Veterans' Home from 80.0 percent of income to 100.0 percent of income, resulting in an additional \$1.3 million in restricted receipt funding. The remaining \$4.0 million is the result of a change, outlined in Article 16 that directs 100.0 percent of total collections from resident's income assessment to the Veterans' Home. Under current law, 20.0 percent of all collections are directed to the Veterans' Home, with the remaining 80.0 percent going to the general fund.

Article 16 would increase the amount of net income collected by the Veterans Home from 80.0 percent to 100.0 percent. Under current law, the Veterans Home conducts an income assessment for each resident, and collects 80.0 percent of the resident's "net income". Collecting 100.0 percent of resident's net income is the standard practice at the Massachusetts Veterans Home.

The Article also increases the monthly personal needs amount that is retained by residents from \$150 to \$300.

The table below illustrates the impact these changes would have on individual veterans, depending on their monthly net income. The average monthly net income the veterans at the Home is \$2,329. A veteran with \$900 or less in monthly income would either benefit or break even under this initiative, while a veteran with a monthly income of more than \$900 would see a loss.

Under Current Law:							Article 16:						
Monthly Net Income	\$500	\$700	\$900	\$1,000	\$2,000	\$3,000	Monthly Net Income	\$500	\$700	\$900	\$1,000	\$2,000	\$3,000
Monthly Allowance	\$150	\$150	\$150	\$150	\$150	\$150	Monthly Allowance	\$300	\$300	\$300	\$300	\$300	\$300
Average Monthly Net Income	\$350	\$550	\$750	\$850	\$1,850	\$2,850	Average Monthly Net Income	\$200	\$400	\$600	\$700	\$1,700	\$2,700
80.0 percent to Vets Home	\$280	\$440	\$600	\$680	\$1,480	\$2,280	100.0 percent to Vets Home	\$200	\$400	\$600	\$700	\$1,700	\$2,700
Veteran Left With:							Veteran Left With:						
Monthly Allowance	\$150	\$150	\$150	\$150	\$150	\$150	Monthly Allowance	\$300	\$300	\$300	\$300	\$300	\$300
Remainder of 20.0 percent	\$70	\$110	\$150	\$170	\$370	\$570		\$0	\$0	\$0	\$0	\$0	\$0
Total:	\$220	\$260	\$300	\$320	\$520	\$720	Total:	\$300	\$300	\$300	\$300	\$300	\$300
*Average monthly net income at Veterans' Home is \$2,329							*Average monthly net income at Veterans' Home is \$2,329						

Analyst Note: Per RIGL 30-24-10 (b), "net income" is defined as "gross income minus applicable federal and state taxes, any amount paid by a resident to support a spouse or child who is blind and/or permanently disabled, and a \$150 per month personal needs disregard."

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures by Program	FY2019	FY2020	FY2020	Change from		FY2021	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$3.9	\$4.8	\$5.1	\$0.3	6.0%	\$6.8	\$2.0	40.9%
Hospital & Community System Support	2.4	2.3	2.8	0.6	24.5%	3.6	1.3	57.6%
Behavioral Healthcare Services	26.5	37.3	48.1	10.8	28.9%	41.4	4.1	11.1%
Services for the Developmentally Disabled	269.1	296.9	292.2	(4.7)	-1.6%	305.2	8.3	2.8%
Hospital & Community Rehabilitation Services	120.9	121.9	119.6	(2.3)	-1.9%	130.1	8.1	6.7%
Total	\$422.9	\$463.2	\$467.8	\$4.6	1.0%	\$487.1	\$23.9	5.2%
Expenditures by Source								
General Revenue	\$191.6	\$196.4	\$195.3	-\$1.1	-0.6%	\$207.8	\$11.4	5.8%
Federal Funds	223.3	260.4	264.7	4.2	1.6%	270.7	10.3	4.0%
Restricted Receipts	5.8	6.1	7.5	1.4	23.1%	8.1	2.0	33.6%
Other Funds	2.2	0.3	0.3	0.0	6.3%	0.4	0.1	33.3%
Total	\$422.9	\$463.2	\$467.8	\$4.6	1.0%	\$487.1	\$23.9	5.2%
Authorized FTE Levels	1302.4	1189.4	1189.4	-	-	985.4	(204.0)	-17.2%

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

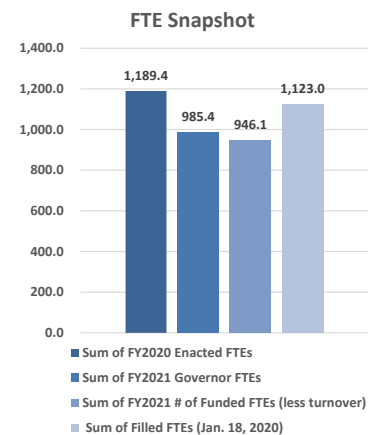
The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) provides a comprehensive system of care for individuals with mental or physical illnesses, developmental disabilities, and substance use disorders. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based p 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 \$487.1 million from all funds for BHDDH in FY2021, of which \$207.8 million is from general revenue, \$270.7 million is from federal funds, \$8.1 million is from restricted receipts, and \$400,000 is from RICAP funds. The Budget includes an all funds increase of \$23.9 million (5.2 percent) as compared to the FY2020 Budget as Enacted.

The Budget includes \$1.0 million in general revenue (\$2.0 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. The increase in funding will increase the average DSP wage by an estimated \$0.13 per hour, effective January 1, 2021.

The Budget authorizes 985.4 FTE positions in FY2021, decreasing the Department's authorized FTE positions by 204.0, reflecting the elimination of the RICLAS program. As of the pay period ending January 18, 2020, there were 1,123.0 filled and 66.4 vacant positions in the Department.



Medicaid Billing at Eleanor Slater Hospital: The Eleanor Slater Hospital (ESH) is located on two campuses, Cranston and Burrillville, acting as the State's only Long Term Acute Care Hospital with 284 beds. The hospital provides long-term acute and post-acute hospital level of care to forensic, psychiatric, and medical patients with complex needs. ESH patient population is heavily dependent on court decisions, as the court decides when forensic patients require hospitalization at ESH and when a patient may be discharged.

Beginning in August of 2019, BHDDH oversight personnel found there was a possibility that Eleanor Slater Hospital (ESH) was out of compliance with Institute of Mental Disease (IMD) exclusion regulations. The regulations do not permit the State to bill Medicaid for patients aged 22-64 when the Hospital is in an IMD status, which occurs when the majority of patients have a primary diagnosis of mental illness. Upon discovering that the State may be violating the IMD exclusion, the State hired a law firm in November 2019 to provide expertise to the State on CMS regulation to understand the Centers for Medicaid and Medicare Services (CMS) regulations. Due to the IMD exclusion, the State could not bill Medicaid for patient care beginning in September of 2019 and ending February 11, 2020, creating an estimated \$20.6 million federal fund deficit in FY2020. The deficit was not included in the FY2020 Revised Budget.

As of February 11, 2020, ESH was in compliance with IMD exclusion rules with a total patient population of 219, of which 111 are medical patients, and 108 are psychiatric patients.

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 to support a reformed system of care within the Division of Developmental Disabilities until FY2024. BHDDH continues its efforts to maintain compliance with federal standards, enhance federal funding opportunities, and match clients with the most appropriate and accessible services possible.

CENTRAL MANAGEMENT

The Office of the Director provides overall management and policy direction for the Department. The program oversees most functions within BHDDH. 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.

Central Management	General
FY2020 Enacted	\$3,495,795
<i>Target and Other Adjustments</i>	<i>(38,751)</i>
Personnel Adjustments	862,276
RICLAS Privatization Contract	500,000
Centralized Service Charges	(143,260)
FY2021 Governor	\$4,676,060

Personnel Adjustments **\$862,276**

The Budget increases general revenue funds by \$862,276 in FY2021, reflecting various personnel adjustments, including \$763,138 to support the transfer of 4.0 FTEs from Behavioral Healthcare, and 1.0 position from Developmental Disabilities. The Budget also allocates 25.0 percent of the personnel costs of the Chief Medical Officer from the Eleanor Slater Hospital to Central Management. The transfers reflect an initiative to consolidate administrative positions within Central Management. The centralization initiative includes a shift in the funding mechanism for the positions, resulting in a \$323,824 general revenue increase and a decrease of \$255,642 in federal funds.

The Budget also includes an additional \$99,138 in general revenue to fill two Programming Services Officer positions for quality improvement for behavioral health programs. The positions would be responsible for

establishing outcome measures, tracking adherence to compliance standards, and providing technical assistance.

RICLAS Privatization Contract

\$500,000

The Budget increases general revenues by \$500,000 (\$1.0 million all funds) to fund a contract to assist the Department with the privatization of the Rhode Island Community Living and Supports, the public group home system for adults with intellectual and/or developmental disabilities. The contractor will provide planning and implementation assistance to privatize RICLAS.

Centralized Service Charges

(\$143,260)

The Budget reduces general revenue expenditures to reflect billed amounts for human resources, capital asset management, and maintenance and 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. These expenditures are reflected in each agency based on actual use, showing the true costs associated with a particular program or agency. The Budget includes \$305,011 in general revenue for centralized service charges in FY2021, reflecting a \$143,260 decrease.

HOSPITAL AND COMMUNITY SYSTEM SUPPORT

The Hospital and Community System 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.

Hospital & Community System Support	General Revenue
FY2020 Enacted	\$2,241,946
<i>Target and Other Adjustments</i>	<i>75,014</i>
Personnel Adjustments	654,757
FY2021 Governor	\$2,971,717

Personnel Adjustments

\$654,757

The Budget increases general revenues by \$654,757 for the transfer of 4.0 FTEs from the Division of Developmental Disabilities and 1.0 FTE from Behavioral Health to Financial Management. The transfer is a result of an initiative to centralize administrative and financial positions. The centralization initiative increases general revenue expenditures on salaries by \$410,306 and reduces federal funds by \$447,110. This is largely the result of replacing a vacant Principal Clerk Typist at a general revenue cost of \$31,514 (\$63,029 all funds) with an Administrator III at a general revenue cost of \$141,110 (\$148,991 all funds).

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.

Behavioral Healthcare Services	General
FY2020 Enacted	\$3,077,675
<i>Target and Other Adjustments</i>	<i>(61,786)</i>
Student Substance Abuse Prevention	469,669
Personnel Adjustments	(300,227)
BH Thresholds	300,000
Centralized Service Charges	(132,142)
FY2021 Governor	\$3,353,189
Behavioral Healthcare Services	Other Fund
Opioid Stewardship Fund	\$1,847,681
Federal Fund Changes	1,470,336
Adult-Use Marijuana	529,844

Student Substance Abuse Prevention ***\$469,669***

The Budget increases general revenue expenditures for student substance abuse prevention grants by \$469,669, raised from driving offenses. Article 6 of the Budget would establish a new \$250 substance abuse education fee applicable to anyone convicted of driving under the influence or failure to submit to a breathalyzer. Expected revenues from the fee are estimated at \$220,016 for FY2021.

Article 15 of the Budget would redirect fees raised from speeding tickets to BHDDH. Currently, municipality grants for youth programs related to substance abuse are funded with a \$30 fee assessed on all speeding violations. The Article would redirect \$249,653 in general revenue raised from traffic violation fines to provide additional funding for the youth substance abuse programs in middle schools, junior high schools, and high schools.

Personnel Adjustments ***(\$300,227)***

The Budget includes \$300,227 in general revenue savings reflecting the transfer of 5.0 positions to Central Management and Financial Management, offset by various statewide adjustments. The transfer is a result of an initiative to centralize administrative and financial positions.

BH Thresholds ***\$300,000***

The BH Thresholds program is a cooperative program with BHDDH and Rhode Island Housing that provides access to safe and affordable housing for individuals with behavioral health needs. Rhode Island Housing administers the program on behalf of BHDDH by leveraging additional resources to provide safe and affordable housing for behavioral healthcare clients. The Budget includes a \$300,000 increase in general revenues to increase access to affordable mental health residencies.

Centralized Service Charges ***(\$132,142)***

The Budget reduces general revenue expenditures to reflect billed amounts for human resources, capital asset management, and maintenance and 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. These expenditures are reflected in each agency based on actual use, showing the true costs associated with a particular program or agency. The Budget includes \$204,773 in general revenue for centralized service charges in FY2021, reflecting a \$132,142 decrease.

Opioid Stewardship Fund (restricted receipts) ***\$1.8 million***

Article 13 of the FY2020 Budget as Enacted established an opioid registration fee paid deposited quarterly to the Opioid Stewardship Fund by all manufacturers, distributors, and wholesalers of opioids. The fee is calculated based on the licensee's in-state market share of opioid sales. The total amount of the Fund equals \$5.0 million and is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million.

The Budget allocated \$1.8 million in Opioid Stewardship Funds for BHDDH, including \$1.1 million from Opioid Stewardship Funds to support core housing programs, particularly for those with a demonstrated need or significant shortages, including recovery housing and vouchers for people with a history of SUD at risk of returning to use; support for inpatient residential treatment programs to meet significant shortages of in-state, non-hospital residential treatment programs, particularly for youth (for whom access is most severely limited).

The Budget also includes \$550,000 for BH Link to supplement federal funds that are expiring on October 1, 2020. In November 2018, the Department contracted with Horizon Healthcare Partners to launch BH Link. 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 includes \$200,000 from Opioid Stewardship Funds to expand recovery houses using the Oxford model, a model for transitional housing that provides drug-free homes. The Oxford Houses are run by the residents and emphasize peer support as a component of recovery. The Budget would appropriate funds to hire a contractor to oversee the operation of the Oxford Houses.

The remaining funds from the Opioid Stewardship Program would be distributed among the Departments of Children, Youth, And Families, Health, Elementary and Secondary Education, Corrections, and the Office of the Health Insurance Commissioner (OHIC), for substance abuse programs and projects.

Federal Grant Changes (federal funds)

\$1.5 million

The Budget increases federal funds by \$1.5 million within the Division of Behavioral Healthcare Services as compared to the FY2020 Budget as Enacted. The following table illustrates the various major federal fund adjustments.

Federal Fund Adjustments	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted	FY2021 Governor	Change from Enacted
Healthy Transitions	\$984,844	\$1,000,000	\$874,826	(\$125,174)	\$2,502	(\$997,498)
Mental Health Block Grant	2,314,648	1,961,141	2,720,704	759,563	2,726,595	765,454
State Opioid Response	2,522,340	12,624,693	12,979,914	355,221	13,345,629	720,936
All changes less than \$500,000	17,436,931	18,456,921	27,550,239	9,093,318	19,438,365	981,444
Total	\$23,258,763	\$34,042,755	\$44,125,683	\$10,082,928	\$35,513,091	\$1,470,336

Totals may vary due to rounding.

SERVICES FOR THE DEVELOPMENTALLY DISABLED

The Division of Developmental Disabilities (DD) supports a statewide network of 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 4,500 individuals through State-run programs and community-based providers, including those who only receive case management services. The 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 March 2020, 1,183 individuals were served in residential placements, including 398 in Shared Living Arrangements and 1,177 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 \$305.2 million from all funds for the Division, including \$137.2 million from general revenue for the Division of Developmental Disabilities in FY2020. This is \$8.3 million more general revenue than the FY2020 Budget as Enacted and \$36.1 million more than actual expenditures in FY2019.

Services for the Developmentally Disabled	General
FY2020 Enacted	\$132,870,111
<i>Target and Other Adjustments</i>	<i>2,782,220</i>
DSP Wage Increase	2,486,110
RICLAS Privatization	(1,663,499)
DD Caseload Adjustment	1,524,270
Residential Rebalancing	(795,940)
Person Centered Supported Employment	(369,560)
Health Homes	330,574
Personnel Adjustments	(301,819)
Supportive Housing	300,000
FY2021 Governor	\$137,162,467

DSP Wage Increase

\$2.5 million

The Budget increases general revenue expenditures by \$2.5 million (\$5.4 million all funds) as compared to the FY2020 Budget as Enacted within the Division of Developmental Disabilities to provide an increase in wages for Direct Support Professionals (DSPs). DSPs provide support to 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. The State minimum hourly wage is increasing by \$1 to \$11.50 on October 1, 2020, creating additional pressure to raise DSP wages. Since 2016, the minimum wage in the state has increased 27.8 percent, while DSP wages have only increased by 14.1 percent.

The FY2020 Budget as Enacted included a wage increase of \$0.91 for DSPs, effective October 1, 2019. In order to fund the increase at the annualized rate, the FY2021 Budget would have to include an additional \$1.5 million in general revenue (\$3.2 million all funds). The FY2021 Budget includes these funds, in addition to \$1.0 million. According to BHDDH, this addition will equate to an average pay increase of \$0.13 per hour based on the current average hourly wage of \$13.3, effective January 1, 2021. The following table displays the total funding increases per fiscal year and the resulting DSP wage increase.

	GR	AF	Effective Date	DSP Wage
Prior to FY2017	-	-	-	\$11.55
FY2017	\$2,500,000	\$5,088,541	1-Jul-16	\$11.91
FY2018	\$3,000,000	\$6,165,228	1-Jul-17	\$12.27
FY2020	\$4,500,000	\$9,546,033	1-Oct-19	\$13.18
FY2020 Annualized*	\$3,999,000	\$8,218,249	-	\$13.18
FY2021 Proposed	\$1,016,180	\$2,032,360	1-Jan-21	\$13.31

* Funding required to sustain FY2020 wage increase in FY2021

RICLAS Privatization

(\$1.7 million)

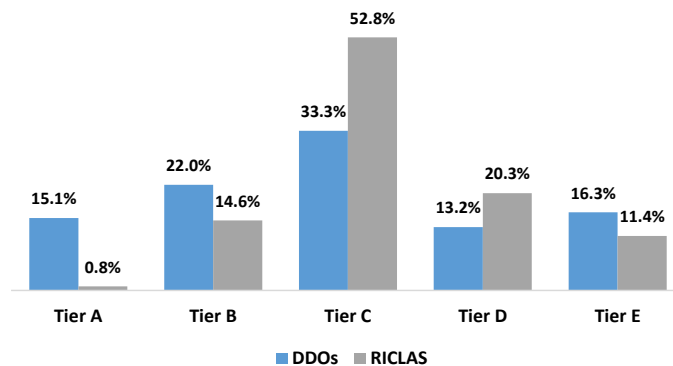
The Budget proposes the privatization of Rhode Island Community Living and Supports (RICLAS), the state-run group home system for individuals with developmental disabilities, for a net general revenue savings of \$1.7 million (\$3.6 million all funds). RICLAS operates 25 group homes, all of which are state-owned and state-run. The operations and clients of the RICLAS system would be transitioned over to private Licensed Developmental Disability Organizations (DDOs) by October 1, 2020.

There are 120 individuals receiving services under the RICLAS system and 3,386 individuals receiving services from private DDOs as of December 2019. The majority of RICLAS participants are former Ladd

School patients, which closed as part of a deinstitutionalization initiative in 1994. Individuals in the RICLAS system tend to be older with more complex health statuses.

Rhode Island uses the Support Intensity Scale (SIS-A) to determine the needs and related funding for individuals receiving services. The SIS-A assigns individuals a tier level, and services are recommended to individuals based on the assigned tier level. The table below displays the distribution of tiers in the DDO system and the RICLAS system.

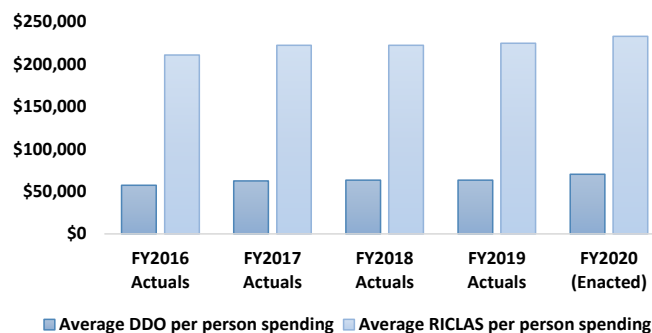
Tier Distribution for DDOs and RICLAS



As state employees, RICLAS personnel are eligible to receive worker's compensation, retirement benefits, health insurance, longevity pay, and other benefits provided to state employees. There are 238.2 FTEs, of which 62 have statutory status, that serve 25 group homes. The Budget includes \$2.3 million in general revenue to maintain the salaries and benefits of the statutory employees. This is a large factor in the per-person expenditures at RICLAS.

BHDDH must meet several deadlines to ensure compliance with laws regarding the privatization of state services to meet the October 1, 2020, expected closure date. At least six months before privatization, BHDDH would be required to notify the affected Collective Bargaining Units of the intent to solicit proposals to privatize the system, which was completed on March 12, 2020. At least 60 days before the request for proposals (RFP) is issued, the cost analysis and statement of work must be sent to the affected collective bargaining units. Before the RFP is issued, all individuals, their families and/or guardians must be notified of the intent to issue an RFP for potential privatization. After at least 60 days, BHDDH would evaluate all bids and award the bid to DDO providers.

Per Person Spending



Caseload Growth Adjustment

\$1.5 million

The Budget includes an additional \$1.5 million from general revenue to support the program's projected needs for FY2021. The adjustment for FY2021 is based on an estimated population increase of 1.5 percent.

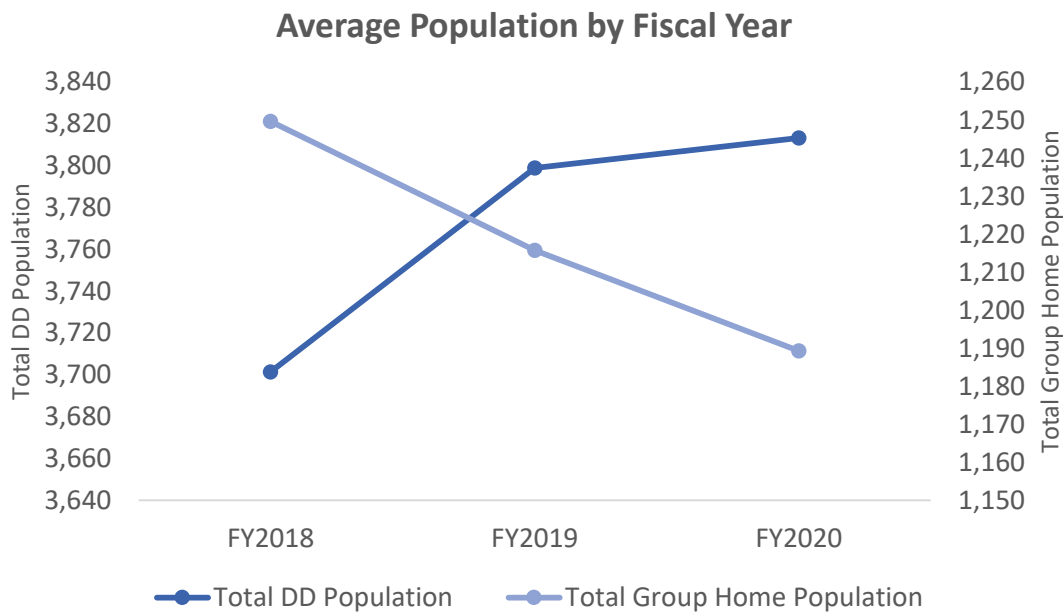
The estimate is 1.0 percent point less than originally assumed in the FY2020 Budget as Enacted. The savings from the reduced caseload adjustment is reallocated to a wage increase for Direct Support Professionals (DSPs).

Residential Rebalancing Continuation

(\$795,940)

The Budget includes a general revenue savings of \$795,940 by continuing the residential rebalancing initiative in FY2021. 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. Rebalancing efforts began in FY2019, and the Department seeks to reduce the overall group home census to 25.0 percent by the end of FY2021. In FY2019, approximately 32.0 percent of individuals who receive direct services from DD resided in group home settings.

As of March 2020, 31.2 percent of the DD population resides in a group home setting. Since FY2018, group home total population has declined by 4.8 percent, while the total DD population has increased by 3.0 percent. All tier groups, excluding tier E, have had declines in the group home population since FY2018.



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

\$330,574

The Budget increases general revenues by \$330,574 for the health home initiative, for a total expenditure of \$2.0 million in FY2021. 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. The health home case

management model would allow the State to receive a 90.0 percent match in federal funds for the first eight quarters.

Analyst Note: Director Kathryn Power announced in February 2020 that the Department would no longer pursue the initiative due to community opposition and the decline in federal funding after the first two years.

Person-Centered Supported Employment

(\$369,560)

The Budget includes \$3.0 million in general revenues (\$6.0 million all funds), reflecting a decrease in general revenues by \$369,560 (\$800,000 all funds) for the Person-Centered Supported Employment Performance Program (PCSEPP). Under the Consent Decree, the Department is required to connect individuals with intellectual and/or developmental disabilities who wish to be employed with jobs that are pay at least minimum wage and are integrated in the community. The PCSEPP funds help the Department ensure the Department meets these required benchmarks of the consent decree. As of September 2019, there were 602 individuals enrolled in the program, a per individual general revenue cost of \$4,983 (\$9,966 all funds). In FY2019, the Department spent only \$1.9 million total for the program.

Personnel Adjustments

(\$301,819)

The Budget includes \$301,819 in general revenue savings to reflect statewide personnel adjustments and the transfer of personnel from Developmental Disabilities and Behavioral Health to Central Management and Financial Management. The transfer is a result of an initiative to centralize administrative and financial positions.

Supportive Housing

\$300,000

The Budget includes an additional \$300,000 for supportive housing for individuals with intellectual and/or developmental disabilities. This includes \$200,000 for the Thresholds Program, a cooperative program with BHDDH and Rhode Island Housing that provides access to safe and affordable housing for individuals with intellectual and/or developmental disabilities. Rhode Island Housing administers the program on behalf of BHDDH by leveraging additional resources to provide safe and affordable housing.

The funding also includes \$100,000 for the Access to Independence Program, which provides loans of up to \$50,000 for families and caregivers of people with developmental disabilities to modify their homes in order to support their needs and continue living with their families. Funds cover the costs for adaptations, including the installation of ramps, modifications of bathrooms, installation of lifts, or other equipment purchases.

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.

Hospital & Community Rehabilitation Services	General
FY2020 Enacted	\$54,695,713
<i>Target and Other Adjustments</i>	966,785
ESH Community Alternatives	3,000,000
Physician Services	1,271,272
Overtime Absenteeism Initiative	(313,770)
FY2021 Governor	\$59,620,000
Hospital & Community Rehabilitation Services	Other Fund
Eleanor Slater Hospital Consolidation Project	Informational

ESH Community Alternatives **\$3.0 million**

The Budget includes \$3.0 million in general revenue to provide community alternatives for individuals with behavioral health needs. The initiative will assist the Department in shifting to lower-cost community-based settings by incentivizing quality of care with enhanced reimbursement rates and payment models. This initiative requires that the behavioral health provider community have the capacity to support the additional populations to ensure smooth transitions from an inpatient setting to community-based settings. The initiative would target four areas for investments: workforce, health information technology, reimbursement rates, and Executive Office staffing with expertise in clinical data, claims, and behavioral health.

Physician Services **\$1.3 million**

The FY2021 Budget includes \$3.5 million in general revenue (\$7.7 million all funds) for contracted physician services, a \$1.3 million general revenue (\$2.5 million all funds) increase at the Eleanor Slater Hospital. In FY2019, the State expended \$5.8 million for this service, \$593,449 more than allocated in the Budget. The FY2020 Budget as Enacted allocated \$2.3 million (\$5.2 million all funds) for physician services. The increase reflects a growing forensic population at the Eleanor Slater Hospital and increased market rates for medical services.

Overtime Absenteeism Initiative **(\$313,770)**

The Budget decreases general revenue by \$313,770, reflecting an initiative to reduce overtime costs due to unauthorized absenteeism by enforcing current rules for sick time usage.

Eleanor Slater Hospital Consolidation (COPs and RICAP Funds) **(informational)**

Article 4 of the Budget would authorize the State to borrow an additional \$12.0 million in certificates of participation (COPs) for an ongoing project to modernize the Regan Building within the Eleanor Slater Hospital, the state-run psychiatric and long-term care hospital. This brings the total cost of the project to \$61.9 million, including \$27.9 million in RI Capital Plan funds and \$34.0 million in COPs. All funding for the project is housed within the Department of Administration.

Hospital renovations began during FY2018 after the hospital was denied initial accreditation by the Joint Commission for the Accreditation of Healthcare Organizations (JCAHO) due to significant strangulation risks throughout several buildings. This accreditation allows ESH to bill Medicare, Medicaid, and other insurers approximately \$55.0 million annually. The JCAHO reinstated accreditation after the hospital submitted a plan to rehabilitate several buildings in order to meet federal standards, increasing the estimated project cost from \$29.9 to \$61.9 million. The reinstated accreditation is contingent upon the hospital's ability to make these necessary improvements; failure to do so could result in the permanent loss of accreditation.

Governor's Commission on Disabilities

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Governor's Commission on Disabilities	\$1,167,621	\$1,558,659	\$1,536,797	(\$21,862)	-1.4%	\$1,618,795	\$60,136	3.9%
Expenditures By Source								
General Revenue	\$864,209	\$1,055,069	\$1,080,665	\$25,596	2.4%	\$1,107,632	\$52,563	5.0%
Federal Funds	280,462	458,689	389,455	(69,234)	-15.1%	400,000	(58,689)	-12.8%
Restricted Receipts	22,950	44,901	66,677	21,776	48.5%	111,163	66,262	147.6%
Grand Total	\$1,167,621	\$1,558,659	\$1,536,797	(\$21,862)	-1.4%	\$1,618,795	\$60,136	3.9%
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.

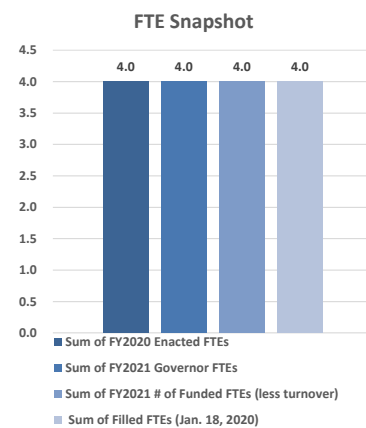
MAJOR ISSUES AND TRENDS

The Commission received \$1.3 million in all funds in the FY2019 Revised Budget, of which \$906,410 is general revenue, \$395,318 is federal funds, and \$42,580 is restricted receipts. The Preliminary FY2019 closing report lists the Commission expending \$1.2 million, reflecting a general revenue surplus of \$42,196. The majority of the surplus, \$32,422, occurring in the Livable Home Modification Grant program. There were additional surpluses of \$114,856 in federal funds and \$19,631 in restricted receipts.

The FY2020 Revised Budget includes \$1.5 million, of which \$1.1 million is general revenue. This reflects an all funds decrease of \$21,862 from the FY2020 Budget as Enacted. The decrease reflects an additional \$25,596 in general revenues, a decrease of \$69,234 in federal funds, and an increase of \$21,776 in restricted receipts.

For FY2021, the Budget includes \$1.6 million, of which \$1.1 million is general revenue. This reflects an all funds increase of \$60,136 from the FY2020 Budget as Enacted. The increase reflects an additional \$52,532 in general revenues, a decrease of \$58,689 in federal funds, and an increase of \$66,262 in restricted receipts.

The Budget includes \$45,000 in general revenue for programs highlighting the 30th anniversary of the signing of the Americans with Disabilities Act, and contains \$500,002 in general revenue for continued funding of the Livable Homes Modification Program.



Governor's Commission on Disabilities	General Revenue
FY2020 Enacted	\$1,055,069
<i>Target and Other Adjustments</i>	<i>14,387</i>
30th Anniversary Fund	45,000
Independent Living Program	(6,824)
Livable Home Modification Grant Program	Informational
FY2021 Governor	\$1,107,632
	Other Fund Changes
Independent Living Program	(\$58,689)
Technical Assistance - GCD	41,705
New England ADA Center	24,557
Handicapped Accessibility Capital Projects	Informational

30th Anniversary Fund **\$45,000**

The Budget adds \$45,000 in general revenue and \$41,705 in restricted receipts for programs highlighting the 30th anniversary of the signing of the Americans with Disabilities Act (ADA). The agency is planning several community events involving public and private institutions to recognize the 30th anniversary of signing the ADA into law.

Independent Living Program **(\$6,824)**

The Budget decreases the general revenue state match for the Independent Living Program by \$6,824. The Independent living program works to support community living and independence for people with disabilities. In addition, there is reduction of \$58,689 in federal funds for this program. The reductions are due to a couple of issues. First, the Commission exceeded the 5.0 percent administrative cap in FY2019 and the reductions in FY2020 and FY2021 will bring the administrative expenses below the cap by the end of Federal Fiscal Year 2021. Secondly, the program's federal grant sub-recipient has been tardy in expending the FY2018 and FY2019 federal awards. This reduction will allow the sub-recipient to reduce its expenditure backlog.

The 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 promotes independent living through 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 Governor's Commission on Disabilities (GCD) has administered the Livable Home Modification grant program since January 2018. 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. Since inception, the Commission awarded and paid \$1.0 million for 367 awards.

As of December 31, 2019, the GCD approved 139 applications with another 16 expected to be approved by the end of FY2020, totaling \$420,093. This does not include personnel, contract service, or operating costs

Fiscal Year	# of Grants		Amount	
	Awarded	Amount	# Paid	Paid
FY2018	48	\$154,248	27	\$86,304
FY2019	164	435,458	161	423,795
FY2020	155	420,093	179	499,701
Total	367	\$1,009,799	367	\$1,009,800

	FY2020	FY2021
Livable Homes Modification	Governor	Governor
Salary and Benefits	\$11,917	\$12,320
Contract Services	22,374	23,160
Operating Costs	3,881	3,948
Grants and Awards	489,811	460,574
Total	\$527,983	\$500,002

for staff and outreach materials. A total of 71 grant awards have been paid and another 108 are projected to be paid by the end of FY2020.

The Governor continues to support the Livable Home Modification Grant Program and includes \$527,983 in general revenue to support the Livable Home Modification Grant Program in the FY2020 Revised Budget. This reflects the appropriation of \$499,397 in the FY2020 Budget as Enacted with \$28,586 in unspent funds reappropriated from FY2019. The Governor includes \$500,002 to support the Livable Home Modification Grant Program in FY2021.

Livable Homes Modification	Appropriation
FY2020 Appropriation	\$499,397
FY2019 Reappropriation	28,586
Grant Awards Paid*	(499,701)
Personnel Expenses	(11,941)
Contract Services	(13,265)
Operating Expenses	(1,118)
Subtotal	(\$526,025)
Unpaid Grant Commitments	263,987
Balance less commitments	(\$262,029)
<i>Source: GCD</i>	
<i>* Includes actual and projected payments</i>	

The revised budget and the FY2021 Budget disperse the appropriations amongst the categories where expenditures occur. Approximately 92.1 percent of the appropriations will be used on grant awards in FY2021. The Commission tracks the project awards by the fiscal year in which they are awarded. The project and award are carried forward into succeeding fiscal years until the project is completed.

In FY2019, the Commission started a waiting list. At the beginning of FY2020 there was \$28,586 of FY2019 funds awarded, but the project was not yet completed. This created the need to reappropriate those funds into FY2020. In January 2020, the Commission began a new waiting list, after all of the FY2020 appropriation and the proposed reappropriated funds had all been awarded.

In response to the number of projects that the Commission had already committed to, the Commission modified the Livable Home Modification program regulations by reducing the maximum award from \$5,000 to \$4,000, a 20.0 percent reduction.

Analyst Note: According to the Commission, some projects do not expend the total award. As projects are completed, if there is any surplus, the Commission will allot that to the next project/person on the waiting list. Once the Commission has sufficient funds for the needs of the project, the project receives the grant award.

New England ADA Center (restricted receipts)

\$24,557

The Budget adds \$24,557 in restricted receipts for contracted services and operating costs. In 2018, voters authorized the \$250.0 million School Construction bond and the Commission is responsible to review school construction design plans 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. The Commission will use funding received from the New England ADA Center to pay 65.0 percent of the cost to hire a consultant to conduct design plan reviews. The balance of the cost will derive from the Commission's general revenue appropriation.

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.

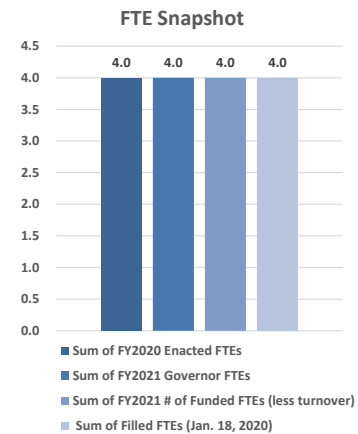
The Budget provides a total of \$6.0 million in Rhode Island Capital Plan (RICAP) funds for ADA and accessibility renovations at state buildings, including \$1.0 million annually from FY2020 through FY2025. Expenditures prior to FY2020 total \$3.9 million.

Commission on the Deaf and Hard of Hearing

	FY2019	FY2020	FY2020	Change from		FY2021	Change from	
Expenditure by Program	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$521,007	\$663,338	\$656,326	(\$7,012)	-1.1%	\$600,270	(\$63,068)	-9.5%
Expenditure by Source								
General Revenue	\$447,102	\$533,338	\$524,519	(\$8,819)	-1.7%	\$537,816	\$4,478	0.8%
Restricted Receipts	73,905	130,000	131,807	1,807	1.4%	62,454	(67,546)	-52.0%
Total	\$521,007	\$663,338	\$656,326	(\$7,012)	-1.1%	\$600,270	(\$63,068)	-9.5%
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

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 authorizes 4.0 FTE positions in FY2020 and FY2021, consistent with the enacted budget.



MAJOR ISSUES AND TRENDS

The Budget includes total funding of \$600,270, including \$537,816 from general revenue. General revenue increases by 0.8 percent from the FY2020 Budget as Enacted. Restricted receipts decrease by \$67,546 to reflect a decrease in funding from the Emergency and Public Communications Access Program (EPCAP). In FY2020, CDDH requested the funds for a translation service at state customer service locations, and the project has since been completed. General revenue changes are due increases in personnel expenditures and temporary services, offset by an elimination of funding for interpreter services.

Central Management	General Revenue
FY2020 Enacted	\$533,338
Target and Other Adjustments	4,086
Temporary Services	30,000
Interpreters and CART Services	(29,608)
FY2021 Governor	\$537,816

Temporary Services \$30,000

The Budget shifts \$30,000 for temporary services from EPCAP restricted receipt funds to general revenues. Historically, funds have been used for temporary staff at the Commission. Temporary staff provide interpretation for CDHH meetings, general office support, and other needs of the Commission.

Interpreters and CART Services (\$29,608)

The Budget eliminates all funding for sign language interpreters and Communication Access Real-time Translation (CART) services, also known as real-time captioning. The \$29,608 decrease in general revenues (\$67,608 all funds) would eliminate interpreting and CART services provided by the Commission. CDHH assists individuals by referring qualified sign language interpreters and CART providers to government/state agencies, private and non-profit businesses, healthcare providers, employers, K-12 schools, colleges and universities, and law enforcement agencies. The Commission is mandated by statute

to provide this referral service and the State would be in violation of the Americans with Disabilities Act if the services were not available. There are over 200,000 members of the deaf and hard of hearing community that would not have access to interpretation and translation services.

Analyst Note: It appears as though the funding was erroneously excluded, however, there has not been an amendment to correct the error as of March 25, 2020.

Emergency and Public Communications Access Program (restricted receipts) (\$67,546)

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 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 community with access to emergency and public communication.

The FY2021 Budget includes \$62,454 in restricted receipts, reflecting a decrease of \$67,546 as compared to the FY2020 Budget as Enacted. Typically, the Budget includes \$80,000 from EPCAP. In FY2020 the Budget included \$130,000, an additional \$50,000 to provide state customer service locations with iPads to provide interpreting services. The funding from EPCAP in FY2021 is \$17,546 less than the typically allocated amount of \$80,000.

The Budget shifts funding for temporary staff to general revenues and eliminates funding for sign language interpreters and CART services. The Commission would not be able to fulfill its legislative mandates without the funding for this service, as statute requires to Commission to provide a referral service for translation and interpreting. The elimination of interpretation and CART services would put the State in violation of the Americans with Disabilities Act.

Analyst Note: It is unclear why there was a decrease in EPCAP funding, as there are not any proposed changes to the monthly surcharge and the account is sufficiently funded. The Commission is unaware of why the decrease occurred, and inquiries to the Office of Management and Budget have gone unanswered as of March 25, 2020.

Office of the Child Advocate

Expenditures by Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Office of the Child Advocate	\$958,019	\$1,234,057	\$1,149,476	(\$84,581)	-6.9%	\$1,248,036	\$13,979	1.1%

Expenditures by Source

General Revenue	\$815,011	\$986,701	\$970,275	(\$16,426)	-1.7%	\$1,063,237	\$76,536	7.8%
Federal Funds	143,008	247,356	179,201	(68,155)	-27.6%	184,799	(62,557)	-25.3%
Total	\$958,019	\$1,234,057	\$1,149,476	(\$84,581)	-6.9%	\$1,248,036	\$13,979	1.1%

Authorized FTE Levels	10.0	10.0	10.0	-	-	10.0	-	-
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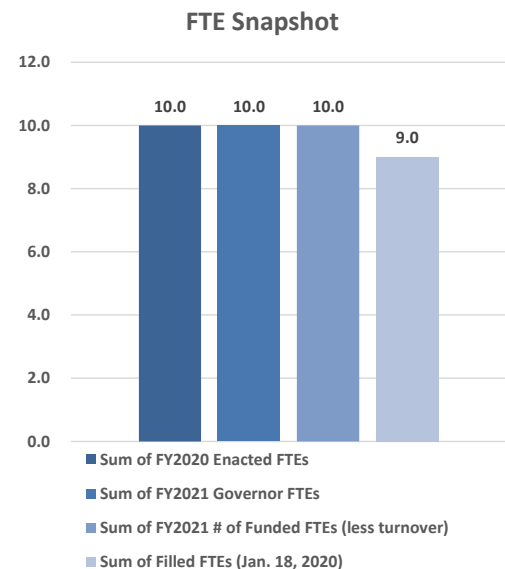
The Office of the Child Advocate (OCA) is mandated by statute to protect the legal, civil, and special rights of all children in the care of the Department of Children, Youth, and Families (DCYF). The Office strives to improve conditions and circumstances through monitoring, intervention, and advocacy. The OCA receives federal funding through the Victims of Crime Act (VOCA) to provide public education and support services for victims of crime and their families. The Office reviews all youth residential programs, including the Rhode Island Training School, and oversees compliance by all DCYF-contracted providers. The General Assembly amended the Office's statute in 2016, and again in 2019, 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, DCYF;
- The incident involves alleged abuse or neglect and the child's family had prior contact with DCYF; or
- The child's sibling, household member, or daycare provider was the subject of a child abuse or neglect investigation within 12 months of the incident.

MAJOR ISSUES AND TRENDS

In January 2018, the State and DCYF settled a long-standing class action lawsuit. The lawsuit, initially filed in 2007, demanded systemic reforms to the State's child welfare system and cited deficiencies throughout DCYF, including excessive caseworker assignments and an inappropriate residential service array. 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 FY2019 Enacted Budget added 2.0 FTE positions to the Office to assist with the additional work associated with the settlement. As of the pay period ending March 14, 2020, one of these positions remained vacant, although the Office reports that it will be filled by the end of FY2020.

The Governor's Budget provides \$1.2 million from all funds for the Office of the Child Advocate in FY2021. This represents a modest increase compared to the Enacted Budget; however, the Governor's Budget shifts expenditures between fund sources. The Governor's Budget increases general revenue spending by \$76,536 (7.8 percent) and reduces federal funding by \$62,557 (25.3 percent) for a net increase of \$13,979 relative to the Enacted Budget. The Budget authorizes and fully funds the enacted level of 10.0 FTE positions in FY2021.



Office of the Child Advocate	General Revenue
FY2020 Enacted	\$986,701
<i>Target and Other Adjustments</i>	23,677
Cost Allocation	52,859
FY2021 Governor	\$1,063,237

Cost Allocation **\$52,859**

The Governor's Budget shifts personnel expenses from federal funds to general revenues, increasing general revenue expenditures by \$52,859 relative to the FY2020 Enacted Budget.

The FY2020 Enacted Budget allocated 38.8 percent of the personnel costs associated with the Office's Staff Attorney III position to the federal Victims of Crime Act (VOCA) grant, with the remainder funded through general revenues. The Governor's Budget allocates funding for this position entirely to general revenues in both FY2020 and FY2021, representing a shift of approximately \$50,000 from federal funds to general revenues in both years. This appears to be an error. According to the Office of the Child Advocate, 34.6 percent of the expenses associated with the position should be allocated to federal funds in both years.

Staff Attorney III	FY2020 Enacted	FY2020 Governor	Change to Enacted	FY2021 Governor	Change to Enacted
General Revenue	\$77,761	\$127,065	\$49,304	\$130,620	\$52,859
Federal Funds	49,351	-	(49,351)	-	(49,351)
Total	\$127,112	\$127,065	(\$47)	\$130,620	\$3,508

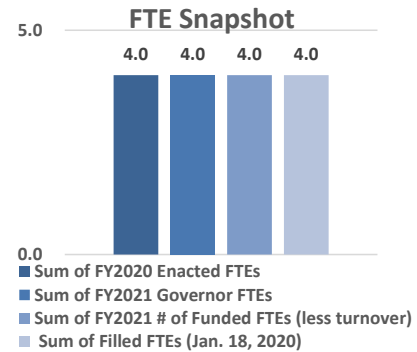
Analyst Note: With the position correctly allocated, \$43,964 would shift from general revenues to federal funds in FY2020 and \$45,195 would shift from general revenues to federal funds in FY2021 relative to the Governor's Budget.

Office of the Mental Health Advocate

Expenditures by Program	FY2019 Actuals	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$578,693	\$602,411	\$619,370	\$16,959	2.8%	\$630,982	\$28,571	4.7%
Expenditures by Source								
General Revenue	\$578,693	\$602,411	\$619,370	\$16,959	2.8%	\$630,982	\$28,571	4.7%
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 FY2021 Budget includes \$630,982 from general revenues, an increase of 4.7 percent as compared to the FY2020 Budget as Enacted. The Office is funded entirely through general revenues.

The Budget authorizes and fully funds 4.0 FTE positions in FY2021, consistent with the FY2020 Budget as Enacted. The 4.0 FTE positions include 1.0 Mental Health Advocate, 2.0 Staff Attorneys, and 1.0 Administrative Assistant.

Central Management	General Revenue
FY2020 Enacted	\$602,411
<i>Target and Other Adjustments</i>	<i>28,571</i>
FY2021 Governor	\$630,982

Elementary and Secondary Education

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Administration of the Comprehensive Education Strategy	\$231.0	\$239.5	\$250.1	\$10.6	4.4%	\$252.9	\$13.4	5.6%
Central Falls School District	40.8	41.5	42.0	0.5	1.2%	43.1	1.6	3.8%
Davies Career and Technical Center	22.0	19.3	20.2	0.8	4.4%	20.9	1.5	8.0%
Rhode Island School for the Deaf	7.4	8.2	7.8	(0.3)	-4.3%	7.6	(0.5)	-6.7%
Metropolitan Career and Technical School	9.6	9.6	9.6	-	-	9.6	-	-
Education Aid	939.5	980.7	984.1	3.4	0.3%	1,023.0	42.3	4.3%
School Construction Aid	80.0	80.0	80.0	-	-	80.0	-	-
Teacher Retirement	106.3	112.3	112.3	-	0.0%	118.4	6.0	5.4%
Total	\$1,436.5	\$1,491.1	\$1,506.1	\$15.0	1.0%	\$1,555.5	\$64.4	4.3%
Expenditures By Source								
General Revenue	\$1,186.5	\$1,239.3	\$1,239.0	(\$0.3)	0.0%	\$1,283.9	\$44.7	3.6%
Federal Funds	207.2	213.3	224.4	11.1	5.2%	225.3	12.0	5.6%
Restricted Receipts	38.3	37.4	41.0	3.6	9.5%	44.2	6.8	18.1%
Other Funds	4.5	1.1	1.7	0.6	51.8%	2.0	0.9	81.2%
Total	\$1,436.5	\$1,491.1	\$1,506.1	\$15.0	1.0%	\$1,555.5	\$64.4	4.3%
Authorized FTE Levels	321.1	325.1	325.1	-	-	334.1	9.0	2.8%

\$ 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 tenth year of the education funding formula and provides funding for categorical aid accounting for most of the \$44.7 million general revenue increase in FY2021. Generally the aid categories are level funded or reduced relative to the FY2020 Enacted Budget; however, the Early Childhood Education, English Learners, and stabilization funds for Davies Career and Technical School and the Metropolitan Career and Technical School (Met School) are increased. Other general revenue increases include \$1.2 million for 7.0 new FTE positions, including 3.0 support the Department's shift from a compliance-focused institution to a supportive organization offering more technical assistance and planning for districts, 2.0 to expand high-quality curriculum, 1.0 to support expanding Pre-K, and 1.0 to shift a PrepareRI Specialist from expiring federal funds. The Budget also includes \$113,000 in general revenue to expand assessments for English Learners.

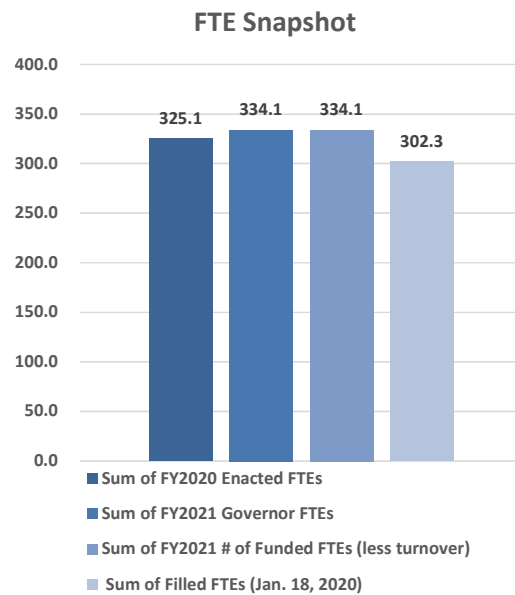
An additional 2.0 new FTE positions are supported with \$225,954 in restricted receipts from the Rhode Island Health and Education Building Corporation (RIHEBC). The positions include a new 1.0 FTE School Construction Finance Specialist position (\$148,345) and 1.0 FTE Clerk Secretary (\$77,609) in the School Building Authority (SBA). The positions are needed due to the increase in the volume of work related to the increase incentives and will help support the work needed to upgrade school facilities across the State.

Additional federal funds will be used for literacy development, as well as student support and academic enrichment. The restricted receipt increase is due to increased cost associated with statewide transportation and the use of Opioid Stewardship Funds to increase mental health to support mental/behavioral health training, curricula, and materials to increase in-classroom training resources and provide one-time support

for health professionals in the districts. The increase in other funds is due primarily to the Davies Health Care Classroom Improvements project and HVAC repair and replacement.

Once again, the Budget includes the shifting of audiology screening services from the School for the Deaf to the districts. In addition, Article 10 proposes to filter support for in-district PreK classrooms through the funding formula, clarifies how English Learner categorical funds may be used, repeals the language intended to prevent the displacement of local funds with English Learner funds, and expands the School Resource Officer categorical to include mental health professions for the final year of the program.

The Budget provides 334.1 FTE positions across the Elementary and Secondary Education system, including 148.1 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. The increase of 9.0 FTE positions, relative to the FY2020 Budget as Enacted are all within the Department. The FTE level in FY2020 is consistent with the budget as enacted.



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
FY2020 Enacted	\$21,574,338
<i>Target and Other Adjustments</i>	<i>(128,096)</i>
School System Support (3.0 FTE positions)	622,584
Expanding High-Quality Curriculum (2.0 FTE positions)	294,079
Expanding Pre-K (1.0 FTE position)	145,433
PrepareRI Specialist (1.0 FTE position)	145,892
WIDA Access Tests	115,000
FY2021 Governor	\$22,769,230

Administration of the Comprehensive Education Strategy	Other Fund Changes
Comprehensive Literacy Development Grant (federal funds)	\$5,874,466
Mental Health Teacher Training Health and Achievement (restricted receipts)	590,000
Enhancing School System Support (restricted receipts)	402,724
School Construction Services (2.0 FTE position) (restricted receipts)	225,954
Advanced Course Network (restricted receipts)	200,000

School System Support (3.0 FTE positions) \$622,584

The Department is shifting from a compliance-focused institution to a supportive organization offering more technical assistance and planning for districts. These new positions will enable the Department to create tools for local education agencies (LEAs) to help analyze data and focus financial resources on

education needs, as well as support LEAs in improving outcomes for multi-lingual learners and differently-abled students, and in conducting annual reviews. Of the 8.0 FTE positions requested by the Department, the Budget includes the following:

- **Deputy Commissioner for School Transformation (1.0 FTE position) (\$288,041):** This position is proposed to address the large number of failing schools in Rhode Island.
- **Director of School Improvement (1.0 FTE position) (\$189,110):** This position will address student achievement gaps in Rhode Island and work to improve failing schools.
- **Education Specialist for School Improvement (1.0 FTE position) (\$145,433):** This position will support the effort to improve struggling schools and to close student achievement gaps.

Analyst Note: These positions would be in addition to the 1.0 new FTE position (\$150,000 general revenue) added in FY2020 to support school principals, increase the diversity of the state's school leadership and educator pipeline, and support the principal certification process. The FY2020 Budget as Enacted also included 1.0 new FTE position (\$120,000 general revenue) for a new school improvement position to support districts in creating school improvement teams, strategic plans, and a district review process.

Expanding High-quality Curriculum (2.0 FTE positions)

\$294,079

Toward the goal of promoting the adoption of high-quality curriculum in all LEAs, the Budget includes \$294,079 in general revenue to support 2.0 FTE positions.

- **Educator Excellence Specialist, Educator Quality (1.0 FTE position) (\$147,040):** This position will be responsible for developing high-quality leadership curriculum for teaching staff throughout the State.
- **Educator Specialist, Social Studies (1.0 FTE position) (\$147,040):** Since the Department has no on-site staff to support a social studies curriculum, this position would start the process of creating a social studies and civics education curriculum, as well as professional development.

Expanding Pre-K (1.0 FTE position)

\$145,433

The Budget provides \$145,433 in general revenue for a 1.0 FTE Education Specialist, Early Childhood position. This position will help ensure the continuation of high-quality pre-k programming as enrollment expands, as well as provide technical assistance, programming assistance, and conduct on-site visits.

PrepareRI Specialist (1.0 FTE position)

\$145,892

The Budget includes \$145,892 in general revenue to support a fellow position currently supported by the expiring PrepareRI grant. This position handles cross-agency coordination and project management for the Department, the Department of Labor and Training, Commerce, the Office of the Postsecondary Commissioner, and the Governor's Office. PrepareRI is a partnership between Rhode Island government, private industry, universities, and non-profits to provide students with job skills. The initiative was launched in 2016 with a New Skills for Youth grant from JPMorgan Chase and a grant from the Council of Chief State School Officers (CCSSO).

WIDA ACCESS Tests

\$115,000

The Budget includes \$115,000 in general revenue, in addition to \$425,000 in ongoing federal funds, to support increased WIDA (World-Class Instructional Design and Assessment) ACCESS (Assessing Comprehension and Communication in English State to State) assessment costs for multilingual learners. WIDA is a consortium of state departments of education who developed the ACCESS test that is administered annually to English Learners to monitor the student's language development. Approximately 14,000 tests were administered in FY2019, 15,500 in FY2020, and 18,000 are projected in FY2021.

Currently, a standard test costs \$27.75, while a Braille test costs \$187.75 and an alternative assessment \$77.00; however, the alternative assessment test are expected to double in price.

Comprehensive Literacy Development Grant (federal funds)

\$5.9 million

The Department was awarded a \$20.0 million, five-year grant from the United State Department of Education in October 2019. Most of the Comprehensive Literacy State Development (CLSD) grant is going directly to LEAs through competitive grants to support literacy (curriculum materials, professional learning for curriculum and interventions). A small amount supports a fellow to implement the grant. In FY2021, the Budget includes \$5.9 million in federal funding from the CLSD grant.

Mental Health Teacher Training Health and Achievement (restricted receipts)

\$590,000

The Budget provides \$590,000 in restricted receipts from the Opioid Stewardship Fund to support mental/behavioral health training, curricula, and materials to increase in-classroom training resources. The enhanced training is intended to help teachers intervene more effectively when students show signs of challenges and allow teachers to teach students behavioral health skills. Of the total funding, \$330,000 will be used to train one individual at each school across the State as a “trainer”. The remaining \$260,000 will be used to purchase materials to support each trainer in training their fellow teachers.

Enhancing School System Support (restricted receipts)

\$402,724

Under the leadership of the new Commissioner, the Department is shifting from a compliance-focused institution to a supportive organization offering more technical assistance and planning for districts. These new positions will enable the Department to create tools for local education agencies (LEAs) to help analyze data and focus financial resources on education needs, as well as support LEAs in improving outcomes for multi-lingual learners and differently-abled students, and in conducting annual reviews. The Budget includes \$402,724 in restricted receipts as a placeholder for charitable grants. The Budget provides this appropriation to allow for the expenditure of donations, should they be received, within the same fiscal year as receipt. This proposal is in response to restrictions imposed by Article 2 of the FY2020 Budget as Enacted.

School Construction Services (2.0 FTE positions) (restricted receipts)

\$225,954

The Budget includes \$225,954 in personnel costs for a new 1.0 FTE School Construction Finance Specialist position (\$148,345) and 1.0 FTE Clerk Secretary (\$77,609) in the School Building Authority (SBA). The positions are needed due to the increase in the volume of work related to the increase incentives and 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 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 limited the fee that RIHEBC can imposed on cities, towns and districts to one tenth of one percent (0.001) of the principal amount of the bond.

Article 10 of the FY2021 Budget raises the cap on the fee charged to municipalities from one tenth of one percent (0.001) to one percent (0.01) of the principal amount. The article also deletes the “one-time or limited” qualification making RIHEBC responsible for all the expenses of the SBA and expands the funds that can be used to include investment income generated by state and municipal funds held in trust by the Corporation.

The Budget requires RIHEBC to transfer \$1.0 million to the state controller by June 30, 2021, in addition to providing \$1.0 million in personnel expenses for the School Building Authority (SBA). In FY2018, RIHEBC was required to transfer \$6.0 million to the State Controller. In FY2019, RIHEBC supported \$737,735 in SBA personnel expenses, and in FY2020 RIHEBC is projected to provide \$775,492.

Advanced Course Network (restricted receipts)

\$200,000

The Budget includes an additional \$200,000 in restricted receipt permanent school funds to expand the Advanced Course Network (ACN). The ACN offers 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 Advanced Coursework Network is made up of Network Members, schools and districts that voluntarily chooses to extend the Advanced Coursework Network opportunities to students, and Network Providers (school districts, Rhode Island based community based organizations or higher education institutions) that extends 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.

In FY2021, the program funding, \$1.0 million total, includes \$500,000 in permanent school funds, \$390,000 in Career and technical categorical funding (general revenue), and \$150,000 in general revenue. According to the Department, about 1,000 unique students participate each fiscal year. The increase in funding is projected to provide approximately 200 new seats. The table to the right shows the historical funding for the ACN by source.

Advanced Course Network Funding				
Source	FY2017	FY2018	FY2019	FY2020 Projected
Permanent School Funds	\$500,000	\$300,000	\$300,000	\$300,000
Career and Technical Categorical	390,000	390,000	390,000	390,000
General Revenue	-	150,000	150,000	150,000
Total	\$890,000	\$840,000	\$840,000	\$840,000

Source: Rhode Department of Education

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.” The Department projects annual collections of \$150,000; however, historically, revenues have run closer to \$200,000. Assuming the Department’s projections are correct and the \$500,000 expenditure for the ACN returns to \$300,000 in FY2022, the permanent school fund is projected to run a deficit beginning in FY2023.

Permanent School Fund	FY2019	FY2020	FY2021	FY2022	FY2023
Balance as of May 2019/Balance Forward	\$1,837,000	\$654,600	\$504,600	154,600	4,600
Estimate Receipts	-	150,000	150,000	150,000	150,000
Advanced Course Network	(62,400)	(300,000)	(500,000)	(300,000)	(300,000)
Early Childhood PreK classrooms	(1,120,000)	-	-	-	-
Balance	\$654,600	\$504,600	\$154,600	\$4,600	(\$145,400)

Source: Rhode Department of Education

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 \$43.1 million for the Central Falls School Department in FY2021. This includes the formula distribution as well as \$7.0 million in funding through the Central Falls Stabilization Fund, excluding aid

received through other education aid categories. (See Education Aid in the Special Reports section of this publication for further detail.)

Central Falls	General Revenue
FY2020 Enacted	\$41,476,650
Target and Other Adjustments	-
Funding Formula Adjustment	1,363,343
Transition PreK into Funding Formula	1,202,128
Central Falls Stabilization	(984,109)
FY2021 Governor	\$43,058,012

Funding Formula Adjustment

\$1.4 million

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 FY2021, the district will receive an increase of \$1.4 million in funding formula aid; however, the stabilization aid and other categorical aid provide for a net increase of \$1.9 million over the previous fiscal year.

Transition PreK into Funding Formula

\$1.2 million

The Budget includes \$1.2 million in support for pre-kindergarten classrooms that were previously supported through the early childhood categorical. Beginning in FY2021, the Article 10 requires the Department of Elementary and Secondary Education to include students enrolled in approved prekindergarten classrooms in the average daily membership. From the statutory language, however, it is unclear what is meant by "approved" or "average daily membership", as no definitions are provided. A broad interpretation could mean that any student attending a licensed prekindergarten program in Rhode Island would be included in the average daily membership (ADM) for the district of residence. The ADM would then be used to calculate the foundation aid for the district, the local tuition for charter and state schools, and the state share ratio. Funding the prekindergarten seats through the funding formula is projected to save \$251,095 relative to the amount of funding provided to these districts through the categorical program in FY2020. This "savings" will be reinvested into the program in addition to the \$4.8 million added to the categorical in FY2021.

Impact of Funding Prekindergarten through Funding Formula
(This table does not include FY2021 early childhood categorical funds)

District	Seats	FY2021 Share Ratio	FY2020 Early Childhood Categorical	FY2021 Governor Formula Aid	Difference
Central Falls	90	94.6%	\$927,602	\$1,202,128	\$274,526
Cranston	18	56.1%	170,133	122,641	(47,492)
East Providence	160	57.1%	1,525,518	1,130,197	(395,321)
Johnston	18	47.2%	190,000	103,248	(86,752)
Pawtucket	72	80.4%	765,170	769,114	3,944
Total	358		\$3,578,423	\$3,327,328	(\$251,095)

The article also amends the prekindergarten categorical to delete the power of the General Assembly to determine the amount of funding, and instead leaves the Department to recommend criteria for the allocation of funds consistent with the RIGL 16-87, the Rhode Island Prekindergarten Education Act.

Analyst Note: It is unclear how funding would be determined since the Department is only empowered to recommend criteria for the allocation of funds. This amendment may thereby create an entitlement program for prekindergarten.

Central Falls Stabilization

(\$984,109)

The Budget funds this category at \$7.0 million in FY2021, a decrease of \$984,109 from the enacted level. 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.

Analyst Note: The Governor recommends an increase of \$500,000 in the FY2020 Budget due to increased enrollment in the school district; however, according to the Department's FY2020 Second Quarter Report, "the Department does not anticipate exceeding its enacted budget appropriation to resolve the Central Falls Public School financial condition."

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 \$13.8 million in general revenue funding for the Davies Career and Technical School, an increase of \$76,139 from the FY2020 Budget as Enacted, due to share ratio adjustments based on the sending districts. (See Education Aid in the Special Report section of this publication for further detail.)

Davies Career and Technical School	General Revenue
FY2020 Enacted	\$13,694,981
<i>Target and Other Adjustments</i>	-
Davies Stabilization Fund	367,044
Funding Formula Adjustment	(290,905)
FY2021 Governor	\$13,771,120

Davies Stabilization Fund **\$367,044**

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 \$367,044 million (\$5.2 million total) in FY2021.

Funding Formula Adjustment **(\$290,905)**

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 FY2021, the Davies School will receive a reduction of \$290,905 in funding formula aid (\$8.5 million in total 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
FY2020 Enacted	\$6,701,193
<i>Target and Other Adjustments</i>	<i>45,018</i>
<i>Audiology Screening Services</i>	<i>(235,000)</i>
<i>Personnel Costs</i>	<i>Informational</i>
FY2021 Governor	\$6,511,211

***Audiology Screening Services* (\$235,000)**

The Budget eliminates general revenue support for 3.0 audio test technicians (\$235,000 in FY2021) and shifts this funding to restricted receipts; however, the statutory change needed to allow for this shift was omitted from the original budget submission. The Governor's Budget Amendment, dated February 25, 2020, amended Article 10 to transfer statutorily required hearing screening responsibilities to local education agencies (LEAs), instead of providing the service free-of-charge through the School for the Deaf (School). The article also authorizes the School to enter into fee-for-service agreements with LEAs and deposit the revenues into a restricted receipt account to cover the cost of testing. This revenue generating proposal is why the 3.0 audio screening technicians positions are not eliminated, but only unfunded. The restricted receipt account does not appear to be exempt from the 10.0 percent indirect cost recovery. This proposal was one of the recommendations from the Governor's Efficiency Commission during the 2019 session.

Currently, the School has 5.0 FTEs performing audiology services, including 2.0 audiologists and 3.0 audio test technicians. These FTEs meet the audiology needs of RISD and the community by providing 58,000 student screenings statewide at no charge. According to information from the Office of Management and Budget, a survey of 56 LEAs revealed that 296 school nurses are employed across 299 school buildings; however, no information was provided as to the potential training or equipment needs required for LEAs to conduct the screenings or the fiscal impact on each LEA.

***Personnel Costs* Informational**

The Council on Elementary and Secondary Education requested an increase of \$690,677 in general revenue for salaries and benefits relative to the enacted level. Adjusting for the \$235,000 reduction for audiology screening services would reduce the request to \$455,677. The Governor recommends a decrease of \$187,844. While most of the reduction is due to reductions in the cost of benefits, the Budget does increase turnover savings by \$154,088 (\$435,000 total savings). As of March 14, 2020, RISD has 59.7 FTE, out of 60.0, positions filled. In the last five years, student enrollment at RISD has increase by 22.4 percent (15 students) at an average annual rate of 4.4 percent. As enrollment has increased, additional staff have been needed and RISD does not anticipate achieving much, if any, turnover savings.

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 FY2020 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
FY2020 Enacted	\$9,342,007
<i>Target and Other Adjustments</i>	-
Funding Formula Adjustment	(139,253)
Met School Stabilization Fund	139,253
FY2021 Governor	\$9,342,007

Funding Formula Adjustment ***(\$139,253)***

In FY2021, the Met School will receive a reduction of \$139,253 in funding formula aid (\$7.4 million in total aid). Previously, the Met School was 100.0 percent state funded; however, beginning in FY2012, it received its general revenue funding through the new funding formula and 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 bus services for those students. The total estimated cost to the school is about \$177,000 annually.

Met School Stabilization Fund ***\$139,253***

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 \$139,253 increase over the enacted budget (\$1.9 million total) in FY2021 is to provide a zero net impact on funding relative to FY2020.

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
FY2020 Enacted	\$954,125,587
<i>Target and Other Adjustments</i>	-
Year 10 Funding Formula	30,076,297
Categorical Aid	3,947,199
Transition PreK into Funding Formula	2,125,200
Group Home Aid	(183,171)
Telecommunications Education Access Fund (E-Rate)	7,777
FY2021 Governor	\$990,098,889
Education Aid	Other Funds
Statewide Transportation (restricted receipts)	\$5,197,727
Opioid Stewardship Fund for Expanded School Officer Support (restricted receipts)	1,000,000

Year 10 Funding Formula **\$30.1 million**

The FY2021 Budget Request includes an additional \$30.1 million to fund the tenth year of the funding formula, for a total of \$942.1 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 tenth 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 \$31.0 million. The difference is due to the increase in funding to Central Falls (\$1.4 million), and the decrease to Davies (\$290,905) and the Met (\$139,254) in FY2021 relative to the FY2020 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 (\$10,310 in FY2021) 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, (\$4,124 in FY2021) 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. FY2021 is the final year of the transition plan. (See Education Aid in the Special Report section of this publication.)

Categorical Aid**\$3.9 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. The Density Fund support ended in FY2019. In the FY2019 Budget as Enacted a temporary category for School Resource Officer Support was added. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant sections of this analysis.)

The FY2021 Budget includes funding for all of these categories, except the Regionalization Bonus. Please note, the \$3.9 million increase in aid represents general revenue only and the table does not include the \$1.0 million in Opioid Stewardship Fund restricted receipts for School Resource Officer Support. Also, the table does not include \$3.3 million in general revenue support for early childhood education that the Governor recommends filtering through the funding formula.

Governor's FY2021 Education Aid

Categorical	Change from Enacted	Total Funding
Transportation	\$0.0	\$7.7
Early Childhood ¹	1.4	16.3
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English/Multilingual Learners	2.5	7.5
Regionalization Bonus	-	-
School Resource Officer Support ²	-	1.0
Total	\$3.9	\$41.5

¹ This does not include the \$3.3 million in support transitioned to the funding formula.

² This does not include the \$1.0 million in Opioid Stewardship Fund restricted receipts.

\$ 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 \$7.7 million in FY2021, level with the FY2020 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. The Budget funds this category at \$16.3 million in FY2021, an increase of \$1.4 million over the FY2020 Budget as Enacted.

Analyst Note: An additional \$3.3 million in early childhood education support to districts is provided through the funding formula and discussed in more detail later in this section.

- **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 \$72,170 for FY2021). 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 FY2021, level with the FY2020 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 associated 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 FY2021, level with the previous year.

- **English/Multilingual 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 FY2021, the per-pupil weight increases to \$1,031, to reflect 10.0 percent of the \$10,310 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 \$7.5 million in FY2021, an increase of \$2.5 million over the previous fiscal year; however, an additional \$2.0 million would be needed to fully fund this category.

Article 10 of the FY2021 Budget changes the categorical for English Learners (EL) to multilingual learners (MLL); however, the statute does not provide a definition for “multilingual learner”, and makes other changes to the categorical including new language clarifying how the funds may be used and repealing the language intended to prevent the displacement of local funds.

- **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 FY2021. 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 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 ≥ 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 in general revenue for this category in FY2021, level with the FY2020 Budget as Enacted.

Analyst Note: The Budget includes an additional \$1.0 million in Opioid Stewardship Fund restricted receipts for School Resource Officer Support to expand this category to include mental health professionals, as provided in Article 10 of the Budget and discussed in more detail later in this section.

Transition PreK into Funding Formula**\$2.1 million**

The Budget includes \$2.1 million in the funding formula to reflect support for PreK seats in the districts, excluding Central Falls (\$1.2 million), which is included in a different program account. Pursuant to Article 10, beginning in FY2021, the Department of Elementary and Secondary Education will be required to include students enrolled in approved prekindergarten classrooms in the average daily membership. From the statutory language, however, it is unclear what is meant by “approved” or “average daily membership”, as no definitions are provided. A broad interpretation could mean that any student attending a licensed prekindergarten program in Rhode Island would be included in the average daily membership (ADM) for the district of residence. The ADM would then be used to calculate the foundation aid for the district, the local tuition for charter and state schools, and the state share ratio. Funding the prekindergarten seats through the funding formula is projected to save \$251,095 relative to the amount of funding provided to these districts through the categorical program in FY2020. This “savings” will be reinvested into the program in addition to the \$4.8 million added to the categorical in FY2021.

Impact of Funding Prekindergarten through Funding Formula
(This table does not include FY2021 early childhood categorical funds)

District	Seats	FY2021 Share Ratio	FY2020 Early Childhood Categorical	FY2021 Governor Formula Aid	Difference
Central Falls	90	94.6%	\$927,602	\$1,202,128	\$274,526
Cranston	18	56.1%	170,133	122,641	(47,492)
East Providence	160	57.1%	1,525,518	1,130,197	(395,321)
Johnston	18	47.2%	190,000	103,248	(86,752)
Pawtucket	72	80.4%	765,170	769,114	3,944
Total	358		\$3,578,423	\$3,327,328	(\$251,095)

The article also amends the prekindergarten categorical to delete the power of the General Assembly to determine the amount of funding, and instead leaves the Department to recommend criteria for the allocation of funds consistent with the RIGL 16-87, the Rhode Island Prekindergarten Education Act.

Analyst Note: It is unclear how funding would be determined since the Department is only empowered to recommend criteria for the allocation of funds. This amendment may thereby create an entitlement program for prekindergarten.

Group Home Aid**(\$183,171)**

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 FY2021 Budget includes \$3.0 million to fund group home beds. This is \$183,171 less than the FY2020 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.

Telecommunications Education Access Fund (E-Rate)**\$7,777**

The Budget provides an increase of \$7,777 in general revenue to bring the state funding for the E-Rate program up to the historical level of \$400,000. The funding for the program was reduced in FY2020 due to a statewide contract savings initiative. The purpose of the Rhode Island Telecommunications Education Access Fund (RITEAF or E-rate) is to bring Wi-Fi and broadband connectivity to all qualified schools (kindergarten through grade 12). Restricted receipt revenue, generated by a \$0.26 assessment on landlines, is projected to decrease by \$32,179 in FY2021.

Statewide Transportation (restricted receipts)**\$5.2 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 FY2021 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 FY2021 Budget includes an estimated increase in expenditures for the statewide transportation program of \$5.2 million in restricted receipts (\$30.4 million total), relative to the FY2020 Budget as Enacted.

Opioid Stewardship Fund for Expanded School Officer Support (restricted receipts)**\$1.0 million**

The Article 10 expands the state support for school resource officers to include mental health professionals. Pursuant to the article, in FY2021 a district would be reimbursed for one-half of the cost of salaries and benefits for additional mental health professionals provided the district commits to funding the position beyond FY2021 in the absence of state funds. The categorical sunsets after FY2021, so no additional funding is available. In addition to the \$1.0 million general revenue in FY2021, the Budget provides an additional \$1.0 million in Opioid Stewardship Fund to support the expanded application.

Article 13 of the FY2020 Budget as Enacted established an opioid registration fee paid quarterly to the Opioid Stewardship Fund by all manufacturers, distributors, and wholesalers of opioids. The total amount of the fund is set at \$5.0 million and licensees pay their share of the total based on the licensee's in-state market share of opioid sales. The Fund equals \$5.0 million and is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million. The FY2021 Budget allocates \$58,096 for 1.0 supervising accountant to administer the funds. The remaining \$4.4 million is distributed among the Departments of Children, Youth, and Families, Elementary and Secondary Education, Corrections, and the Office of the Health Insurance Commissioner (OHIC), for substance abuse programs and projects.

Pursuant to the expanded categorical, "mental health professionals" include, but are not limited to, student assistance counselors, school counselors, social workers, and school psychologists. Districts may not eliminate current mental health professional positions to create new ones, and if the demand for the funds is greater than the amount appropriated, the Department will prioritize distribution based on, but not limited to, current mental health capacity in the school and demonstrated need.

Analyst Note: It is unclear whether priority would be given to school resource officer support or mental health professional support should the demand exceed the available funds, or what would happen should a district fail to fund a positions beyond FY2021. FY2020 expenditures are projected at \$325,000 and \$201,060 was spent in FY2019.

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 FY2021, the minimum state share is 35.0 percent for school districts and the maximum is 93.8 percent for Central Falls: the state share for charter schools is 30.0 percent.

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 was reported to the chairs of the House and Senate Finance Committees. Furthermore, any project approval granted prior to the adoption of the school construction regulations in 2007, which was currently inactive, had not receive voter approval, or had not been previously financed, was deemed 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 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.

Article 9 of the FY2019 Budget as Enacted provided temporary incentives to encourage district to improve the condition of public school buildings in Rhode Island, establishes a permanent incentive for school safety and security projects, and established school maintenance expenditure requirements.

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

For FY2021, the Budget provides \$80.0 million, level funded with the FY2020 Budget as Enacted. For FY2021, the Department projects expenditures of \$79.1 million in school housing aid, an increase of \$145,222 from the FY2020 Budget as Enacted. The surplus will be deposited into the School Building Authority Capital Fund.

School Construction Aid	General Revenue
FY2020 Enacted	\$80,000,000
<i>Target and Other Adjustments</i>	-
School Building Authority Capital Fund	Informational
FY2021 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 FY2021, the Budget provides \$869,807 in general revenue from the surplus construction aid to the Capital Fund.

Through Article 9, the FY2019 Budget also 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", 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 limited 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.

Article 10 of the FY2021 Budget raises the cap on the fee charged to municipalities from one tenth of one percent (0.001) to one percent (0.01) of the principal amount. The article also deletes the "one-time or limited" qualification making RIHEBC responsible for all the expenses of the SBA and expands the funds that can be used to include investment income generated by state and municipal funds held in trust by the Corporation.

The Budget requires RIHEBC to transfer \$1.0 million to the state controller by June 30, 2021, in addition to providing \$1.0 million in personnel expenses for the School Building Authority (SBA). In FY2018, RIHEBC was required to transfer \$6.0 million to the State Controller. In FY2019, RIHEBC supported \$737,735 in SBA personnel expenses, and in FY2020 RIHEBC is projected to provide \$775,492.

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
FY2020 Enacted	\$112,337,502
<i>Target and Other Adjustments</i>	-
Defined Benefit Plan	5,916,137
Defined Contribution Plan	121,763
FY2021 Governor	\$118,375,402

Defined Benefit Plan ***\$5.9 million***

The Budget provides total funding of \$114.2 million for the State's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$5.9 million from FY2020 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 ***\$121,763***

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 \$121,763 from FY2020 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 \$1.5 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2021 and \$1.2 million in FY2020. This provides an increase of \$800,000 in FY2021 and \$574,857 in FY2020 relative to the FY2020 Budget as Enacted, including:

- \$586,144 in FY2020 to complete the advanced manufacturing program at Davies Career and Technical School (Davies).
- \$500,000 in FY2021 for the architectural and engineering phase of the Davies Health Care Classroom Improvements to design replacement space for the Health Care classrooms and eliminate the detached modular classroom building where the program is currently housed. The remaining \$4.5 million is provide in FY2022 when construction is scheduled to occur.
- \$300,000 in FY2021 to replace and repair the HVAC system at Davies. Davies recently developed a facility master plan to guide ongoing repairs and upgrades. The assessment evaluated the educational space for academic and technical programs, future enrollment patterns, energy efficiencies, building condition, traffic studies, and Americans with Disabilities Act compliance and provided an extensive list of deferred maintenance and renovation projects. However, due to the dire need in other schools around the State and the need for a substantial investment to address the major repairs at Davies, the master plan is being advanced in smaller projects. Consequently, the funding in FY2021 is to address old HVAC units in classrooms that would not be addressed through a new facility, which is currently on hold.

Public Higher Education

Expenditures By Program	FY2019	FY2020	FY2020			FY2021		
	Actual	Enacted	Governor	Change from Enacted		Governor	Change from Enacted	
Office of Postsecondary Commissioner	\$36.1	\$42.7	\$40.8	(\$1.9)	-4.4%	\$41.6	(\$1.2)	-2.7%
University of Rhode Island	797.4	837.0	851.4	14.4	1.7%	857.2	20.1	2.4%
Rhode Island College	197.0	201.8	196.8	(5.0)	-2.5%	202.6	0.8	0.4%
Community College of R.I.	160.4	166.4	167.1	0.7	0.4%	171.3	4.9	2.9%
Total	\$1,191.0	\$1,247.9	\$1,256.1	\$8.2	0.7%	\$1,272.6	\$24.7	2.0%
Expenditures By Source								
General Revenue	\$233.6	\$243.7	\$246.8	\$3.2	1.3%	\$244.4	\$0.8	0.3%
Federal Funds	8.0	8.0	8.2	0.2	3.0%	8.3	0.3	3.2%
Restricted Receipts	2.5	3.8	3.7	(0.1)	-2.4%	3.2	(0.6)	-14.8%
Other Funds	946.9	992.5	997.3	4.8	0.5%	1,016.8	24.3	2.4%
Total	\$1,191.0	\$1,247.9	\$1,256.1	\$8.2	0.7%	\$1,272.6	\$24.7	2.0%
Third Party Funded FTE	788.8	788.8	523.8	(265.0)	-33.6%	523.8	(265.0)	-33.6%
Authorized FTE Levels	3,605.5	3,595.5	3,860.5	265.0	7.4%	3,861.5	266.0	7.4%
Total	4,394.3	4,384.3	4,384.3	-	-	4,385.3	1.0	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 FY2021 Budget includes total funding of \$1,272.6 million, representing an increase of \$24.7 million (2.0 percent) over the FY2020 Budget as Enacted, including a general revenue increase of \$753,236 (60.3 percent). The increase includes \$1.3 million in performance incentive funding to promote alignment between the State's priorities for higher education and institutional practice and policy, partially offset by a decrease of (\$868,666) for general obligation debt service. The performance incentive funding will be split among the three institutions, providing \$453,261 to URI, \$332,770 to RIC, and \$529,483 to CCRI.

Excluding general obligation bond debt services, the three institutions requested a total increase in state appropriation of \$13.2 million. The Governor recommends a total increase of \$1.3 million. The Budget includes tuition and mandatory fee increases at all three institutions.

Based on current projections, funding for the Dual/Concurrent Enrollment program and the RI Promise I Need-Based Scholarship program will begin to decline in FY2022. On December 6, 2017, the Council on Postsecondary Education voted to authorize the Commissioner to transfer the Federal Family Education Loan Portfolio to the United States Department of Education. The transfer was completed in FY2018; consequently, the Division of Higher Education Assistance (DHEA) no longer receives any guaranty agency fee revenues. Without the revenues, the reserves balance declines and will be exhausted in FY2022. Pursuant to RIGL 16-57-6.1(b) and 16-56-6, CollegeBound Fund fees must be used for need-based grant programs; thereby limiting the use of these funds. Additionally, 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.

Office of the Postsecondary Commissioner			
Projection of DHEA Revenues/Expenses for FY2020 through FY2022			
Revenues	FY2020 Enacted	FY2021 Projected	FY2022 Projected
Reserves	\$21,298,391	\$14,803,391	\$6,820,640
CollegeBound Fund Fees (from Treasurer)	5,800,000	5,200,000	4,600,000
Total	\$27,098,391	\$20,003,391	\$11,420,640
Expenditures			
Promise 1 Scholarship (CollegeBound Fees)	(5,595,000)	(5,595,000)	(5,595,000)
Promise 1 Scholarship (DHEA Reserves)	(4,000,000)	(4,000,000)	(4,000,000)
Dual/Concurrent Enrollment (DHEA Reserves)	(2,300,000)	(3,187,751)	(3,187,751)
Personnel Expenses (DHEA Reserves)	(400,000)	(400,000)	(400,000)
Total	(\$12,295,000)	(\$13,182,751)	(\$13,182,751)
Ending Balance	\$14,803,391	\$6,820,640	(\$1,762,111)

Source: Reserves and expenditure projections from the OPC and updated based on Governor's FY2021 Budget, and assume level spending in FY2022. CollegeBound Fee projections from the General Treasurer's Office.

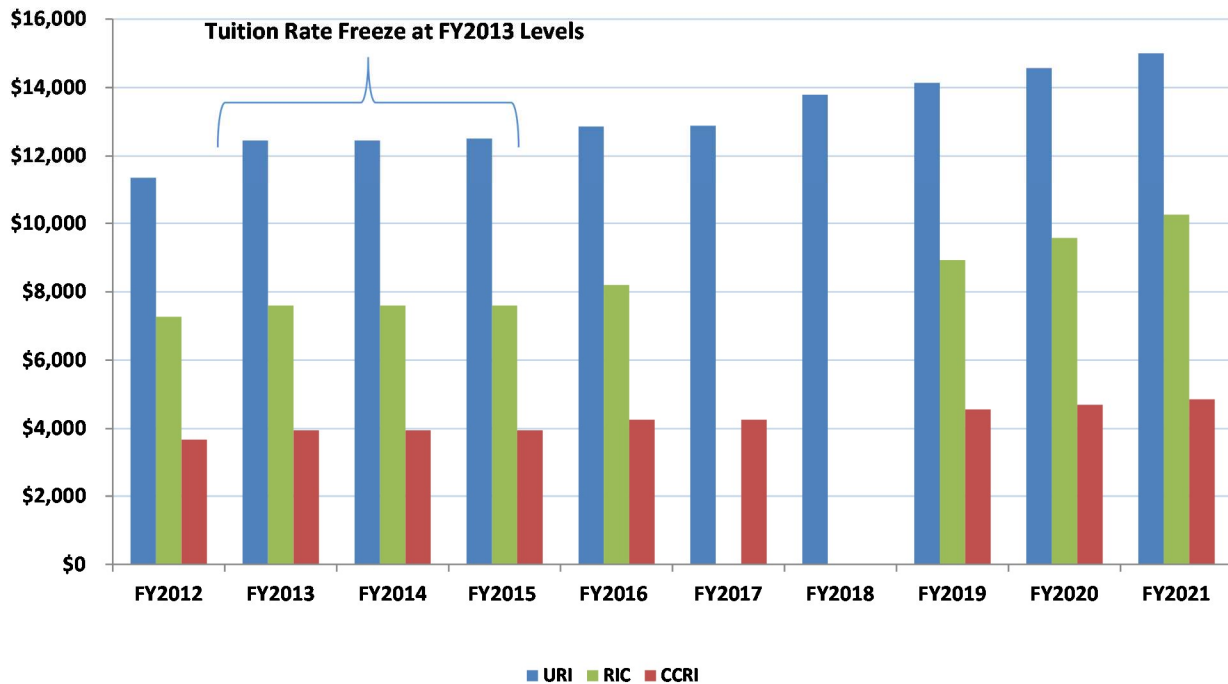
The average age of the participants is currently 16; and, as these participants enter college, they will withdraw assets. Furthermore, the new, younger participants are not joining in the numbers needed to offset withdrawals, and these new participants are generally making smaller contributions to their savings plans. Historically generating about \$6.0 million annually, the General Treasurer projects revenue to decline to \$5.8 million in FY2020, \$5.2 million in FY2021, and \$4.6 million in FY2022. These revenues are used to partially support the need-based Promise I grant program.

Article 5 provides for the submission to the voters in November 2020 a proposal for the issuance of up to \$117.3 million in general obligation bonds for higher education facilities, including the University of Rhode Island Fine Arts Center (\$57.3 million), Rhode Island Clarke Science Building Renovation (\$38.0 million), Community College of Rhode Island Renovation and Modernization (\$12.0 million), and a Center for Ocean innovation (\$10.0 million).

Tuition and Fees

Actual tuition and fee rates, by institution, along with a projection for FY2020 and FY2021, are shown in the following graph.

In-State Undergraduate Tuition & Fees



URI	FY2016	FY2017 ¹	FY2018	FY2019	FY2020	FY2021	Change from FY2020	
In-State Tuition	\$11,128	\$11,128	\$12,002	\$12,248	\$12,590	\$12,922	\$332	2.6%
Out-of-State Tuition	27,118	27,118	28,252	28,972	29,710	30,496	786	2.6%
Mandatory Fees	1,734	1,756	1,790	1,890	1,976	2,082	106	5.4%
Tuition & Fee Revenue	290,235,215	295,398,367	316,248,105	323,265,903	334,477,118	344,186,004	9,708,886	2.9%
RIC								
In-State Tuition	\$7,118	\$7,118	\$7,637	\$7,790	\$8,218	\$8,835	\$617	7.5%
Out-of-State Tuition	18,779	18,779	20,150	20,553	21,683	23,310	1,627	7.5%
Mandatory Fees	1,079	1,088	1,139	1,139	1,360	1,425	65	4.8%
Tuition & Fee Revenue	70,074,560	69,106,634	72,656,239	70,945,602	75,896,632	80,889,180	4,992,548	6.6%
CCRI								
In-State Tuition	\$3,950	\$3,950	\$4,148	\$4,148	\$4,284	\$4,414	\$130	3.0%
Out-of-State Tuition	11,180	11,180	11,740	11,740	12,128	12,492	364	3.0%
Mandatory Fees	316	316	416	416	416	446	30	7.2%
Tuition & Fee Revenue	52,071,850	49,709,600	53,493,373	53,997,972	56,350,302	58,359,421	2,009,119	3.6%

¹ The increase for URI includes \$2.8 million for on-line program revenue.

In FY2021, URI is projecting an increase in tuition and fee revenue of \$9.7 million, or 2.9 percent, based on an increase in in-state tuition of \$332, or 2.6 percent; out-of-state tuition of \$786, or 2.6 percent; and mandatory fees of \$106, or 5.4 percent. RIC is projecting an increase in tuition and fee revenue of \$5.0 million, or 6.6 percent, based on an increase in in-state tuition of \$617, or 7.5 percent; an increase in out-of-state tuition of \$1,627, or 7.5 percent; and, an increase in mandatory fees of \$65, or 4.8 percent. CCRI projects an increase in tuition and fee revenue of \$2.0 million, or 3.6 percent, based on an increase in in-state tuition of \$130, or 3.0 percent; an increase in out-of-state tuition of \$364, or 3.0 percent; and, an increase in mandatory fees of \$30, or 7.2 percent.

State Support for Public Education

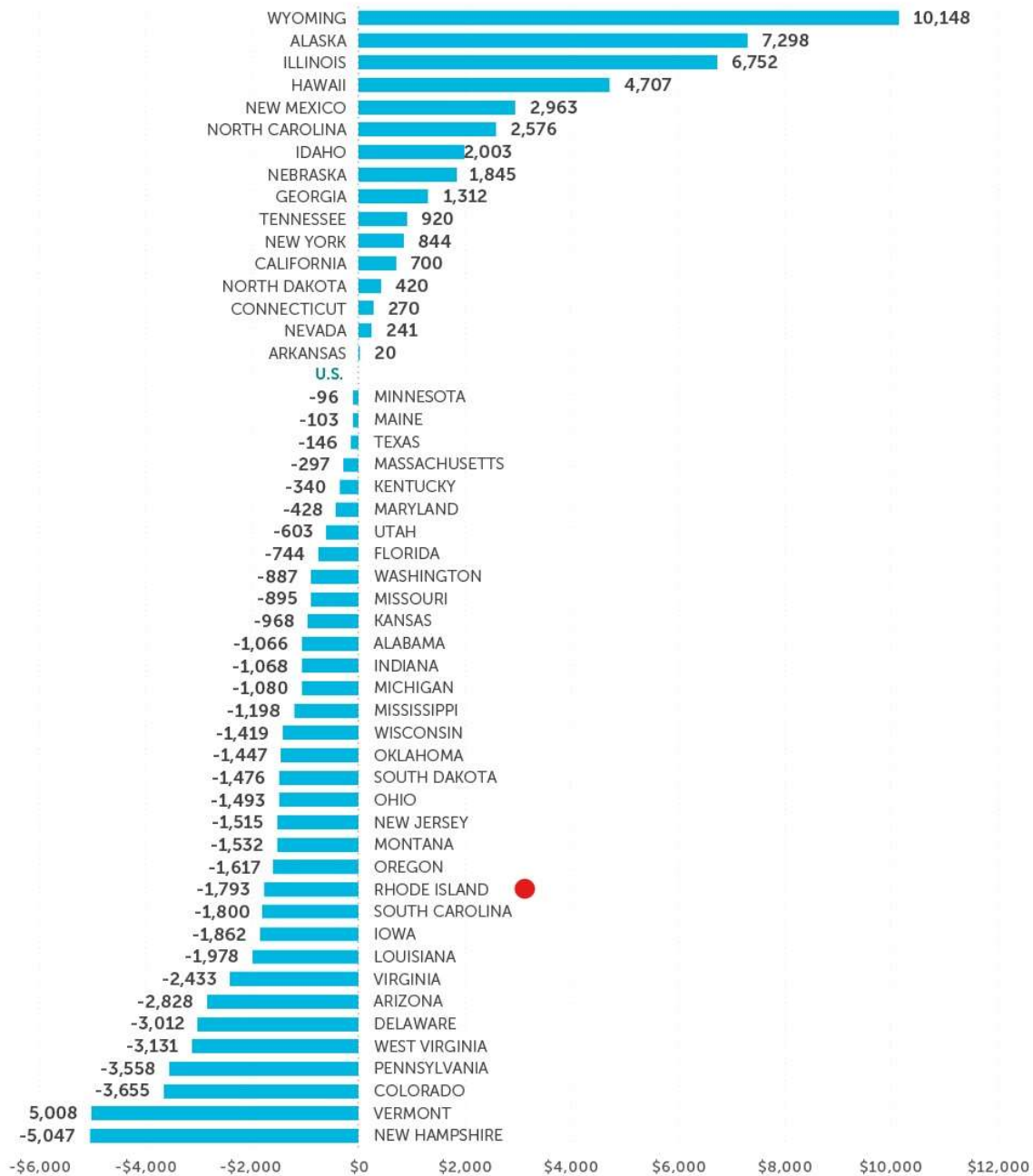
When looking at state support for public higher education, many policy makers tend to take a regional approach. For example, if looking at New England, Rhode Island is in the middle of the pack. In FY2018, the most recent data available, Connecticut appropriated \$3,384 more per student FTE than Rhode Island and Massachusetts appropriated \$2,488 more. Based on Rhode Island's FY2018 FTE enrollment of 30,316, the difference in per-student FTE between Rhode Island and Massachusetts is \$75.4 million.

However, on a national perspective in FY2018, the State of Wyoming appropriated \$11,941 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 \$1,793 less per student than the national average.

FY2018 State Educational Appropriations per FTE	
Connecticut	\$9,861
Massachusetts	8,965
Maine	7,866
Rhode Island	6,477
Vermont	3,193
New Hampshire	3,065
Regional Average	\$6,571

Source: State Higher Education Executive Officers (SHEEO)

FIGURE 8
EDUCATIONAL APPROPRIATIONS PER FTE (ADJUSTED) -
DIFFERENCE FROM U.S. AVERAGE, FY 2018



NOTES:

1. Educational appropriations are a measure of state and local support available for public higher education operating expenses including ARRA funds, and exclude appropriations for independent institutions, financial aid for students attending 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 COLI is not a measure of inflation over time.

SOURCE: State Higher Education Executive Officers Association

In FY2021, the three state institutions requested a \$13.2 million increase in the State general revenue

support, excluding general obligation debt service: the Governor recommends \$1.3 million.

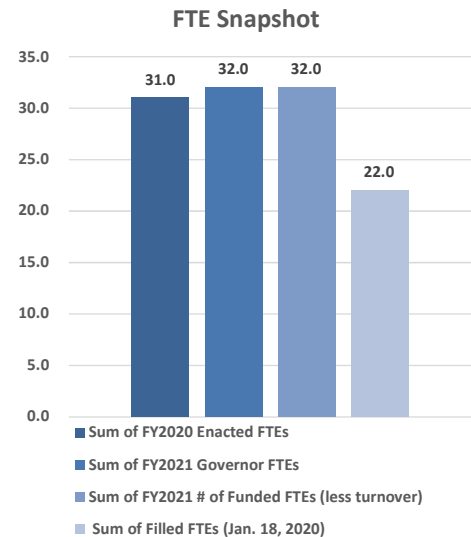
OFFICE OF THE POSTSECONDARY COMMISSIONER

Expenditures By Source	FY2018 Actual	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
General Revenue	\$13.9	\$15.9	\$16.5	\$16.5	(\$0.0)	0.0%	\$16.8	\$0.3	1.8%
Federal Funds	13.9	8.0	8.0	8.2	0.2	3.0%	8.3	0.3	3.2%
Restricted Receipts	2.0	1.9	3.1	3.0	(0.1)	-3.1%	2.6	(0.6)	-18.5%
Other Funds	10.1	10.3	15.1	13.0	(2.0)	-13.5%	13.9	(1.1)	-7.5%
Total	\$39.9	\$36.1	\$42.7	\$40.8	(\$1.9)	-4.4%	\$41.6	(\$1.2)	-2.7%

\$ 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 32.0 FTE positions for the OPC in FY2021, including 1.0 FTE that is third-party funded. This represents an increase of 1.0 FTE positions from the FY2020 Budget as Enacted. The increase is due to the addition of 1.0 FTE Facility Manager position for the Northern Education Center.



Office of Postsecondary Commissioner	General Revenue
FY2020 Enacted	\$16,509,011
<i>Target and Other Adjustments</i>	39,125
Rhode Island Promise Scholarship Program	257,439
FY2021 Governor	\$16,805,575

Office of Post Secondary Commissioner	Other Fund Changes
Dual/Concurrent Enrollment (other funds)	\$887,751
Capacity for Building STEM Careers (federal funds)	242,310
Higher Education and Industry Centers (1.0 FTE position) (restricted receipts)	141,844

Rhode Island Promise Scholarship Program \$257,439

The Budget includes an additional \$257,439 in general revenue (\$7.2 million total) to fund the fourth 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 fourth year of the program. While the fall 2018 cohort saw an enrollment increase of 47.5 percent over the fall of 2017, the fall of 2019 only saw an increase of 11.2 percent. The Budget assumes no enrollment growth for the fall of 2020 cohort.

The Budget assumes an average award of \$2,420. The average per-semester Promise award was \$2,391 in fall 2019, an increase of 4.0 percent from the fall of 2018. The growth from fall 2017 to 2018 was closer to 1.6 percent. The Budget assumes a fall-to-spring retention rate of 88.0 percent: the last three cohorts have averaged a fall-to-spring retention rate around 81.0 percent. The calculation further assumes a fall-to-fall retention rate of 43.0 percent, while the fall-to-fall retention rate for the Fall of 2017 and 2018 cohorts has averaged about 61.5 percent

Analyst Note: A detailed report on the first three years of the Promise RI program is expected to be released by April 3, 2020.

Dual/Concurrent Enrollment Program (other funds)

\$887,751

The Budget provides an additional \$887,751 (\$3.2 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.

Analyst Note: The database shows the dual/concurrent enrollment program as funded from the other funds; however, since statute restricts the use of the revenues to need-based grant programs, this program is effectively funded from the Division of Higher Education Assistance (DHEA) reserves, which are identified as federal funds in the database. As discussed in the Major Issues and Trends section of this analysis, the DHEA reserves are projected to be exhausted in FY2022.

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 \$5.8 million in FY2020, \$5.2 million in FY2021, and \$4.4 million in FY2022. These revenues are also used to partially support the need-based grant program.

Capacity for Building STEM Careers (federal funds)

\$242,310

The Westerly Education Center received a federal grant from the Office of Naval Research (\$750,000 total) to add capacity and equipment to support workforce training and education services in the STEM fields. The grant expires on October 31, 2021, and the positions currently supported by this funding will expire with the grant.

Higher Education and Industry Centers (1.0 FTE position) (restricted receipts)

\$141,844

The Budget includes an additional \$141,844 in restricted receipt funding for 1.0 new FTE Facilities Coordinator position at the Northern Rhode Island Higher Education and Industry Centers. The new Center is scheduled to open early in FY2021 and this position will be responsible for the management and operations of facilities at the Northern RI Education Center, including the oversight of programming. The

Northern Center request for proposals (RFP) for the lease of space was extended to April 10, 2020. The Higher Education Facilities are self-supporting through occupancy fees charged for the use of the facility.

UNIVERSITY OF RHODE ISLAND

Expenditures By Source	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
General Revenue	\$110.0	\$115.2	\$118.3	\$3.0	2.6%	\$115.7	\$0.5	0.4%
Other Funds	687.5	721.8	733.1	11.3	1.6%	741.5	19.7	2.7%
Total	\$797.4	\$837.0	\$851.4	\$14.4	1.7%	\$857.2	\$20.1	2.4%

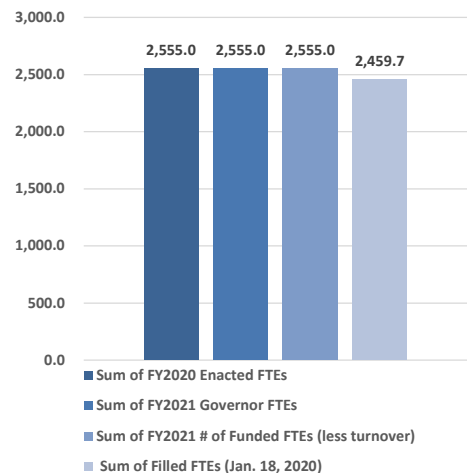
\$ in millions

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 FY2020 Budget as Enacted, including 357.8 positions that are third party funded.

FTE Snapshot

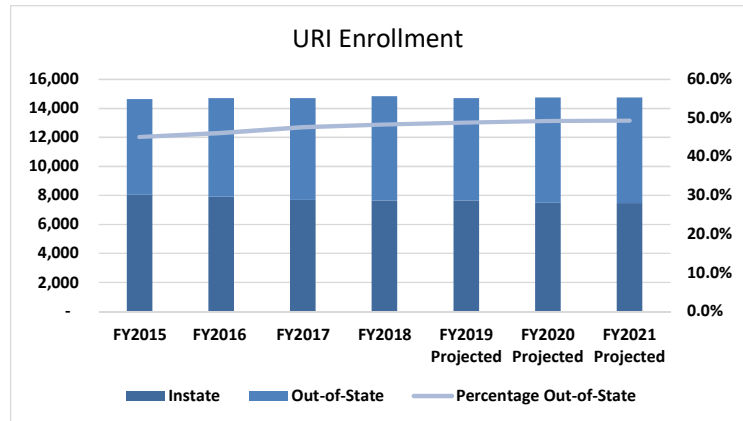


Major Issues and Trends

In addition to the 2.9 percent increase in tuition and fee revenue, URI requested a general revenue, state appropriation increase of \$5.8 million excluding general obligation debt service. Of the requested increase 83.0 percent is for contractual increases for salaries and benefits, utilities, and student aid. Strategic initiatives include graduate teaching assistant expansion (\$463,000), IT software and ongoing maintenance (\$135,000), eProcurement software licenses to enhance purchasing (\$144,000), a new learning management system (\$130,000), and a Sports Media Coordinator position (\$103,000). While approving the tuition and fee increase, the Governor recommends a general revenue increase of \$453,261 in performance incentive funding.

Enrollment

In-state enrollment is projected to be 7,471 full-time equivalent students in FY2021 a decrease of 18 students, or 0.2 percent; while out-of-state students are projected at 7,276 students, an increase of 18 students, or 0.2 percent



University of Rhode Island		General Revenue
FY2020 Enacted		\$115,225,106
Target and Other Adjustments		-
Performance Incentive Fund		453,261
General Obligation Debt Service		16,966
State Crime Lab		9,824
FY2021 Governor		\$115,705,157

Performance Incentive Fund

\$453,261

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 \$453,261 in performance incentive funding for URI in FY2021 (\$3.0 million total).

General Obligation Debt Service

\$16,966

The Budget includes \$30.6 million in general revenue for general obligation debt service at URI in FY2021 and \$33.6 million in FY2020. This is an increase of \$16,966 and \$3.0 million respectively from the FY2020 Budget as Enacted. The change is due primarily to the issuance of bonds for the College of Engineering projects at URI.

	FY2019 Actual	Debt Service		Change from Enacted		FY2021		
		FY2020 Enacted	FY2020 Governor			Governor	Change from Enacted	
University of Rhode Island	\$28,989,347	\$30,535,395	\$33,574,972	\$3,039,577	10.0%	\$30,552,361	\$16,966	0.1%
Rhode Island College	6,421,067	6,180,718	6,339,031	158,313	2.6%	5,706,171	(474,547)	-7.7%
Community College of Rhode Island	1,904,030	1,898,030	1,898,030	-	-	1,486,945	(411,085)	-21.7%
Total	\$37,314,444	\$38,614,143	\$41,812,033	\$3,197,890	8.3%	\$37,745,477	(\$868,666)	-2.2%

Source: Rhode Island Budget Office

State Crime Lab

\$9,842

The Budget provides an additional \$9,842 in general revenue (\$1.3 million total) for the State Crime Lab, \$15,135 less than requested.

RHODE ISLAND COLLEGE (RIC)

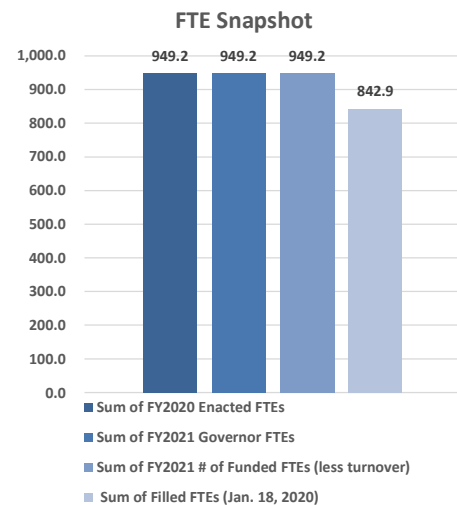
Expenditures By Source	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
General Revenue	\$55.3	\$58.0	\$58.2	\$0.2	0.3%	\$57.9	(\$0.1)	-0.2%
Other Funds	141.8	143.8	138.6	(5.2)	-3.6%	144.8	1.0	0.7%
Total	\$197.0	\$201.8	\$196.8	(\$5.0)	-2.5%	\$202.6	\$0.8	0.4%

\$ 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.

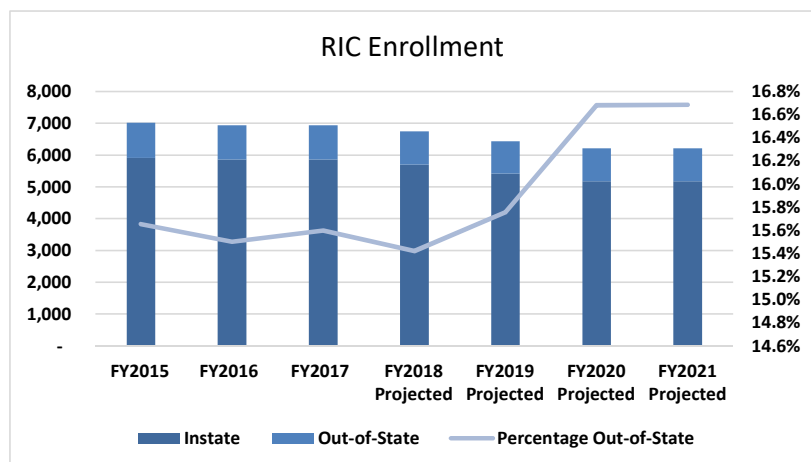
The Budget includes 949.2 FTE positions in FY2021, including 76.0 third-party funded, consistent with the FY2019 Budget as Enacted.

**Major Issues and Trends**

In addition to a tuition and fee revenue increase of \$5.0 million, or 6.6 percent, RIC requested an increase in the state general revenue appropriation of \$5.0 million, excluding G.O. debt service. Of the requested increase, 69.7 percent is for fixed costs and commitments such as contracted salary adjustments, IT infrastructure and contracts, and increased institutional financial aid to offset the tuition increase. New investments included repurposing 12.0 vacancies (\$1.2 million); upgrading enrollment management for student recruitment (\$300,000); branding and other marketing tools (\$271,100); and, police training and IT infrastructure (\$405,000). The Governor provides a \$332,770 increase in performance incentive funding.

Enrollment

Total enrollment is projected to be 6,209 full-time equivalent students in FY2021, a decrease of 8 students, relative to FY2020.



Rhode Island College	General Revenue
FY2020 Enacted	\$58,020,333
<i>Target and Other Adjustments</i>	-
General Obligation Debt Service	(474,547)
Performance Incentive Fund	332,770
FY2021 Governor	\$57,878,556

General Obligation Debt Service **(\$474,547)**

The Budget provides \$5.7 million in FY2021 for general obligation debt service at RIC funded by general revenue, and \$6.3 million in FY2020. This is a decrease of \$474,547 in FY2021 and an increase of \$158,313 in FY2020 relative to the FY2020 Budget as Enacted.

	Debt Service							
	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
University of Rhode Island	\$28,989,347	\$30,535,395	\$33,574,972	\$3,039,577	10.0%	\$30,552,361	\$16,966	0.1%
Rhode Island College	6,421,067	6,180,718	6,339,031	158,313	2.6%	5,706,171	(474,547)	-7.7%
Community College of Rhode Island	1,904,030	1,898,030	1,898,030	-	-	1,486,945	(411,085)	-21.7%
Total	\$37,314,444	\$38,614,143	\$41,812,033	\$3,197,890	8.3%	\$37,745,477	(\$868,666)	-2.2%

Source: Rhode Island Budget Office

Performance Incentive Fund **\$332,770**

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 \$332,770 in performance incentive funding for RIC in FY2021, for a total of \$2.6 million.

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

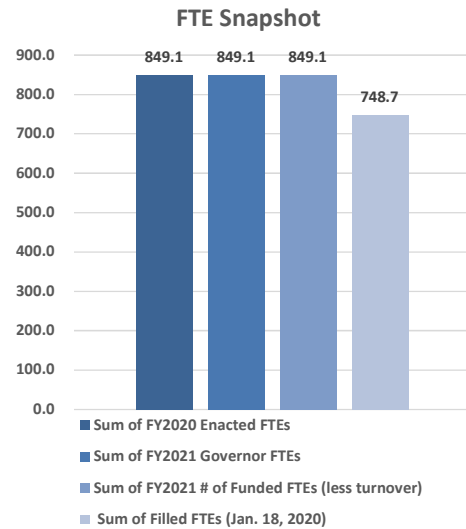
Expenditures By Source	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
General Revenue	\$52.4	\$53.9	\$53.9	\$0.0	0.0%	\$54.0	\$0.1	0.2%
Restricted Receipts	0.6	0.6	0.6	0.0	1.4%	0.7	0.0	3.5%
Other Funds	107.4	111.8	112.6	0.7	0.6%	116.6	4.7	4.2%
Total	\$160.4	\$166.4	\$167.1	\$0.7	0.4%	\$171.3	\$4.9	2.9%

\$ 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.

The Budget includes 849.1 FTE positions in FY2021 and FY2020, 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 \$2.0 million, 3.6 percent, CCRI requested an increased state appropriation of \$2.4 million. The Governor recommends increasing performance incentive funding by \$529,483. Of the request, \$1.1 million is to maintain current services such as cost-of-living adjustments and benefits. The remaining portion for new initiatives includes 5.0 student development counselors (\$450,000), cyber security (\$650,000), strategic marketing for student retention (\$100,000), and faculty professional development (\$100,000).

Enrollment

The table shows the actual student enrollment, both by headcount and by FTE, from 2012 through 2019, and a projection for 2020 and 2021. In FY2021, enrollment is projected to increase by 236.0 full-time equivalent students, or 2.7 percent, relative to FY2019. This projection includes the enrollment growth expected due to Rhode Island Promise.

CCRI Student Enrollment				
		Headcount		FTE %
Year	Headcount	% Change	FTE	Change
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	14,155	-3.2%	8,732	1.6%
FY2019 Pre-Audit	13,878	-2.0%	8,899	1.9%
FY2020 Projected	14,206	2.4%	9,135	2.7%
FY2021 Projected	14,206	0.0%	9,135	0.0%
10-Year Average	15,531	-1.9%	9,467	-1.4%

Community College of Rhode Island

	General Revenue
FY2020 Enacted	\$53,896,408

Target and Other Adjustments

Performance Incentive Fund	529,483
General Obligation Debt Service	(411,085)
FY2021 Governor	\$54,014,806

Performance Incentive Fund

\$529,483

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 \$529,483 in performance incentive funding for CCRI in FY2021, for a total of \$3.0 million. Included in this increase is \$268,995 to support three additional student advisors at CCRI.

General Obligation Debt Service

(\$411,085)

The Budget provides \$1.5 million in FY2021 and \$1.9 million in FY2020 for general obligation debt service at CCRI funded by general revenue. This is a decrease of \$411,085 and level funded respectively from the FY2020 Budget as Enacted.

	FY2019 Actual	Debt Service		Change from Enacted		FY2021		Change from Enacted
		FY2020 Enacted	FY2020 Governor			Governor		
University of Rhode Island	\$28,989,347	\$30,535,395	\$33,574,972	\$3,039,577	10.0%	\$30,552,361	\$16,966	0.1%
Rhode Island College	6,421,067	6,180,718	6,339,031	158,313	2.6%	5,706,171	(474,547)	-7.7%
Community College of Rhode Island	1,904,030	1,898,030	1,898,030	-	-	1,486,945	(411,085)	-21.7%
Total	\$37,314,444	\$38,614,143	\$41,812,033	\$3,197,890	8.3%	\$37,745,477	(\$868,666)	-2.2%

Source: Rhode Island Budget Office

CAPITAL PROJECTS

The Budget includes a total of \$29.0 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2021 and \$46.1 million in FY2020, 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 FY2021, there is a total of \$15.2 million including \$8.5 million in RICAP asset protection funding for URI, \$4.2 million for RIC, and \$2.5 million for CCRI. In FY2020, the Budget includes a total of \$16.4 million in asset protection funding for URI (\$8.3 million), RIC (\$5.4 million), and CCRI (\$2.6 million).

OPC – Northern RI Education Center – The Budget provides \$4.0 million, split between FY2021 and FY2020, to expand the RI Education Center model to Northern RI. The new Center is scheduled to open early in FY2021 in Woonsocket.

RIC Infrastructure Modernization: The Budget provides \$3.5 million in RICAP funding in FY2021 and \$4.0 million in FY2020 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 \$43.0 million through FY2025.

RIC- Academic Buildings I – Craig Lee, Gaige, Adams Library: The Budget provides \$1.6 million in FY2020 to complete this project. A total of \$13.7 million in RICAP funding was provided 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. An additional \$50.0 million in general obligation bond proceeds was approved by voters in 2012 to add an addition to the Fogarty Life Sciences Building, and renovate Gaige Hall and Craig Lee Hall.

CCRI Knight Campus Renewal: The Budget includes \$3.5 million in RICAP funding in FY2021 and \$5.2 million in FY2020 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.

CCRI Flanagan Campus Renewal: The Budget provides \$2.0 million in FY2021 to begin the renewal of the Flanagan Campus in Lincoln. Funding for this \$13.7 million project includes \$12.5 million in RICAP funds, \$901,994 in College funds, and \$300,000 in private funding. The project includes the modernization and code compliance upgrades to all of the science labs at the Lincoln campus, as well as the refurbishment of the exterior including heat resistance paint, window replacement, and light abatement.

URI Fine Arts Center: The Budget provides \$11.2 million in RICAP funding in FY2020 for the renovation of the Fine Arts Center. Article 5 also provides for a \$57.3 million general obligation bond referendum to support this project. The total project cost of \$77.2 million also includes a total of \$14.9 million in RICAP funds and \$5.0 million in private funding.

University of Rhode Island - Biological Resources Lab: The Budget provides \$4.4 million in RICAP funding for this project in FY2020 to complete this project. 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	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$3,021,503	\$3,438,248	\$3,376,559	(\$61,689)	-1.8%	\$3,503,487	\$65,239	1.9%
Total	\$3,021,503	\$3,438,248.0	\$3,376,559	(\$61,689)	-1.8%	\$3,503,487	\$65,239	1.9%

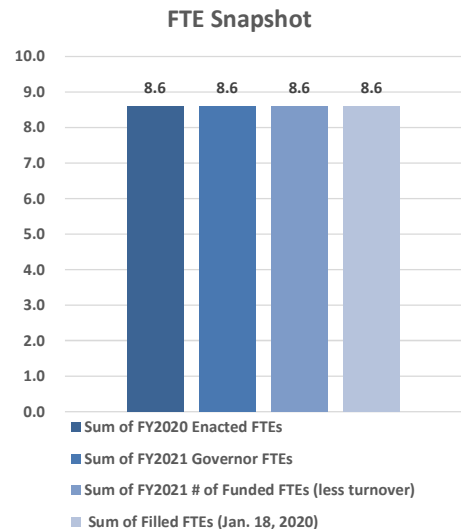
Expenditures By Source								
General Revenue	\$1,977,428	\$2,004,748	\$1,993,137	(\$11,611)	-0.6%	\$2,056,961	\$52,213	2.6%
Federal Funds	690,648	762,500	743,422	(19,078)	-2.5%	828,776	66,276	8.7%
Restricted Receipts	5,776	45,000	45,000	-	-	15,000	(30,000)	-66.7%
Other Funds	347,651	626,000	595,000	(31,000)	-5.0%	602,750	(23,250)	-3.7%
Total	\$3,021,503	\$3,438,248	\$3,376,559	(\$61,689)	-1.8%	\$3,503,487	\$65,239	1.9%

Authorized FTE Levels	8.6	8.6	8.6	-	-	8.6	-	-
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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 FY2021 is due primarily to the implementation of a Workforce Development in the Arts program. This initiative is discussed in more detail below. Federal funds increase due to increased support from the annual partnership agreement with the National Endowment for the Arts. The other funds decrease in FY2021 is for the Percent for Arts program. The decrease in restricted receipts is due to the completion of the Arts and Health Network project, a partnership between RISCA and the Department of Health to further the integration of arts and health into the State's policy, practice, and research agendas. The funding was part of a \$50,000 grant from ArtPlace American, LLC, providing \$10,000 in FY2019 and \$40,000 in FY2020. ArtPlace America is a collaboration of foundations, federal agencies, and financial institutions working



to position arts and culture as a core sector of community planning and development.

The Budget authorizes 8.6 FTE positions in FY2021 and FY2020 for the program, consistent with the enacted budget.

RI State Council on the Arts	General Revenue
FY2020 Enacted	\$2,004,748
<i>Target and Other Adjustments</i>	<i>12,213</i>
Workforce Development in the Arts	40,000
Percent for the Arts	Informational
Cultural Arts and the Economy	Informational
FY2021 Governor	\$2,056,961
RI State Council on the Arts	Other Fund Changes
Communications Consultant (federal funds)	\$25,000

Workforce Development in the Arts ***\$40,000***

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. In FY2020, RISCA spent \$30,000 in federal funds from the federal partnership agreement with the Nation Endowment for the Arts to contribute toward a workforce development pilot program for young adults ages 18 to 25. The program enrolled 9 young adults for a four month period at a cost of \$3,636 per participant. For FY2021, RISCA would like to expand the program to 11 participants at a cost of \$3,636. Of the total, \$1,500 would provide a stipend to the participant, the remaining funds will be used for art-based education, such as Autocad and other digital design programs, membership and classes at AS220 Industries, and an apprenticeship at an art-based business or organization. Through the apprenticeship, the participant will worked on fabrication and small design projects culminating in a final project. In FY2021, the Budget provides \$40,000 in general revenue to support this workforce development in the arts program.

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
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
RIC Fogerty	Providence	45,000
Total		\$4,986,376

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
<i>\$ in millions</i>			

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 in October 2017 and distributed in 2018.

With a small balance of funds remaining, a final round of applications were accepted in the fall of 2019. This round was promoted for projects that remove barriers to the attendance and participation of people with disabilities, such as projects that ensure greater wheelchair access to cultural facilities, as well as the acquisition of equipment for captioning, audio description and assistive listening. Projects where applicants can demonstrate that the funded project will have a positive impact on employment and the local economy once the capital improvement, restoration or renovation is completed. The following table shows the grants awarded.

Organization	Town	Grant Awards			
		Award Amount			
		FY2016	FY2017	FY2018	FY2020
Barrington Public Library	Barrington	\$10,000	\$0	\$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	-
Downcity Design	Providence	-	-	-	25,000
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	-	-	25,000
Preserve RI	Providence	56,000	-	100,000	-
Providence Performing Arts Center	Providence	50,000	-	-	-
Providence Preservation Society	Providence	-	-	-	25,000
Providence Public Library	Providence	-	200,000	-	2,245
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	25,000
The Wilbury Theatre Group	Providence	25,000	-	75,000	25,000
Waterfire Providence	Providence	-	-	200,000	-
The Contemporary Theater Company	South Kingstown	25,000	-	75,000	-
South County Art Association	South Kingstown	-	-	5,279	-
Tiverton Library Foundation	Tiverton	-	-	-	3,500
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	\$130,745

Source: Rhode Island State Council on the Arts

Communications Consultant (federal funds)

\$25,000

The Budget provides \$25,000 in federal funds to engage a marketing consultant. Through the recent strategic planning process, RISCA identifies the need to build awareness for the arts in the state. The marketing consultant will help set strategy for the agency, develop key messages for communication to strategic audiences, oversee the development of relevant print/design materials, and ensure that RISCA's social media and communications work is responsive to the needs of artists, and arts and culture organizations. The federal funds are from the annual partnership agreement grant with the National Endowment for the Arts.

Rhode Island Atomic Energy Commission

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Atomic Energy Commission	\$1,350,027	\$1,495,094	\$1,423,754	(\$71,340)	-4.8%	\$1,520,779	\$25,685	1.7%
Expenditures By Source								
General Revenue	\$1,018,455	\$1,059,094	\$1,055,815	(\$3,279)	-0.3%	\$1,064,567	\$5,473	0.5%
Federal Funds	-	-	-	-	-	7,936	7,936	-
Restricted Receipts	10,075	99,000	25,036	(73,964)	-	99,000	-	-
Other Funds	321,497	337,000	342,903	5,903	1.8%	349,276	\$12,276	3.6%
Total	\$1,350,027	\$1,495,094	\$1,423,754	(\$71,340)	-4.8%	\$1,520,779	\$25,685	1.7%
Authorized FTE Levels	8.6	8.6	8.6	8.6	-	8.6	-	-

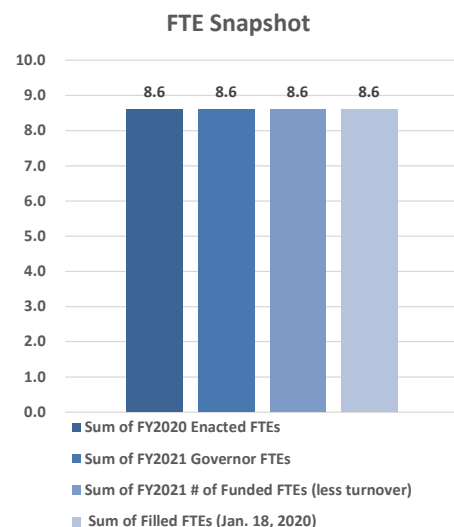
The Rhode Island Atomic Energy Commission (Commission) operates and maintains the Rhode Island Nuclear Science Center (RINSC), which is used for medical, biological, environmental, and materials research, education and commercial activities. The Commission also provides assistance to other state agencies 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 funds increase in FY2021 is due primarily to salaries and benefits increases associated with the FTE positions funded through URI, as one of these employees changed from a single to family medical plan. 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. In FY2020, projected revenues are lower than the enacted level as a primary commercial user is taking longer than anticipated to shift business to RINSC, resulting a decrease of \$73,964 in restricted receipts.

The Budget authorizes 8.6 FTE positions in FY2020 and FY2021 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
FY2020 Enacted	\$1,059,094
<i>Target and Other Adjustments</i>	<i>5,473</i>
FY2021 Governor	\$1,064,567

CAPITAL PROJECTS

The Budget includes \$50,000 in Rhode Island Capital Plan (RICAP) funded asset protection projects for FY2021 and FY2020. In FY2021, the projects includes refurbishing the electronics shop, installing a generator for the security system, and installing high efficiency LED lighting in the heat exchanger room. In FY2020, the Commission is rerouting the HVAC system duct for better performance, completing the emergency power system, and landscaping around the facility grounds.

Rhode Island Historical Preservation and Heritage Commission

	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Expenditures By Program								
Historical Preservation and Heritage Commission	\$2.1	\$2.6	\$2.6	\$0.0	0.0%	\$2.7	\$0.1	5.2%
Total	\$2.1	\$2.6	\$2.6	\$0.0	0.0%	\$2.7	\$0.1	5.2%
Expenditures By Source								
General Revenue	\$1.2	\$1.5	\$1.5	(\$0.0)	-1.6%	\$1.6	\$0.1	7.4%
Federal Funds	0.7	0.6	0.6	-	1.7%	0.6	-	1.2%
Restricted Receipts	0.0	0.4	0.4	-	0.2%	0.4	-	0.2%
Other Funds	0.1	0.1	0.1	-	10.7%	0.1	-	14.0%
Total	\$2.1	\$2.6	\$2.6	\$0.0	0.0%	\$2.7	\$0.1	5.2%
Authorized FTE Levels	15.6	15.6	15.6	-	0.0%	15.6	-	0.0%

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

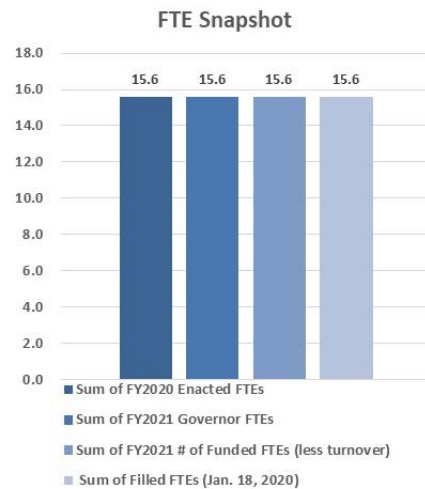
The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission identifies and protects historic and prehistoric sites, buildings, 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 Governor's FY2021 Budget includes \$1.6 million in general revenue (\$2.7 million all funds), representing a general revenue increase of \$109,736 (\$134,899 all funds) relative to the FY2020 Budget as Enacted.

The increase in general revenue is primarily associated with 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 FY2021, consistent with the FY2020 Budget as Enacted.



Historical Preservation & Heritage Commission

General Revenue	
FY2020 Enacted	\$1,488,293
<i>Targets and Other Adjustments</i>	<i>(16,214)</i>
Centralized Service Charges	125,950
FY2021 Governor	\$1,598,029

Historical Preservation & Heritage Commission

Other Funds	
RIDOT Project Review (other funds)	\$18,054
State Preservation Grant (G.O. Bond Proceeds)	Informational

Centralized Service Charges**\$125,950**

The Budget increases general revenue expenditures by \$125,950 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.

Centralized Service Charges	FY2019 Actuals	FY2020 Enacted	FY2021 Governor	Change from Enacted	
Information Technology	\$0	\$42,107	\$79,098	\$36,991	87.9%
Capital Asset and Management	108,038	112,735	201,694	88,959	78.9%
Human Resources	-	-	-	-	-
Total	\$108,038	\$154,842	\$280,792	\$125,950	81.3%

RIDOT Project Review (other funds)**\$18,054**

The Budget includes an additional \$18,054 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 June 2015. The MOA was effective 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.

Analyst Note: The Commission has reached out to the Department of Transportation to decide how to proceed with the MOA. As of April 2020, the Department of Transportation was drafting an updated MOA to allow for continued work.

State Preservation Grant (G.O. Bond Proceeds)**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 next round of awardees have been selected, totaling \$1.8 million in FY2020 and FY2021, to support 26 projects across the State. The Commission anticipates that the funds awarded in FY2021 will exhaust the program. Any small amount of funds left over, from projects finishing under budget, will be awarded as part of a future grant when the program is funded again.

State Preservation Grant Awards FY2018, FY2019, FY2020, and FY2021

Recipient	Town	FY2018/FY2019	FY2020	FY2020	FY2021
		Amount Disbursed	Spent	to be Spent	to be Spent
Bristol Historical and Preservation Society	Bristol	\$48,506	\$0	\$34,921	\$0
Coggeshall Farm Museum	Bristol	21,189	-	8,812	-
Friends of Linden Place	Bristol	57,765	50,834	21,801	-
Herreshoff Marine Museum	Bristol	77,849	-	72,151	-
Town of Bristol	Bristol	-	150,000	-	-
City of Central Falls	Central Falls	150,000	-	-	-
Town of Coventry	Coventry	26,404	-	-	-
Town of Cumberland	Cumberland	149,041	-	-	-
Town of East Greenwich	East Greenwich	50,000	100,000	-	-
Varnum Continentals, Inc.	East Greenwich	43,450	23,609	-	-
City of East Providence	East Providence	69,652	-	-	-
Friends of Pomham Rocks	East Providence	150,000	-	-	-
Borders Farm Preservation, Inc.	Foster	10,000	17,590	2,410	-
Foster Preservation Society	Foster	29,703	-	-	-
Beavertail Lighthouse Museum Association	Jamestown	42,250	-	-	-
Historic New England	Johnston	31,240	-	-	-
Block Island SE Lighthouse Foundation	New Shoreham	101,000	49,000	-	-
City of Newport	Newport	-	150,000	-	-
Fort Adams Trust	Newport	-	95,929	54,071	-
International Tennis Hall of Fame	Newport	13,731	65,774	-	-
La Farge Restoration Fund	Newport	150,000	-	-	-
LaFarge Restoration Foundation	Newport	150,000	-	-	-
Newport Art Museum	Newport	135,197	14,804	-	-
Newport Restoration Foundation	Newport	16,596	-	-	-
Pres. Soc. of Newport County	Newport	150,000	-	-	-
Preservation Society of Newport County	Newport	-	150,000	-	150,000
RI Dept. of Environmental Mgmt.	Newport	-	-	150,000	-
The Company of the Redwood Library and Athenaeum	Newport	-	25,000	14,783	-
Trinity Episcopal Church	Newport	29,508	-	-	-
Cocummcussoc Association	North Kingstown	47,447	-	-	-
Town of North Kingstown	North Kingstown	-	-	43,175	-
Town of North Providence	North Providence	-	-	65,525	-
North Smithfield Heritage Association	North Smithfield	-	15,022	73,198	-
City of Pawtucket	Pawtucket	106,238	-	-	-
Old Slater Mill Assoc.	Pawtucket	44,500	-	-	-
Portsmouth Historical Society	Portsmouth	30,000	-	-	-
City of Providence	Providence	135,313	-	-	-
Congdon Street Baptist Church	Providence	-	36,781	113,219	-
Friends of the Music Mansion, Inc.	Providence	-	95,287	54,713	-
Preserve Rhode Island	Providence	150,000	-	-	-
Providence Athenaeum	Providence	16,843	-	-	-
Providence Performing Arts Center	Providence	-	-	150,000	-
Providence Public Library	Providence	150,000	-	-	-
The Providence Athenaeum	Providence	130,963	-	1,000	-
Trinity Restoration Inc	Providence	-	-	-	150,000
Smithfield Preservation Society	Smithfield	19,476	-	-	-
Smithfield Preservation Society	Smithfield	8,000	-	-	-
Town of Smithfield	Smithfield	31,950	-	-	-
Historic New England	South Kingstown	-	27,180	11,980	-
South County Art Association	South Kingstown	29,634	-	-	-
South County Art Association	South Kingstown	28,333	-	-	-
Memorial and Library Association of Westerly	Westerly	15,488	-	-	-
Orlando Smith Trust	Westerly	10,575	-	-	-
Westerly Armory Restoration, Inc	Westerly	24,750	-	-	-
American French Genealogical Society	Woonsocket	150,000	-	-	-
City of Woonsocket	Woonsocket	30,000	-	-	-
City of Woonsocket	Woonsocket	-	44,249	-	-
Total		\$2,281,837	\$810,225	\$734,073	\$300,000

Department of the Attorney General

Expenditures by Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
General Division	\$3.5	\$3.5	\$3.5	\$0.0	0.0%	\$3.6	\$0.1	3.0%
Criminal Division	31.3	21.6	25.2	3.6	16.7%	21.6	(0.0)	-0.1%
Civil Division	3.6	1.8	1.9	0.1	6.2%	1.9	0.1	7.9%
Bureau of Criminal Identification	5.7	6.4	6.2	(0.2)	-2.9%	7.2	0.8	11.8%
Total	\$44.0	\$33.3	\$36.8	\$3.5	10.6%	\$34.3	\$1.0	2.9%

Expenditures by Source

General Revenue	\$25.6	\$28.7	\$28.6	(\$0.0)	-0.1%	\$30.1	\$1.4	4.8%
Federal Funds	12.9	3.6	7.0	3.5	97.2%	2.9	(0.6)	-18.0%
Restricted Receipts	5.4	0.9	1.0	0.1	13.3%	1.1	0.2	26.0%
Other Funds	0.2	0.2	0.2	0.0	0.0%	0.2	0.0	0.0%
Total	\$44.0	\$33.3	\$36.8	\$3.5	10.6%	\$34.3	\$1.0	2.9%

Authorized FTE Levels 237.1 239.1 239.1 - - 247.1 8.0 3.3%

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

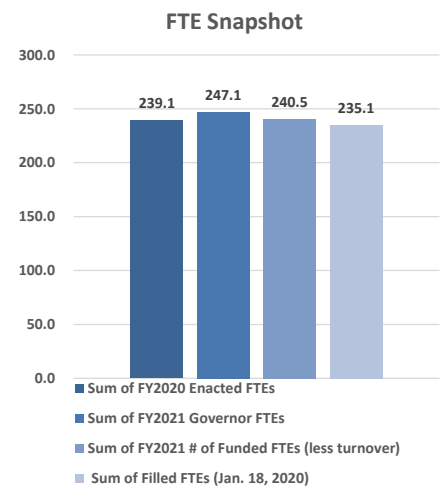
The Department of the Attorney General is the central legal agency of the State. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor, appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, 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 \$34.3 million in total funding for the Department, an increase of \$1.0 million from the FY2020 Budget as Enacted. General revenues increased by \$1.4 million, or 4.8 percent, from the FY2020 Budget as Enacted, to \$30.1 million. General revenue increases are primarily due to increased personnel costs related to step increases through the Department, as well as the addition of 8.0 FTE positions. The Budget also includes an additional \$222,873 for the Department wide replacement of desktop and laptop computers.

The decrease in federal funds is due to the depletion of federal Google forfeiture funds in FY2021. Google forfeiture funds were used to construct the new Bureau of Criminal Identification customer service center, located in the Pastore Complex, which was completed in the summer of 2018.

The Budget includes 247.1 FTE positions in FY2021, an increase of 8.0 FTE positions over the FY2020 Enacted level. New positions include 2.0 new Staff Attorneys and 1.0 Paralegal within the Special Victims Unit, 2.0 Staff Attorneys and 2.0 Paralegals within the Civil Division, and 1.0 Staff Attorney within the Criminal Division.



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
FY2020 Enacted	\$3,340,563
<i>Targets and Other Adjustments</i>	<i>4,269</i>
Personnel	41,183
Operating Supplies and Expenses	35,934
Desktop Computer Replacement	24,360
FY2021 Governor	\$3,446,309

Personnel **\$41,183**

The Budget provides an additional \$41,183 in general revenue for personnel costs, including an additional \$347,133 for salary and benefit costs offset by \$305,950 in turnover savings. The Department's Budget request included turnover savings of \$27,217.

Analyst Note: The FY2020 Budget as Enacted includes turnover savings of \$156,213, or 5.0 percent of total salary and benefits. The Department's FY2021 Constrained Budget included turnover savings of \$27,217 or 0.71 percent of total salary and benefits. The Governor's FY2021 Budget includes turnover savings of \$462,136 or 14.7 percent of total salary and benefits. As of February 29, 2020, the Department had 236.1 of 239.1 FTE positions filled.

The Office of Management and Budget noted that turnover is projected to be between 2.0 to 5.0 percent across most Departmental Budgets. The Department of the Attorney General acknowledged this assumption but notes that the level of turnover included in the Governor's FY2021 Budget is higher than what is normally experienced.

Operating Supplies and Expenses **\$35,934**

The Budget provides an additional \$35,934 for operating supplies and expenses. The majority of these increases bring the budget in line with FY2019 Actual expenditures, including \$8,883 for office supplies and equipment, \$7,727 for electricity, \$3,850 for outside printing services, \$2,195 for sewer use, and \$1,139 for water.

The Budget also includes an additional \$12,140 for computer software, equipment, and repairs. The Department has IT packages that will be coming up for renewal in FY2021 and anticipates that the cost of computer/ IT supplies and repairs will increase.

Desktop Computer Replacement **\$24,360**

The Budget includes \$24,360 to replace all laptop and desktop computers within the General Division. This is a Department-wide initiative to replace all computers and laptops. The Department's current operating system uses Windows 7, which is no longer supported by Microsoft as of January 2020. The Department has obtained an extended security package that will allow continued operation on the current computers until FY2021 begins.

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
FY2020 Enacted	\$17,969,266
<i>Targets and Other Adjustments</i>	<i>(35,759)</i>
Operating Expenses	186,121
Desktop Computer Replacement	137,554
Protection of State Witnesses	19,245
Expert Witness Funding - Medical Professionals	18,576
Personnel	3,750
FY2021 Governor	\$18,295,003

Criminal Division	Other Fund Changes
RI VOICE (federal funds)	\$324,000

Operating Expenses ***\$186,121***

The Budget includes an additional \$186,121 in operating expenses for computer supplies and software (\$129,955), computer maintenance and repairs (\$37,851), and software maintenance agreements (\$18,315). The FY2020 Budget as Enacted decreased funding for computer supplies and software and computer maintenance and repairs, the additional funding brings the Governor's FY2021 Budget in line with FY2019 actuals. The additional funds for software maintenance and agreements are related to newly negotiated IT contracts within the Department.

Desktop Computer Replacement ***\$137,554***

The Budget includes \$137,554 to replace all laptop and desktop computers within the Criminal Division. This is a Department-wide initiative to replace all computers and laptops. The Department's current operating system uses Windows 7, which is no longer supported by Microsoft as of January 2020. The Department has obtained an extended security package that will allow continued operation on the current computers until FY2021 begins.

Protection of State Witnesses ***\$19,245***

The Budget includes \$96,139 for the protection of state witnesses, an increase of \$19,245 above the FY2020 Enacted level. This increase brings the Budget back in line with FY2019 Actual expenditures. State witnesses include victims of crimes, material witnesses, or any person who is able to provide relevant testimony or information. The witnesses are required to be protected from wrongful actions against them or their family.

The amount of funding needed for the protection of state witnesses can vary each year, but the Department notes that the cost of food, lodging, transportation and other miscellaneous expenses continues to increase.

Expert Witness Funding – Medical Professionals ***\$18,576***

The Budget includes an additional \$18,576 for expert witness testimony funding, specifically for medical professionals. The Budget includes a total of \$64,000 for medical professional expert witness testimony. The Department uses expert witnesses in case testimonies. These costs can be unpredictable and difficult to plan for, the additional funding will allow the Department to have available funding for expert witnesses as needs arise throughout the year.

Historically, the Department spent about \$34,000 in FY2018 and FY2019 for expert medical witness testimony. The FY2020 Budget as Enacted included \$45,424 in funding for expert medical witness testimony. The Department intends to pursue more criminal cases which may necessitate additional testimony, requiring the additional funding.

Personnel**\$3,750**

The Budget includes an additional \$3,750 in general revenue for personnel. The Budget adds \$409,766 in funding for an additional 4.0 FTE positions including 1.0 FTE Special Victims Unit Criminal Attorney (\$78,659), 1.0 FTE Intake/Diversion Attorney (\$110,369), and 2.0 FTE Elder/Special Victims Unit Attorneys (\$220,738). The Budget also adds an additional \$73,754 for seasonal salary adjustments and longevity pay, and an additional \$39,346 to account for a decrease in turnover. These increases are partially offset by a decrease of \$463,720 in regular wages related to the reallocation of personnel funds that the Department underwent when the new Attorney General was elected, and a decrease of \$55,396 in healthcare changes.

RI VOICE (federal funds)**\$324,000**

The Budget includes \$324,000 in federal funds for the Rhode Island Victims Outreach Integrated Community Environment (VOICE) project. The VOICE project is a secure portal that will provide real time access to cases, offender status and other information to victims of crimes, advocates, and state agencies. The VOICE project was scheduled to begin in FY2019 but did not start until FY2020. The FY2021 Budget also includes \$81,000 in general revenues as a 20.0 percent match for the federal funds. The \$81,000 in general revenue supports relevant personnel costs and the cost of an IT Project Manager.

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
FY2020 Enacted	\$5,595,839
<i>Targets and Other Adjustments</i>	<i>30,743</i>
Civil Litigation Costs	350,000
Personnel	326,569
Operating Expenses	57,570
Desktop Computer Replacement	43,834
FY2021 Governor	\$6,404,555

Civil Litigation Costs**\$350,000**

The Budget includes an additional \$350,000 in general revenue to fund complex litigation costs within the Civil Division. Litigation costs can be difficult to estimate as they fluctuate yearly. Cases prosecuted through the Civil Division often generate significant monetary recoveries for the State; however, prosecuting these cases requires expert witness testimony, as well as collecting, processing and reviewing discovered materials, among other costs. These additional requirements can drive up the costs of prosecuting these cases.

Personnel**\$326,569**

The Budget increases general revenue funding by \$326,569 related to personnel expenses. The Department included an increase of \$384,617 in their budget request to fund an additional 4.0 new FTE positions. The new positions include 2.0 FTE Civil Paralegals (\$157,318) and 2.0 FTE Civil Attorneys (\$220,738). The Budget includes funding for the additional positions but is \$58,048 less than requested due to changes in statewide adjustments in health insurance.

Operating Expenses**\$57,570**

The Budget includes an additional \$57,570 in operating expenses for computer supplies and software (\$39,063), computer maintenance and repairs (\$9,000), and office supplies and equipment (\$9,507). The FY2020 Budget as Enacted decreased funding for all of these categories, however, the additional funding brings the Governor's FY2021 Budget in line with FY2019 actuals as well as including renegotiated IT contracts.

Desktop Computer Replacement**\$48,834**

The Budget includes \$43,834 to replace all laptop and desktop computers within the Civil Division. This is a Department-wide initiative to replace all computers and laptops. The Department's current operating system uses Windows 7, which is no longer supported by Microsoft as of January 2020. The Department has obtained an extended security package that will allow continued operation on the current computers until FY2021 begins.

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 using Google forfeiture federal funds.

Bureau of Criminal Identification	General Revenue
FY2020 Enacted	\$1,769,535
<i>Targets and Other Adjustments</i>	314
Personnel	106,921
Desktop Computer Replacement	17,125
Operating Expenses	14,749
FY2021 Governor	\$1,908,644

Personnel**\$106,921**

The Budget includes an additional \$106,921 for personnel costs within the BCI. This increase is mainly related to employee step increases as well as an increase in seasonal wages to include the shift differential paid to night-shift employees. The Budget also includes additional funding for medical insurance costs. These increases are partially offset by anticipated turnover savings of \$21,656. The Department's Budget assumed a turnover savings of \$13,015 but Governor's Budget increased the amount.

Analyst Note: The FY2020 Budget as Enacted includes no turnover savings. The Department's FY2021 Constrained Budget included turnover savings of \$13,015 or 0.72 percent of total salary and benefits. The Governor's FY2021 Budget includes turnover savings to \$21,656 or 1.2 percent of total salary and benefits. As of February 29, 2020, the Department had 236.1 of 239.1 FTE positions filled.

Desktop Computer Replacement**\$17,125**

The Budget includes \$17,125 to replace all laptop and desktop computers within the Bureau of Criminal Identification. This is a Department-wide initiative to replace all computers and laptops. The Department's current operating system uses Windows 7, which is no longer supported by Microsoft as of January 2020. The Department has obtained an extended security package that will allow continued operation on the current computers until FY2021 begins.

Operating Expenses***\$14,749***

The Budget increases operating expenses by \$14,749, this increase includes an additional \$8,188 for computer equipment and software, \$3,000 for computer maintenance and repairs, and \$3,561 for security and safety supplies. The Budget restores funding for these operating expenses after it was removed in the FY2020 Budget as Enacted.

CAPITAL PROJECTS

The Budget includes \$300,000 in Rhode Island Capital (RICAP) funding for FY2020 and FY2021, \$150,000 in each year. The funding will be used for capital asset protection projects for the Department's building at 150 South Main Street. The Department's FY2021 request included \$750,000 in RICAP funding for the replacement of the roof at 150 South Main Street as a match for federal funding; however, it was later determined that the federal funds cannot be used for the roof replacement. The Department intends to revisit roof replacement in FY2022.

Department of Corrections

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$15.5	\$16.4	\$16.7	\$0.3	1.7%	\$16.4	(\$0.1)	-0.5%
Community Corrections	16.4	17.4	17.4	0.0	0.1%	18.3	1.0	5.5%
Custody and Security	144.5	147.0	147.0	0.1	0.0%	144.8	(2.1)	-1.4%
Healthcare Services	24.5	25.5	28.3	2.8	11.0%	26.1	0.6	2.3%
Institutional Based Rehab/Population Management	13.0	15.1	12.4	(2.7)	-18.1%	14.2	(0.9)	-6.1%
Institutional Support	32.1	34.6	43.9	9.3	26.7%	30.1	(4.5)	-13.0%
Parole Board	1.3	1.6	1.5	(0.1)	-4.8%	1.5	(0.1)	-4.5%
Total	\$247.4	\$257.6	\$267.2	\$9.6	3.7%	\$251.4	(\$6.2)	-2.4%

Expenditures By Source	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
General Revenue	\$235.7	\$242.1	\$238.3	(\$3.8)	-1.6%	\$242.1	\$0.0	0.0%
Federal Funds	1.4	2.0	2.5	0.5	26.0%	2.1	0.0	2.4%
Restricted Receipts	0.0	0.1	3.5	3.5	5849.2%	1.0	0.9	1517.1%
Other Funds	10.3	13.5	22.9	9.4	70.1%	6.3	(7.2)	-53.2%
Total	\$247.4	\$257.6	\$267.2	\$9.6	3.7%	\$251.4	(\$6.2)	-2.4%

Authorized FTE Levels	1,416.0	1,411.0	1,411.0	-	-	1,423.0	12.0	0.9%
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\$ 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. In FY2020, the Department has averaged 2,645 inmates (66.3 percent of capacity) housed at the ACI for the fiscal year, including 2,501 men and 145 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

MAJOR ISSUES AND TRENDS

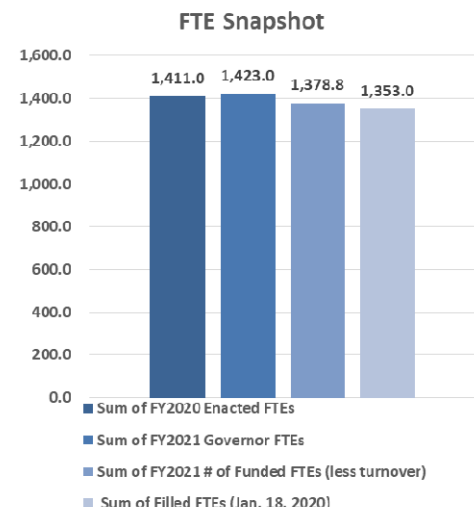
The Budget includes \$251.4 million in total expenditures for FY2021, including \$242.1 million in general revenue, an increase of \$21,181 over the FY2020 enacted level. The majority of the general revenue increase is associated with additional centralized service costs within the Institutional Support program.

The FY2021 Budget for the Department of Corrections is based on an estimated average daily population of 2,549 individuals, a decrease of 122 from the FY2020 Budget as Enacted.

The Budget authorizes 1,423.0 FTE positions for FY2021, an increase of 12.0 FTE positions from the FY2020 Budget as Enacted. The Governor's Budget includes an additional 6.0 Community Correction Assessment Analysts and 1.0 Community Corrections Assessment Coordinator to bring discharge planning services in house. 1.0 Health Program Administrator, 1.0 Health Program Administrator in the Detox Unit, 1.0 Co-Hospital Case Manager, and 1.0 Data Analyst within the Department's Healthcare Services Program. As well as 1.0 Apprenticeship Coordinator position to coordinate the apprenticeship program between the Department of Labor and Training and the Department of Corrections.

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
FY2020 Enacted	\$16,392,761
<i>Target and Other Adjustments</i>	<i>(123,500)</i>
Centralized Service Charges	489,129
Personnel	(450,272)
Contract Services	(125,166)
FY2021 Governor	\$16,182,952

Centralized Service Charges **\$489,129**

The Budget includes \$5.5 million in general revenue expenditures for Information Technology, Capital Assets Management, and Human Resource Service Center projected costs in FY2021. This is an increase of \$489,129 from the FY2020 Budget as Enacted amount of \$5.0 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 increases these costs for FY2021.

	FY2020	FY2021	Change from	
Centralized Service Charges	Enacted	Governor	Enacted	
Information Technology	\$2,981,519	\$3,410,625	\$429,106	14.4%
Capital Asset and Management	-	-	-	-
Human Resources	2,026,600	2,086,623	60,023	3.0%
Total	\$5,008,119	\$5,497,248	\$489,129	9.8%

Personnel **(\$450,272)**

The Governor's Budget includes savings of \$450,272 in personnel costs. The majority of this decrease is related to savings within the Director of Corrections unit including a decrease of \$242,238 due to turnover savings and healthcare and retiree benefit changes. The Budget includes savings of \$56,832 within Legal Services, and \$27,489 in the Training Unit due to a new employees being hired at a lower salary than the previous employees. The Budget also includes a turnover savings of \$123,713 in the Training Unit and Planning and Research; both units included no turnover in the FY2020 Enacted Budget.

The Budget also shifts 1.0 FTE Interdepartmental Project Manager position from the Director of Corrections unit to the Policy Development Unit. This shift is budget neutral.

Contract Services **(\$125,166)**

The Budget includes a general revenue decrease of \$125,166 in contract professional services. This decrease is comprised of an \$83,940 savings in Information Technology, and a \$41,226 savings in Clerical Services. Temporary clerical services are used to fill vacant positions while permanent staff are out or in the process of being hired. The Department was able to hire more full-time clerical staff resulting in a decrease in temporary contract employees.

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
FY2020 Enacted	\$17,282,125
<i>Target and Other Adjustments</i>	<i>(16,620)</i>
Personnel	814,137
Operating Supplies and Expenses	342,348
Justice Reinvestment Initiative	(200,000)
Community Corrections Population	Informational
FY2021 Governor	\$18,221,990

Personnel **\$814,137**

The Budget includes an increase of \$814,137 in general revenue for personnel costs. The majority of this increase is associated with an additional \$552,432 in salary costs. The increase in salary costs is related to a new policy within the Department that views Probation and Parole Officers as the same category of public safety position as Correctional Officers, allowing the Department to fill positions whenever possible. The Budget also includes an additional \$582,743 for adjustments to retirement and healthcare costs, as well as an additional \$6,306 for Correctional Officer Briefing costs and \$5,359 in Holiday Pay related to one additional holiday in FY2021. These increases are partially offset by a decrease of \$166,387 in overtime costs and a turnover savings of \$216,316.

Operating Supplies and Expenses **\$342,348**

The Budget includes an additional \$342,348 in general revenue for operating supplies and expenses. The majority of this increase is related to an additional \$251,000 for software maintenance. The Department began installing new case management system in October 2019, maintenance of the system will be required throughout FY2021. The Budget also includes an additional \$91,348 for the rental of outside and state-owned property related to the increased costs of the Pawtucket and Woonsocket probation and parole offices, and an increase in the rental of a facility that the Department uses for weapons qualifications.

Justice Reinvestment Initiative **(\$200,000)**

The Budget includes a decrease of \$200,000 in general revenue related to the transfer of funds for cognitive behavioral therapy from the Department to the Judiciary’s fledgling diversion program.

Historically, the Budget has included \$600,000 in general revenues from the Justice Reinvestment initiative to deliver cognitive behavioral therapy services to probationers and paroles; however, the Department has not used all of the funding, spending only \$182,825 in FY2019. The Department awarded the cognitive behavioral therapy (CBT) contract to Community Solutions in FY2018 to train staff in evidence-based programming to support about 800 probationers and paroles, who have a higher rate of recidivism. Community Solutions was unable to correctly provide the services required by the Department, and as a result the Department was unable to spend all the funding allocation. The Department has changed vendors since FY2018 and currently uses AdCare. The Department anticipates that shifting funds will allow the Judiciary to provide the required services to the incarcerated and pre-trial population.

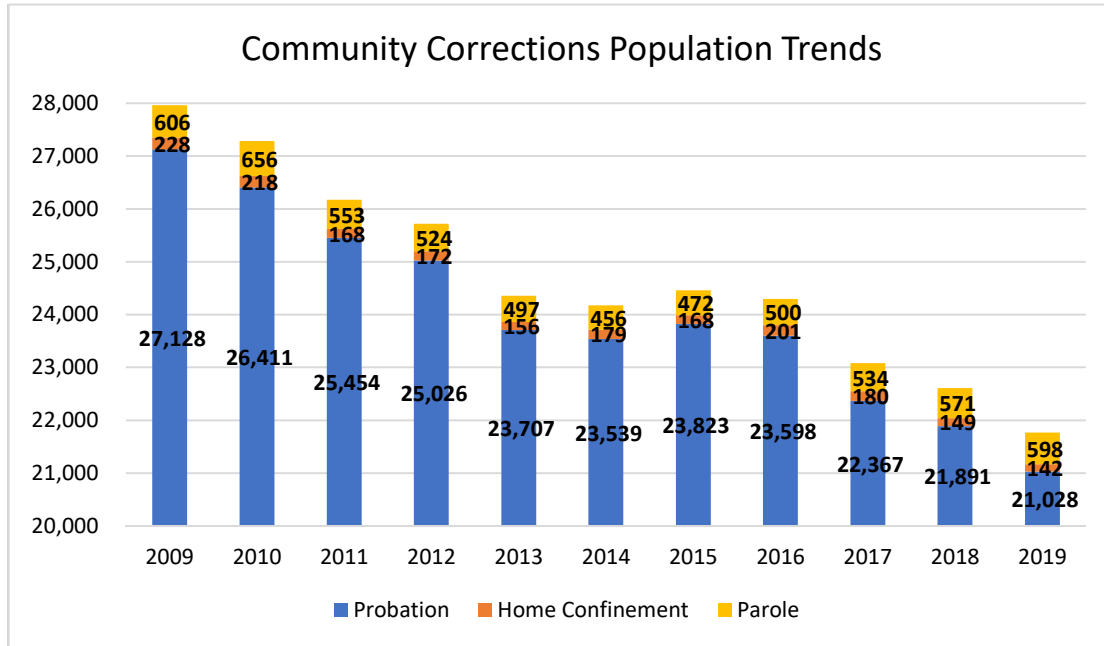
The Justice Reinvestment Initiative was created by the Governor through Executive Order 15-11, as a working group to “examine investments that would break the cycle of crime and incarceration and improve public safety.” The working group was composed of 26 members representing three branches of government 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.

Community Corrections Population

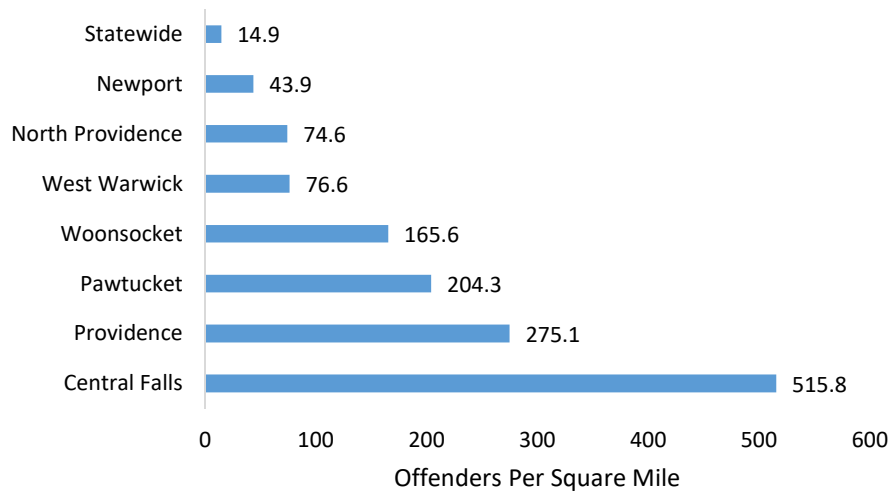
Informational

While representing only 7.5 percent of the Department's general revenue budget for FY2021, Community Corrections serves the largest number of individuals. In FY2019, the program served 21,768 cases, 843 less cases than FY2018. Based on Department of Corrections' statistics, 1 out of every 53 adult residents in the State is on probation or parole. This equates to 1 of every 30 men and 1 of every 169 women.



The number of cases in the State's urban areas is substantially higher than the statewide average. Statewide there are an average of 14.9 probationers and parolees per square mile. This increases to a high of 516 probationers and parolees per square mile in the City of Central Falls.

**Probationers and Parolees by Square Mile
as of June 30, 2019**



Source: DOC FY2019 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
FY2020 Enacted	\$146,044,847
<i>Target and Other Adjustments</i>	<i>(\$1,667,175)</i>
Overtime Savings - Modular Closure	(1,611,232)
Personnel	(1,213,168)
Correctional Officer Class	500,000
Inmate Clothing and Laundry	237,269
Inmate Population	Informational
FY2021 Governor	\$143,901,773

Overtime Savings – Modular Closure

(\$1.6 million)

The Budget includes a savings of \$1.6 million related to modular closures within the Intake Services Center. The Enacted Budget already includes savings for the closure of these modules; the savings in the FY2021 Budget is related to extended closure, including module K/L being closed for six months and module O/P being closed for 284 days. Closing modules allows for more Correctional Officers to staff other posts, leading to a reduction in overtime costs.

Analyst Note: As of April 2020, the previously closed Modules K/L and O/P have been reopened due to the COVID-19 pandemic to allow for appropriate social distancing of inmates. The Department is unsure if the savings included in the FY2021 Budget will be achievable at this time.

Personnel

(\$1.2 million)

The Budget includes a general revenue savings of \$1.2 million related to personnel costs within Custody and Security. The majority of this decrease is related to a \$3.5 million savings in overtime, to be achieved by hiring Correctional Officer Class 83 in June of 2020, and a \$2.6 million savings in turnover. The Budget also includes a savings of \$37,738 for Correctional Officer Briefing costs. These savings are partially offset by an additional \$3.7 million within direct salaries related to the onboarding of Class 83. The Department anticipates hiring 70 new Correctional Officers from this class. The Budget also includes an additional \$1.1 million related to statewide adjustments in health and retiree benefits and an additional \$87,153 for additional holiday pay.

Correctional Officer Class

\$500,000

The Budget includes an additional \$500,000 for a Correction Officer (CO) training class in FY2021. The Budget anticipates an accelerated timeline for this class, moving the start date up from March 2021 to September 2020 and assumes that 59 CO recruits will be hired upon graduating from the training class in December 2020. This will be the Department's 84th class. 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.

Inmate Clothing and Laundry

\$237,269

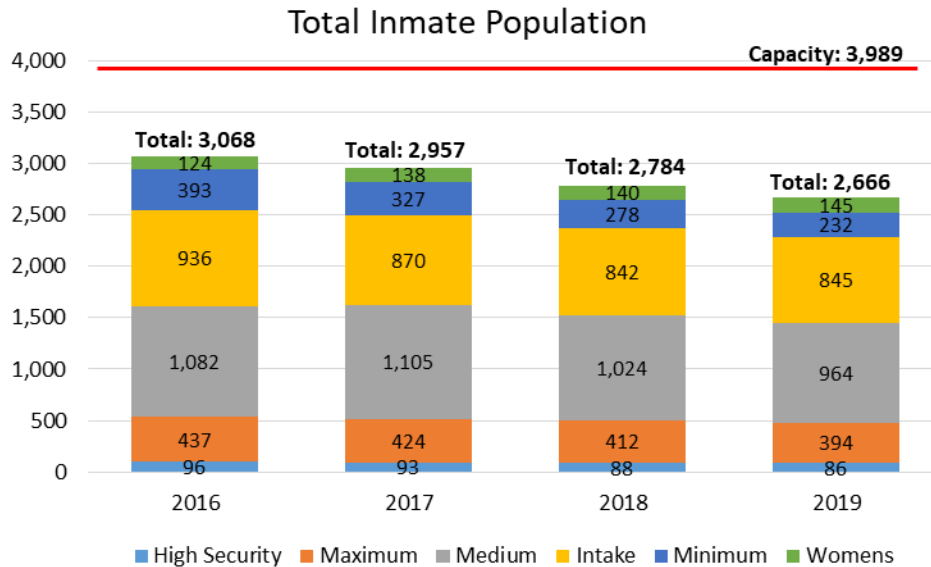
The Budget includes an additional \$237,269 within the Custody and Security Program for inmate clothing and laundry. This is related to a shift in funding from Institutional Support to better reflect where costs are actually incurred. The Budget includes a corresponding decrease in Institutional Support.

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 2,671 for the FY2020 Revised Budget, consistent with the FY2020 Enacted level. For FY2021, the Budget assumes a population of 2,549 individuals, a decrease of 122 inmates from the FY2020 Budget as Enacted. The Department's inmate population has been steadily decreasing each year. The Department credits increased efforts in reducing recidivism as well as expanded drug therapy programs.



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 to 90.0 percent have histories of substance abuse.

Healthcare Services	General Revenue
FY2020 Enacted	\$25,497,603
<i>Target and Other Adjustments</i>	<i>(23,969)</i>
Pharmaceutical Expenses	(1,675,860)
Personnel	1,008,641
Medical Services Contracts	374,276
Lab Testing	121,810
Geriatric Parole	(75,000)
FY2021 Governor	\$25,227,501

Pharmaceutical Expenses (\$1.7 million)

The Budget includes a \$1.7 million decrease in pharmaceutical expenses, bringing the Department's total amount for pharmaceuticals to \$3.3 million. This decrease is related to the Department's participation in the 340B pricing program.

The federal 340B Drug Pricing Program allows eligible entities to purchase pharmaceutical drugs at reduced costs. Eligible entities may purchase drugs from verified vendors at or below the maximum price as determined under the Federal 340B statute.

Analyst Note: The Department began the 340B plan in November 2019; however, projected savings are anticipated to be smaller as the program cannot be expanded to all medications due to the lack of resources that are require to track medications.

Personnel \$1.0 million

The Budget includes an additional \$1.0 million for personnel costs within the Healthcare Services program. The majority of this increase is associated with an additional \$876,990 in regular wages and healthcare and

retirement benefits. The Budget includes an additional 4.0 FTE positions including 1.0 Health Program Administrator to work with the Department's Detox Unit with geriatric, hospice, and high-risk patients; 1.0 Co-Hospital Case Manager to connect patients and families with resources needed for safe discharge planning; 1.0 Health Program Administrator to manage practice care; and, 1.0 Data Analyst I position to collect and interpret data identifying patients within the early stage of communicable diseases. The Budget also includes an additional \$217,367 in overtime costs, mainly within nursing services, and an additional \$6,140 in holiday pay for one additional holiday in FY2021. These increases are partially offset by turnover savings of \$91,856.

Medical Services Contracts

\$299,276

The Budget includes a net increase of \$299,276 above the FY2020 Enacted Budget for medical service contracts, this increase is a reinvestment of funds saved through the 340B Drug Pricing Program. The net increase is comprised of an additional \$810,600 for doctors and dentists related to a new vendor contract for dental services and a realignment of funding with FY2019 actual expenditures. The Budget also includes an additional \$49,000 for costs associated with implementing the 340B program. These increases are partially offset by \$298,445 in savings related to hospital treatment due to an anticipated decrease in the number of hospitalizations at Eleanor Slater Hospital, \$108,709 in savings for nursing home and convalescent care related to the hiring of full-time staff and less reliance on a more costly nursing pool, and savings of \$78,170 in other mental health professional care services.

Lab Testing

\$121,810

The Budget includes a general revenue increase of \$121,810 related to lab services. The FY2020 Budget as Enacted included savings related to the Department transferring Laboratory testing from East Side Clinical Laboratory to Eleanor Slater Hospital (ESH); however, the Department is not following the legislative mandate as it reports ESH cannot perform all ordered tests and charges the Department for tests that are sent off-site.

As part of the Governor's Efficiency Commission, the FY2020 Budget as Enacted includes savings of \$165,000 related to the transfer of laboratory services from East Side Clinical Laboratory to the Eleanor Slater Hospital within the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). East Side Clinical Laboratory has been providing lab services to the Department since FY2016. Prior to FY2016, BHDDH provided free lab services; however, according to the Department of Corrections, BHDDH indicated that moving forward they would start charging approximately \$200,000 for lab services. The original increase caused the Department to look into alternative options.

Geriatric Parole

(\$75,000)

The Budget includes a savings of \$75,000 in general revenue related to geriatric parole. Article 15 of the Governor's Budget expands medical parole within the Department of Corrections to include geriatric parole. Currently, medical parole includes inmates who are permanently physically incapacitated, and terminally or severely ill but does not include elderly inmates.

Geriatric parole would be available to inmates whose advanced age reduces the risk they pose to the public's safety. All inmates above age 65, except those serving life without parole, will be eligible for geriatric parole once they have served the lesser of 10 years or 75.0 percent of their sentence, regardless of the crime committed. All parole decisions must go through the Department's Parole Board. The Department's Medical Director has identified 26 inmates that could be eligible for medical parole in FY2021, with 7 of the inmates considered highly eligible. This change is anticipated to save a total of \$150,000 in FY2021, \$75,000 of this savings is related to a decrease in hospital treatment costs and the remaining \$75,000 is related to per-diem savings spread across a number of expenditure categories.

17 states currently have geriatric parole. Massachusetts and Connecticut are not among these states; however, inmates in Connecticut who are eligible for medical parole may be paroled to a private nursing home that receives federal funds to help support their care.

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
FY2020 Enacted	\$14,202,484
<i>Target and Other Adjustments</i>	<i>1,979</i>
Personnel	(521,534)
Discharge Planning Services	(225,409)
Clerical Services	(202,712)
Substance Abuse Treatment	40,000
FY2021 Governor	\$13,294,808

Personnel (\$521,534)

The Budget includes a savings of \$521,534 in general revenue related to personnel costs. The majority of this decrease is related to a savings of \$614,384 within Case Management and Substance Abuse Services from an increase in turnover savings and anticipated position vacancies. The Budget also includes a \$196,452 savings in General Special Services related to the transfer of two positions from the Institutional Based Rehabilitation/Population Management program to Probation and Parole. These decreases are partially offset by a \$289,302 increase in the Educational and Vocational program related to filling positions that has previously been held vacant including a School Social Worker position and a School Principal position.

Discharge Planning Services (\$225,409)

The Budget includes a net decrease of \$225,409 in general revenue for discharge planning services. The Budget includes an initiative to move discharge planning services from an outside vendor to an in-house Discharge Planning unit. Currently, discharge planning services are provided by an outside contractor. The Department has struggled to find a reliable vendor, often encountering issues with high turnover rates, the inability to collect data, and discrepancies in billing. The Department believes that bringing discharge planning services in-house will allow for an uninterrupted continuum of services to inmates prior to their release. It would also allow the Department to better monitor the services provided and correct any issues that were found.

The Budget includes an additional 7.0 FTE positions for this initiative, including 6.0 Community Correction Assessment Analysts and 1.0 Community Corrections Assessment Coordinator. The Budget recommends onboarding staff over the course of FY2021, increasing salary and benefit expenditures while decreasing contract expenditures, to allow for a more budget neutral approach. The Budget includes a savings of \$761,222 from the elimination of the current discharge planning contract, partially offset by an additional \$526,330 in salary and benefit costs related to the hiring of the 7.0 new FTE positions.

The Governor's Budget outlines a timeline for onboarding new staff, while eliminating the Department's current discharge planning contract. The Budget anticipates 4.0 FTE positions will be hired in July 2020, the Budget then eliminates the discharge planning contract in September 2020 allowing the newly trained

FTE positions to begin providing services. In November 2020 an additional analyst FTE will be hired, follow by two remaining analysts in March 2021.

Clerical Services

(\$202,712)

The Budget includes a \$202,712 decrease for contract clerical services, bringing total funding to \$162,931. This decrease is related to the Department hiring more full time staff and relying less on temporary employees. 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.

Substance Abuse Treatment

\$40,000

The Budget includes \$245,000 in general revenue for substance abuse treatment services, an additional \$40,000 above the FY2020 Enacted level. The Department estimates that 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.

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
FY2020 Enacted	\$21,166,690
<i>Target and Other Adjustments</i>	<i>(232,829)</i>
Centralized Service Charges- Facilities Management	3,088,191
Population Related Decrease	(212,877)
FY2021 Governor	\$23,809,175

Centralized Service Charges- Facilities Management

\$3.1 million

The Budget includes \$9.6 million for decentralized service costs related to facilities management, an increase of \$3.1 million from the FY2020 Enacted Budget. The increase reflects the actual cost of the centralized services used by the Department.

The FY2019 Budget centralized several statewide services in the Department of Administration. These include accounts for information technology, capital asset management and maintenance, and human resources.

Population Related Decrease

(\$212,877)

The Budget decreases general revenues by \$212,877 due to population and per-diem related expenses, which fluctuate depending on the number of inmates. The FY2020 Enacted Budget was based on a population of 2,671 inmates. The FY2021 Budget is based on 2,549 inmates, a decrease of 122 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
FY2020 Enacted	\$1,501,549
<i>Target and Other Adjustments</i>	<i>(2,590)</i>
Personnel	(39,733)
Contracted Services	11,815
FY2021 Governor	\$1,471,041

Personnel (\$39,733)

The Budget includes \$39,733 in savings for personnel costs within the Parole Board. The majority of this decrease is \$54,022 related to the turnover of one position. This decrease is partially offset by an additional \$14,289 in the Community Notification Program.

Contracted Services \$11,815

The Budget includes a general revenue increase of \$11,815 in contracted services. This increase includes an additional \$17,219 for clerical and temporary services, partially offset by a decrease of \$5,404 in medical services. The Department has a vacant position within the Parole Board; consequently, the duties of this position are being performed by a temporary employee.

CAPITAL PROJECTS

The Budget includes \$22.8 million in RICAP funds in FY2020, an increase of \$9.4 million from enacted levels, and \$6.3 million in FY2021, a decrease of \$7.2 million from enacted levels. The Governor's FY2020 Budget consolidated all RICAP projects and funds for the DOC into one asset protection project. The General Assembly did not concur with this consolidation and instead created two separate appropriations, asset protection and facilities management. Creating two broad and separate accounts is intended to provide the Department with more flexibility to spend RICAP funding as needed. Major items in FY2021 include:

- The Budget includes \$2.2 million for Medium Security Facility infrastructure improvements to accommodate the increase in the inmate population housed in this facility. The Medium Moran Facility expansion is being done in three phases. Phase 1 began in 2018 and included kitchen and dining room expansions. Phase 2 began in FY2020 and includes laundry and corridor expansion, as well as continued work on the dining room expansion. Phase 3 is set to begin in FY2022 and will complete the dining room, and renovate administration and shift command areas. 2.0
- The remaining \$4.1 million in RICAP funding will be used for asset protection projects. Current asset protection projects include, installation of updated security in the Gloria McDonald Women's Facility scheduled to begin in FY2021, and engineering work for the restoration of the metal cells in Maximum Security began in FY2020 with construction beginning in FY2021.

Judiciary

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Supreme Court	\$42.1	\$43.9	\$43.0	(\$0.9)	-2.0%	\$42.0	(\$1.9)	-4.3%
Superior Court	23.6	25.4	25.2	(0.2)	-0.6%	25.5	0.1	0.5%
Family Court	24.6	25.9	26.2	0.2	0.9%	26.7	0.8	2.9%
District Court	13.3	14.0	14.0	0.0	0.0%	14.1	0.2	1.2%
Traffic Tribunal	8.6	9.2	9.2	0.0	0.0%	9.0	(0.2)	-2.6%
Worker's Compensation Court	7.5	8.9	8.9	(0.0)	-0.1%	9.0	0.0	0.5%
Judicial Tenure & Discipline	0.1	0.2	0.2	(0.0)	-0.1%	0.2	0.0	0.6%
Total	\$119.8	\$127.5	\$126.7	(\$0.8)	-0.6%	\$126.5	(\$1.0)	-0.8%
Expenditures By Source								
General Revenue	\$100.0	\$105.2	\$105.3	\$0.1	0.1%	\$106.4	\$1.2	1.1%
Federal Funds	3.1	3.1	3.5	0.3	10.4%	3.5	0.3	11.1%
Restricted Receipts	10.6	13.0	12.9	(0.1)	-0.5%	13.0	0.0	0.0%
Operating Transfers from Other Funds	6.2	6.1	5.0	(1.2)	-18.9%	3.6	(2.5)	-41.2%
Total	\$119.8	\$127.5	\$126.7	(\$0.8)	-0.6%	\$126.5	(\$1.0)	-0.8%
Authorized FTE Levels	723.3	726.3	726.3	-	-	726.3	-	-

\$ 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.

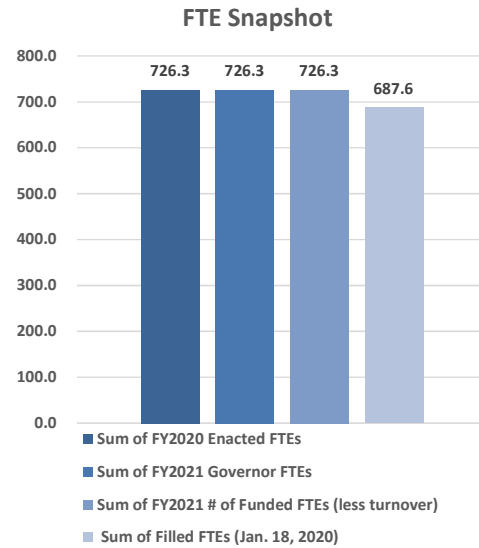
MAJOR ISSUES AND TRENDS

The Budget includes \$106.4 million in general revenue funding. This is \$1.2 million (1.1 percent) more than the FY2020 Budget as Enacted. Most of the increase is to fund an increase in the Defense of Indigent Persons program (\$574,945), as well as increase costs for the maintenance and repair of communication systems (\$249,854), and miscellaneous expenses (\$190,743) to bring spending up to historical levels.

The other funds decrease of 41.2 percent is due primarily to the completion of the Noel Judicial Complex project and the Licht Chillers Replacement project, partially offset by funding for two new projects in FY2021: the installation of the fan coils in the Licht, Fogarty, and Murray facilities; and the Murray Courtroom Restoration.

The Budget provides 726.3 FTE positions, consistent with the FY2020 Budget as Enacted and the Judiciary's request. According to the Judiciary, the Budget does not include funding to fill any vacant judge positions in FY2021. Furthermore, of the 38.7 FTE positions currently vacant, 11.0 are pending with a cost of \$1.0 million.

The Judiciary requested a general increase of \$5.9 million relative to the FY2020 Budget as Enacted. The Governor provides an increase of \$1.2 million; however, the Judiciary's request did not include any turnover savings. In FY2020, the Judiciary is projected to reach \$2.4 million in general revenue turnover (\$2.5 million all funds). The FY2021 Budget includes turnover savings of \$3.3 million in general revenue (\$3.5 million in all funds), an increase of \$1.0 million in general revenue (\$1.2 million in all funds) relative to the FY2020 Budget as Enacted; however, after discussions with the Office of Management and Budget, the Judiciary only agreed to \$3.0 million in turnover savings for FY2021. In addition, the Judiciary requested a \$1.5 million increase in employees' retirement costs due to previous judgeship vacancies that have been filled or will be filled in FY2021. The Budget provides an increase of \$597,425 relative to the enacted level, \$922,503 less than requested. According to the Judiciary, the Budget as proposed by the Governor is underfunded by \$2.1 million.



Based on information provided by the Judiciary, 5.0 FTE vacant judge and magistrate positions remain unfunded in FY2021. Of the total, 4.0 FTE general revenue funded positions would cost \$958,327 and the remaining restricted receipt funded position would cost \$231,249.

Unfunded Vacant Positions in FY2021		
Court	Position	Cost ¹
Family Court	Magistrate	\$244,219
Superior Court	Associate Justice	238,036
	Associate Justice	238,036
	Associate Justice	238,036
Worker's Compensation Court	Judge	231,246
Total		\$1,189,573

¹ The position in the Worker's compensation Court is funded from restricted receipts.
Source: Judiciary

The Defense of Indigent Persons 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. The Judiciary requests that the funding for the program be transferred to the Executive Branch, while the Judiciary retains oversight of the day-to-day assignment of the indigent defense panel attorneys. It is the position of the Judiciary that the Executive Branch is in the position to analyze indigent defense caseloads, recommend appropriate staffing for the Public Defender's Office, and determine if there are any potential cost savings or if it would be better to shift these funds to the Public Defender's budget. Furthermore, the Judiciary asserts that the administration of payments to attorneys who appear before its tribunals creates an appearance of impropriety.

The Governor does not recommend the transfer for several reasons. First, the Indigent Defense Fund must be kept completely separate from the Office of the Public Defender (Office) to avoid conflicts of interest, and keeping funding and FTE's separate would prove challenging. Second, the Office is already stretched thin and does not have the financial capacity to manage a program for which the budget cannot be controlled. Third, the Governor asserts that the Judiciary's involvement in the assignment of panel

attorneys is as improper, if not more so, than the current financial entanglement with the attorneys, and, since the Judiciary has asked to retain this function, the Governor does not believe the transfer would eliminate the impropriety of the current system.

The Budget provides \$4.9 million for the Indigent Defense Fund in FY2021 and \$4.6 million in FY2020, an increase of \$574,945 and \$257,934 respectively relative to the enacted budget.

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
FY2020 Enacted	\$34,041,578
<i>Target and Other Adjustments</i>	361
Defense of Indigent Persons	574,945
Court Offsets	59,201
FY2021 Governor	\$34,676,085

Defense of Indigent Persons **\$574,945**

The Budget includes an increase of \$574,945 (\$4.9 million total general revenue) for the Defense of Indigent Persons in FY2021 and an increase of \$257,934 (\$4.6 million total general revenue) in FY2020. 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 **\$59,201**

State agencies that occupy court space include the Public Defender's Office; Office of the Attorney General; the Department of Corrections; the Department of Children, Youth, and Families; and the 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 \$59,201 (4.3 percent) over the FY2020 Budget, for a total offset of \$1.5 million.

Court Costs Offsets

Agency	FY2020	FY2021	Change from FY2021	
Attorney General	\$176,632	\$184,092	\$7,460	4.2%
Children, Youth & Families	53,271	55,303	2,033	3.8%
Corrections	133,542	139,395	5,853	4.4%
Public Defender	145,137	151,516	6,380	4.4%
Public Safety	883,743	921,220	37,476	4.2%
Total	\$1,392,326	\$1,451,527	\$59,201	4.3%

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
FY2020 Enacted	\$24,945,630
<i>Target and Other Adjustments</i>	<i>139,184</i>
FY2021 Governor	\$25,084,814

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
FY2020 Enacted	\$22,958,064
<i>Target and Other Adjustments</i>	<i>464,467</i>
FY2021 Governor	\$23,422,531

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
FY2020 Enacted	\$13,895,597
<i>Target and Other Adjustments</i>	<i>166,261</i>
FY2021 Governor	\$14,061,858

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
FY2020 Enacted	\$9,218,475
<i>Target and Other Adjustments</i>	<i>(235,883)</i>
FY2021 Governor	\$8,982,592

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
FY2020 Enacted	\$8,943,104
<i>Target and Other Adjustments</i>	<i>48,899</i>
FY2021 Governor	\$8,992,003

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
FY2020 Enacted	\$154,616
<i>Target and Other Adjustments</i>	<i>898</i>
FY2021 Governor	\$155,514

CAPITAL PROJECTS

The Budget includes \$3.6 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2021 and \$5.0 million in FY2020.

- The Budget includes \$1.2 million in FY2020 to finish the replacement and repair of court-managed HVAC systems at the Licht courthouse. Funds provide for architecture and engineering design and installation of two energy-efficient chillers, the component of an HVAC system that cools the air stream, to replace the current chillers which are 30 years old, well beyond the normal life expectancy of 25 years.
- The Budget includes \$1.0 million annually in FY2021 and FY2020 for ongoing projects to replace, clean, and restore HVAC systems in judicial buildings and ongoing asset protection projects.
- The Budget includes \$1.0 million in FY2021 and 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 \$997,000 in FY2020 to complete the upgrades of the Noel Judicial Complex by finishing courtroom space in the interior shell and adding parking to accommodate the expansion. The project was completed 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 fixed 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.
- The Budget includes \$750,000 in FY2021 and \$757,108 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 provides \$500,000 in FY2021 for both the architectural/engineering work and the installation of the fan coils in the Licht, Fogarty, and Murray facilities. This project is projected to continue through FY2024.
- The Budget provides \$350,000 in FY2021 to renovate and restore the interior of the Murray Judicial Complex in Newport. Projects include painting, carpet replacement, woodwork refinishing, and replacement and/or restoration of fixed courtroom seating and benches. Renovations to woodwork are highly labor intensive due to the historical nature of the building. Courtroom ceilings are covered with ornate woodwork and plaster, requiring restoration work to be done by historic preservation specialists. This project is projected to cost \$750,000 with completion scheduled for FY2022.

Military Staff

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
RI National Guard	\$36.3	\$41.1	\$42.6	\$1.5	3.6%	\$39.0	(\$2.2)	-5.3%
Total	\$36.3	\$41.1	\$42.6	\$1.5	3.6%	\$39.0	(\$2.2)	-5.3%
Expenditures By Source								
General Revenue	\$2.8	\$3.2	\$2.9	(\$0.3)	-9.6%	\$3.2	\$0.0	0.0%
Federal Funds	27.5	34.4	33.9	(0.4)	-1.3%	35.0	0.6	1.8%
Restricted Receipts	0.0	0.1	0.1	-	-	0.1	-	0.0%
Operating Transfers from Other Funds	5.9	3.5	5.8	2.2	63.8%	0.7	(2.8)	-80.1%
Grand Total	\$36.3	\$41.1	\$42.6	\$1.5	3.6%	\$39.0	(\$2.2)	-5.3%
Authorized FTE Levels	92.0	92.0	92.0	-	-	96.0	4.0	4.3%

\$ 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

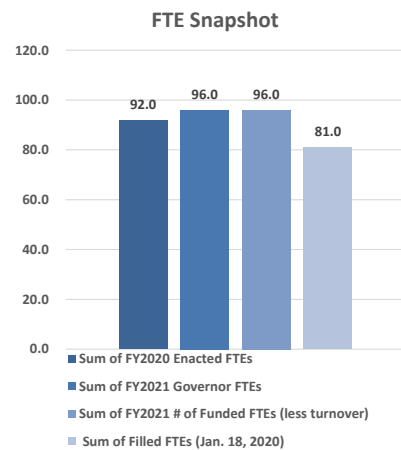
The Budget includes \$42.6 million in FY2020, of which \$2.9 million is general revenue. This reflects an all funds increase of \$1.5 million from the FY2020 Budget as Enacted.

The Budget includes \$39.0 million in FY2021, of which \$3.2 million is general revenue. This reflects an all funds decrease of \$2.2 million from the FY2020 Budget as Enacted. This includes an increase of \$629,063 in federal funds and a decrease of \$2.8 million in other funds. The increase in federal funds is largely due to various training costs, contracted services, and personnel adjustments, while the decrease in other funds mainly reflects reduced RICAP funding for the new joint force headquarters at Camp Fogarty, as that project is complete.

The Budget provides 92.0 FTE positions in FY2020, consistent with the enacted level and 96.0 FTE positions in FY2021, reflecting the addition of a 1.0 Deputy Director position and 3.0 federally funded firefighter positions. Approximately 83.0 percent of the authorized FTE positions are supported by federal funds.

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. 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.



RI National Guard	General Revenue
FY2020 Enacted	\$3,219,493
<i>Target and Other Adjustments</i>	<i>(216,474)</i>
Deputy Director Position	157,565
Injured on Duty (IOD) Savings	(114,838)
Operating Expenses	203,164
Centralized Services	(20,994)
FY2021 Governor	\$3,227,916

Deputy Director Position ***\$157,565***

The Budget includes \$157,565 in general revenue reflecting the full year salary and benefits to add a new 1.0 Deputy Director position. The Adjutant General is currently interviewing candidates for the position. The Deputy Director will act as a Chief of Staff and will assist the Adjutant General with the Homeland Security Advisor duties that were previously held in the Governor's Office, but have since been delegated to the Military Staff.

Injured on Duty (IOD) Savings ***(\$114,838)***

The Budget reduces personnel expenses \$114,838 in general revenue reflecting savings achieved through the Injured on Duty (IOD) reforms enacted as part of the FY2020 Budget as Enacted. Since passage of the IOD reforms two Quonset Airport Firefighters accepted the retirement disability package offered to them. The IOD savings are redistributed within the revised and proposed budgets to other areas of the Military Staff budget requiring added funding such as facility repairs and maintenance. The FY2020 Revised Budget contains a similar savings of \$245,313.

Operating Expenses ***\$203,164***

The Budget includes \$1.3 million in general revenue (\$18.8 million in all funds) in FY2021 for operating expenses, reflecting a net increase of \$203,164 from the FY2020 Budget as Enacted. The largest adjustment is the increase of \$57,634 in general revenue for central utility fund costs.

	FY2019	FY2020	FY2020		FY2021	
Operating Expenses	Actual	Enacted	Governor	Change	Governor	Change
CUF: Overhead	(\$728)	\$181,063	\$181,044	(\$19)	\$260,485	\$79,422
Rental of Outside Property	72,816	48,022	76,904	28,882	80,749	32,727
Miscellaneous Expenses	(53)	(23,116)	2,500	25,616	2,625	25,741
Electricity	369,384	219,398	188,200	(31,198)	197,610	(21,788)
All Other Operating	703,735	681,030	729,957	48,927	768,092	87,062
Total	\$1,145,154	\$1,106,397	\$1,178,605	\$72,208	\$1,309,561	\$203,164

Centralized Services ***(\$20,994)***

The Budget decreases general revenue expenditures to reflect billed amounts for information technology and human resource 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 FY2020 Budget as Enacted appropriated \$46,708 for centralized service expenses, which is decreased by \$20,994 to \$25,714 in the FY2021 budget.

	FY2020	FY2020		FY2021	
Centralized Services	Enacted	Governor	Change	Governor	Change
Human Resource Service Centers	\$15,750	\$15,750	\$0	\$8,275	(\$7,475)
Information Technology Charges	30,958	17,121	(13,837)	17,439	(13,519)
Total	\$46,708	\$32,871	(\$13,837)	\$25,714	(\$20,994)

CAPITAL PROJECTS

The Budget includes \$61.4 million (\$55.6 million federal funds and \$5.8 million RICAP) in capital projects for FY2020 and \$23.3 million in FY2021 (\$22.6 million federal funds and \$700,000 RICAP), including:

- \$6.3 million in FY2020 (\$3.4 million in federal funds and \$2.9 million in RICAP) for a new Joint Force Headquarters Building project. The structure is complete and staff is relocating to the new facility at Camp Fogarty in the Town of East Greenwich.
- \$5.1 million in FY2020 (\$4.2 million in federal funds and \$939,000 in RICAP) and \$7.2 million in FY2021 (\$6.6 million in federal funds and \$600,000 in RICAP) for various asset protection projects.
- \$1.4 million in FY2020 (\$700,000 in federal funds and \$714,570 RICAP) to complete the Armory of Mounted Commands Rehabilitation project which includes the roof and HVAC replacement project.
- \$125,000 in RICAP funds in FY2020 and \$100,000 in FY2021 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 \$43.0 million in FY2020, \$13.2 million in FY2021, and out-year funding of \$60.9 million through to FY2025. 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	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$19.9	\$13.6	\$18.4	\$4.7	34.9%	\$13.2	(\$0.4)	-2.9%
Expenditures By Source								
General Revenue	\$2.3	\$2.4	\$2.4	\$0.0	-	\$2.9	\$0.5	22.9%
Federal Funds	15.7	9.3	13.9	4.6	49.3%	8.0	(1.3)	-13.8%
Restricted Receipts	0.4	0.5	0.6	0.2	35.5%	0.6	0.1	18.2%
Operating Transfers from Other Funds	1.5	1.5	1.5	-	-	1.7	0.3	17.0%
Total	\$19.9	\$13.6	\$18.4	\$4.7	34.9%	\$13.2	(\$0.4)	-2.9%
Authorized FTE Levels	32.0	32.0	32.0	-	-	32.0	-	-

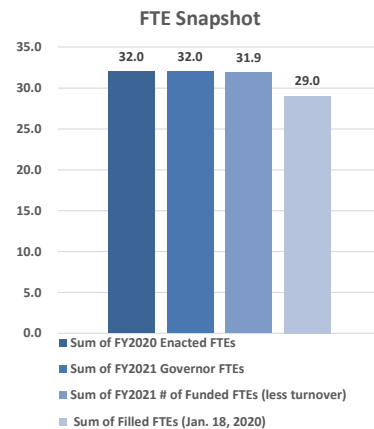
\$ in millions. Totals may vary due to rounding.

The Rhode Island Emergency Management Agency (RIEMA) 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 \$18.4 million in FY2020, of which \$2.4 million is general revenue. Federal funds comprise 75.6 percent of the Agency's budget in FY2020, an increase by \$4.6 million and restricted receipts increase by \$166,682.

The Budget includes \$13.2 million in FY2021, of which \$2.9 million is general revenue. Federal funds comprise \$8.0 million (60.6 percent) of the Agency's budget in FY2021, a decrease by \$1.3 million, largely reflecting the completion of various federal disaster programs and reduced capital expenditures. Other funds increase by \$250,000, reflecting the use of RICAP funds for a feasibility study to regarding the effective use of RIEMA's current headquarters. The Budget includes 32.0 FTE positions in FY2020 and FY2021, consistent with the enacted level.



Central Management	General Revenue
FY2020 Enacted	\$2,364,647
<i>Target and Other Adjustments</i>	<i>4,474</i>
Code RED Maintenance Contracts	277,750
Centralized Service Charges	116,534
Personnel	93,060
FY2021 Governor	\$2,901,055

Central Management	Other Fund Changes
Disaster and Emergency Preparedness Grants	(\$1,016,500)
Capital Purchases and Equipment	(412,040)
Personnel, Contract Services, and Operating Changes	151,377

Code RED Maintenance Contract **\$277,750**

The Budget adds \$277,750 in general revenue for the Code Red maintenance contract. The Code RED system is an emergency response notification system which is integrated into the federal Integrated Public Alert and Warning System (IPAWS) that sends public safety alerts through the Emergency Alert System (EAS) and other public alerting systems for emergencies such as active shooters, evacuations, and missing child alerts. The State and all 39 municipalities use this system. Because this operating item is a maintenance issue and not an enhancement to a capital asset, funding is not available via the Rhode Island Capital Fund (RICAP) program.

Centralized Service Charges **\$116,534**

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 FY2020 Budget as Enacted appropriated \$90,289 for centralized information technology expenses, which is increased by \$116,534 to \$206,823 in the FY2021 budget.

Personnel **\$93,060**

The Governor includes \$975,404 in general revenue reflecting a net increase of \$93,060 from the FY2020 Budget as Enacted. The increase is a result of statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit increase of 1.3 percent as compared to the FY2020 Budget as Enacted.

Personnel Costs	FY2020 Enacted	FY2021 Governor	Change
Assessed Fringe Benefits	\$21,705	\$22,923	\$1,218
Direct Salaries	560,606	589,087	28,481
Payroll Accrual	3,252	3,458	206
Health Benefits	53,500	99,009	45,509
FICA	43,376	45,657	2,281
Retiree Health Insurance	34,670	34,068	(602)
Retirement	165,235	181,202	15,967
Total	\$882,344	\$975,404	\$93,060

Disaster and Emergency Preparedness Grants (federal funds)**(\$1.0 million)**

The Budget includes \$3.0 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events. This appropriation is \$1.0 million less than the FY2020 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 FY2021.

RIEMA Federal Grants	FY2020 Enacted	FY2021 Governor	Change
State Homeland Security Grant Program 2019	\$0	\$2,100,012	\$2,100,012
Homeland Security Grant Program 2018	1,451,305	223,943	(1,227,362)
Hurricane Sandy October 2012	800,000	-	(800,000)
All Other Grants	1,815,450	726,300	(1,089,150)
Total	\$4,066,755	\$3,050,255	(\$1,016,500)

Capital Purchases and Equipment (federal funds)**(\$412,040)**

The Budget includes \$35,000 in federal funds for capital purchases and equipment reflecting a decrease of \$412,040 from the FY2020 Budget as Enacted. The Budget reflects a reduction of \$20,000 to purchase furniture and \$392,040 for computer equipment that was included in the FY2020 Budget as Enacted but no longer required in the FY2021 Budget.

Personnel, Contract Services, and Operating Changes (federal funds)**\$151,377**

The Budget includes \$4.9 million in federal funds for personnel, contract services, and operating costs, reflecting an increase of \$151,377 in federal funds from the FY2020 Budget as Enacted. The Budget increases resources for operations, of which the largest component of \$290,000 is for communication system repairs.

CAPITAL PROJECTS

The Budget includes RICAP funding for two capital projects. The projects include:

- \$1.5 million in FY2020 and FY2021, and \$1.6 million each year from FY2022 to FY2025 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.
- \$250,000 in FY2021 to fund a feasibility study to determine whether the current headquarters of the RIEMA located at 645 New London Avenue, Cranston, is sufficiently adequate to meet the needs of the agency. The agency has completed other studies in recent years looking at potential moves.

Department of Public Safety

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$11.0	\$15.5	\$15.9	\$0.4	2.5%	\$11.1	(\$4.4)	-28.3%
E-911	5.9	7.0	7.1	0.1	0.8%	7.6	0.5	7.8%
Municipal Police Training	0.5	0.7	0.8	0.1	11.2%	0.8	0.1	14.1%
Security Services	24.7	26.8	26.4	(0.4)	-1.5%	26.7	(0.1)	-0.4%
State Police	81.1	88.2	91.7	3.5	4.0%	89.5	1.3	1.4%
Total	\$123.3	\$138.2	\$141.9	\$3.7	2.6%	\$135.7	(\$2.6)	-1.8%

Expenditures By Source								
General Revenue	\$103.7	\$105.9	\$105.3	(\$0.7)	-0.6%	\$105.7	(\$0.2)	-0.2%
Federal Funds	16.0	20.0	24.8	4.9	24.3%	\$17.4	(\$2.63)	-13.2%
Restricted Receipts	0.5	6.1	6.3	0.2	3.5%	\$9.4	\$3.25	53.0%
Other Funds	3.0	6.2	5.4	-0.8	-12.4%	\$3.2	(\$2.98)	-48.3%
Total	\$123.3	\$138.2	\$141.9	\$3.7	2.6%	\$135.7	(\$2.6)	-1.8%

Authorized FTE Levels	564.6	593.6	593.6	-	-	598.6	5.0	0.8%
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\$ 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 five 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.

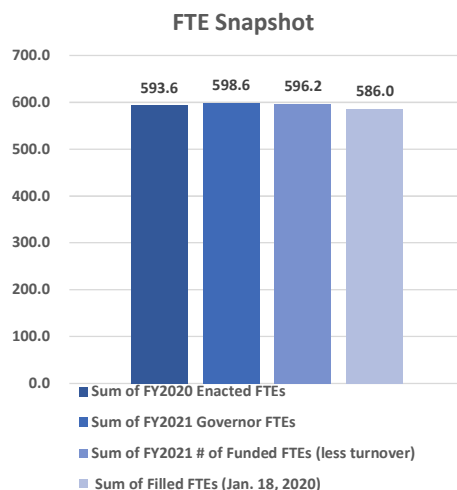
MAJOR ISSUES AND TRENDS

The Governor provides \$135.7 million to fund public safety initiatives and the operations of Department of Public Safety in FY2021. Approximately 78.0 percent of this, or \$105.7 million, is from general revenue, a reduction of \$192,584 (0.2 percent) from the FY2020 Enacted level.

The Budget authorizes a net increase of 5.0 FTE positions within the Department, for a total of 598.6 positions. DPS assumed a graduating class of 30 new troopers from its training academy in June, 2019; however 37 recruits successfully completed the program. The net increase includes these 7.0 additional Trooper FTE positions. This increase is offset by the elimination a 1.0 Staff Attorney VII and a 1.0 Public Information Officer.

Major budget initiatives with the Department include:

- **Upgrades to E-911 Technology:** The Budget provides \$750,000 in restricted E-911 funds to upgrade current copper wiring to fiber optic cable that will increase telecommunication capacity.
- **Injured-on-Duty Adjustments:** The Budget provides \$141,116 in general revenue savings related to employees previously out on injured-on-duty benefits that have either returned to work or received a disability pension.
- **Southern Barracks:** The Budget includes \$35.0 million in certificates of participation (COPs) to finance the construction of new barracks in the southern part of Rhode Island in order to replace the obsolete Wickford and Hope Valley facilities.



- **Exeter Reimbursement:** The Governor recommends \$441,310 in savings associated with a proposal to require the Town of Exeter to reimburse the State for services that the State Police provide to the town in the absence of a police department.
- **Training Academy:** The Budget provides \$424,371 in general revenue for costs associated with recruitment and other activities in preparation for the next State Police Training Academy class, scheduled for June 2021.
- **Adult-Use Marijuana:** The Governor recommends \$500,000 in restricted receipts to support public safety initiatives related to the legalization of adult-use marijuana.

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 provides fiscal 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
FY2020 Enacted	\$928,740
<i>Target and Other Adjustments</i>	2,528
Personnel	(63,729)
IT Internal Service Charges	34,000
FY2021 Governor	\$901,539

Salary and Benefits Changes

(\$63,729)

The Budget includes a net \$63,729 in personnel savings in FY2021 within the Central Management Division. The Division has 13.0 authorized FTE positions. The savings is primarily related to the general revenue portion of direct salaries related to the elimination a 1.0 Staff Attorney VII and a 1.0 Public Information Officer. This is offset by statewide changes in healthcare and fringe benefits. The net changes are summarized in the following table:

	FY2020	FY2021	
Salaries and Benefits	Enacted	Governor	Change
Salaries and Overtime	\$571,815	\$518,309	(\$53,506)
Retiree Costs	193,646	177,144	(16,502)
Healthcare and Fringe Benefits	93,658	104,414	10,756
FICA	43,620	39,436	(4,184)
Payroll Accrual	3,298	3,005	(293)
Total	\$906,037	\$842,308	(\$63,729)

IT Internal Service Charges

\$34,000

The Budget includes \$34,000 in general revenue for IT services provided to the Central Management program by the Division of Information Technology (DOIT) at the Department of Administration. The FY2020 Budget as Enacted did not include funding for these services; however, according to the Office of Management and Budget, the \$34,000 is based on the program's actual expenses in FY2019.

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 if an emergency affects the primary PSAP.

E-911	General Revenue
FY2020 Enacted	\$1,698,063
<i>Target and Other Adjustments</i>	-
Shift of Funding from General Revenue to E-911 Fund	(1,698,063)
FY2021 Governor	-

E-911	Restricted Receipts
Personnel	\$1,539,055
Technology Enhancements	526,250
Next Generation 911	Informational
Surcharge Revenues	Informational

Shift of Funding from General Revenue to E-911 Fund (\$1.7 million)

The Budget does not include general revenue funding in FY2021 for the E-911 program because funding is shifted entirely to restricted receipts accounts. The FY2020 Budget as Enacted provided \$7.0 million in total funding for E-911, with \$5.3 million from restricted receipts and \$1.7 million coming from general revenue.

Since FY2000, E-911 program costs have been funded through general revenues. Article 2 of the FY2020 Budget as Enacted established a new E-911 Fund restricted receipt account for the purposes of supporting E-911 programming going forward. The E-911 Fund is capitalized by receipts from a new E-911 surcharge, also established by Article 2, levied on telecom services in Rhode Island. The State has assessed this type of surcharge in one form or another since 1988; however, it has historically been deposited into the general fund. Although the restructured restricted receipts are designed to fully-fund the needs of the program, the General Assembly provided \$1.7 million in general revenue in the FY2020 Budget as Enacted to make personnel and operational investments to improve program responsiveness.

Personnel (restricted receipts) \$1.5 million

The Budget provides an increase of \$1.5 million in E-911 Funds for salaries and benefits for the E-911 program in FY2021 as compared to the FY2020 enacted level. This is offset by a decrease of \$1.2 million in general revenue related to the shift of funding from the general fund to the E-911 fund, for a combined net increase in spending of \$297,994 in FY2021.

The net increase is attributable to \$168,309 increase in holiday pay related to the Election Day holiday in November and a net \$129,285 in other salary and benefits changes related to current service adjustments.

Technology Enhancements (restricted receipts) \$526,250

The Budget provides an increase of \$526,250 in E-911 Funds for capital purchases and equipment for the E-911 program in FY2021 as compared to the FY2020 enacted level. This is offset by a decrease of \$76,250 in general revenue related to the shift of funding from the general fund to the E-911 fund, for a combined net increase in spending of \$450,000 in FY2021.

Computer Equipment			
	FY2020	FY2021	
Source	Enacted	Governor	Change
General Revenue	\$76,250	-	(\$76,250)
E-911 Fund	228,750	755,000	526,250
Total	\$305,000	\$755,000	\$450,000

The additional spending on technology enhancements will allow E-911 to continue its six-year plan to upgrade its fiber-optic system to improve its use of GIS data mapping, video feed, and vehicle tracking capabilities. It will also improve the program's compliance with Federal Communication Commission's most up-to-date technology standard emergency response, known as Next Generation 911.

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, which will 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 second year of the project.

Surcharge Revenues

Informational

The FY2020 Budget as Enacted reconfigured the telecommunication surcharges that support emergency services and first response programs, including the E-911 program. Previously, State law authorized a \$1.00 emergency services and first response surcharge on wireline, wireless, and prepaid telecommunication services and an additional \$0.26 technology surcharge only on wireless services. 90.0 percent of the revenue from the \$1.00 surcharge was deposited as general revenue with the balance placed into the State's Information Technology Investment Fund. The \$0.26 surcharge was deposited into a restricted receipt account to support State geographic information system (GIS) and other technology improvements.

These surcharges were eliminated and replaced by two new ones in the Enacted Budget. A new \$0.50 E-911 surcharge was established to support the E-911 program. Revenue from the surcharge is now deposited into a dedicated restricted receipt account within DPS explicitly reserved for the purposes of supporting the E-911 system. A new first response surcharge was also established to support first responder services across the State. The surcharge amount varies by telecommunication type and ranges from \$0.50 to \$0.75. The revenue from this surcharge is deposited as general revenue.

The new E-911 surcharge is set at \$0.50 per line, per month. The separate First Response surcharge varies based on the type of telecom service used. Revenues from these surcharges are deposited into various accounts for various purposes. The surcharge and account changes are summarized in the following tables.

Through FY2019		
Surcharge - Wireline	Amount	Deposited
Emergency Services and First Response Surcharge	\$1.00	General Fund (90%) / ITIF* (10%)
E-911 Surcharge	N/A	N/A
First Response Surcharge	N/A	N/A
Total	\$1.00	

Current	
Amount	Deposited
Repealed	Repealed
\$0.50	E-911 Fund (RR)
0.50	General Fund (90%) / ITIF* (10%)
\$1.00	

Through FY2019		
Surcharge - Wireless	Amount	Deposited
Emergency Services and First Response Surcharge	\$1.00	General Fund (90%) / ITIF* (10%)
E-911 Surcharge	N/A	N/A
First Response Surcharge	N/A	N/A
GIS/Technology Surcharge	0.26	GIS/Tech Fund (RR)
Total	\$1.26	

Current	
Amount	Deposited
Repealed	Repealed
\$0.50	E-911 Fund (RR)
0.75	General Fund (90%) / ITIF* (10%)
Repealed	Repealed
\$1.25	

Through FY2019		
Surcharge - Prepaid	Amount	Deposited
Emergency Services and First Response Surcharge	2.5% of retail transaction	General Fund
E-911 Surcharge	N/A	N/A
First Response Surcharge	N/A	N/A
GIS/Technology Surcharge	N/A	N/A
Total		

Current	
Amount	Deposited
N/A	N/A
2.5% of retail transaction	E-911 Fund (RR)
N/A	N/A
N/A	N/A

*Information Technology Investment Fund

The following table shows the collection history and estimated revenue by surcharge:

E-911 Surcharge and First Response Surcharge Revenues vs. Expenditures							
FY	E-911 Surcharge	First Response Surcharge	E911 Restricted Receipts	E-911 Expenditures	Deposit to ITIF	Net to General Fund	Total Collections
2010	\$17,898,223			\$4,635,901	-	\$13,262,322	\$13,262,322
2011	17,248,460			4,829,770	-	12,418,690	12,418,690
2012	17,255,771			4,766,586	-	12,489,185	12,489,185
2013	17,507,117			5,103,735	-	12,403,382	12,403,382
2014	17,454,670			5,444,296	-	9,798,629	9,798,629
2015	17,640,703			5,320,615	-	12,320,088	12,320,088
2016	16,649,747			5,499,050	1,571,992	9,578,704	11,150,697
2017	16,845,536			5,699,440	1,632,500	8,993,060	10,625,560
2018	17,072,415			5,894,522	1,665,150	9,512,743	11,177,893
2019	17,340,783			5,899,730	1,734,078	9,706,975	11,441,053
2020*	4,241,126	7,239,274	5,406,989		723,927	10,756,472	11,480,400
2021*		9,358,246	7,063,015		935,825	8,422,421	9,358,246

*FY2020 and FY2021 revenue estimates are provided by the Budget Office, based on the estimates adopted at the November 2019 17,939,479

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 (CCRI) Flanagan Campus in the Town of Lincoln.

Municipal Police Training	General Revenue
FY2020 Enacted	\$296,254
<i>Target and Other Adjustments</i>	-
Personnel and Operating Costs	14,202
FY2021 Governor	\$310,456

Personnel and Operating Costs **\$14,202**

The Budget increases operating expenditures by \$9,471 and personnel expenditures by \$4,731 for a total increase of \$14,202 in general revenue spending within the Municipal Police Training (MPT) program in FY2021.

- **Operating Supplies and Expenses:** The \$9,471 increase in the MPT program's operational costs include \$5,188 in rental expenses to cover the rent increase for use of classrooms at CCRI, \$3,559 in internal services charges for human resources services provided by the Office of Human Resources at the Department of Administration, and a net \$724 in other operating supplies and expenses.

Municipal Police Training Academy - Operating	
Rental of CCRI Classrooms	\$5,188
HR Internal Service Charges	3,559
Other Operating Supplies and Expenses (net)	724
Total	\$9,471

- **Salaries and Benefits:** The \$4,731 increase in the MPT program's personnel costs include \$3,400 in overtime expenses to cover the cost of a staff member of the Attorney General's Office to teach a class twice a year at the Training Academy, and a net \$1,331 in other salary and benefits expenses.

Municipal Police Training Academy - Personnel	
Overtime	\$3,400
Other Salary and Benefits	1,331
Total	\$4,731

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
FY2020 Enacted	\$26,773,619
<i>Target and Other Adjustments</i>	18,663
Injured on Duty Savings	(141,167)
Fleet Expenses	77,069
Sheriffs' Overtime	(50,000)
FY2021 Governor	\$26,678,184

Injured on Duty Savings **(\$141,167)**

The Budget includes \$141,167 in savings related to reforms to the State's injured on duty (IOD) benefit system. Article 3 of the FY2020 Budget as Enacted placed new requirements on state employees receiving IOD benefits. Individuals receiving IOD benefits must now apply for accidental disability benefits within 60 days after a doctor certifies that the person has reached maximum medical improvement or permanent

disability from the injury. If the individual does not apply for the accidental disability benefits within the timeframes delineated in Article 3, the IOD benefit is terminated.

Historically, DPS has experienced a high incidence of IOD among its sheriffs. In 2019, DPS averaged 21 out of 172 total Sheriffs on IOD, a 12.2 percent rate. There are currently 13 sheriffs on IOD out of 176, or 7.4 percent.

Fleet Expenses

\$77,069

The Budget includes a net \$77,069 in additional general revenue for various vehicle expenses of the DPS' security services. According to DPS, these costs include \$26,839 more in centralized service charges for fuel, insurance, maintenance, and repair costs associated with the Security Services vehicles, and a net \$50,230 more for the its FY2021 Fleet Revolving Loan Fund repayment. The Sheriffs Division requested \$126,000 from general revenue, \$73,081 more than the enacted level, to make loan payments on ten new vehicles purchased in FY2020. The Capitol Police requested \$9,681 in general revenue, \$22,851 less than the FY2020 enacted level, to pay the outstanding loan on lights for the Division's six vehicles.

Sheriff's Overtime

(\$50,000)

The Budget includes \$50,000 in overtime savings related to the changes to how out-of-State detainees are guarded while receiving medical treatment in Rhode Island.

From 2016 to 2018, Rhode Island area hospitals admitted 16 detainees for medical treatment who were arrested and charged with a crime in another state. Out-of-State police officers that transport and guard these individuals are granted temporary emergency police powers while in Rhode Island. The officers are required to notify the Rhode Island State Police prior to entering the State and are granted the emergency powers for a period of eight hours, during which they operate under the command of the State Police. If the detainee remains in the area hospital for longer than eight hours, the responsibility of guarding the detainee falls to Rhode Island sheriffs. Article 3 of the Budget would allow out-of-State officers to retain this status for the duration of a detainee's hospital stay.

In the three year-period from 2016 to 2018 there were a total of 16 incidents where these emergency powers were granted at an estimated total cost of \$173,475, or an average of \$57,825 per year.

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
FY2020 Enacted	\$76,222,276
<i>Target and Other Adjustments</i>	<i>547,169</i>
Salaries and Benefits	1,082,395
State Police Non-State Agency Reimbursement (Exeter)	(440,022)
58th State Police Training Academy	424,371
Pension Trust Fund	Informational
State Police Vehicles	Informational
FY2021 Governor	\$77,836,189

Salaries and Benefits**\$1.1 million**

The Budget provides an additional \$1.1 million in general revenue (\$1.8 million all funds) for personnel expenses within the State Police in FY2021. This increase reflects the hiring of 7.0 more Troopers than anticipated out of the State Police Training Academy's 2019 class. The average cost per 1.0 Trooper FTE is \$245,875. The State Police currently have 299.0 filled FTE positions.

State Police Non-State Agency Reimbursement (Exeter)**(\$440,022)**

The Budget shifts \$440,022 in general revenue expenditures within the State Police to its Non-State Agency Reimbursement restricted receipt account. These expenditures reflect the annual costs associated with providing law enforcement services to the Town of Exeter.

Exeter is the only municipality in Rhode Island without a police force. Law enforcement and public safety services for the town are provided by the Rhode Island State Police. In 2019, the State Police responded to 2,030 calls in Exeter and have averaged around 2,000 a year over the last three years. Similarly-sized communities, such as West Greenwich, average 80.0 percent less (see table). The Department of Public Safety's recommended annual staffing includes 1.0 Sergeant and 2.0 Troopers to meet this demand.

State Police Activity in Exeter - 2019

Arrests	Incidents	DUIs	Citations	Accidents	Calls
63	407	11	682	167	2,030

State Police Activity - Comparison

Town	Population	Size (sq. mi.)	State Police Calls	
			2017	2018
Exeter	6,527	58.4	1,890	2,109
West Greenwich	6,231	51.3	310	487
Foster	4,606	51.9	161	156

Article 3 of the Budget expands the categories of State aid that may be withheld from a city or town for delinquent debt from just direct local aid to also include indirect local aid. This change would permit the State to withhold indirect local aid from the Town of Exeter for the cost of services provided by the State Police. The State Police attempted to formalize a services agreement with Exeter in 2007 and then again in 2014. On both occasions, the town council rejected the attempt and asserted its right not to establish a police force, arguing that the State Police are obliged to respond to public safety calls across the entire State.

The Budget shifts \$440,022 from general revenues to restricted receipts to reflect the change in payment for State Police personnel that provide services to Exeter. The Governor's Budget includes these expenses as restricted receipts, assuming that the town will reimburse the State. If Exeter does not pay this bill, the State has no other recourse to obtain funds from the town under current law because Exeter is not eligible for the direct local aid categories that may be withheld. However, the changes under Article 3 would give the State access to the \$1.9 million in indirect local aid available for Exeter. This would allow the State to withhold \$440,022 from the Town's indirect local aid to cover the expenses.

58th State Police Training Academy**\$424,371**

The Budget includes \$424,371 from general revenues (\$1.4 million all funds) to support the costs associated with conducting a new training academy class beginning in June 2021. The Governor recommends that the 58th State Police Training Academy begin in June. The appropriation covers the stipends for 25 recruits while they are training. Salaries and benefit costs for the new troopers shift to FY2022.

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 FY2021, commensurate with the FY2020 Budget as Enacted.

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. The Budget includes \$1.8 million from general revenue for fleet maintenance and new vehicle expenses in FY2021, the same amount as the FY2020 enacted level.

The Budget also level funds the amount of 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 FY2021 is \$2.3 million, consistent with past expenditure levels.

Adult-Use Marijuana (restricted receipts)

\$500,000

The Budget includes \$500,000 in a new restricted receipt account related to the Governor's proposed State Controlled Adult-Use Marijuana program.

Article 13 of the Budget provides the detailed framework of the Governor's proposed State Controlled Adult Use Marijuana initiative. Oversight and regulation of the program is centered in a 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. This work would be funded by the \$500,000 appropriation to the Adult-Use Marijuana Fund restricted account.

Opioid Response Programs (federal funds)

\$315,570

The Budget includes \$315,570 more from federal funds in FY2021 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 directed to the State Police and their amounts:

Grant	FY2020 Enacted	FY2021 Governor	Change
Hope Initiative - Comprehensive Addiction/Recovery	\$175,612	\$187,786	\$12,174
Hope Initiative - Medication Assisted Treatment PDOA	41,477	47,487	6,010
Hope Initiative - Opioid Response Prevention	52,684	-	(52,684)
Hope Initiative - Prescription Drug Monitoring Program	143,756	-	(143,756)
Hope Initiative Coap - Part B	-	175,368	175,368
Hope Initiative Opioid Response Grant	110,367	337,341	226,974
Hope Initiative-opioid Overdose Crisis Response	-	91,484	91,484
Total	\$523,896	\$839,466	\$315,570

DPS program costs in FY2021 include \$75,000 more for assistance and grants, \$75,738 more for contracted services, \$82,232 more for operating, and \$82,500 more for personnel.

CAPITAL PROJECTS

The Budget includes a total of \$41.9 million for capital projects from FY2020 through FY2025. The Governor recommends \$982,000 in disbursements from the RI Capital Plan (RICAP) Fund in FY2021 and \$1.5 million from certificates of participation (COPS) as follows:

DPS Capital Projects	FY2020		FY2021		FY2022-FY2025		Total
	COPS	RICAP	COPS	RICAP	COPS	RICAP	
Southern Barracks	-	-	\$1,500,000	-	\$33,500,000	-	\$35,000,000
HQ Roof Replacement	-	2,000,000	-	-	-	-	2,000,000
Asset Protection	-	600,000	-	482,000	-	1,575,000	2,657,000
Training Academy Upgrades	-	425,000	-	500,000	-	950,000	1,875,000
Public Safety Master Plan	-	350,000	-	-	-	-	350,000
Total	-	\$3,375,000	\$1,500,000	\$982,000	\$33,500,000	\$2,525,000	\$41,882,000

- **Southern Barracks:** The Budget authorizes \$35.0 million in certificates of participation (COPS) to be used to finance a new State Police barracks located in the southern part of the State. The Governor recommends \$1.5 million from the COPS issuance to be disbursed in FY2021.

In 2018, the Department of Public Safety initiated a comprehensive planning review and feasibility study related to the Rhode Island State Police (RISP) barracks facilities located in Wickford, Hope Valley, and Portsmouth. The review and study were completed in the fall of 2019, and were coordinated by a master planning committee consisting of members of the RISP, representatives from the Department of Administration, and an architectural and engineering design firm.

The committee found that the existing three barracks, which were built in the 1930s, do not meet the modern public safety and policing requirements of the State Police. Specifically, the existing barracks are no longer located along main thoroughfares, are in poor condition, are expensive to operate and maintain, and are not configured with a modern police facility layout. It was determined that it is not feasible to renovate the existing structures and therefore necessary to build a new, combined barracks in the southern part of the State. The preferred location, which remains subject to Federal Highway Administration and RI Department of Transportation approval, is a parcel of land located off Route 95 at Exit 7 in West Greenwich.

- **Asset Protection:** The Budget authorizes \$2.7 million RI Capital Plan Funds to finance the maintenance of the various facilities across the Department over five years, including \$482,000 in FY2021.
- **Training Academy Upgrades:** The Budget provides \$1.9 million of RICAP funds from FY2020 through FY2025 for improvements at the State Police Training Academy in Foster, with \$500,000 disbursed in FY2021. The \$1.7 million project began in 2018, with \$357,389 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 FY2021, 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 the facilities master plan to determine the building needs of the agency and its personnel. The plan is expected to be completed in FY2020; therefore, no funding is included in FY2021.

Office of the Public Defender

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Public Defender	\$12.0	\$12.9	\$12.9	(\$0.0)	-0.2%	\$13.5	\$0.6	4.3%
Expenditures By Source								
General Revenue	\$11.9	\$12.8	\$12.8	(\$0.0)	-0.2%	\$13.4	\$0.6	9.0%
Federal Funds	0.0	0.1	0.1	-	-	0.1	-	-
Grand Total	\$12.0	\$12.9	\$12.9	(\$0.0)	-0.2%	\$13.5	\$0.6	4.3%
Authorized FTE Levels	95.0	96.0	96.0	-	-	99.0	3.0	3.1%

\$ 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.

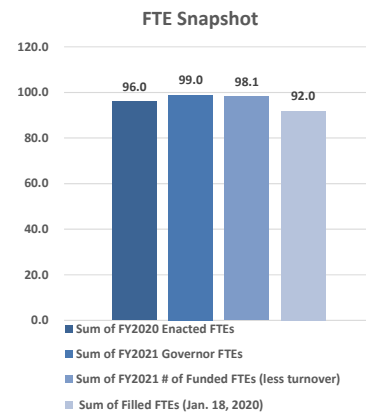
MAJOR ISSUES AND TRENDS

The agency's budget is funded almost entirely by general revenues (99.4 percent). The preliminary FY2019 closing report lists the Office expending \$11.9 million in general revenue and \$28,702 in federal funds, reflecting a surplus of \$118,757 in general revenue and a surplus of \$46,963 in federal funds. The Office reported that the general revenue surplus was primarily a result of increased turnover savings.

The FY2020 Budget as Enacted included \$12.9 million in all funds, of which \$12.8 million is general revenue and \$75,665 is federal funds. General revenues increased by \$249,340 over the FY2019 Budget as Enacted. The enacted budget also included general revenue savings of \$23,400 reflecting efficiency savings concerning leased parking. The FY2020 Revised Budget includes \$12.9 million reflecting a \$26,035 general revenue reduction.

For FY2021, the Budget includes \$13.5 million, of which \$13.4 million is general revenue and \$75,665 is federal funds, reflecting an increase of \$561,552 in general revenue, largely reflecting the addition of 3.0 new FTEs and statewide personnel cost adjustments. Other increases include \$63,863 for operating costs, \$19,118 for contracted service costs, and \$8,695 for computers and computer supplies.

The Budget includes 96.0 FTE positions in FY2020, consistent with the enacted level, and 99.0 FTE positions in FY2021, an increase of 3.0 positions.



Central Management	General Revenue
FY2020 Enacted	\$12,824,871
<i>Target and Other Adjustments</i>	8,695
Personnel	469,876
Operating Adjustments	63,863
Contracted Services	19,118
FY2021 Governor	\$13,386,423

Personnel **\$469,876**

The Budget increases general revenue expenditures to reflect the addition of 3.0 Public Defender IV FTE positions to handle the excessive caseloads handled by the Office of the Public Defender. The Budget includes \$338,775 for the 3.0 Public Defender IV FTE positions in FY2021. According to the Office, the additional positions are necessary to handle excessive caseload levels, which impacts the Public Defender's ability to meet statutory representation requirements. The Budget includes \$131,098 in other statewide planning value adjustments set by the Budget Office and includes \$100,000 in projected turnover savings.

Operating Adjustments **\$63,863**

The Budget adds \$63,863 in general revenue for operating adjustments within the Office of the Public Defender, mainly consisting of an increase of \$21,900 that was taken in miscellaneous expenses in FY2020. That natural account is historically low or zero for the Office. Neither Budget nor the Office can explain why savings were included in the FY2020 Budget and the Budget Office but removed it in the FY2021 Budget since it is not achievable. The rental of outside property natural decrease of \$14,346 reflects the relocation of employee parking from a garage lease and to using space at the new Garrahy Court House (Clifford Street) garage.

	FY2020 Enacted	FY2020 Governor	Change	FY2021 Governor	Change
Operating Expenses					
Miscellaneous Expenses	(21,900)	(20,361)	1,539	-	21,900
Building Maintenance & Repairs	135,910	145,137	9,227	151,516	15,606
Rental of Outside Property	511,600	520,654	9,054	497,254	(14,346)
Insurance: Property/Casualty	24,134	32,000	7,866	33,000	8,866
Records Center: Overhead	27,500	33,000	5,500	34,500	7,000
Dues and Fees	48,000	52,500	4,500	53,960	5,960
Comp Supplies/Software & Equip	20,000	41,000	21,000	25,000	5,000
Telephone and Telegraph	23,000	25,000	2,000	28,000	5,000
All Other Operating	263,520	260,483	(3,037)	272,397	8,877
Total	1,031,764	1,089,413	57,649	1,095,627	63,863

Contracted Services **\$19,118**

The Budget increases general revenue expenditures, mainly reflecting additional funds for stenographic services, along with expert witness testimony and interpreters. According to the Agency, these costs are out of their control and have steadily increased over time.

	FY2020 Enacted	FY2020 Governor	Change	FY2021 Governor	Change
Contracted Services					
5.5 Percent Contractor Surcharge	\$7,908	\$7,026	(\$882)	\$7,026	(\$882)
Clerical Services	25,000	22,000	(3,000)	22,000	(3,000)
Interpreters/Translators	30,000	30,000	-	32,500	2,500
Janitorial Services	432	432	-	432	-
Legal Expert Witnesses	45,000	45,000	-	48,000	3,000
Legal General	500	500	-	500	-
Other Temporary Services	32,825	32,825	-	32,825	-
Security Services	2,000	2,000	-	2,500	500
Stenographic Services	33,000	48,000	15,000	50,000	17,000
Total	\$176,665	\$187,783	\$11,118	\$195,783	\$19,118

Department of Environmental Management

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Office of Director	\$10.4	\$11.0	\$11.0	\$0.0	0.3%	\$11.2	\$0.2	1.7%
Bureau of Natural Resources	41.5	59.5	60.7	1.2	2.1%	58.9	(0.6)	-1.1%
Bureau of Environmental Protection	25.3	31.6	31.8	0.1	0.5%	32.4	0.7	2.3%
Total	\$77.2	\$102.1	\$103.5	\$1.4	1.4%	\$102.4	\$0.3	0.3%
Expenditures By Source								
General Revenue	\$41.4	\$43.6	\$43.5	(\$0.1)	-0.2%	\$46.3	\$2.6	6.0%
Federal Funds	21.0	32.3	32.2	(0.1)	-0.4%	32.1	(0.2)	-0.6%
Restricted Receipts	12.2	16.1	17.2	1.1	7.0%	16.6	0.6	3.5%
Other Funds	2.6	10.1	10.6	0.5	5.0%	7.4	(2.7)	-27.0%
Total	\$77.2	\$102.1	\$103.5	\$1.4	1.4%	\$102.4	\$0.3	0.3%
Authorized FTE Levels	395.0	394.0	394.0	-	-	405.0	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 FY2021 Budget includes an all funds decrease of \$278,696, or 0.3 percent from the FY2020 Budget as Enacted. The Budget includes a \$2.6 million (6.0 percent) increase in general revenue expenditures compared to the FY2020 Budget as Enacted, primarily due to the Transforming State Parks Initiative Phase II (\$648,685), increased centralized service charges (\$512,202), and improving permitting times and providing case management services (\$539,625). The 27.0 percent decrease in other funds is driven by changes in the Rhode Island Capital Plan (RICAP) fund to reflect changes in construction calendars and priorities.

Article 1 of the Governor's FY2020 Revised Budget includes a \$1.0 million transfer from the Oil Spill Prevention, Administration and Response (OSPAR) fund to general revenues. The transfer of funds may 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 7 of the FY2021 Budget, the Governor recommends increasing the cap on the per-barrel fee from \$0.05 to \$0.10. The increase is to replenish the OSPAR fund, and capitalize a new Ocean State Climate Adaptation and Resilience (OSCAR) Fund. Of the \$0.05 increase, \$0.02 (an estimated \$743,217) would go to the OSPAR Fund and \$0.03 (an estimated \$1.1 million) would be deposited into the OSCAR Fund. The OSCAR Fund is a restricted receipt account within DEM that would be used for adaptation and resilience projects. The OSPAR funds may

Oil Spill Prevention, Administration Response Fund

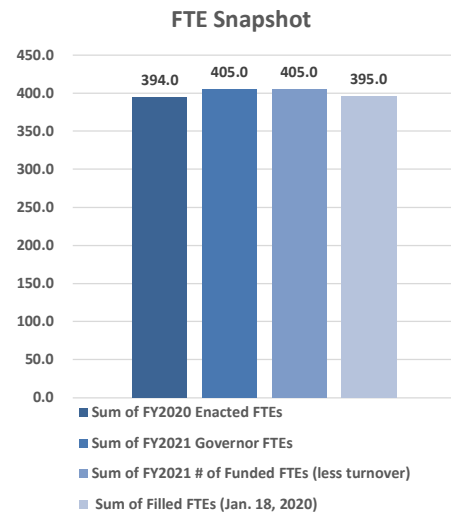
	FY2020	FY2021	
		Without Fee Increase	With Fee Increase
Carry Forward	\$3,188,721	\$1,379,737	\$1,379,737
Total Account Revenue ¹	1,773,974	1,773,974	2,517,191
Total Account Expenditures ¹	(2,582,958)	(2,506,080)	(2,506,080)
FY2020 Transfer	(1,000,000)		
Difference	\$1,379,737	\$647,631	\$1,390,848

¹Revenues are based on the Department's FY2021 Budget request. Expenditures are based on the Governor's FY2021 Budget.

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.

Article 1 of the Governor's FY2020 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.

The Budget authorizes 405.0 FTE positions in FY2021, an increase of 11.0 FTE positions from the FY2020 Budget as Enacted, and 394.0 FTE positions in FY2020.



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
FY2020 Enacted	\$6,927,580
<i>Target and Other Adjustments</i>	<i>126,383</i>
Centralized Service Charges	167,947
FY2021 Governor	\$7,221,910

Centralized Service Charges **\$167,947**

The Budget increases centralized service charge funding by \$167,947 relative to the enacted budget for information technology (\$111,214) and Human Resources (\$56,733). 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.

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
FY2020 Enacted	\$23,505,888
<i>Target and Other Adjustments</i>	<i>454,247</i>
Parks Initiative Phase II (6.0 FTE positions)	596,604
Local Agriculture and Seafood Act (LASA) Grants	150,000
Minimum Wage Adjustment	148,685
Centralized Service Charges	132,799
Beach Parking Fee Payments to Host Communities	50,000
Enhanced Mosquito Abatement Program	41,984
FY2021 Governor	\$25,080,207

Parks Initiative Phase II (6.0 FTE positions)**\$596,604**

As part of a Transforming State Parks Initiative the FY2020 Budget as Enacted invested new revenue from increased user fees 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 identified investments needed to develop a sustainable approach to maintain state parks and beaches. Camping fees increased by \$4 to \$15 for residents, based on the desirability of the campground, and by \$16 to \$40 for non-residents. The proposal also increased pavilion, golf, and other fees at Goddard and Newport.

In FY2021, although not proposing any increases in fees, the Department projects an additional \$900,000 in revenue, including \$657,990 in campground fees, \$100,000 from beach parking collections, and \$150,000 in fees due to expanded concession contracts and offerings.

- **Operating (\$300,000):** The Budget includes an additional \$150,000 for building maintenance and repairs, and \$150,000 for grounds maintenance.
- **Salaries and Benefits (6.0 new FTE positions) (\$296,604):** The Budget includes 6.0 new FTE positions to enhance cleanliness and conditions at state properties and facilities, allow regional managers to focus on strategically managing parks rather than clerical duties, enhance revenue collections, improve the visitor experience, and bring more events to state parks. The request includes 3.0 FTE Senior Maintenance Technician positions (\$121,154), 1.0 FTE Senior Civil Engineer – Construction and Maintenance (\$82,000), 1.0 FTE Plumber Supervisor position (\$59,314), and 1.0 FTE Senior Reconciliation Clerk (\$34,136). The civil engineer, the plumber, and one maintenance technician are projected to start in October 2020, while the two remaining maintenance technicians and the reconciliation clerk are projected to start in January 2021.

Local Agriculture and Seafood Act (LASA) Grant**\$150,000**

An increase of \$150,000 in general revenue (\$250,000 total) is included in the Budget to support the Local Agriculture and Seafood Act (LASA) grant program. The LASA grant program was established to support the growth, development, and marketing of local food and seafood within Rhode Island. The program was launched in FY2014 and is co-administered by the Division of Agriculture, within the Rhode Island Department of Environmental Management, and the Rhode Island Food Policy Council. Grants are awarded through a competitive process open to farmers, fishermen/women, non-profits, and producer groups based in Rhode Island.

For the first five years of the program, a public private partnership with the Henry P. Kendall Foundation, and the Rhode Island Foundation provided matching funds to the \$100,000 general revenue support provided through the Department. These matching funds are not expected to be available in FY2021. According to a report prepared by Karen Karp & Partners for the Rhode Island Food Policy Council in June 2018, over the first five years of the program, 89 grants totaling \$1.0 million were awarded, with an average award of \$11,607. The Department indicates that applications for grants far exceed available funding. These grants were selected from a pool of 359 applications totaling \$5.4 million.

Minimum Wage Adjustment**\$148,598**

Article 19 of the Budget increases the minimum wage from \$10.50 to \$11.50 per hour effective October 1, 2020. The Budget includes \$151,343 for the minimum wage increase for seasonal workers across the Department, including \$148,598 in the Bureau of Natural Resources, \$1,829 in the Bureau of Environmental Protections, and \$916 in the Office of the Director. 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.

Centralized Service Charges**\$132,799**

The Budget increases centralized service charge funding by \$132,799 relative to the enacted budget for information technology. 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.

Beach Parking Fee Payments to Host Communities**\$50,000**

The Budget includes an increase of \$50,000 in general revenue (\$496,266 in total payments) for beach parking fees paid to host communities. 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
2019	28,665	222,065	236,890	43,662	531,282

Enhanced Mosquito Abatement Program**\$41,984**

The most prevalent mosquito-borne diseases in Rhode Island are West Nile Virus and Eastern Equine Encephalitis (EEE), both of which are expected to increase with the abundance and expanded seasonality of mosquitos as the climate changes. The Budget provides \$41,984 in general revenue to support 3.0 seasonal employees, which were funded by federal resources that expire in FY2021. These employees set traps, collect and speciate mosquitos, and deliver mosquitos to the Department of Health for testing. In FY2020, the Department incurred significant unexpected expenses controlling the outbreak of EEE and requested \$137,978 in general revenue to support a Mosquito Abatement program. \$56,000 was to support four seasonal employees, and \$30,000 was to purchase a vehicle as well as microscopes and protective equipment to expand the number of trap locations. The remaining \$52,000 was to increase the budget for larvicide to \$100,000, allowing the Department to fund about two thirds of the product needed for municipalities. The Governor only recommends the three existing season positions, but not the larvicide, vehicle, or program supplies.

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 the 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
FY2020 Enacted	\$13,190,507
<i>Target and Other Adjustments</i>	<i>15,867</i>
Improving Permitting Efficiency (5.0 FTE Environmental Engineer I positions)	539,625
Centralized Service Charges	211,456
FY2021 Governor	\$13,957,455

Improving Permitting Efficiency (5.0 FTE Environmental Engineer I positions) \$539,625

As part of an initiative to improve permitting efficiency, the Budget provides an increase of \$539,625 in general revenue to support 5.0 new FTE Environmental Engineer positions, including 2.0 FTE positions in Office of Customer and Technical Assistance, 2.0 FTE positions in Water Resources, and 1.0 FTE positions in Waste Management. According to the Department, permit volume across the 14 major permitting programs has increase 33.0 percent from FY2015 to FY2019, with no corresponding staffing increase. The initiative proposes to focus on customer services by expediting permitting times and providing case management services for applicants with complex needs. New performance-driven fees would be added and certain existing fees would be increased to bring them in line with neighboring states.

The positions in the Office of Customer and Technical assistance will provide expedited and case-management services for high-profile, priority projects for applicants using the optional case management services. Case management services could include pre-application meetings, assignment of a project coordinator, regular project review meetings, internal coordination of project review teams, coordination with other state and federal agencies, and identifying a single point of contact for the applicant.

The Budget also includes an additional \$599,212 in projected expedited permitting fee revenues.

Analyst Note: The intent is to have 1.0 new FTE position in each of the Air Resources and Water Resources Divisions.

Centralized Service Charges \$211,456

The Budget increases centralized service charge funding by \$211,456 relative to the enacted budget for information technology. 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.

CAPITAL PROJECTS

The Budget includes a total of \$5.6 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2021 and \$8.8 million in FY2020, a decrease of \$2.7 million and \$523,048, respectively, compared to the enacted budget. Major RICAP funded projects include:

- \$2.6 million in FY2021 and in FY2020 for infrastructure and facility improvements at state parks and management areas. The construction of the pavilion at Misquamicut State Beach is currently underway with completed scheduled for the spring of 2020. The design work to replace the bulkhead system at Roger Wheeler State Beach has been started, and the repair and restoration work at the Fort Adams

Visitor Center is scheduled for completion in early FY2021. Remediation and construction work at 25 India Street is scheduled to begin in the spring of 2020.

- \$1.9 million in FY2021 and \$2.0 million in FY2020 for Galilee Pier upgrades. Engineering plans are completed for the north bulkhead Phase I and construction is scheduled to begin in late FY2020. This project is being matched with \$1.6 million in federal funds.

Coastal Resources Management Council

Expenditures By Program	FY2018 Actual	FY2019 Actual	FY2020 Enacted	FY2020 Governor	Change from Enacted		FY2021 Governor	Change from Enacted	
Coastal Resources Management Council	\$5.3	\$7.5	\$5.2	\$6.4	\$1.2	22.2%	\$5.0	(\$0.2)	-3.4%

Expenditures By Source

General Revenue	\$2.5	\$2.7	\$2.9	\$2.9	(\$0.0)	-0.4%	\$2.7	(\$0.1)	-4.9%
Federal Funds	2.7	4.0	1.6	2.6	1.0	64.1%	1.6	0.0	1.2%
Restricted Receipts	0.1	0.3	0.3	0.3	-	-	0.3	-	-
Other Funds	0.0	0.6	0.5	0.7	0.18	33.1%	0.5	(0.1)	-10.4%
Total	\$5.3	\$7.5	\$5.2	\$6.4	\$1.2	22.2%	\$5.0	(\$0.2)	-3.4%

Authorized FTE Levels	29.0	30.0	30.0	30.0	-	-	30.0	-	-
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\$ 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.

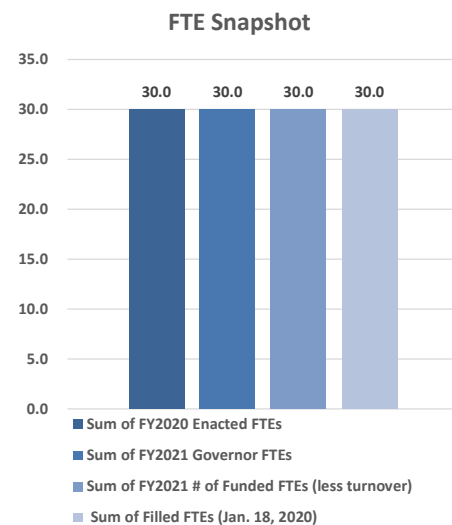
MAJOR ISSUES AND TRENDS

The FY2021 Budget includes an all funds decrease of \$179,697 (3.4 percent) from the FY2020 Budget as Enacted, including a general revenue decrease of \$142,656, a federal funds increase of \$17,959, and an other funds decrease of \$55,000.

The decrease in general revenue is primarily due to a \$180,411 decrease in salaries and benefits, including an additional \$87,072 in retirement savings, a \$28,061 decrease in regular wages, a \$24,845 decrease in employee retirement contributions, and a \$20,230 reduction in retiree health costs. As of the January 18, 2020, payroll period the CRMC has no vacancies. The Director of the CRMC is planning to retire in May 2020, enabling the CRMC to attain 60.0 percent of the turnover savings in the FY2020 Budget as Enacted.

The increase in other funds in FY2020 is primarily due to the carry forward of \$175,115 in RICAP funds for the Narragansett Bay Narragansett Bay Special Area Management Plan (SAMP) from FY2019. This project will 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.

The Budget authorizes 30.0 FTE positions in FY2021 and FY2020, consistent with the FY2020 Budget as Enacted.



Central Management	General Revenue
FY2020 Enacted	\$2,883,195
Target and Other Adjustments	(75,584)
Turnover	(87,072)
Legal Services	20,000
FY2021 Governor	\$2,740,539

Turnover Savings **(\$87,072)**

The Budget includes an increase of \$87,072 in general revenue turnover savings (\$121,439 total). This savings level represents 4.7 percent of general revenue funded salaries and benefits. The FY2020 Revised Budget includes \$13,390 in turnover savings, revised down from the enacted level of \$34,367. Due to a planned retirement in May 2020, the Director position is expected to be vacant for two pay periods in FY2020.

Analyst Note: According to the Office of Management and Budget, multiple senior positions are expected to be vacant in FY2021.

Legal Services **\$20,000**

The Budget includes an additional \$20,000 in funding for legal services (\$126,000 total) to support the Council's increased involvement with the wind energy projects.

CAPITAL PROJECTS

The Budget provides Rhode Island Capital Plan (RICAP) funding totaling \$475,000 in FY2021 and \$705,424 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 \$475,000 in FY2021 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 \$175,115 in RICAP funds in FY2020 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 FY2020, no funding is provided in FY2021.

Department of Transportation

Expenditures By Program	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management	\$10.9	\$13.6	\$18.6	\$5.0	36.5%	\$17.7	\$4.1	30.5%
Infrastructure- Engineering	412.3	460.9	457.3	(3.6)	-0.8%	492.0	31.1	6.8%
Infrastructure- Maintenance	123.6	172.0	166.2	(5.7)	-3.3%	145.4	(26.5)	-15.4%
Management and Budget	1.6	2.4	5.0	2.6	112.2%	4.9	2.5	106.2%
Total	\$548.3	\$648.8	\$647.0	(\$1.7)	-0.3%	\$660.0	\$11.2	1.7%

Expenditures By Source

Federal Funds	287.3	325.1	337.8	12.7	3.9%	340.7	15.7	4.8%
Restricted Receipts	2.6	3.0	2.7	(0.4)	-11.7%	2.7	(0.4)	-11.7%
Other Funds	258.4	320.7	306.6	(14.1)	-4.4%	316.6	(4.1)	-1.3%
Total	\$548.3	\$648.8	\$647.0	(\$1.7)	-0.3%	\$660.0	\$11.2	1.7%

Authorized FTE Levels	755.0	755.0	755.0	-	-	800.0	45.0	6.0%
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\$ in millions. Totals may vary due to rounding.

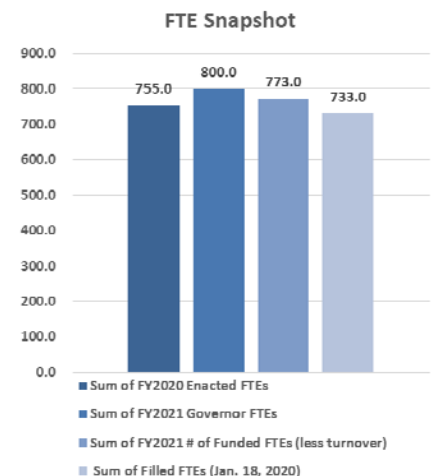
The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 1,173 bridges in the State. The Department inspects all State and municipal bridges greater than 20 feet (751 bridges). RIDOT provides services ranging from snow removal to pothole 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 \$660.0 million to RIDOT, an increase of \$11.2 million in total funds from the FY2020 Budget as Enacted (1.7 percent). The increase in federal funds is mainly related to additional federal grants received by the Department including \$4.1 million in additional National Highway Traffic Safety Administration grants. The Budget also allocates an additional \$16.0 million in federal funds for debt service in FY2021 due to the issuance of a new \$200.0 million GARVEE bond in FY2020. The decrease in other funds is related to a \$7.1 million decrease in Highway Maintenance Account funds and a \$16.8 million decrease in gas tax funds, the Budget decreases these funds to reflect the Department’s decision to spend less in FY2021 and allow for a larger carry forward of



funds for out years to act as a state match for additional federal funds. These decreases are partially offset by an additional \$21.9 million in toll revenues.

The Budget includes an FTE authorization of 800.0, an increase of 45.0 positions above FY2020 Enacted levels. As of April 2020, the Department has 748.0 of 755.0 FTE positions filled.

Motor Fuel Tax

A portion of the Department's funding is provided by the motor fuel tax (gas tax). The FY2021 Budget includes a gas tax of 34.5 cents per gallon with a penny yield of \$4.6 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 FY2014, RIDOT received 21.75 cents of this tax, with the Rhode Island Public Transit Authority (RIPTA) and the Department of Human Services (DHS) receiving 10.75 cents. RIPTA uses gas tax revenues to fund multiple expenses including maintenance, operations, and their underground storage tank fee, while DHS uses gas tax revenues to partially fund their transit programs. Beginning in FY2015, 3.5 cents of the gasoline tax is transferred to the Rhode Island Turnpike and Bridge Authority (RITBA) 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.

In FY2020, ORA assumed inflation would change significantly enough to warrant a 1.0 cent increase, raising the gas tax rate from 33.5 cents to 34.5 cents per gallon. Pursuant to RIGL 31-36-20, the additional penny of the gas tax is directed to the Department of Transportation (RIDOT).

The ORA does not assume an increase in the gas tax rate in FY2021. The ORA expects the motor fuel tax to generate a per penny yield of \$4.6 million in FY2021, a decrease of \$21,056 from FY2020 Enacted level.

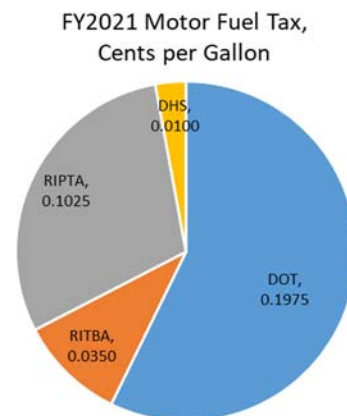
The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

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	0.2025	0.0350	0.0975	0.0100	0.3450
FY2021	0.2025	0.0350	0.0975	0.0100	0.3450
FY2022	0.2125	0.0350	0.0975	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 change in the per penny yield leads to a decrease of \$725,829 in FY2021. The following table shows the use of motor fuel tax revenue in FY2021:

Motor Fuel Tax Revenue	FY2019 Actuals	FY2020 Enacted	FY2020 Revised	FY2021 Governor	Change from Enacted	
DOT	\$94.1	\$94.1	\$93.3	\$93.7	(\$0.4)	-0.5%
RITBA	17.1	16.3	16.1	16.2	(0.1)	-0.5%
RIPTA	47.6	45.2	44.8	45.0	(0.2)	-0.5%
DHS	4.9	4.6	4.6	4.6	(0.0)	-0.5%
Total	\$163.7	\$160.2	\$158.8	\$159.5	(\$0.7)	-0.5%

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

Estimate developed by Senate Fiscal Office.

FY2019 includes infrequently occurring large payment received in October 2018.

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.
- Article 6 of the FY2020 Budget as Enacted provided for the issuance of \$200.0 million in GARVEE bonds issued through the Rhode Island Commerce Corporation to fund the bridge replacement, reconstruction, and maintenance of the RhodeWorks program. Total debt service is not expected to exceed \$275.0 million over 15 years. Debt service is financed through future Federal Highway Administration appropriations.

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.

The Department originally anticipated building 14 gantries however, the number of gantries has since been decreased to 13. Currently, nine gantries are operational. The remaining four gantries were scheduled to be operational in 2018 but have since been pushed back, a start date is not yet known.

Truck Tolls

	Location	Municipality	Toll Amount	Live Date	Annual Maintenance	Gross Annual Revenue
1	Wood River Valley Bridge	Hopkinton	\$3.25	6/11/2018	\$433,900	\$3,408,483
2	Baker Pines Bridge	Exeter	\$3.50	6/11/2018	\$454,800	\$3,782,709
3	Centerville/Tollgate	Warwick	\$6.25	1/24/2020	\$490,000	\$8,322,600
4	Oxford Street	Providence	\$2.25	3/29/2020	\$432,950	\$2,433,051
5	Smith Street	Providence	TBD	TBD- FY2021	\$420,750	\$2,063,117
6	Roosevelt Avenue	Pawtucket	\$2.50	3/21/2020	\$466,800	\$1,756,913
7	Plainfield Pike	Cranston	\$6.50	4/11/2020	\$485,950	\$2,405,988
8	Greenville Ave/ Route 6	Johnston	\$8.50	TBD- FY2021	\$647,550	\$5,120,145
9	Scott/Leigh Road	Cumberland	\$7.50	12/16/2019	\$428,850	\$3,120,975
10	Washington Bridge	Providence	\$9.50	TBD- FY2021	\$498,050	\$7,657,665
11	George Washington Highway	Lincoln	\$3.50	10/1/2019	\$437,000	\$848,411
12	Farnum Pike	Smithfield	\$6.75	TBD- FY2021	\$435,850	\$2,759,771
13	Woonasquatucket	Providence	\$5.00	8/13/2019	\$420,750	\$875,910

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 and was last updated in March 2020.

Bridge Capital Program: The largest project included in the STIP for FY2021 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 April 2020, 197 of the State's 1,188 bridges were in poor condition. The State would need to repair 78 bridges over the next five 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 \$2.6 billion from FY2018 through FY2027. The STIP includes \$376.8 million in FY2021.

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 \$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 \$1.0 billion from FY2018 through FY2027. The STIP includes \$124.5 million in FY2021.

Route 6/10 Project: The STIP includes funding in FY2021 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 \$343.3 million from FY2018 through FY2024. In FY2021, the STIP includes \$76.0 million for this project, including \$35.0 million in toll revenues, \$27.7 million in Highway Maintenance Account funds, \$7.7 million in Highway Maintenance Account carryover funds, \$4.9 million in GARVEE bonds, and \$0.68 million in RICAP funds.

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 \$889.8 million from FY2018 through FY2027. The STIP includes \$37.7 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 \$25.00 on all dismissals based upon a good driving record, in addition to the \$5.00 administration fee; an increase in the vehicle inspection fee from \$39.00 to \$55.00; 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.

Article 8 of the FY2020 Budget as Enacted altered the percentage of fees going into the HMA such that 5.0 percent of the total fees collected each year are retained by the Division of Motor Vehicles (DMV) and the remaining 95.0 percent are deposited into the Account. The funds retained by the DMV are intended to help partially offset personnel costs associated with collecting the fees associated with the HMA. The remaining 95.0 percent of fees deposited into the HMA are shared between DOT and RIPTA, with RIPTA receiving 5.0 percent of the funds deposited and DOT receiving the remaining amount. Article 8 also extended RIPTA’s \$5.0 million annual appropriation to support the Free-Fare program indefinitely.

Rhode Island Highway Maintenance Account				
	FY2017	FY2020	FY2020	FY2021
<i>New Fees and Surcharges</i>	Actual	Enacted	Revised	Governor
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	20.1	20.8
Total New Fees	\$25.7	\$25.7	\$26.5	\$27.1
<i>Existing General Revenue being Transferred to the Highway Maintenance Account</i>				
Inspection Sticker Increase	\$5.8	\$5.8	\$7.3	\$7.3
Motor Vehicle Title Fee	10.7	10.7	10.8	10.7
Rental Car Surcharge	3.3	3.3	3.7	3.7
License and Registration Transfer	51.5	51.5	54.3	56.1
Duplicate and Update License Fee	-	-	-	-
Total Revenue Transferred from General Fund	\$71.4	\$71.4	\$76.1	\$77.9
Total Revenue to Highway Maintenance Account	\$97.0	\$97.0	\$102.6	\$105.0
5% Share to General Revenues	0.0	4.9	5.1	5.3
Remaining Highway Maintenance Account Funds	\$97.0	\$92.2	\$97.4	\$99.8
5% Share to RIPTA	4.9	4.6	4.9	5.0
\$5.0 million Transfer to RIPTA	5.0	5.0	5.0	5.0
DOT Share of Highway Maintenance Account Funds	\$87.2	\$82.5	\$87.6	\$89.8

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

Source: Office of Revenue Analysis and Budget Office

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.

	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Central Management								
Federal Funds	\$5.7	\$6.0	\$9.0	\$3.1	51.9%	\$10.1	\$4.1	69.0%
Other Funds	5.2	7.6	9.5	1.9	24.6%	7.7	0.0	0.5%
Total	\$10.9	\$13.6	\$18.6	\$5.0	36.5%	\$17.7	\$4.1	30.5%

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

The Budget includes 69.0 FTE positions, 2.0 FTE positions more than the FY2020 Budget as Enacted. One of the additional positions will be a Public Relations Specialist supporting the communications team, the other position will be an Administrator for Real Estate.

Central Management	All Funds
FY2020 Enacted	\$13,599,172
Target and Other Adjustments	39,215
NHTSA Initiatives (federal funds)	4,107,426
FY2021 Governor	\$17,745,813

NHTSA Initiatives (federal funds) \$4.1 million

The Budget includes \$10.1 million in federal funds, an increase of \$4.1 million from the FY2020 Budget as Enacted. This increase is related to a number of initiatives funded by the National Highway Transportation Safety Administration (NHTSA). The increase includes an additional \$2.3 million for Minimum Penalties for Repeat Offenders, \$2.0 million for the State and Community Highway Safety Program, and an additional \$552,800 for a grant to prevent racial profiling. These increases are partially offset by a \$40,000 decrease due to the Fatality Analysis Reporting System grant ending, and a \$692,819 decrease in Map-21 funds which provides funding for highway safety programs.

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.

	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Infrastructure- Engineering								
Federal Funds	\$281.6	\$319.1	\$328.7	\$9.6	3.0%	\$330.7	\$11.6	3.6%
Restricted Receipts	2.6	3.0	2.7	(0.4)	-11.7%	2.7	(0.4)	-11.7%
Other Funds	128.0	138.7	125.9	(12.9)	-9.3%	158.7	19.9	14.4%
Total	\$412.3	\$460.9	\$457.3	(\$3.6)	-0.8%	\$492.0	\$31.1	6.8%

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

The Budget includes 394.0 FTE positions, an increase of 23.0 FTE positions from the FY2020 Budget as Enacted. These additional positions include 1.0 Data Analyst, 1.0 Bridge Safety Inspector, 1.0 Construction Management Resident, and 20.0 engineers who will oversee bridge and highway projects.

Infrastructure- Engineering	All Funds
FY2020 Enacted	\$460,869,595
<i>Target and Other Adjustments</i>	<i>(4,448,854)</i>
Toll Revenue (other funds)	21,946,000
Federal Funds	11,561,177
Personnel (other funds, restricted receipts)	3,832,687
RICAP (other funds)	(1,760,000)
FY2021 Governor	\$492,000,605

Toll Revenue (other funds) \$21.9 million

The Budget includes \$46.9 million in toll revenues, an increase of \$21.9 million from the FY2020 Enacted levels. As of April 2020 nine of the proposed 13 gantries are operational and collecting tolls. The remaining four tolls are anticipated to be completed in FY2021. Of the nine operational gantries, two began collecting tolls in FY2019 and seven began collecting tolls 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. Revenue generated from the truck tolls will be used for bridge maintenance and improvements throughout the State.

From July 2019 – April 2020, the gantries have processed 2.8 million transactions and collected a total of \$10.8 million in toll revenues. The legislation limits the assessment of tolls for trucks with an RFID (E-ZPass) to once per day in each direction. Transactions processed may appear higher, some transactions have no charge as they are from the 2nd time that truck passes under a toll gantry.

FY2020 - Truck Toll Revenue	Transactions	Billable Revenue
July	194,876	\$641,850.3
August	205,615	687,318.0
September	197,835	664,426.8
October	245,446	813,282.0
November	217,470	720,434.0
December	239,142	860,040.5
January	289,382	1,173,191.8
February	346,575	1,545,353.2
March	411,392	1,744,627.4
April	514,737	1,938,101.6
Total	2,862,470	\$10,788,625.4

Source: RIDOT

* Locations 1 & 2 were live in FY2019

* Location 13 went live on August 13, 2019

* Location 11 went live on October 1, 2019

* Location 9 went live on December 16, 2019

* Location 3 went live on January 24, 2020

* Location 6 went live on March 21, 2020

* Location 4 went live on March 29, 2020

* Location 7 went live on April 11, 2020

Federal Funds**\$11.6 million**

The Budget includes \$330.7 million in federal funds, an increase of \$11.6 million above FY2020 Enacted levels. This increase is mainly comprised of an additional \$16.0 million for funds pledged to the Federal Highway Authority for debt service payments. The Department plans to issue a \$250.0 million GARVEE in the Spring of 2020, with the first debt payment due in FY2021. This increase is partially offset by a \$3.2 million decrease in Congestion Mitigation Air Quality funds. These funds are used to fund projects that improve air quality throughout the state, including running the Providence to Newport Ferry.

Personnel (other funds, restricted receipts)**\$3.8 million**

The Budget includes an additional \$3.8 million, \$3.6 million in gas tax funds, and \$265,168 in restricted receipts, for personnel costs. The Budget includes an additional 34.0 positions above the FY2020 Budget as Enacted. The additional positions include 1.0 Data Analyst, 1.0 Bridge Safety Inspector, 1.0 Construction Management Resident, and 20.0 engineers who will oversee bridge and highway projects. The Department will utilize the additional positions to continue to shift contracted services in-house and move away from outside contractors. Additional engineers will be needed to continue implementing the RhodeWorks program and expanding construction projects. As of April 2020, the Department has 748.0 of 755.0 FTE positions filled.

RICAP (other funds)**(\$1.8 million)**

The Budget includes a decrease of \$1.8 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 \$2.5 million less in funding for the Highway Improvement Program (HIP). This decrease is in-line with the Department's capital improvement plan. This decrease is partially offset by an additional \$240,000 for projects the Department is working on with RIPTA and an additional \$500,000 for the URI Mobility Hub project.

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 section, 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.

	FY2019	FY2020	FY2020	Change from		FY2021	Change from
Infrastructure- Maintenance	Actual	Enacted	Revised	Enacted		Governor	Enacted
Other Funds	\$123.6	\$172.0	\$166.2	(\$5.7)	-3.3%	\$145.4	(\$26.5)

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

The Budget includes 301.0 FTE positions in the Infrastructure Engineering program, an increase of 20.0 FTE positions above the FY2020 Budget as Enacted. The additional positions include 14.0 Highway Maintenance Operations, 3.0 Engineers, 1.0 Bridge Maintenance Worker, 1.0 Electrical Inspector, and 1.0 Landscape Technician.

Infrastructure- Maintenance	All Funds
FY2020 Enacted	\$171,951,481
<i>Target and Other Adjustments</i>	-
Gas Tax (other funds)	(18,419,374)
Highway Maintenance Account (other funds)	(7,098,108)
RICAP (other funds)	(1,019,349)
FY2021 Governor	\$145,414,650

Gas Tax (other funds) (\$18.4 million)

The Budget includes \$23.9 million in gas tax funds, a decrease of \$18.4 million from the FY2020 Budget as Enacted. The decrease in funding reflects the Department's decision to spend less in FY2021 allowing for a larger carry over to act as state matching funds within the next several years. The Department received additional federal funds that will require additional state matching funds. The Budget anticipates the Department will end FY2021 with a closing balance of \$4.6 million in gas tax funding, compare with a closing balance of \$408,743 in the FY2020 Budget as Enacted.

Highway Maintenance Account (other funds) (\$7.1 million)

The Budget includes \$117.1 million in Highway Maintenance Account (HMA) funds, a decrease of \$7.1 million from the FY2020 Budget as Enacted. The Budget decreases expenditures in the HMA in FY2021 in order to retain more funds for out-year projects. The Department has a number of larger projects included in the STIP within the next seven years.

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 phased in beginning in FY2016 and completed in FY2019, with 100.0 percent of the fees going to the HMA.

Article 8 of the FY2020 Budget as Enacted altered the percentage of fees going into the HMA such that 5.0 percent of the total fees collected each year are retained by the Division of Motor Vehicles (DMV) and the remaining 95.0 percent are deposited into the Account. The funds retained by the DMV are intended to help partially offset personnel costs associated with collecting the fees associated with the HMA. The remaining 95.0 percent of fees deposited into the HMA are shared between DOT and RIPTA, with RIPTA receiving 5.0 percent of the funds deposited and DOT receiving the remaining amount. Article 8 also extended RIPTA's \$5.0 million annual appropriation to support the Free-Fare program indefinitely.

Transfers to RIPTA: The Budget includes \$13.1 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. Article 8 of the FY2020 Budget as Enacted extended this transfer indefinitely. The FY2021 Budget also transfers \$3.1 million from the HMA to RIPTA to be used as a match for \$12.5 million in Federal Transit Authority funds to purchase 34 replacement buses.

	FY2020 Enacted	FY2020 Revised	FY2021 Governor
RIPTA Transfers from HMA			
5.0% of HMA	\$4,607,844	\$4,871,717	\$4,988,740
Transfer for Free-Fare Program	5,000,000	5,000,000	5,000,000
Replacement Bus Fleet	-	-	3,120,404
Total	\$9,607,844	\$9,871,717	\$13,109,144

RICAP (other funds)**(\$1.0 million)**

The Budget includes \$3.9 million in Rhode Island Capital Plan (RICAP) funds, a decrease of \$1.0 million from the FY2020 Budget as Enacted. This includes a decrease of \$600,000 for salt storage facility projects and a \$419,349 decrease for maintenance facility improvements. The Department intends to build four new salt storage facilities across the State to consolidate the salt stock pile and improve operational efficiencies. Funding for maintenance facility improvements will be used to fund roof repairs, the repaving of parking lots and energy efficient improvements.

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.

	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted	FY2021 Governor	Change from Enacted
Management and Budget						
Other Funds	\$1.6	\$2.4	\$5.0	\$2.6 112.3%	\$4.9	\$2.5 106.4%

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

The Budget includes 36.0 FTE positions, consistent with the FY2020 Budget as Enacted.

Management and Budget	All Funds
FY2020 Enacted	\$2,353,268
<i>Target and Other Adjustments</i>	\$305,359
Indirect Cost Recovery (other funds)	1,267,204
Computer Supplies/Software Maintenance (other funds)	515,000
Centralized Service Changes (other funds)	410,467
FY2021 Governor	\$4,851,298

Indirect Cost Recovery (other funds)**\$1.3 million**

The Budget includes an additional \$1.3 million in gas tax funds to reflect a transfer of Federal Highway Authority indirect cost recovery costs from Central Management to Management and Budget. 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.

	FY2020 Enacted	FY2020 Revised	FY2021 Governor	Change from Enacted
FHWA Cost Recovery	\$15,170,677	\$15,170,677	\$15,170,677	-
Gas Tax Credit- Infra Eng.	(6,167,620)	(6,167,620)	(6,167,620)	-
Gas Tax Credit- Cntrl Mngmt	(4,007,194)	(4,506,780)	(5,274,398)	(1,267,204)
Gas Tax Credit- Mngmt and Budget	(4,995,863)	(4,496,278)	(3,728,659)	1,267,204
	\$0	-\$1	\$0	\$0

Computer Supplies/Software Maintenance (other funds)**\$515,000**

The Budget includes an additional \$515,000 in gas tax funds for computer supplies and software equipment. The funds will be used for software equipment to support improvements to RIDOT systems including

developing a database to track performance measures for tolling and supporting Oracle Financials. The funding will also be used to implement Headlight Software to continue to improve functionality and organization within construction projects.

Centralized Service Changes (other funds)

\$410,467

The Budget includes \$2.1 million in gas tax expenditures for Information Technology, Capital Assets Management, and Human Resource Service Center projected costs in FY2021. This is an increase of \$410,467 from the FY2020 Budget as Enacted amount of \$1.7 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 increases these costs for FY2021.

	FY2020	FY2021	Change from	
Centralized Service Charges	Enacted	Governor	Enacted	
Information Technology	\$1,704,037	\$2,114,504	\$410,467	24.1%
Capital Asset and Management	-	-	-	-
Human Resources	-	-	-	-
Total	\$1,704,037	\$2,114,504	\$410,467	24.1%

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 \$29.9 million in FY2021 in Rhode Island Capital Plan (RICAP) funding for the Highway Improvement Program (HIP). This is a \$2.5 million decrease from FY2020 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 \$1.9 million of RICAP funding in FY2020 and \$1.3 million in FY2021 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. The new facilities are intended to consolidate salt stock piles, improve operational efficiencies, and remedy environmental deficiencies.

Vehicle Equipment Replacement Plan: The Budget includes \$1.5 million in RICAP funds in FY2020 and FY2021 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.

Bike Path Maintenance: The Budget includes \$400,000 in 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, and 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.

Rhode Island Public Transit Authority

Revenues by Source	FY2019 Actual	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Board	Change from Enacted	
Motor Fuel Tax*	\$47.5	\$43.4	\$44.2	\$0.8	1.8%	\$45.4	\$2.1	4.8%
Passenger Revenue	25.0	26.4	24.4	(2.1)	-7.8%	24.5	(1.9)	-7.2%
Special Revenue	-	0.7	-	(0.7)	-100.0%	-	(0.7)	-100.0%
Other Revenue	14.3	11.0	13.0	2.0	18.4%	13.3	2.3	20.6%
Federal Funds	25.3	32.9	33.7	0.8	2.5%	35.7	2.8	8.6%
Department of Human Services	0.8	1.0	1.2	0	17.1%	1.2	0.2	16.5%
State Highway Fund Revenues	6.5	6.5	6.2	(0.3)	-5.2%	6.1	(0.4)	-6.0%
Special Projects- Local	0.0	1.6	0.7	(0.9)	-57.6%	0.3	(1.3)	-78.7%
Special Projects- Federal	-	5.5	-	(5.5)	-100.0%	-	(5.5)	-100.0%
Total	\$119.4	\$129.1	\$123.3	(\$5.8)	-4.5%	\$126.6	(\$2.5)	-1.9%

Expenditures By Category

Salaries, Wages and Benefits	\$89.3	\$87.0	\$86.1	(\$0.9)	-1.0%	\$89.8	\$2.7	3.1%
Contract Services	8.3	9.1	10.3	1.2	13.6%	10.1	1.0	11.3%
Operating Costs	13.3	16.9	21.9	4.9	29.2%	21.8	4.9	28.7%
Utilities	1.7	2.0	1.7	(0.2)	-12.4%	1.8	(0.2)	-10.3%
Insurance and Settlements	5.2	4.4	-	(4.4)	-100.0%	-	(4.4)	-100.0%
Capital Match	-	0.1	1.0	0.8	568.2%	1.3	1.1	770.6%
Revolving Loan Fund	-	0.5	-	(0.5)	-100.0%	-	(0.5)	-100.0%
Debt Service	0.5	1.6	1.6	-	-	1.5	(0.0)	-3.1%
Self-Insurance Reserve	-	0.3	-	(0.3)	-100.0%	-	(0.3)	-100.0%
Other	0.0	0.0	-	-	-	-	(0.0)	-100.0%
Special Projects- Local	-	1.6	0.7	(0.9)	-57.6%	0.3	(1.3)	-78.7%
Special Projects- Federal	-	5.5	-	(5.5)	-100.0%	-	(5.5)	-100.0%
Total	\$118.3	\$129.1	\$123.2	(\$5.9)	-4.6%	\$126.6	(\$2.5)	-2.0%

Surplus/(Deficit)	\$1.09	\$0.02	\$0.15			\$0.05		
Authorized FTE Levels	825.0	842.0	862.0	20.0	2.4%	862.0	20.0	2.4%

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

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 FY2021 Board-Approved Budget includes \$126.6 million in revenues for FY2021, a decrease of \$2.5 million from the FY2020 Board-Approved Budget, and \$126.5 million in expenditures, a decrease of \$2.5 million from the FY2020 Board-Approved Budget, leading to a \$53,508 surplus.

Salary and benefits increase by \$2.7 million relative to the FY2020 Board-Approved Budget. The majority of this increase is related to an additional 20.0 FTE positions within the Department including 12.0 Bus Operators, 6.0 Maintenance Utility Workers, 3.0 Paratransit Operators, 2.0 Street Supervisor Dispatchers, and 1.0 Transportation Clerk. These additional FTE positions are partially offset by the removal of 3.0 FTE positions including 1.0 Chief Operating Officer, 1.0 Manager Inventory Control and 2.0 Relief Superintendents. Leading to a net of 20.0 additional FTE positions.

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 FY2020 Budget as Enacted extends the \$5.0 million in HMA funding to RIPTA indefinitely to fund the Free-Fare Program.

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 is \$9.6 million in FY2020 and FY2021. RIPTA uses \$3.4 million of this funding to support the senior and disabled bus pass program, \$1.6 million for debt service, and \$4.6 million for other operating expenses. In FY2021, the Governor's Budget also transfers an additional \$3.1 million from the HMA to RIPTA to be used as matching funds for the purchase of new buses.

Motor Vehicle Fuel Tax

A portion of RIPTA's funding is provided by the motor fuel tax (gas tax). The FY2021 Budget includes a gas tax of 34.5 cents per gallon with a penny yield of \$4.6 million.

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.

In FY2020, ORA assumed inflation would change significantly enough to warrant a 1.0 cent increase, raising the gas tax rate from 33.5 cents to 34.5 cents per gallon. Pursuant to RIGL 31-36-20, the additional penny of the gas tax is directed to the Department of Transportation (RIDOT).

The ORA does not assume an increase in the gas tax rate in FY2021. The ORA expects the motor fuel tax to generate a per penny yield of \$4.6 million in FY2021, a decrease of \$21,056 from FY2020 Enacted level.

The change in the per penny yield leads to a decrease of \$725,829 in FY2021. The following table shows the use of motor fuel tax revenue in FY2021:

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	0.2025	0.0350	0.0975	0.0100	0.3450
FY2021	0.2025	0.0350	0.0975	0.0100	0.3450
FY2022	0.2125	0.0350	0.0975	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

Motor Fuel Tax Revenue	FY2019 Actuals	FY2020 Enacted	FY2020 Revised	FY2021 Governor	Change from Enacted	
DOT	\$94.1	\$94.1	\$93.3	\$93.7	-\$0.4	-0.5%
RITBA	17.1	16.3	16.1	16.2	-0.1	-0.5%
RIPTA	47.6	45.2	44.8	45.0	-0.2	-0.5%
DHS	4.9	4.6	4.6	4.6	0.0	-0.5%
Total	\$163.7	\$160.2	\$158.8	\$159.5	-\$0.7	-0.5%

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

Estimate developed by Senate Fiscal Office.

FY2019 includes infrequently occurring large payment received in October 2018.

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 \$11.8 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. In 2019, RIPTA acquired three ZEV buses and installed charging infrastructure. In the spring of 2019, RIPTA began road tests with the ZEV buses and as of the spring of 2020 the three ZEV buses are deployed on the R-Line in Providence. Currently, RIPTA is working on the procurement for the remaining 17 buses.

RIPTA VW Funds	
FY2019	\$2,766,338
FY2020	2,919,000
FY2021	3,079,485
FY2022	2,943,025
FY2023	136,460
Total	\$11,844,308

Fare Changes

No fare changes are proposed for FY2021. 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. Since FY2017, the General Assembly has included additional funds to continue the free fare program.

RIPTA Fares	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
1- Day Pass	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
7- Day Pass	23.00	25.00	25.00	25.00	25.00	25.00	25.00
10- Ride Pass	-	25.00	20.00	20.00	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	70.00	70.00
Ride/Paratransit	-	4.00	4.00	4.00	4.00	4.00	4.00
Transfers	0.50	1.00	1.00	1.00	1.00	1.00	1.00
Cash Fare for buses & trolleys	2.00	2.00	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	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 FY2020 Budget extends the \$5.0 million in HMA funding to RIPTA indefinitely.

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 estimated 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:

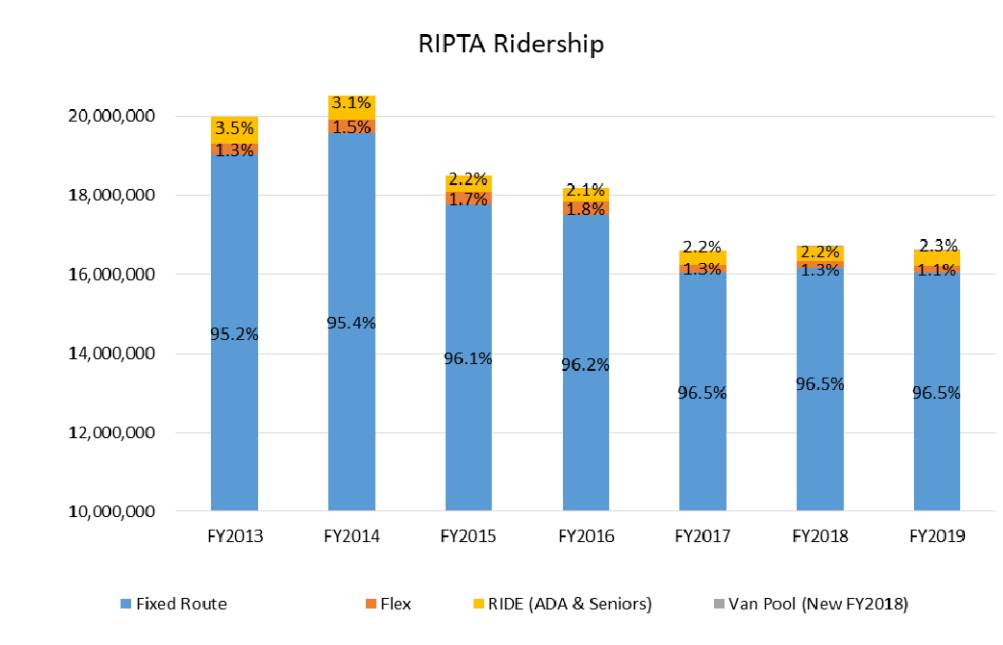
- A dedicated stream of state lottery or gambling revenues, such as a scratch ticket to promote public transit or earmarking a percentage of anticipated gaming revenues for RIPTA.
- Establishing a tax on ride-sharing companies, such as Uber and Lyft, with funds collected allocated to RIPTA.
- Establishing 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. The Free-Fare Program will continue to be funded through the \$5.0 million appropriation to RIPTA from the HMA.

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 FY2019, RIPTA's total ridership was 16.6 million passengers, a net decrease of 0.6 percent from FY2018. The largest decrease, 6.6 percent, was in RIde, ADA and Senior services. RIPTA attributes this to increasing popularity of services such as Uber and Lyft. The following table shows ridership, by category, for RIPTA for FY2013 through FY2019.



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 FY2021 Budget includes \$30.1 million in capital expenditures, of which \$19.3 million is funding by the Federal Transit Administration (FTA) the remaining \$10.8 million is funded by other sources including Rhode Island Capital Plan (RICAP) funds.

Bus Purchases: The Budget includes \$17.6 million in FY2021 for the purchase of 27 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 94 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 \$2.5 million in FY2021 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.

URI Mobility Hub: The Budget includes \$3.7 million in FY2021 for the construction of a bus hub at URI's Kingston Campus. The bus hub will create a mobility hub on the campus and allow for improved regional

connectivity. Currently, RIPTA is awaiting the results of a preliminary application for the design and construction of this project.

The Capital Budget includes 80.0 percent of this project being funded by the FTA, with RIPTA paying the remaining 20.0 percent from local funds.

Downtown Providence Transit Connector: The Downtown Providence Transit Connector provides 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 features high visibility stops, real-time bus arrival language, and bike share stations.

This project is slated to be completed in FY2020, no funding is included in FY2021. Federal funding that was used to support this project came from a 2014 USDOT Transportation Investments Generating Economic Recovery (TIGER) grant.



SPECIAL REPORTS

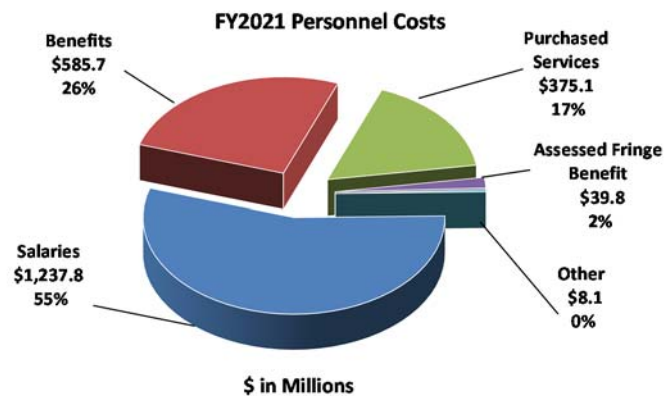
Personnel

The Governor's FY2021 Budget includes a total of \$2,246.5 million for personnel expenditures, an increase of \$63.2 million compared to the FY2020 Budget as Enacted, and \$30.3 million more than the Governor's FY2020 Revised Budget recommendation. Salaries and benefits total \$1,823.5 million and comprise 81.2 percent of FY2021 personnel expenditures (42.5 percent of the salaries and benefits costs are supported by general revenue).

The Governor's FY2020 Supplemental Budget includes \$2,216.2 million for personnel expenditures, an increase of \$32.9 million compared to the FY2020 Budget as Enacted. Salaries and benefits total \$1,785.9 million and comprise 80.6 percent of FY2020 revised personnel expenditures (42.4 percent of the salaries and benefits costs are supported by general revenue). Purchased services increase by \$38.3 million (\$6.3 million in general revenue), largely due to increasing restricted receipt and federal funding for financial services and information technology services within the Executive Office of Health and Human Services.

PERSONNEL EXPENDITURE TRENDS

Expenditures for salaries in FY2021 total \$1,237.8 million, comprising 55.1 percent of total personnel costs, an increase of \$30.8 million (2.6 percent) from the FY2020 Budget as Enacted, reflecting an increase in the number of authorized FTE positions, overtime, and salary inflation. Total benefit costs, excluding assessed fringe benefits and other costs, amount to \$585.7 million and comprise 26.1 percent of total personnel costs. Benefits increase \$4.7 million, 0.8 percent, from the FY2020 Budget as Enacted, primarily due to increased retirement costs. Purchased services costs are \$375.1 million, 16.7 percent, of the total personnel costs. Purchased services increase \$27.2 million, 7.8 percent, from the FY2020 Budget as Enacted.



Expenses by Description	FY2018 Actual	% of Total	FY2019 Actual	% of Total	FY2020 Enacted	% of Total	FY2020 Governor	% of Total	FY2021 Governor	% of Total
Salaries	\$1,100.3	55.6%	\$1,135.7	55.6%	\$1,207.0	55.3%	\$1,221.7	55.1%	\$1,237.8	55.1%
Benefits	515.3	26.0%	530.2	25.9%	581.0	26.6%	564.2	25.5%	585.7	26.1%
Purchased Services	319.4	16.1%	330.1	16.2%	347.9	15.9%	386.2	17.4%	375.1	16.7%
Assessed Fringe Benefits	40.3	2.0%	40.4	2.0%	40.4	1.9%	38.9	1.8%	39.8	1.8%
Other	5.1	0.3%	7.4	0.4%	7.0	0.3%	5.1	0.2%	8.1	0.4%
Total	\$1,980.4	100.0%	\$2,043.8	100.0%	\$2,183.3	100.0%	\$2,216.2	100.0%	\$2,246.5	100.0%

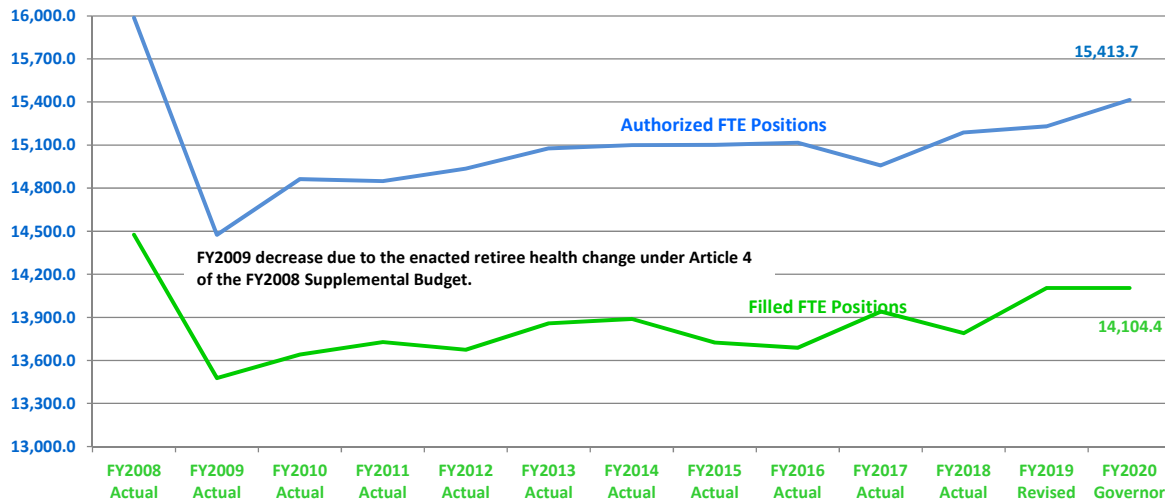
\$ in millions. Totals may vary due to rounding.

Expenses by Function	FY2018	FY2019	FY2020 Enacted	FY2020 Governor	FY2021 Governor	% of Pers. Budget	FY2021 General Revenue	FY2021 General Revenue %
General Government	\$234.3	\$237.4	\$259.4	\$265.1	\$276.3	12.3%	\$158.8	57.5%
Human Services	499.0	521.8	567.9	586.9	573.8	25.5%	252.9	44.1%
Education	635.5	649.6	684.9	684.4	709.7	31.6%	187.0	26.3%
Natural Resource	56.5	59.6	64.5	64.1	65.9	2.9%	37.7	57.2%
Public Safety	432.9	442.6	472.8	471.8	476.1	21.2%	431.7	90.7%
Transportation	122.2	132.8	133.8	143.9	144.7	6.4%	-	-
Total	\$1,980.4	\$2,043.8	\$2,183.3	\$2,216.2	\$2,246.5	100.0%	\$1,068.1	47.5%

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

FTE POSITIONS

The FY2020 Budget as Enacted authorizes 15,074.7 FTE positions. At the start of the fiscal year, 14,146.5 FTE positions (93.8 percent of the original enacted authorized amount) were filled, leaving 928.2 FTE positions vacant, a rate of 6.2 percent. Since the start of the fiscal year, the State has a net increase of 106.7 filled FTE positions. Over the past decade, the state vacancy rate has averaged 7.9 percent, or 1,196.7 FTE positions.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2020 Enacted	FY2020 Governor	Change to Enacted	FY2021 Governor	% of Total	FY21/FY20 Governor Change	FY21/FY20 Enacted Change
General Government	2,406.9	2,406.9	-	2,438.9	16.2%	32.0	32.0
Human Services	3,556.6	3,577.6	21.0	3,426.6	22.7%	(151.0)	(130.0)
Education	3,953.4	4,218.4	265.0	4,228.4	28.0%	10.0	275.0
Public Safety	3,190.0	3,190.0	-	3,222.0	21.4%	32.0	32.0
Natural Resources	424.0	424.0	-	435.0	2.9%	11.0	11.0
Transportation	755.0	755.0	-	800.0	5.3%	45.0	45.0
Subtotal	14,285.9	14,571.9	286.0	14,550.9	96.5%	(21.0)	265.0
Sponsored Research	788.8	523.8	(265.0)	523.8	3.5%	-	(265.0)
Total FTE Positions	15,074.7	15,095.7	21.0	15,074.7	100.0%	(21.0)	-

FY2020: The Governor's FY2020 Revised Budget proposes 15,095.7 FTE positions, a net increase of 21.0 FTE positions from the FY2020 Budget as Enacted. The FTE changes include:

- **An increase of 265.0 FTE positions in Public Higher Education:** At the request of the University of Rhode Island, the Budget redistributes 265.0 FTE positions that were previously third-party paid sponsored research positions at the University of Rhode Island to regular FTE positions at the University.
- **A decrease of 265.0 FTE positions in Higher Education Sponsored Research positions:** At the request of the University of Rhode Island, the Budget redistributes 265.0 FTE positions that were previously third-party paid sponsored research positions at the University of Rhode Island to regular FTE positions at the University.

- **An increase of 21.0 FTE positions in the Department of Children, Youth, and Families:** The Budget includes an increase of 21.0 FTE positions within the Department of Children, Youth, and Families (DCYF) related to several recommended budget initiatives. The Budget assumes that all new positions will be filled in the fourth quarter of FY2020 and will carry forward into FY2021. This includes: 1.0 Chief of Program Development to manage the Department's private agency foster care contracts; 14.0 new case work positions to enhance foster family recruitment and retention; 4.0 Child Protective Investigator positions to bolster frontline staff in order to reduce average caseloads; and 2.0 Paralegals to support the Department's advocacy initiative. The advocacy initiative also includes 2.0 Senior Legal Counsel positions which are included in the Executive Office of Health and Human Services (EOHHS), although the Governor's Budget does not increase EOHHS' authorization in FY2020.

FY2021: The Governor's FY2021 Budget proposes 15,074.7 FTE positions, no net change in FTE positions from the FY2020 Budget as Enacted, and a net decrease of 21.0 FTE positions from the Governor's recommendation for the FY2020 Revised Budget. Following are changes in the Governor's proposal:

- **An increase of 265.0 FTE positions in Public Higher Education:** As per the request of the University of Rhode Island, the Budget redistributes 265.0 FTE positions that were previously third-party paid sponsored research positions at the University of Rhode Island to regular FTE positions at the University.
- **A decrease of 265.0 FTE positions in Higher Education Sponsored Research positions:** As per the request of the University of Rhode Island, the Budget redistributes 265.0 FTE positions that were previously third-party paid sponsored research positions at the University of Rhode Island to regular FTE positions at the University.
- **A decrease of 204.0 FTE positions in the Department of Behavioral Health, Developmental Disabilities, and Hospitals:** The Budget includes a net decrease of 204.0 FTE positions within BHDDH reflecting the privatization of the Rhode Island Community Living and Supports (RICLAS) program.
- **An increase of 45.0 FTE positions in the Department of Transportation:** The Governor includes an additional 45.0 FTE positions in the FY2021 Budget. The new positions include 23.0 FTE positions within the Infrastructure Engineering program, mainly engineers to oversee bridge and highway projects. An additional 20.0 FTE positions within the Infrastructure Maintenance program including 13.0 Highway Maintenance Operators, 3.0 Engineers, 1.0 Bridget Maintenance Worker, 1.0 Electrical Inspector, and 1.0 Landscape Technician. The Budget also includes an additional 2.0 FTE positions within the Central Management program, 1.0 FTE Public Relations Specialist and 1.0 Administrator for Real Estate.
- **An increase of 41.0 FTE positions in the Department of Health:** The Budget adds 41.0 FTEs compared to the FY2020 Budget as Enacted. This includes 42.0 new positions, offset by the transfer of 1.0 legal position to the Executive Office of Health and Human Services (EOHHS). The new positions include 27.0 federally funded positions that are required to continue to receive certain federal grants, 3.0 FTEs federally funded in EOHHS for the adult immunization registry, and 9.0 FTEs funded by restricted receipts for the adult-use marijuana market, lead prevention, opioid overdose prevention, and HIV prevention. The Budget includes 3.0 FTE positions funded by general revenues for the proposed Shellfish Dockside Program.
- **An increase of 19.0 FTE positions in the Department of Children, Youth, and Families (DCYF):** The Budget includes a net increase of 19.0 FTE positions within the Department of Children, Youth, and Families (DCYF) related to several recommended budget initiatives. The Budget assumes that all new

positions will be filled in the fourth quarter of FY2020 and will carry forward into FY2021. This includes: 1.0 Chief of Program Development to manage the Department's private agency foster care contracts; 14.0 new case work positions to enhance foster family recruitment and retention; 4.0 Child Protective Investigator positions to bolster frontline staff in order to reduce average caseloads; and 2.0 Paralegals to support the Department's advocacy initiative. The advocacy initiative also includes 2.0 Senior Legal Counsel positions which are added within the Executive Office of Health and Human Services. The Budget also transfers 2.0 Senior Legal Counsel positions, which are currently filled within DCYF's authorization, to the Executive Office of Health and Human Services, where human services legal staff are centralized.

- **An increase of 15.0 FTE positions in the Executive Office of Health and Human Services (EOHHS):** The Budget includes an increase of 15.0 positions relative to the FY2020 Enacted Budget. The Budget transfers 4.0 existing legal positions from other departments within the Secretariat, consistent with the State's consolidation of health and human services legal staff within the Executive Office. These positions are currently filled within the respective agency authorizations but are funded in EOHHS through inter-agency transfers. The Budget authorizes and adds funding for 5.0 new FTE positions, including 2.0 FTEs for an advocacy initiative within the Department of Children, Youth, and Families; a new 1.0 legal position for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals; and 2.0 FTE positions for the implementation of Medicaid budget initiatives. The Budget authorizes, but does not fund, 6.0 other new FTE positions, including 2.0 FTE positions for the United Health Infrastructure Project (UHIP) and 4.0 FTE positions for data analytics and financial management.
- **An increase of 12.0 FTE positions in the Department of Corrections:** The Budget adds 12.0 positions including, 6.0 Community Correction Assessment Analysts and 1.0 Community Corrections Assessment Coordinator to bring discharge planning services in house. 1.0 Health Program Administrator, 1.0 Co-Hospital Case Manager, and 1.0 Data Analyst within the Department's Healthcare Services Program. As well as 1.0 Apprenticeship Coordinator position to coordinate the apprenticeship program between the Department of Labor and Training and the Department of Corrections.
- **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 Business Regulation:** The Budget includes a net increase of 10.0 FTE positions, reflecting the addition of 13.0 new FTE positions for the state-controlled adult-use marijuana program, 1.0 new bomb technician position, and 2.0 FTE positions within the Office of the Health Insurance Commissioner (OHIC). Offsetting the increase is the elimination of 5.0 FTE positions from the Division of Building, Design and Fire Professionals, and the elimination of 1.0 FTE position from Securities Regulation.
- **An increase of 9.0 FTE positions in the Department of Revenue:** The Budget adds 9.0 FTE positions, including 5.0 FTE positions within the Division of Motor Vehicles (DMV). These include 2.0 Senior Motor Vehicle Examiners and 1.0 Customer Service Specialist III, as part of the proposed shifting of Commercial Driver's License testing to the DMV. To support proposed changes to vehicle inspection enforcement, the Budget includes 1.0 Hearing Officer and 1.0 Adjudication Representative. To support new revenue initiatives proposed in the Budget, staff at the Division of Taxation is increased by 3.0 new positions, including 1.0 Tax Investigator and 2.0 Data Analyst I's. The Budget also authorizes 1.0 Deputy Chief of Legal Services within the Director of Revenue's Office.

- **An increase of 9.0 FTE positions in Elementary and Secondary Education:** The Budget adds 9.0 new FTE positions in FY2021, including 1.0 Deputy Commissioner for School Transformation position needed to address the large number of failing schools in Rhode Island; 1.0 Director of School Improvement position to address student achievement gaps in Rhode Island and work to improve failing schools; 1.0 Education Specialist for School Improvement position to support the effort to improve struggling schools and to close student achievement gaps; 1.0 Educator Excellence Specialist, Educator Quality position who will be responsible for developing high-quality leadership curriculum for teaching staff throughout the State; 1.0 Educator Specialist, Social Studies position to start the process of creating a social studies curriculum and professional development for social studies; 1.0 Education Specialist, Early Childhood position to help ensure the continuation of high-quality pre-k programming as enrollment expands, as well as provide technical assistance, programming assistance, and conduct on-site visits; 1.0 PrepareRI Specialist position to handle cross-agency coordination and project management for the Department, the Department of Labor and Training, Commerce, the Office of the Postsecondary Commissioner, and the Governor's office; 1.0 School Construction Finance Specialist position. A restricted receipt funded position that is needed due to the increase in the volume of work related to the increase incentives and will help support the work needed to upgrade school facilities across the State; and, 1.0 Clerk Secretary position. Another restricted receipt funded position that is needed due to the increase in the volume of work related to the increase incentives and will help support the work needed to upgrade school facilities across the State.
- **An increase of 8.0 FTE positions in the Office of the Attorney General:** The Budget includes an additional 8.0 FTE positions, 2.0 Special Victims Attorneys and 1.0 Paralegal within the Criminal Division. An additional 2.0 Attorneys and 2.0 Paralegals within the Civil Division to support prosecuting civil and criminal actions and an additional 1.0 Staff Attorney within the Intake Unit and Diversion Court.
- **An increase of 5.0 FTE positions in the Department of Administration:** The Budget increases the Department's number of full-time employees by 5.0 FTE positions. The Budget adds 2.0 FTE positions for the development of a request for proposal for a single data system to administer the State's financial and human resources functions. The new ERP system will replace the State's old legacy system, unify and standardize the processes and data. The Budget includes two new Information Technology positions: a 1.0 new Systems Support Technician III position and for a 1.0 new Administrator Management Information Systems position. The Budget also adds a 1.0 Real Estate Portfolio Manager FTE position to oversee the real estate planning and management of state properties.
- **An increase of 5.0 FTE positions in the Department of Labor and Training:** The Budget includes 5.0 FTE positions in the FY2021 Budget. This includes an additional 4.0 FTE investigatory positions within the Workplace Fraud Unit which enforces laws pertaining to the misclassification of employees, wage and hour issues, and the State's prevailing wage requirements for public works construction projects. The Budget also includes an additional 1.0 FTE Principle Interviewer position to assist post-release employment at the Department of Corrections to help improve employment outcomes.
- **An increase of 5.0 FTE positions in the Department of Public Safety:** The Budget authorizes a net increase of 5.0 FTE positions within the Department, for a total of 598.6 positions. DPS assumed a graduating class of 30 new troopers from its training academy in June, 2019; however 37 recruits successfully completed the program. The net increase includes these 7.0 additional Trooper FTE positions. This is offset by the elimination a 1.0 Staff Attorney VII and a 1.0 Public Information Officer.

- **An increase of 4.0 FTE positions in Military Staff:** The Budget includes 3.0 new federally funded firefighter positions at the Quonset Air Base and includes a new general revenue funded Deputy Director FTE position. The Deputy Director will act as a Chief of Staff and will assist the Adjutant General with the Homeland Security Advisor duties that were previously held in the Governor's Office, but have since been delegated to the Military Staff.
- **An increase of 3.0 FTE positions in the Office of the Public Defender:** The Budget adds 3.0 Public Defender IV FTE positions to handle the excessive caseloads handled by the Office of the Public Defender.
- **An increase of 2.0 FTE positions in Public Utilities Commission:** The Budget adds 2.0 new FTE positions in FY2021 including a 1.0 Public Utilities Engineering Specialist II position and a 1.0 Public Utilities Analyst III position. The Governor adds the positions to handle an increase in workload to expand the DPUC's capacity to inspect utility infrastructure and to handle increased regulatory proceedings regarding renewable energy and energy-efficiency.
- **An increase of 1.0 FTE position in the Executive Office of Commerce:** The Budget adds 1.0 Deputy Secretary position within the Executive Office of Commerce (EOC) to function as the housing and community development lead within the EOC.
- **A decrease of 1.0 FTE position in the Department of Human Services:** The Budget includes the transfer of the Assistance Director for Legal Services to the Executive Office of Health and Human Services from the Department of Human Services.

STATE EMPLOYEE CONTRACT AGREEMENT

The current state employee contract agreements between the State and the state employee bargaining units includes a 4-year contract ending June 30, 2020 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 agreement increased general revenue expenditures by \$6.4 million in FY2018, \$19.8 million in FY2019, and \$23.9 million in FY2020.

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

The projected average cost per FTE position is \$120,968 in FY2021, reflecting an increase of 2.3 percent over the FY2020 Governor's Revised Budget. Statewide, total salary costs annually increased on average by 2.7 percent and benefit costs increased 3.4 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.

Average Cost per FTE



TURNOVER

The FY2021 Budget lists turnover as a natural account under the personnel category. This practice started with Governor's recommendation for the FY2020 Budget. As illustrated in the table, the FY2020 Budget as Enacted contained \$52.9 million in turnover savings, of which \$28.2 million or 53.3 percent consisted of general revenue funds. The Governor's revised FY2020 Budget reduces the total turnover to \$31.5 million (reflecting unachieved personnel savings), thus requiring \$21.4 million to be included in the supplemental budget. At present, it is unknown whether the amount recommended in the revised budget is accurate. For FY2021, the Governor again recommends turnover savings of \$34.2 million, of which \$24.7 million or 72.2 percent reflects general revenue.

Turnover by Funding Source

Funding Source	FY2020 Gov Rec	FY2020 Enacted	FY2020 Governor	Change	FY2021 Governor	Change
General Revenue	(\$27,402,210)	(\$28,204,506)	(\$22,511,134)	\$5,693,372	(\$24,676,933)	\$3,527,573
Federal Funds	(11,259,100)	(11,211,025)	(5,967,387)	5,243,638	(5,391,037)	5,819,988
Restricted Receipts	(1,055,275)	(960,261)	(1,056,938)	(96,677)	(1,796,701)	(836,440)
Other Funds	(12,706,626)	(12,530,178)	(1,934,263)	10,595,915	(2,295,455)	10,234,723
Total	(\$52,423,211)	(\$52,905,970)	(\$31,469,722)	\$21,436,248	(\$34,160,126)	\$18,745,844

In FY2021, turnover is stated in 29 agency budgets. The following table illustrates the top 10 agencies with all fund turnover savings exceeding a million dollars.

Turnover by Agency

Turnover by Agency	FY2020 Enacted	FY2020 Governor	Change	FY2021 Governor	Change
Corrections	(\$2,248,675)	(\$5,608,824)	(\$3,360,149)	(\$6,062,265)	(\$3,813,590)
BHDDH	(13,922,083)	(5,685,908)	8,236,175	(4,627,908)	9,294,175
Judiciary	(2,347,193)	(2,479,138)	(131,945)	(3,515,649)	(1,168,456)
Human Services	(4,989,606)	(2,933,407)	2,056,199	(3,431,358)	1,558,248
Transportation	(13,021,627)	(1,787,555)	11,234,072	(3,077,828)	9,943,799
DCYF	(5,478,775)	(2,538,661)	2,940,114	(2,327,411)	3,151,364
Revenue	(2,557,480)	(1,367,615)	1,189,865	(2,058,009)	499,471
Administration	(474,269)	(1,378,764)	(904,495)	(1,306,453)	(832,184)
EOHHS	(214,967)	(669,674)	(454,707)	(1,057,807)	(842,840)
Elementary and Secondary Education	(921,278)	(846,288)	74,990	(1,047,875)	(126,597)
All Other Agencies	(6,730,017)	(6,173,888)	556,129	(5,647,563)	1,082,454
Total	(\$52,905,970)	(\$31,469,722)	\$21,436,248	(\$34,160,126)	\$18,745,844

Analyst Note: Although it is inconclusive, in some instances the turnover figures are added to mask added FTE positions or proposed increases in salary and benefit costs.

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: four of the 10 categories, Management and Consultant Services, Training and Educational Services, Design and Engineering, and Information Technology, comprise 75.2 percent of the total FY2021 purchased service expenditure recommendation in the Governor's FY2021 budget.

Purchased Services	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Enacted	FY2020 Governor	FY2021 Governor	FY21 to FY20 Change
Design & Engineering	\$44.9	\$56.0	\$61.5	\$47.9	\$51.9	\$51.7	\$3.8
Management & Consultant Services	79.1	80.8	72.7	69.1	104.6	78.9	9.8
Training & Educational Services	45.9	52.6	56.3	56.4	61.7	61.5	5.1
Information Technology	29.6	54.3	58.0	94.8	73.7	89.8	(5.0)
Medical Services	15.7	19.0	19.8	19.7	20.8	20.2	0.5
Other Contracts	15.6	15.8	17.4	19.5	26.5	26.6	7.1
Clerical & Temporary Services	4.3	5.5	5.5	5.4	6.0	6.1	0.7
Buildings & Grounds Maintenance	6.0	7.3	7.5	7.2	8.7	8.2	1.0
Legal Services	7.1	5.9	5.9	6.1	7.6	8.1	2.0
University & College Services	16.8	22.1	25.4	21.8	24.7	24.0	2.2
Total	\$265.2	\$319.3	\$330.0	\$347.9	\$386.2	\$375.1	\$27.2

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

Does not include Internal Service Funds

For the FY2021 Budget, the Governor recommends \$375.1 million for purchased service expenses, of which \$90.9 million (24.2 percent) is general revenue. The FY2021 Budget recommendation reflects an increase of \$27.2 million from the FY2020 Budget as Enacted and a decrease of \$11.1 million from the Governor's FY2020 Budget as Revised. Approximately \$307.5 million (82.0 percent) of the appropriation funds services in seven state departments, of which three agencies saw the largest increase; Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals \$5.6 million, 84.4 percent; Department of Revenue \$4.5 million, 89.7 percent; and, Department of Administration \$2.7 million, 32.1 percent.

Purchased Services

Department	FY2020 Enacted	FY2020 Governor	FY2021 Governor	FY2021 General Revenue
Office Health and Human Services	\$118.2	\$127.0	\$107.6	\$22.7
Elementary and Secondary Education	46.0	50.4	51.7	8.4
Transportation	42.2	51.9	51.4	-
Administration	8.4	10.0	11.1	2.9
Human Services	27.1	24.9	33.3	15.2
BHDDH	6.7	12.7	12.3	4.9
Corrections	15.2	16.7	15.3	13.4
Health	11.1	13.0	10.0	1.8
Environmental Management	7.1	7.6	7.5	0.3
Children, Youth, and Families	6.1	7.3	6.5	3.7
Labor and Training	4.5	4.9	5.2	0.3
University of Rhode Island	22.6	24.8	25.3	2.9
Revenue	5.0	5.5	9.5	6.1
General Treasurer	4.9	4.9	5.5	0.2
All Other Agencies	22.8	24.6	22.9	8.3
Total	\$347.9	\$386.2	\$375.1	\$90.9

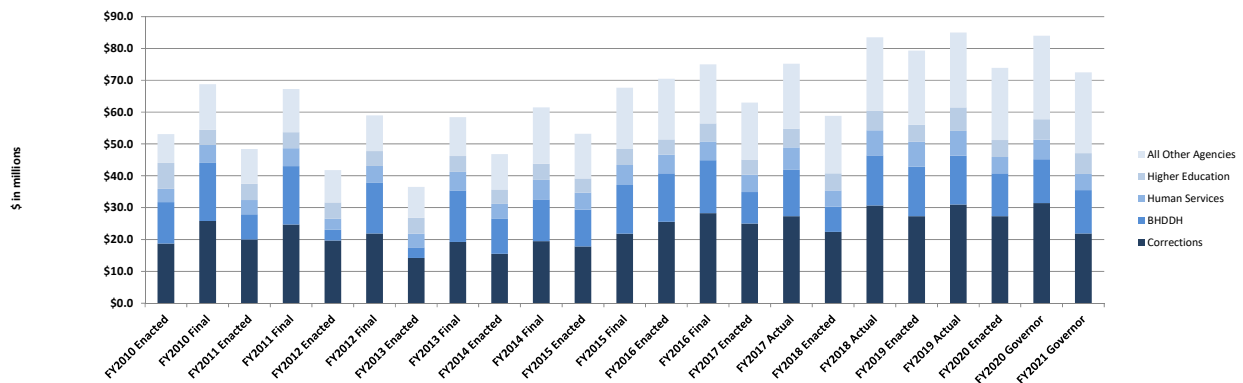
\$ in Millions

Does not include ISFs

OVERTIME

Overtime costs in FY2021 are projected to total \$72.6 million, \$1.4 million less than the FY2020 Budget as Enacted and \$11.5 million less than proposed in the Governor's FY2020 Revised Budget. General revenue supports 62.4 percent of overtime expenses. 30.2 percent of the total FY2020 projected overtime expenditures for the State occur with the Department of Corrections, which is projected to decrease 19.7 percent in FY2021. The Department of Children, Youth, and Families accounts for 8.6 percent of the projected overtime expenses, which is increasing 53.2 percent over the FY2020 Budget as Enacted.

Overtime Costs



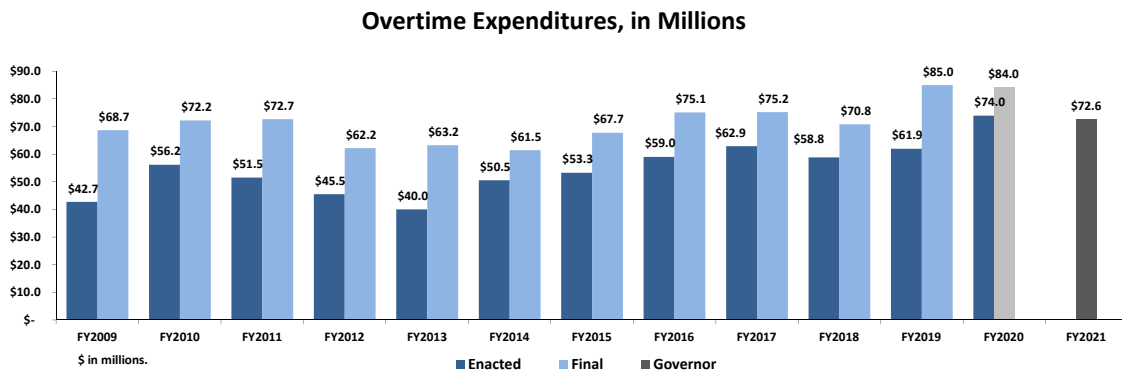
State agencies regularly over spend their overtime appropriation. Over the last nine fiscal years, overtime expenditures have exceeded enacted amounts by an average of \$16.0 million (30.2 percent).

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 FY2021 Budget includes a decrease of \$5.4 million in overtime costs within the Department of Corrections. The Governor's FY2021 Budget includes a general revenue savings of \$5.4 million within the Department of Corrections. These savings will be achieved by more strictly enforcing sick leave policies to reduce fraudulent discharging of sick time, the closure of multiple modules within the Intake Service Center, Medium Security, and High Security, an anticipated reduction in emergency room and hospital trips, and stricter enforcement of overtime policies throughout the Department. The Budget also accelerates the next Correctional Officer class, anticipating a December 2020 graduation. The additional officers will reduce workloads for current Correctional Officers and reduce the need for overtime.

The following chart illustrates the variances between the enacted and actual expenditures for overtime costs:



STATE EMPLOYEE HEALTH INSURANCE RATES

The State 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.

Health Insurance Rates Annual Employer Cost per Employee

Individual	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Enacted	FY2020 Enacted	FY2020 Governor	FY2021 Governor*	% Change FY21/FY20
Medical	\$6,558	\$6,559	\$7,062	\$6,967	\$7,525	\$7,358	\$7,601	\$8,363	\$8,432	\$7,941	\$7,503	\$7,879	-0.8%
Dental	349	350	376	382	405	393	405	373	369	389	384	390	0.3%
Vision	83	84	63	59	60	57	79	57	57	59	57	58	-1.7%
Total	\$6,991	\$6,993	\$7,501	\$7,408	\$7,990	\$7,808	\$8,085	\$8,793	\$8,858	\$8,389	\$7,944	\$8,327	-0.7%
Family													
Medical	\$18,386	\$18,386	\$19,799	\$19,531	\$21,093	\$20,626	\$21,307	\$23,445	\$23,637	\$22,261	\$21,035	\$22,086	-0.8%
Dental	978	978	1,052	1,068	1,132	1,100	1,133	963	955	1,007	994	1,007	0.0%
Vision	177	177	173	161	165	157	162	157	157	162	158	161	-0.6%
Total	\$19,540	\$19,541	\$21,024	\$20,760	\$22,390	\$21,883	\$22,602	\$24,565	\$24,749	\$23,430	\$22,187	\$23,254	-0.8%

Source: State Budget Office

*Average of the 3 Anchor Plans

State Employee Health Plan Costs

The FY2021 proposed total employer expenditure for state employee health plan costs is \$189.5 million, of which \$96.8 million is general revenue. This is \$4.7 million lower than the FY2020 Budget as Enacted, but \$10.9 million more than the Governor's proposed FY2020 Revised Budget.

State Employee Health Plan Total Costs

Health Plan	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Enacted	FY2020 Governor	FY2021 Governor	FY21 to FY20 Change	% Change FY21/FY20
Medical	\$148.6	\$145.9	\$155.2	\$162.1	\$157.5	\$162.3	\$174.7	\$170.1	\$164.9	\$184.1	\$168.6	\$179.0	(\$5.1)	-2.8%
Dental	9.2	9.2	9.3	9.8	9.7	9.6	8.4	7.9	8.0	8.8	8.6	9.1	0.3	3.4%
Vision	1.6	1.5	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.4	0.1	5.3%
Total	\$159.4	\$156.6	\$165.9	\$173.3	\$168.6	\$173.3	\$184.4	\$179.3	\$174.1	\$194.2	\$178.6	\$189.5	(\$4.7)	-2.4%

\$ 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 per Pay Period - 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 \$53,498	\$116.21	\$124.34	\$115.37		\$6.12	\$11.09	\$18.11	\$0.96
\$53,498 - \$102,840	154.95	165.78	153.83		8.16	13.13	20.15	1.28
Over \$102,840	193.68	207.23	192.29		10.20	15.17	22.19	1.60

Individual Plan Co-share per Pay Period- Salary Ranges

FY2019	Anchor	Anchor Plus	Anchor Choice	Anchor Dental	Anchor Dental Plus	Anchor Dental Platinum	Anchor Vision	Anchor Vision Plus
Less than \$102,840	\$55.27	\$59.14	\$54.87	\$3.15	\$5.07	\$7.78	\$0.46	\$1.47
Over \$102,840	69.09	73.92	68.59	3.94	5.86	8.57	0.58	1.58

Deductibles

The medical deductibles are: Anchor \$1,000/\$2,000, Anchor Plus \$500/\$1,000, and Anchor Choice \$1,500/\$3,000 for an in-network individual/ family plan. The out-of-network deductibles are: Anchor \$2,000/\$4,000, Anchor Plus \$1,000/\$2,000, and Anchor Choice \$2,250/\$4,500 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 1/1/2019	Anchor Plus 1/1/2019	Anchor Choice 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
	Tier 2 preferred brand	12	20	25	35	35
	Tier 3 non-preferred brand	30	40	45	60	60
	Tier 4 specialty				100	100

STATE EMPLOYEES AND TEACHERS ACTUARIAL VALUATION

Gabriel Roeder Smith and Company (GRS), actuary to the State Retirement Board, performed the June 30, 2019, 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 FY2022. There is no impact to the FY2021 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 3.0 percent, and payroll growth is 3.0 percent for state employees and 2.5 percent for teachers.

Employer Contribution Rates	FY2020 Certified	FY2021 Certified	FY2022 Certified	Change
State Employees	26.39%	27.54%	28.01%	0.47%
Teachers - State Share	9.84%	10.75%	10.94%	0.19%
Teachers - Local Share	14.77%	14.50%	14.78%	0.28%
Total Teachers	24.61%	25.25%	25.72%	0.47%

Source: GRS June 30, 2019, Actuarial Valuation

Projected Employer Contribution	FY2020	FY2021	FY2022	Change
State Employees	\$195.4	\$210.0	\$220.0	\$10.0
Teachers - State	107.0	112.5	117.6	5.1
Total State Cost	\$302.4	\$322.5	\$337.6	\$15.1
Teachers - Local	\$160.5	\$168.8	\$176.2	\$7.4
Total State and Local Cost	\$462.9	\$491.3	\$513.8	\$22.5

Source: GRS June 30, 2019, Actuarial Valuation

\$ in millions

Active Employee to Retiree Ratio

According to GRS, the ratio of active employees to retirees continues to be flat but the number of active employee ratios exceeded retirees for both state employees and teachers in 2019. Beginning in 1999, the active employee ratios have decreased for state employees and teachers. This trend translates into less available payroll to spread out the impacts of volatile markets, leading to increased employer contribution rates.

Membership																
State Employees		1999	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Change
Active	13,369	12,572	11,970	11,023	11,122	11,233	11,166	11,280	11,301	11,194	11,083	11,152	10,988	11,318	330	
Retired	9,067	10,163	10,396	11,142	11,421	11,271	11,200	11,139	11,103	11,041	11,058	11,078	11,250	11,224	-26	
Active to Retiree Ratio	1.5	1.2	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0		
Teachers		1999	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Change
Active	13,282	14,146	13,999	13,689	13,530	13,381	13,212	13,193	13,266	13,272	13,206	13,310	13,473	13,511	38	
Retired	6,043	9,118	9,337	9,749	10,213	10,347	10,622	10,776	10,838	10,902	11,087	11,211	11,144	11,196	52	
Active to Retiree Ratio	2.2	1.6	1.5	1.4	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2		

Source: GRS June 30, 2019, 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, 2019, funded ratio is 53.3 percent for state employees and 55.3 percent for teachers. For state employees, the unfunded actuarial accrued liability (UAAL) increased from \$2,239.3 million to \$2,243.5 million and for teachers the UAAL increased from \$3,135.8 million to \$3,127.8 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) offset slightly by an increase in asset value.

ERSRI Value History	Funded 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	53.3%	55.3%
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, 2019
Valuation

Source: GRS

* Reflects post-RIRSA values

SUMMARY OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

The Unfunded Actuarial Accrued Liability (UAAL) payment for state employees is \$2,243.5 million reflecting an increase of \$30.8 million over last year. The amortization payment for FY2020 is \$162.4 million, an increase of \$8.3 million over FY2019. The following table illustrates the components of the UAAL payment over the next three fiscal years.

State Employees

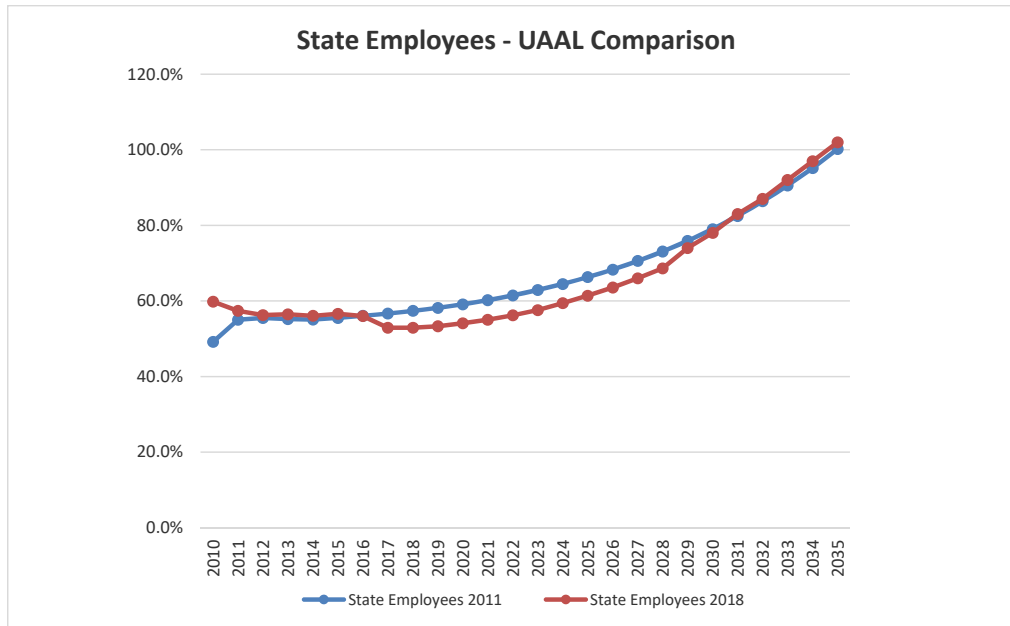
Purpose	Remaining Balance as of June 30, 2019	FY2020 Amortization Payment	FY2021 Amortization Payment	FY2022 Amortization Payment	Amortization Years Remaining
FY1991 and FY1992 Deferrals	\$28.0	\$2.4	\$2.4	\$2.5	15
Original 2011 RIRSA Base	1,770.9	150.0	154.5	159.2	15
2014 Experience Study	(48.4)	(3.9)	(4.0)	(4.2)	16
2014 Mediation Settlement	115.9	9.4	9.7	10.0	16
2015 Experience Base	(34.4)	(2.7)	(2.8)	(2.8)	17
2016 Experience Base	47.0	3.5	3.6	3.7	18
2017 Experience Base	17.6	1.3	1.3	1.4	19
2018 Experience Base	24.7	-	1.9	1.9	20
2019 Experience Base	6.9	-	-	0.6	21
2016 Assumption Change - FY20 Stagger	32.9	2.4	2.5	2.5	19
2016 Assumption Change - FY21 Stagger	70.6	-	5.7	5.8	19
2016 Assumption Change - FY22 Stagger	70.6	-	-	6.3	19
2016 Assumption Change - FY23 Stagger	70.6	-	-	-	19
2016 Assumption Change - FY24 Stagger	70.6	-	-	-	19
UAAL	\$2,243.5	\$162.4	\$174.8	\$186.9	

Source: GRS 2019 Actuarial Valuation

\$'s in millions

Totals may vary due to rounding.

The following charts compare the current June 30, 2019, 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 \$3,127.5 million, reflecting a decrease of \$8.3 million from last year. The amortization payment \$221.2 million in FY2020 and \$235.0 million in FY2021. The figures for FY2020 and FY2021 are consistent with the 2018 valuation report. The amortization payment for FY2022 is \$248.0 million, an increase of \$13.0 million over the payment for FY2021. The following table illustrates the components of the UAAL payment over the next three fiscal years.

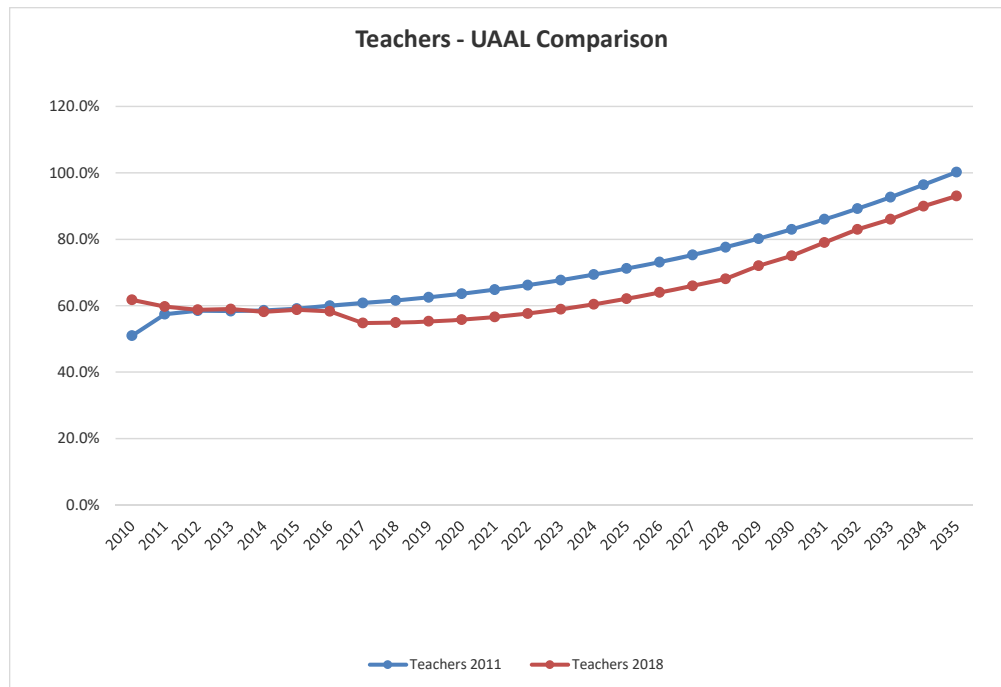
Teachers

Purpose	Remaining Balance as of June 30, 2019	FY2020 Amortization Payment	FY2021 Amortization Payment	FY2022 Amortization Payment	Amortization Years Remaining
FY1991 and FY1992 Deferrals - State	\$36.5	\$3.2	\$3.3	\$3.4	14
Original 2011 RIRSA Base - State	967.8	84.7	86.8	89.0	14
Original 2011 RIRSA Base - Local	1,519.9	114.7	117.5	120.5	18
2014 Experience Study - State	(16.2)	(1.4)	(1.4)	(1.4)	15
2014 Experience Study - Local	(24.8)	(1.9)	(1.9)	(2.0)	18
2014 Mediation Settlement - State	66.2	5.6	5.7	5.8	15
2014 Mediation Settlement - Local	101.5	7.7	7.9	8.0	18
2015 Experience Base	(50.3)	(4.1)	(4.2)	(4.3)	16
2016 Experience Base	33.3	2.6	2.7	2.7	17
2016 Assumption Change - FY20 Stagger	64.9	4.9	5.0	5.1	18
2016 Assumption Change - FY21 Stagger	91.8	-	7.7	7.9	18
2016 Assumption Change - FY22 Stagger	91.8	-	-	8.5	18
2016 Assumption Change - FY23 Stagger	91.8	-	-	-	18
2016 Assumption Change - FY24 Stagger	91.8	-	-	-	18
2017 Experience Base	68.5	5.2	5.3	5.4	18
2018 Experience Base	7.5	-	0.6	0.6	19
New Experience Base FY2019	(14.5)	-	-	(1.2)	20
UAAL	\$3,127.5	\$221.2	\$235.0	\$248.0	

Source: GRS 2019 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, 2019, 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	Actuarial		Employer Contribution	Employee Contribution	Benefit Payments	Net Cash Flow
				Value of Fund	Payroll				
2020	\$2,243.5	53.3%	26.4%	\$2,557.6	\$740.3	\$195.4	\$39.8	\$345.4	(\$110.3)
2021	2,230.0	54.0%	27.5%	2,622.0	762.5	210.0	39.7	351.7	(101.9)
2022	2,201.0	55.1%	28.0%	2,701.0	785.4	220.0	39.8	360.1	(100.4)
2023	2,162.0	56.3%	28.7%	2,786.0	808.9	232.0	39.9	365.2	(93.3)
2024	2,108.0	57.8%	29.5%	2,884.0	833.2	245.5	40.1	369.4	(83.8)
2025	2,034.0	59.6%	29.3%	3,000.0	858.2	251.8	40.4	373.7	(81.5)
2026	1,951.0	61.6%	29.2%	3,125.0	883.9	258.5	40.7	381.2	(81.9)
2027	1,854.0	63.7%	29.2%	3,259.0	910.5	265.4	41.2	385.9	(79.2)
2028	1,743.0	66.1%	29.1%	3,405.0	937.8	272.5	41.8	392.6	(78.3)
2029	1,616.0	68.8%	29.0%	3,563.0	965.9	280.0	42.6	399.2	(76.7)
2030	1,474.0	71.7%	28.9%	3,733.0	994.9	287.7	43.4	405.1	(73.9)

Source: GRS 2019 Actuarial Valuation

\$'s in millions

Totals may vary due to rounding.

Teachers

Fiscal Year	UAAL	Funded Ratio	Contribution Rate	Actuarial Value of		Employer Contribution	Employee Contribution	Benefit Payments	Net Cash Flow
				Fund	Payroll				
2020	\$3,127.8	55.3%	24.6%	\$3,866.5	\$1,087.0	\$267.5	\$50.1	\$491.2	(\$173.6)
2021	3,115.0	56.0%	25.3%	3,957.5	1,114.2	281.3	50.2	495.2	(163.7)
2022	3,088.1	56.8%	25.7%	4,065.2	1,142.0	293.8	50.3	504.7	(160.6)
2023	3,047.6	57.9%	26.4%	4,183.6	1,170.6	308.4	50.5	508.1	(149.2)
2024	2,988.4	59.1%	27.1%	4,322.1	1,199.8	324.8	50.7	510.7	(135.2)
2025	2,907.5	60.7%	26.9%	4,484.7	1,229.8	331.3	50.9	513.7	(131.5)
2026	2,813.7	62.4%	26.8%	4,662.7	1,260.6	338.2	51.1	522.4	(133.1)
2027	2,706.0	64.2%	26.7%	4,851.4	1,292.1	345.2	51.5	525.6	(128.9)
2028	2,583.0	66.2%	26.6%	5,057.7	1,324.4	352.5	52.0	533.8	(129.3)
2029	2,443.7	68.4%	26.5%	5,278.1	1,357.5	360.1	52.6	541.6	(128.8)
2030	2,286.5	70.7%	26.4%	5,514.2	1,391.4	367.9	53.5	549.3	(128.0)

Source: GRS 2019 Actuarial Valuation

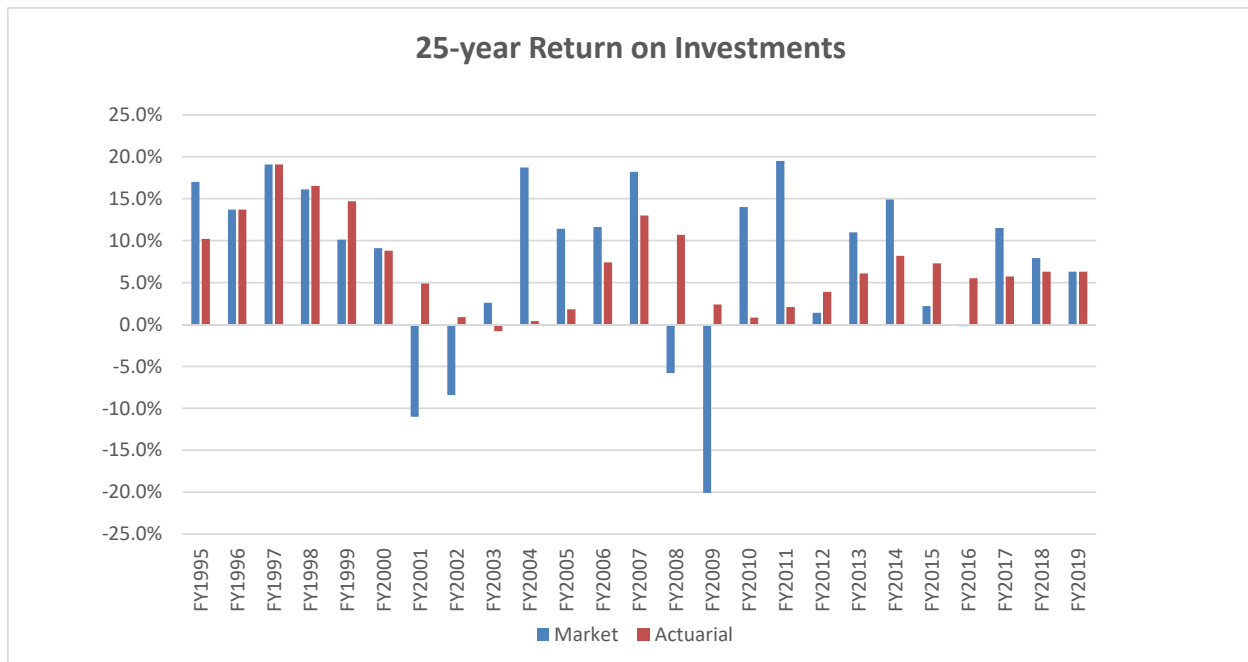
\$'s in millions

Totals may vary due to rounding.

The projected UAAL begins to decrease in 2021. 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 6.3 percent in FY2019, below 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. 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 7.9 percent in FY2018, above the 7.0 percent projected rate of return that is adopted by the State Retirement Board.



- The FY2022 employer contribution rates increase but are lower than originally anticipated in the experience study.

- The 2019 actuarial investment performance was 6.3 percent, 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 2020, it is \$27,184 and increase by 1.56 percent to \$27,608 in 2021. In 2019, the limit was \$26,687.
- Plans are projected to be 80.6 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.
- The Plans are expected to be 100.0 percent funded FY2040.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM ACTUARIAL VALUATION

GRS presented the June 30, 2019, actuarial valuation analysis of the retirement system covering municipal employees. The actuarial valuation impacts the employer contribution rates approved by the Board (certified) for FY2022. The GRS analysis indicates that over the past year, there were no new units 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 2019 UAAL for all units combined is \$397.0 million compared to last year's figure of \$406.0 million, an increase of \$9.0 million. The funded ratio for all MERS increased from 79.4 percent to 80.5 percent in 2019, because COLAs were suspended on units that less than 80.0 percent funded. The Board approved the employer contribution rates for MERS as presented by GRS.

The average employer contribution rate for general employees remained 12.57 percent for 2021 and for FY2022, and for police and fire personnel the average employer contribution rate increased from 19.57 percent in 2021 to 19.70 percent for FY2022.

- According to the actuary, 69 units possess a funding ratio exceeding 80.0 percent, there were 66 last year and 27 units have a funding ratio over 100.0 percent, no change from last year.

JUDICIAL RETIREMENT BENEFITS TRUST ACTUARIAL VALUATION

The June 30, 2019, actuarial valuation analysis of the retirement system covering judges impacts the employer contribution rates approved by the Board (certified) for FY2022. There is no impact to the previously certified FY2021 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 67.0 percent of the plan participants are active judges, who are contributing 12.0 percent of their salary to the Trust. The GRS analysis increased the employer contribution rate from 21.61 percent to 21.82 percent reflecting the phased recognition of the 2017 analysis assumption changes in the contribution rate and salary losses.

	FY2021	FY2022	
Certified Employer Contribution Rates	Certified	Certified	
Judges	21.61%	21.82%	
Membership	30-Jun-18	30-Jun-19	Change
Active	53	55	2
Retiree and Beneficiaries	23	26	3
Inactive	1	1	0
Total	77	82	5
Projected Payroll for Contributions	\$9.2	\$9.9	\$0.7
Unfunded Liability	\$2.5	\$3.2	\$0.7
GASB Funded Ratio	96.7%	96.0%	-0.7%

Source: GRS June 30, 2019, Actuarial Valuation

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 \$19.8 million. The total market value of assets is \$966,393 leaving an unfunded accrued liability of \$18.9 million.

STATE POLICE RETIREMENT BENEFITS TRUST ACTUARIAL VALUATION

The June 30, 2019, actuarial valuation summary regarding the retirement systems covering the State Police impacts the employer contribution rates to be certified for FY2022. 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		FY2021	FY2022
Certified		Certified	Certified
State Police		19.82%	19.24%
Membership	30-Jun-18	30-Jun-19	Change
Active	226	260	34
Retiree and Beneficiaries	73	73	0
Inactive	46	56	10
Total	345	389	44
Projected Payroll for Contributions	\$23.5	\$26.5	\$3.0
Unfunded Liability	\$27.5	\$26.4	(\$1.1)
GASB Funded Ratio	83.5%	84.9%	1.4%

Source: GRS June 30, 2019, Actuarial Valuation

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 of this group is \$161.2 million as of June 30, 2019. The schedule continues with an appropriation of \$16.4 million in general revenue per year from FY2020 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, 2019, actuarial valuation provided by GRS states the plan as an asset value of \$339.4 million (an increase of \$11.6 million from the prior year) and an actuarial accrued liability of \$226.7 million, resulting in a plan surplus of \$112.7 million, an increase of \$4.8 million from the previous year. Because the asset value for the TSBP is at 150.0 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 Changes

The Governor's FY2021 Budget increases general revenue collections by an estimated \$113.7 million above the November 2019 revenue estimate of \$4,241.6 million, inclusive of the changes to the hospital license fee in FY2021. New revenue initiatives include expansion of the sales tax to include more services, restoration of the sales tax on wine and spirits, various license and fee increases, taxation of vaping products, a \$0.35 increase in the cigarette excise tax, a 1.0 percent increase in the State's hotel tax, transfers from quasi-public corporations, and the revenue activity associated with the legalization of the use of marijuana.

Governor's Recommended Revenue Changes	FY2021
EOHHS Revenue Changes	\$31.3
Adult-Use Marijuana Revenue	21.8
Transfers	16.1
Sales Tax Changes	14.1
Alcohol Related Tax Changes	9.1
Licenses and Fee Changes	6.7
U.S. Treasury Offset Program	5.0
Hotel Tax Increase	4.7
Other Revenue Changes	3.2
Cigarettes and Other Tobacco Changes	1.6
Total	\$113.7

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

EOHHS Revenue Changes

\$31.3 million

The Budget includes a net \$31.3 million increase related to revenue changes associated with the following EOHHS initiatives.

EOHHS Revenue Changes	Amount
Hospital License Fee	\$32.3
Medicaid Revenue Changes	(1.2)
Rlte Share Penalty	0.2
Total	\$31.3

\$ in millions

- **Hospital License Fee:** Article 18 of the Budget modifies the FY2021 hospital license fee currently authorized by statute. The article increases the fee from 3.15 percent to 3.78 percent of net patient revenues for hospitals located in Washington County and from 5.0 percent to 6.0 percent for all other community hospitals. The rates established in Article 18 are consistent with rate structure used in both FY2019 and FY2020. The FY2020 Enacted Budget initially lowered the fee for FY2021 in response to pending changes at the federal level; however, the Governor's Budget assumes these changes will be delayed and holds the license fee constant to FY2020, accordingly. This change will increase revenue collections by an estimated \$32.3 million relative to the November 2019 adopted revenue estimate.
- **Medicaid Revenue Changes:** The Budget reduces revenue collections by \$1.2 million to reflect the impact of a number Medicaid expenditure changes which affect collections from the 2.0 percent insurance premium tax and 5.5 percent nursing home tax. These initiatives are described in the FY2021 Expenditures section of this report.

Medicaid Revenue Changes	
RI Bridges Eligibility Optimization	(\$604,226)
Neonatal Intensive Care Unit (NICU) Services	451,226
RIte Share Enrollment	(380,000)
Hospital Rate Freeze	(377,040)
Nursing Home COLA	(376,673)
Managed Care Organization (MCO) Full Risk	314,000
Adult Co-Pays	(178,014)
Dual Care Management	(58,628)
Ambulance Rates	44,349
Pharmacy Utilization	(30,752)
Perinatal Doula Services	4,535
Total	(\$1,191,223)

- **RIte Share Penalty:** The Governor increases general revenue collections by \$165,675 to reflect the impact of a new penalty established in Article 20 which will be assessed against employers who do not comply with the reporting requirements of the RIte Share program, modeled after a penalty in place in Massachusetts. The revenues will primarily be used to cover implementation costs within the Division of Taxation, including IT upgrades and 1.0 Business Analyst FTE position. This penalty complements a savings initiative within the Medicaid program designed to encourage enrollment in RIte Share.

Adult-Use Marijuana Revenue

\$21.8 million

Article 13 of the Budget legalizes the use of marijuana by adults and establishes a State-controlled system for selling marijuana related products. The Budget includes \$21.8 million in revenue attributable to the initiative in FY2021.

Adult-Use Marijuana Revenue	Amount
Adult Use Marijuana Revenue - State Share	\$21.1
Office of Cannabis Regulation License Fee	\$0.7
Total	\$21.8

- **Adult-Use Marijuana Revenue – State Share:** Article 13 establishes the Adult-Use Marijuana Fund as a restricted receipt account exempt from the indirect cost recovery provision of RIGL 35-4-27. Revenue from marijuana sales receipts is to be shared by the State, municipalities, and management contractors. The allocation is set at 61.0 percent for the State, 10.0 percent for municipalities, and 29.0 percent for the contractor(s) operating on the State's behalf.

Article 13 requires that expenditures related to the implementation of the adult-use marijuana program be paid out of the Fund prior to the balance being transferred to the General Fund. The Budget allocates \$4.9 million from the Fund in FY2021 for expenditures related to adult-use marijuana program administration. 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 remaining balance is to be transferred to the General Fund from the restricted receipt account on a monthly basis. In FY2021, the total anticipated transfer is \$21.1 million.

- **Office of Cannabis Regulation License Fees:** Article 13 also establishes fees associated with applying for and obtaining licenses for cultivators, processors, contractors, and employees who work in the marijuana industry. Current medical marijuana cultivators may apply for and obtain adult-use cultivator licenses so long as it will not impact supplies in the medical marijuana market. The new licenses established are specifically for the adult-use marijuana market and are estimated to generate \$699,000 in FY2021. Licenses would require renewal every three years. The OCR would have regulatory authority to set fees through the promulgation of rules and regulations and would be responsible for

licensing marijuana contractors, processors, cultivators, and employees who work in the industry. The Department of Health (DOH) would be responsible for the oversight and licensing of the lab testing of marijuana and marijuana products.

FY2021 Article 13 License Revenue

License	Estimated Revenue
Cultivator	\$360,000
Processors	270,000
Contractors	30,000
Key Employees	9,000
Operations Employees	30,000
License Fees	\$699,000

Transfers**\$16.1 million**

The Governor transfers approximately \$16.1 million in reserves from six quasi-public agencies to support the General Fund. All transfers are required to take place by June 30, 2021. This includes \$5.0 million from Rhode Island Resource Recovery, \$5.0 million from the Rhode Island Infrastructure Bank, \$2.0 million from Rhode Island Student Loan Authority, \$2.0 million from the Narragansett Bay Commission, \$1.1 million from Rhode Island Housing and Mortgage Finance Corporation, and \$1.0 million from the Rhode Island Health and Educational Building Corporation.

Agency	FY2020 Enacted	FY2020 Governor	Change	FY2021 Governor	Change
Health and Educational Building	\$0.0	\$0.0	\$0.0	\$1.0	\$1.0
Narragansett Bay Commission	-	-	-	2.0	2.0
Infrastructure Bank	4.0	12.9	8.9	5.0	1.0
RI Housing	1.5	1.5	-	1.1	(0.4)
Quonset Development Corporation	1.2	1.2	-	-	(1.2)
RI Resource Recovery	-	5.0	5.0	5.0	5.0
RI Student Loan Authority	1.5	1.5	-	2.0	0.5
DEM - Oil Spill Prevention, Administration Response Fund	-	1.0	1.0	-	-
DEM - Underground Storage Tank Trust Fund	-	1.0	1.0	-	-
DEM - Non-Point Pollution Control Bond Fund	-	0.1	0.1	-	-
DEM - Rocky Point Park Bond Fund	-	0.2	0.2	-	-
BHDDH - Asset Forfeiture Restricted Receipts	-	0.5	0.5	-	-
Commerce Corporation - First Wave Closing Fund	5.0	5.0	-	-	(5.0)
Total	\$13.2	\$29.9	\$16.7	\$16.1	\$2.9

\$ in millions

Sales Tax Changes**\$14.1 million**

The Budget expands the sales tax to several new products and services, including custom computer system design; couriers and messengers; hunting, trapping, and shooting ranges; and lobbying. These services are delineated by the federal North American Industrial Classification System (NAICS) and designated by numerical classification codes. The expansion is estimated to generate \$14.1 million in FY2021.

Sales Tax Changes	Amount
Computer System Design Services	\$7.9
Courier and Messenger Services	4.1
Hunting, Trapping, and Shooting Ranges	0.8
Lobbying Services	0.7
Interior Design Services	0.6
Total	\$14.1

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

- **Computer System Design Services:** Article 8 expands the sales tax base to include computer system design and related services. These include industries primarily engaged in providing expertise in the field of information technology and include activities such as writing, modifying, testing, and supporting software to meet the particular needs of a customer. It may also include the planning, designing, and on-site management of clients' computer systems and data processing facilities. The Office of Revenue Analysis (ORA) estimates that sales tax collected on computer system design services will generate \$7.9 million in general revenue in FY2021 based on an October 1, 2020, start date.
- **Courier and Messenger Services:** Article 8 expands the sales tax base to include courier and messenger services. These include industries primarily engaged in providing air, surface, or combined mode courier and express delivery services. This includes food and parcel delivery. There are 30 businesses operating in Rhode Island that fall into this category. ORA estimates \$4.1 million in new sales tax revenue based on a January 1, 2021, start date.
- **Hunting, Trapping, and Shooting Range Services:** Article 8 subjects services delineated by NAICS as "hunting and trapping" to the sales and use tax. The 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.

Using personal consumption data, ORA estimated that fishing, hunting, game preserves, and shooting ranges comprise 5.7 percent of the overall untaxed recreational services sector in the State. ORA then employed its sales and use tax simulation model to determine the impact of adding this category to the sales and use tax base. Based on this analysis, ORA projects \$818,036 in FY2021 revenue based on an October 1, 2021, start date.

- **Lobbying Services:** Article 8 expands the categories of services subjected to the sales tax to include 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 548 registered lobbyists in the State. Using an October 1, 2020, start date, ORA estimates \$692,982 in new revenue.

- **Interior Designers:** Article 8 expands the sales and use tax to include interior design services. The specific services as delineated by NAICS are specialized design services (interior design). ORA estimates \$628,089 in FY2021 revenue based on a January 1, 2021, start date.

Analyst Note: The language in Section 5 of Article 8 specifically cites NAICS code 541410 to delineate the type of interior design services that are to be subject to the sales tax. It does not, however, include architectural services (NAICS code 541310). Firms categorized under this NAICS often provide interior design services as part of its business. This activity would not be taxed under Article 8.

Alcohol Related Tax Changes

\$9.1 million

The Governor recommends several changes to the taxation of alcohol in Rhode Island. Article 8 reduces the alcohol excise tax rate on high proof spirits from \$5.40 to \$3.75 per gallon and the excise tax on still wine from \$1.40 to \$0.60 per gallon. This change is estimated to reduce general revenue collections by \$5.3 million based on an effective date of October 1, 2020. The article also subjects sales of wine and spirits to the 7.0 percent sales tax. These products have been exempted from the sales tax since FY2014. Based on a July 1, 2020, effective date, this change is estimated to generate an additional \$14.4 million in revenue.

Alcohol Taxes	Amount
Reimpose Sales Tax on Wine and Spirits	\$14.4
Reduction of Alcohol Taxes	(5.3)
Total	\$9.1

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

The State levies taxes on alcoholic beverages imported, manufactured, rectified, blended, or reduced for sale in the State. Alcohol taxes are payable monthly for imported beverages and quarterly for beverages manufactured within the State. Alcohol taxes are deposited as general revenues.

In 2013, the General Assembly restructured the State's alcohol tax structure. The changes included both an increase in alcohol excise tax rates on wine and spirits and an exemption from the sales tax. Article 8 reinstates the previous excise tax rates, reducing the excise tax on still wines from \$1.40 per gallon to \$0.60 and on spirits from \$5.40 per gallon to \$3.75. The table below shows the excise tax changes and how they compare to neighboring states:

Alcohol Excise Tax Rate History & Regional Comparison

Type	Pre-2013 Rate	Current Rate	Article 8 Rate	MA	CT	Per Unit
Beer	\$3.00	\$3.30	\$3.00	\$3.41	\$7.44	Barrel
Still Wines						
(Entirely RI Grown)	0.30	0.30	0.30	-	-	Gallon
Still Wines	0.60	1.40	0.60	0.55	0.79	Gallon
Sparkling Wines	0.75	0.75	0.75	0.70	1.94	Gallon
Whiskey, Rum, Gin, Spirits, Etc.	3.75	5.40	3.75	4.05	5.94	Gallon
Whiskey, Rum, Gin, Spirits, Etc. (≤ 30 Proof)	1.10	1.10	1.10	1.10	2.75	Gallon
Ethyl Alcohol						
(Beverage Use)	7.50	7.50	7.50	-	-	Gallon
Ethyl Alcohol	0.08	0.08	0.08	-	-	Gallon

Note: Massachusetts exempts alcohol from the state's 6.25 percent sales tax. Connecticut taxes the sales of alcohol at 6.35 percent.

Analyst Note: The 2013 changes were intended to be temporary, with rates set to expire on July 1, 2015. However, the 2015 General Assembly made the changes permanent. The reported intent of the initial pilot approach was for the Division of Taxation to collect the necessary data to evaluate the impact of Rhode Island excise and sales tax changes on wine and spirit sales. According to the Division of Taxation, this analysis was never undertaken. Statutorily-mandated alcohol tax reports do, however, report some data on sales and foregone revenue. The following table shows wine and spirit sales activity from TY2013-TY2018:

Wine and Spirits Sales Activity TY2013-TY2018

Tax Year	Total Sales	Growth over Previous Year	Foregone Sales Tax Revenue
2013*	196.1	-	-
2014	221.6	12.9%	15.5
2015	237.6	7.2%	16.6
2016	243.4	2.4%	17.0
2017	239.4	-1.6%	16.8
2018	244.4	2.1%	17.1
2019	235.1	-3.8%	16.5

\$ in millions

**2013 alcohol tax changes became effective December 2013. Taxation does not have data on total sales of wine and spirits for TY2013.*

- **Reimpose Sales Tax on Wine and Spirits:** The Budget includes an estimated increase of \$14.4 million in additional revenue from the tax receipts on the sale of wine and spirits. To determine this estimate, the Department of Revenue's Office of Revenue Analysis (ORA) utilized the Division of Taxation's annual Report on Sales and Taxation of Alcoholic Beverages to determine the amount of foregone revenue associated with the exemption of wine and spirits from the sales tax for FY2018. The figure was adjusted for actual FY2019 growth rates, and then again by the November 2019 Revenue Estimating Conference sales and use tax growth rate.
- **Reduction of Alcohol Taxes:** The Budget also includes an estimated reduction of \$5.3 million in revenue from the reduction in alcohol excise tax receipts on wine and spirits. To determine this estimate ORA utilized Taxation's monthly alcohol gallonage reports for FY2019. ORA multiplied each month's total for gallons of wine sold by the difference between the current excise tax rate and the proposed reduced rate. ORA also did this for spirits. The results were summed to get a 12 month estimate of excise tax revenue under the reduced rate for FY2019. This estimate was adjusted by the FY2021 growth rate adopted by the November 2019 Revenue Estimating Conference for alcohol excise taxes and adjusted again to account for the October 1, 2020, implementation date.

License and Fee Changes**\$6.7 million**

The Governor amends several licensing and fee regimes across six different State agencies. The fiscal impact of these changes is summarized in the following table:

Licenses and Fee Changes	Amount
DMV Licenses and Fees	\$3.7
DOH Licenses and Fees	1.1
DEM Licenses and Fees	0.9
DBR Licenses and Fees	0.6
DOR Licenses and Fees	0.4
DPS Licenses and Fees	0.0
Total	\$6.7

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

- **DMV Licenses and Fees:** The Governor increases fees related to several Division of Motor Vehicle (DMV) programs.

DMV Licenses and Fees	Amount
Inspection Enforcement	\$1.8
Late License and Registration Renewals	1.1
Certified Driving Record Fee	0.7
CDL Road Test Administration Revenue	0.1
Total	\$3.7

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

- **Inspection Enforcement:** Article 6 establishes a \$100 reinstatement fee for inspections that occur after a registration has been suspended. The Budget includes \$1.8 million in new revenue in FY2021 based on a July 1, 2020, effective date.
- **Late License and Registration Renewals:** A \$15.00 late fee is added for licenses and registrations renewed after their expiration date. The Budget includes \$1.1 million in new revenue in FY2021 based on an October 1, 2020, effective date.

- **Certified Driving Record Fee:** The fee for driving records obtained through an online subscription service is increased from \$16.00 to \$20.00. The Budget includes \$660,000 in new general revenue based on a July 1, 2020, effective date.
- **CDL Road Test Administration Revenue:** Article 3 transfers the administration and testing of commercial drivers' licensing from the Community College of Rhode Island to the Division of Motor Vehicles. This change produces \$94,000 in new fee revenues to the General Fund and is effective upon passage of the Budget.
- **DOH Licenses and Fees:** The Governor increases fees related to several Department of Health (DOH) programs.

DOH Licenses and Fees	Amount
Data Request Fee	\$0.4
Shellfish Processor License and Fee	0.4
Elimination of EMT Exemption	0.3
Interstate Licensing Compact	(0.1)
Total	\$1.1

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

- **Data Request Fee:** Article 6 authorizes the DOH to establish fees in response to requests for processing special data analysis. The new fee is estimated to generate \$438,900 in general revenue in FY2021. Authorization for the new fee is effective on passage of the Budget.
- **Shellfish Processor License and Fee:** Article 7 authorizes DOH to establish a dockside program that provides for licensed shellfish processors to harvest and assure the sanitary quality of shellfish. License fees are estimated to generate \$366,138 in general revenue in FY2021 based on a July 1, 2020, start date.
- **Elimination of the EMT Exemption:** Article 6 requires emergency medical technician (EMT) and other emergency medical services (EMS) personnel working for municipalities or volunteer and non-profit organizations to pay EMS professional licensing fees. These groups are currently exempt from paying these fees. Elimination of this exemption takes effect upon passage of the Budget and is expected to generate \$330,600 in general revenue in FY2021.
- **Interstate Licensing Compact:** Article 20 provides the statutory framework for the State to enter into several interstate compacts that allow reciprocity and expedited licensure for health care professionals. This initiative is expected to produce a loss in licensing revenue of \$59,331 based on an April 1, 2021, start date.
- **DEM Licenses and Fees:** The Governor increases fees related to several Department of Environmental Management (DEM) programs.

DEM Licenses and Fees	Amount
Expedited Permitting	\$0.6
Pesticide Registration Fee	\$0.3
Total	\$0.9

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

- **Expedited Permitting:** Article 7 modifies the Bureau of Environmental Protection's processes to expedite permitting in the State. These changes include establishing new service fees through regulation. The fees are expected to generate \$599,212 in general revenue in FY2021. The regulations are assumed to be in place by July 1, 2020.

- **Pesticide Registration Fee:** The State currently charges a \$50 annual registration fee and \$150 surcharge per pesticide product. DEM intends to expand the products these fees apply to, including “alternate brand names” for existing registered products. This will be accomplished by regulation and is estimated to generate \$334,800 in general revenue for FY2021.
- **DBR Licenses and Fees:** The Governor increases fees related to several Department of Business Regulation (DBR) programs.

DBR Licenses and Fees	Amount
Fire Marshal Plan Review Fee Increase	\$0.5
Fire Marshal Inspection Fee Increase	0.0
Total	\$0.6

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

- **Fire Marshal Plan Review Fee Increase:** Article 6 increases the fees charged by the Fire Marshal for reviewing building construction plans. There are five tiers of fees based on the cost of the construction. The increases are effective upon passage of the Budget and are estimated to generate \$540,852 in FY2021.
- **Fire Marshal Inspection Fee Increase:** Article 6 increases the fee charged by the Fire Marshal for inspections from \$100 to \$250. The increase is effective upon passage of the Budget and is estimated to generate \$13,950 in FY2021.
- **DOR Licenses and Fees:** The Governor changes the fee structure related to tobacco dealer licensing within the Department of Revenue (DOR). Article 21 increases the application fee for cigarette dealers from \$25 to \$75 and licensing fee for tobacco product dealers from \$100 to \$400. The article also requires e-cigarette and vaping product dealers to pay the licensing fee that tobacco product dealers currently pay. These changes are effective upon passage of the Budget and are estimated to generate \$402,500 in FY2021.
- **DPS Licenses and Fees:** Article 6 of the Budget proposes establishing a new \$50 application fee for the Sheriff's Training Academy. The Budget includes \$13,000 in new revenue in FY2021 based on a July 1, 2020, effective date.

U.S. Treasury Offset Program

\$5.0 million

Article 8 authorizes the Division of Taxation to enter into an agreement with the United States Treasury to participate in its Treasury Offset Program (TOP). Under the TOP, the federal government crosschecks to see whether individuals or businesses who are delinquent in paying Rhode Island taxes are due a federal tax refund. If they are, the Treasury offsets the payment and diverts it, in whole or in part, to the State. Article 8 also authorizes Taxation to establish a reciprocal state program to assist the federal government in recouping tax debt. If a Rhode Island taxpayer owes delinquent federal taxes, the article permits the Division of Taxation to withhold the owed amount from State tax refunds and remit it to the federal government. The federal government requires reciprocal participation in the TOP. The Office of Management and Budget (OMB) estimates that participating in the program will yield \$5.0 million in additional revenue collections, across nine tax types, based on an effective date of July 1, 2020.

Estimated Revenue Recapture from U.S. Treasury Offset Program	Amount
Sales and Use Taxes	\$2.2
Business Corporations Taxes	1.7
Personal Income Taxes	0.6
Public Utilities Gross Earnings Taxes	0.2
Tobacco Dealer Licensing	0.1
OTP Excise Tax	0.1
Health Care Provider Assessment - Nursing Home Taxes	0.1
Cigarette Excise Tax	0.0
Insurance Companies Gross Premium Taxes	0.0
Total	\$5.0

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

Hotel Tax Increase

\$4.7 million

Article 8 of the Budget increases the 5.0 percent state hotel tax to 6.0 percent and alters its distribution formula. The proposal is estimated to generate \$4.7 million in general revenue in FY2021.

State Hotel Tax Increase: Article 8 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. Based on a July 1, 2020, effective date, the tax increase is estimated to generate \$4.7 million in additional general revenue in FY2021.

State Hotel Tax Distribution: Article 8 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 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.

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.

Location of Room Rental/ State Hotel Tax Recipient	Current Share of Hotel Tax (5.0 %)	Article 8 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

Other Revenue Changes

\$3.2 million

The Governor recommends various other revenue changes across several revenue streams. These are summarized in the following table:

Other Revenue Changes	Amount
Transfer of Veterans Home Payments	(\$4.5)
Workplace Compliance Initiative	4.2
Attorney General Settlements	1.7
Collection Fee for Pass-Thru Municipal Revenue	0.8
Personal Income Tax Changes	0.7
DUI Fees - Substance Abuse Prevention	0.2
Affordable Housing Exemption from Transfer Tax	(0.0)
Total	\$3.2

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

- **Transfer of Veterans Home Payments:** Residents of the Rhode Island Veterans Home are charged a maintenance fee to cover the costs of their care. Under current law, the home receives 20.0 percent of the fee and the remaining 80.0 percent is deposited into the general fund. Article 16 requires that the

home receive the entire amount of the maintenance fee collections. This shift is estimated to reduce general revenue by \$4.5 million in FY2021. This change is effective upon passage of the Budget.

- **Workplace Compliance Initiative:** The Governor recommends a new workplace compliance initiative within the Department of Labor and Training to enforce misclassification of employee laws. The initiative includes the hiring of new investigative and adjudication hearing staff as well as increasing fines and penalties. The Budget includes \$4.2 million in new revenue in FY2021 due to increased assessments and collections. The new fines and penalties are effective July 1, 2020.
- **Attorney General Settlements:** The Budget provides additional personnel and litigation funding within the Attorney General's Civil Division to better assist the State's participation in large, multi-state actions. The Budget includes \$1.7 million in new general revenue in FY2021 based on estimated revenue from settlements resulting from these multi-state litigations.
- **Collection Fee for Pass-Thru Municipal Revenue:** Article 8 authorizes the Division of Taxation to deduct a 2.0 percent administrative fee from local meal and beverage and local hotel tax revenue collected by the Division on behalf of municipalities. Based on a July 1, 2020, effective date, this fee is expected to generate an additional \$799,333 in general revenue in FY2021.
- **Personal Income Tax Changes:** The Budget includes items that impact personal income tax revenue.

Personal Income Tax Changes	Amount
Contingency Fee Correction	\$1.8
Earned Income Tax Credit Increase	(1.1)
Total	\$0.7

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

- **Contingency Fee Correction:** The Budget includes a \$1.8 million revenue adjustment to the FY2021 personal income tax revenue estimate based on a correction related to accounting changes with the Division of Taxation's Tax Compliance Improvement Project (TCIP). The TCIP is a revenue compliance program that utilizes a private vendor to review data on filings related to refunds, interests, penalties, and tax collection to identify compliance problems and opportunities for revenue recapture. Payments are contingency-based and historically have been recorded as a reduction in revenue. An audit of the project was conducted by the Department in conjunction with the Auditor General in FY2019 and it was determined that these payments should be recorded as an expenditure. The FY2021 will be the first fiscal year that the accounting change will be reflected in the Budget in this manner.
- **Earned-Income Tax Credit (EITC) Increase:** Under current law, eligible taxpayers can claim a Rhode Island Earned Income Tax Credit equal to 15.0 percent of the federal EITC. Starting in Tax Year 2021, the Governor proposes to increase the State EITC 1.0 percentage point per year over the next five tax years. The fiscal impact is estimated to be a loss of \$1.1 million in FY2021 and the changes are effective upon passage of the Budget.
- **DUI Fees – Substance Abuse Prevention:** Article 15 establishes a new substance abuse education fee of \$250 to be imposed on anyone who is convicted of driving while under the influence or refuses to submit to a breathalyzer test. The new fine would begin January 1, 2021, and is estimated to generate \$220,016 in FY2021.
- **Affordable Housing Exemption from Transfer Tax:** Article 11 exempts eligible affordable housing developments from being taxed on real estate transfers. This exemption is effective July 1, 2020, and is expected to result in a \$36,722 loss in general revenue in FY2021.

Cigarettes and Other Tobacco Changes**\$1.6 million**

The Budget makes several changes to the licensing and taxation of tobacco and vaping products in Rhode Island. These changes are estimated to yield a net \$1.6 million in new revenue and are summarized in the following table:

Cigarettes & Other Tobacco Changes	Amount
Cigarette Excise Tax Increase	\$4.3
Tobacco 21 Enforcement	(3.7)
Cigar Tax Increase	0.7
Vaping Products Excise Tax	0.3
Total	\$1.6

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

- Cigarette Excise Tax Increase:** Article 21 of the Budget increases the excise tax levied on cigarettes by \$0.35 per pack of cigarettes, raising the total tax from \$4.25 to \$4.60 per pack of 20. According to the Office of Revenue Analysis (ORA), the total minimum retail price will increase by \$0.41, from \$10.00 to \$10.41 per individual pack. According to the Department of Revenue, this amount is \$0.02 less than the minimum retail price in Massachusetts, but \$0.03 above the minimum price in Connecticut. The article also imposes a floor stock tax of \$0.35 per pack of 20 cigarettes. The additional excise, floor, and associated sales taxes from the article is estimated to generate an additional \$4.3 million in revenue based on an August 1, 2020, effective date.

Cigarette Tax Increase - Fiscal Impact	
Cigarette Excise Tax Increase	\$3.3
Cigarette Excise Tax - Floor Tax	1.0
Impact of Cigarette Tax Increase on Sales Tax	(0.0)
Total	\$4.3

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

In determining the revenue estimate, ORA considered the elasticity of the price of cigarettes. The \$0.35 excise tax increase amounts to a 4.1 percent price increase. Applying elasticity from decreased demand, calculated from previous tax increases, results in a net excise tax revenue increase of 3.0 percent.

Impact of Cigarette Excise Increase and Regional State Comparison

	Rhode Island			Massachusetts		Connecticut	
	Current	Proposed					
Base Price per Pack in \$	\$4.33	\$4.33		\$4.14		\$4.14	
Excise Tax in \$	4.25	4.60		3.51		4.35	
Subtotal base price + Excise	8.58	8.93		7.65		8.49	
Wholesale Markup	2.0%	0.17	0.18	2.0%	0.15	6.5%	0.55
Wholesale Cartage	0.75%	0.07	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.53	0.55	25.0%	1.96	8.0%	0.72
Total Base Cost	9.35	9.73		9.82		9.76	
Sales Tax	7.0%	0.65	0.68	6.25%	0.61	6.35%	0.62
Total Price per Pack	\$10.00	\$10.41		\$10.43		\$10.38	

Note: The Office of Revenue Analysis calculated final retail price per pack using a weighted average of price per pack based on the respective states' minimum price lists and data on market share provided by the CDC. Data on final retail price for Connecticut is from The Tax Burden on Tobacco, 1970-2018 dataset as provided by the CDC. An average ratio between the final retail price calculated by ORA for RI and MA and the average cost per pack from The Tax Burden on Tobacco data for RI and MA was applied to the average cost per pack from The Tax Burden on Tobacco data for CT.

- Tobacco 21 Enforcement:** Effective December 21, 2019, federal legislation raised the minimum age to purchase tobacco products from 18 to 21. The legislation provided the US Food and Drug Administration (FDA) with six months to amend regulations to reflect the change. Upon adoption of the regulations, the minimum purchase age would increase to 21 within 90 days. Article 21 updates Rhode Island statutes to reflect these new federal minimum age changes. These changes result in an estimated \$3.7 million loss in revenue in FY2021.

Tobacco 21 Fiscal Impact	
Cigarette Excise Tax	(\$1.8)
Sales and Use Tax	(1.0)
Cigar Tax	(0.8)
Total	(\$3.7)

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

To estimate the lost revenue from the 18 to 21 population, the Office of Revenue Analysis (ORA) used census data and the Youth Risk Behavior Survey to estimate the number of cigarette smokers in that age group. ORA estimates there are currently 4,160 18 to 21 year old cigarette smokers in Rhode Island. Using statistics on the number of cigarettes smoked per day by 18, 19, and 20 year olds, ORA estimates the State will lose \$1.8 million in excise tax revenues. ORA also similarly estimated the impact on other tobacco products (OTP). Approximately 7.7 percent of 18 to 21 year olds use OTP, resulting in an estimated excise tax revenue decrease of \$827,310. The increased minimum purchase age will also reduce sales tax revenues by \$1.0 million. This results in a net revenue loss of \$3.7 million.

- Cigar Tax Increase:** Article 21 increases the maximum tax imposed on cigars sold in the State. The current maximum tax is set at \$0.50 per cigar. Article 21 raises the maximum to \$0.80, effective August 1, 2020. According to the ORA, cigars with a wholesale cost of over \$0.63 per cigar are taxed at the maximum rate. In FY2019, approximately 3.3 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 that increasing the maximum cigar tax will generate \$737,379 in new general revenue in FY2021 based on an August 1, 2020, effective date.
- Vaping Products Excise Tax:** Article 21 subjects e-liquid products to the “other tobacco products” (OTP) excise tax at the rate of 80.0 percent of the wholesale cost. E-liquid and e-cigarette products are defined as the liquid or substance that is placed in an electronic nicotine delivery system (ENDS) product and vaporized or combusted. ENDS are referred to by various names depending on their design, including vapes, e-hookahs, vape pens, tank systems, mods, and e-cigarettes. ENDS usually have a battery, a heating element, and a place to hold liquids. The device produces an aerosol by heating liquids that usually contain nicotine and other chemicals. The article specifically indicates that an item is considered an e-liquid product when is either sold separately or in combination with an ENDS device. For purposes of the application of the excise tax, therefore, the entire value of a vaping device that is sold with e-liquid would be taxable. ENDS products associated with hemp-derived consumable CBD products are specifically exempted from the excise tax. Using e-liquid and e-cigarette revenue data from other states, ORA projects that excise taxes associated with ENDS products will generate \$251,414 in general revenue in FY2021 based on September 1, 2020, effective date.

Municipal Aid

The Governor's FY2021 Budget proposal increases direct state aid for municipalities by \$1.3 million. For FY2021, the Distressed Community Relief Aid is funded at half the FY2020 enacted level. The Budget level funds the Payment in Lieu of Taxes (PILOT) program, allowing for a reimbursement rate of 26.2 percent. Meal and Beverage Tax is projected to increase by a total of \$1.6 million for FY2021 and the Hotel Tax is projected to increase by \$839,896. Tables showing impacts by community are included at the end of this analysis.

Program	FY2020 Enacted	FY2020 Revised	Change from Enacted		FY2021 Governor	Change from Enacted	
Payment in Lieu of Taxes	\$46.1	\$46.1	-	-	\$46.1	-	-
Distressed Communities	12.4	12.4	-	-	6.2	(6.2)	(0.5)
Motor Vehicle Excise Tax	94.2	90.2	(4.0)	-4.3%	100.6	6.4	6.8%
State Aid to Libraries							
Grant-in-Aid	8.6	8.8	0.2	2.3%	8.9	0.3	0.0
Library Construction	1.9	1.9	-	-	2.7	0.8	42.1%
Total Direct Aid	\$162.4	\$159.4	(\$3.8)	-2.4%	\$164.5	\$1.3	0.8%
Public Service Corporations Tax	\$13.3	\$13.3	-	-	\$13.3	-	-
Meals & Beverage Tax	29.8	30.2	0.4	1.3%	31.4	1.6	5.4%
Hotel Tax	10.5	10.8	0.3	2.9%	11.4	0.9	8.6%
Total Indirect Aid	\$53.7	\$54.4	\$0.7	1.3%	\$56.2	\$2.5	4.7%
Total Aid	\$216.1	\$213.8	(\$3.1)	-1.4%	\$220.7	\$3.8	1.8%

\$ 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 FY2021, PILOT is funded at the FY2020 Enacted level of \$46.1 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. As proposed, PILOT is funded at 26.2 percent in FY2021.

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 FY2020, \$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 FY2021, the Governor proposes \$6.2 million in general

Fiscal Year	PILOT Funding Trends		
	Total Funding	% Change	% Reimbursed
2008	\$27.8	0.0%	27.0%
2009	27.6	-0.7%	25.2%
2010	27.6	-	23.9%
2011	27.6	-	21.1%
2012	33.1	20.0%	23.4%
2013	35.1	6.0%	22.7%
2014	35.1	-	22.0%
2015	40.1	14.2%	25.4%
2016	40.1	-	23.7%
2017	42.0	4.7%	27.0%
2018	45.2	7.7%	27.0%
2019	46.1	2.0%	27.0%
2020	46.1	0.0%	26.7%
2021	46.1	0.0%	26.2%

\$ in millions.

revenue funding for the Distressed Community Relief Fund, half of the FY2020 enacted level. Seven communities are eligible to receive funds under the program in FY2027.

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 program, it is permitted to receive a transitional amount that is 50.0 percent of its proportional share. The Town of Johnston became ineligible for the program in FY2019 and therefore received \$532,972 in FY2020, half its award in FY2019. It receives no funds in FY2021.

Distressed Community Relief Fund Distribution			
Municipality	FY2020	FY2021	Change
Central Falls	\$201,648	110,055	(\$91,593)
Cranston	2,547,805	1,335,630	(1,212,175)
Johnston	532,972	-	(532,972)
North Providence	914,169	480,580	(433,589)
Pawtucket	1,400,733	731,357	(669,376)
Providence	5,155,694	2,689,318	(2,466,376)
West Warwick	859,102	460,708	(398,394)
Woonsocket	772,334	384,581	(387,753)
Total	\$12,384,458	\$6,192,230	(6,192,228)

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 modifies several of the levers used in calculating the state aid 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 changes the minimum required exemption amounts and the maximum allowable tax rates used in the phase-out formula. Lastly, it extends the phase-out period by five years, from FY2024 to FY2029. As a result of changing these levers, taxpayers would pay \$11.8 million more in motor vehicle excise taxes in FY2021 than under current law.

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. In 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 the foregone local taxes it with state general revenue aid. The tax was reduced over a seven-year phase-out 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 FY2021 for the car tax phase-out to municipalities will be \$112.6 million, 24.7 percent more than the revised FY2020 level of \$90.3 million (inclusive of the standing \$10.0 million in state aid established prior to FY2018).

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 includes a graduated cap on the percentage of “clean retail” that assessors may use. Article 9 modifies these caps from 80.0 percent to 82.5 percent in FY2021, 75.0 percent to 80.0 percent in FY2022, and 70.0 percent to 77.5 percent in FY2023. The article then establishes new ratios for FY2024 through FY2028 (see table).
- **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 FY2021 minimum from \$4,000 to \$3,500, FY2022 minimum from \$5,000 to 4,000, and the FY2023 minimum from \$6,000 to \$4,500. The article then establishes new minimums for FY2024 through FY2028 (see table).
- **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 FY2022, raising it from \$30 to \$33 per \$1,000 of value and \$20 to \$25 per \$1,000 value for FY2023. The article then establishes new minimums for FY2024 through FY2028 (see table).

Under the current formula, the general revenue supported car tax phase-out State aid grows 24.7 percent in FY2021 and FY2022. The formula as modified by Article 9 grows State aid by 11.6 percent in FY2021 and FY2022. Overall, by changing the levers and extending the phase-out time period, 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%	0.0%
FY2018	95.0%	95.0%	-
FY2019	90.0%	90.0%	-
FY2020	85.0%	85.0%	-
FY2021	80.0%	82.5%	2.5%
FY2022	75.0%	80.0%	5.0%
FY2023	70.0%	77.5%	7.5%
FY2024	N/A	75.0%	75.0%
FY2025	N/A	72.5%	72.5%
FY2026	N/A	70.0%	70.0%
FY2027	N/A	67.5%	67.5%
FY2028	N/A	65.0%	65.0%
FY2029	N/A	N/A	N/A

Exemption Floor			
Fiscal Year	Current	Article 9	Change
FY2018 Baseline	\$500	\$500	\$0
FY2018	1,000	1,000	-
FY2019	2,000	2,000	-
FY2020	3,000	3,000	-
FY2021	4,000	3,500	(500)
FY2022	5,000	4,000	(1,000)
FY2023	6,000	4,500	(1,500)
FY2024	N/A	5,000	5,000
FY2025	N/A	5,500	5,500
FY2026	N/A	6,000	6,000
FY2027	N/A	7,000	7,000
FY2028	N/A	8,000	8,000
FY2029	N/A	N/A	N/A

Rate Cap			
Fiscal Year	Current	Article 9	Change
FY2018 Baseline	N/A	N/A	N/A
FY2018	\$60	\$60.0	\$0
FY2019	50	50.0	-
FY2020	35	35.0	0
FY2021	35	35.0	-
FY2022	30	33.0	3.00
FY2023	20	31.0	11.00
FY2024	N/A	26.5	26.50
FY2025	N/A	22.5	22.50
FY2026	N/A	19.0	19.00
FY2027	N/A	15.0	15.00
FY2028	N/A	10.0	10.00
FY2029	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	FY2025	FY2026	FY2027	FY2028	FY2029
Current Law												
State Assessment Ratio	95.0%	90.0%	85.0%	80.0%	75.0%	70.0%	-	-	-	-	-	-
Rate Cap	\$60.0	\$50.0	\$35.0	\$35.0	\$30.0	\$20.0	-	-	-	-	-	-
Exemption Amount	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	-	-	-	-	-	-
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$80,263,694	\$102,566,219	\$130,378,609	\$165,259,237	\$224,550,736	\$231,605,162	\$237,136,338	\$242,721,320	\$248,343,148	\$253,991,518
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$33,981,394	\$22,302,525	\$27,812,389	\$34,880,629	\$59,291,499	\$7,054,426	\$5,531,176	\$5,584,982	\$5,621,828	\$5,648,371
Governor's Proposal												
State Assessment Ratio	95.0%	90.0%	85.0%	82.5%	80.0%	77.5%	75.0%	72.5%	70.0%	67.5%	65.0%	
Rate Cap	\$60.0	\$50.0	\$35.0	\$35.0	\$33.0	\$31.0	\$26.5	\$22.5	\$19.0	\$15.0	\$10.0	
Exemption Amount	\$1,000	\$2,000	\$3,000	\$3,500	\$4,000	\$4,500	\$5,000	\$5,500	\$6,000	\$7,000	\$8,000	
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$80,263,694	\$90,745,937	\$102,632,964	\$114,418,804	\$131,447,356	\$147,107,315	\$161,573,760	\$180,521,698	\$197,303,934	\$224,550,736
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$33,981,394	\$10,482,243	\$11,887,027	\$11,785,840	\$17,028,552	\$15,659,959	\$14,466,445	\$18,947,938	\$16,782,236	\$27,246,802
Statewide Aid Variance				(\$11,820,282)	(\$27,745,645)	(\$50,840,434)	(\$93,103,380)	(\$84,497,848)	(\$75,562,578)	(\$62,199,622)	(\$51,039,214)	(\$29,440,782)

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 provides cities and towns with \$8.8 million in total direct library aid in FY2021. It also includes an additional \$701,052 in funding for the Statewide Reference Library Resource Grant that supports interlibrary services for all municipal libraries. This combines for \$9.5 million in state aid to the municipal library system across the state. Distribution of direct library aid 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 FY2021 appropriation is funded at 22.1 percent.

Fiscal Year	Library Aid		Total Aid	% Change
	Grant in Aid	Construction		
2008	\$8.7	\$2.7	\$11.4	-0.4%
2009	8.7	2.6	11.3	-1.0%
2010	8.8	2.7	11.5	1.9%
2011	8.7	2.5	11.2	-2.4%
2012	8.7	2.8	11.5	2.6%
2013	8.7	2.5	11.2	-3.0%
2014	8.7	2.5	11.2	0.3%
2015	8.7	2.3	11.0	-1.8%
2016	8.8	2.7	11.5	4.5%
2017	9.4	2.2	11.6	0.7%
2018	9.4	2.2	11.5	-0.5%
2019	9.3	2.2	11.5	-
2020	9.3	1.9	11.2	-2.4%
2021	9.5	2.7	12.2	8.9%

\$ in millions.

**Inclusive of the Statewide Reference Library Resources Grant*

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 FY2021, the Budget includes \$2.7 million for Library Construction Aid, \$765,637 more than the FY2020 Enacted level. 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.

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

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

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

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

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	-
2021	13.3	-

\$ in millions.

The FY2021 Budget provides \$13.3 million be distributed to municipalities on July 31, 2019. This is consistent with the FY2020 enacted level.

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 FY2020, the Office of Revenue Analysis anticipates \$30.2 million in collections, increasing to \$31.4 million in FY2021.

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	30.2	4.9%
2021	31.4	4.0%

\$ in millions.

Hotel Tax

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

This tax is in addition to all other taxes and fees currently imposed. The Division of Taxation collects the tax and is responsible for distribution, except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the City. 25.0 percent of the original 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located.

The FY2016 Budget as Enacted expanded the hotel tax to include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals (such as those listed on the Airbnb.com website).

The Budget includes \$10.9 million in hotel tax distribution in FY2020 and \$11.4 million in FY2021.

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		
Total		
Fiscal Year	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	-2.5%
2019	10.4	2.5%
2020	10.9	4.8%
2021	11.4	9.6%

\$ 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%)
<i>Providence</i>		
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%
<i>Warwick</i>		
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%
<i>Omni Hotel (Providence)</i>		
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%
<i>Statewide District*</i>		
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%
<i>All Other Locations in the State</i>		
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%
<i>Rental Via Hosting Platform (ie. Airbnb)</i>		
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 (CSC) of \$5.00 per rental vehicle per day for all vehicle rentals from companies operating at T.F. Green Airport in Warwick. Revenues from the CSC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CSC 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 CSC have been deposited into a restricted receipt account for the City of Warwick. The Budget includes \$922,013 in CSCs payments to the City in FY2020 and \$955,120 in FY2021.

Airport Impact Aid

The Budget provides \$1.0 million in funding for the Airport Impact Aid program in FY2020. The Airport Impact Aid program provides State aid funds to municipalities which host airports. Under current law, the aid is distributed according to a statutory formula that provides 60.0 percent of the first \$1.0 million, or \$600,000 for communities with airports serving more than 1.0 million passengers per year. T.F. Green in Warwick is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. Under current law, no community that hosts an airport can receive less than \$25,000.

The following table shows the distribution of Airport Impact Aid for FY2021:

Airport	FY2020	FY2021	Change
Warwick T.F. Green	\$784,348	\$784,348	-
Block Island	35,706	35,706	-
Middletown - Newport Airport	47,094	47,094	-
North Central - Smithfield	25,003	25,003	-
North Central - Lincoln	25,003	25,003	-
North Kingstown - Quonset	47,442	47,442	-
Westerly	45,440	45,440	-
Total	\$1,010,036	\$1,010,036	-

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 \$1.1 million for the Property Revaluation program in FY2021, an increase of \$429,754 from the FY2020 Enacted level, based on anticipated reimbursements, which are required by law. The following communities will be reimbursed for statistical updates in FY2021: Barrington, Cranston, East Greenwich, Foster, Middletown, Pawtucket, and Woonsocket. Full revaluations will occur in Exeter, Narragansett, Newport, and Tiverton.

Property Revaluation Program

Fiscal Year	Amount	% Change
2008	0.7	-66.5%
2009	1.1	57.1%
2010	1.5	36.4%
2011	0.7	-53.3%
2012	0.9	28.6%
2013	1.6	77.8%
2014	0.5	-68.8%
2015	0.6	20.0%
2016	1.4	133.3%
2017	0.6	-57.1%
2018	0.9	50.0%
2019	1.6	77.8%
2020	0.7	-56.3%
2021	1.1	57.1%

\$ 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 Rhode Island Capital Plan (RICAP) funds 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 FY2021.

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					Credit Limit Remaining
Borrower	Fiscal Year	Amount 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
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
New Shoreham	2020	2,000,000	2,000,000	2,000,000	2,000,000
Total		\$83,253,515	\$76,353,515	\$70,772,515	\$41,942,989

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 or FY2021.

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 (Final)	500,000	1,037,968
2020 Enacted	-	-
<i>Subtotal - Activity to Date</i>	<i>\$3,000,000</i>	<i>\$2,953,368</i>
2020 Revised	-	-
2021 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:

Board		
Project Name	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 as Enacted 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
Residence Inn (Former Fogarty Building)	Providence	2/22/2016, 5/22/17	\$246,597
Immunex RI Corporation	West Greenwich	4/10/2018	179,829
Rubius Therapeutics	Smithfield	6/28/2018	180,000
Total			\$606,426

Source: Commerce Corporation

FY2021 Direct Municipal Aid to Cities and Towns

Municipality	FY2020 Enacted	Payment In Lieu of Taxes	Distressed Communities Relief Fund	Motor Vehicle Excise Tax	Library Grant- in-Aid	Library Construction Aid	Total FY2021 Municipal Aid	Change from FY2020 Enacted
Barrington	\$2,551,816	\$16,530		\$2,338,562	\$375,185	\$109,585	\$2,839,862	\$288,046
Bristol	2,579,975	1,280,619		979,654	194,607	294,981	2,749,861	169,886
Burrillville	2,323,982	99,316		2,182,931	184,839	239,321	2,706,407	382,425
Central Falls	1,361,329		110,055	1,170,377	31,752	-	1,312,184	(49,145)
Charlestown	388,486			352,034	52,802	-	404,836	16,350
Coventry	2,311,711			2,261,441	229,468	-	2,490,909	179,198
Cranston	19,192,355	4,815,713	1,335,630	10,839,012	638,834	-	17,629,189	(1,563,166)
Cumberland	2,268,492			2,112,960	297,545	30,898	2,441,403	172,911
East Greenwich	1,307,453	719,030		567,874	132,534	51,202	1,470,640	163,187
East Providence	3,732,470	254,226		4,353,394	411,631	55,972	5,075,223	1,342,753
Exeter	804,801			797,067	53,203	75,968	926,238	121,437
Foster	678,942			665,553	33,861	-	699,414	20,472
Glocester	878,533			873,383	78,704	-	952,087	73,554
Hopkinton	627,274			635,970	35,851	-	671,821	44,547
Jamestown	237,151			123,206	108,139	-	231,345	(5,806)
Johnston	5,262,046			4,660,631	125,400	-	4,786,031	(476,015)
Lincoln	1,304,613			1,330,542	213,729	-	1,544,271	239,658
Little Compton	117,888			79,230	36,164	-	115,394	(2,494)
Middletown	507,687			458,356	142,580	46,053	646,989	139,302
Narragansett	559,934			361,074	177,025	-	538,099	(21,835)
Newport	2,475,959	1,609,854		484,614	402,053	181,109	2,677,630	201,671
New Shoreham	156,494			69,920	90,133	63,008	223,061	66,567
North Kingstown	1,212,759	1,086		1,060,828	297,608	-	1,359,522	146,763
North Providence	5,782,164		480,580	4,979,758	197,202	-	5,657,540	(124,624)
North Smithfield	1,656,246			1,791,666	79,629	-	1,871,295	215,049
Pawtucket	11,874,811	3,521	731,357	9,889,370	408,981	-	11,033,229	(841,582)
Portsmouth	708,285			671,814	116,092	-	787,906	79,621
Providence	60,506,119	34,077,915	2,689,318	21,611,604	1,301,180	\$832,928	60,512,945	6,826
Richmond	521,493			532,466	24,736	-	557,202	35,709
Scituate	476,590			372,898	106,425		479,323	2,733
Smithfield	3,268,361	865,716		2,281,250	307,560		3,454,526	186,165
South Kingstown	1,219,714	210,219		975,705	231,439		1,417,363	197,649
Tiverton	502,684			395,519	122,762	302,836	821,117	318,433
Warren	795,645			788,472	60,853		849,325	53,680
Warwick	9,202,020	1,536,665		7,420,982	779,794		9,737,441	535,421
Westerly	2,319,384	162,421		1,997,887	307,643	253,767	2,721,718	402,334
West Greenwich	441,164			437,832	44,294		482,126	40,962
West Warwick	2,937,811		460,708	2,087,571	165,207		2,713,486	(224,325)
Woonsocket	6,391,539	436,673	384,581	5,628,551	200,967	165,238	6,816,010	424,471
Total	\$161,446,180	\$46,089,504	\$6,192,229	\$100,621,958	\$8,798,411	\$2,702,866	\$164,404,968	\$2,958,788

FY2020 Revised - Direct Municipal Aid to Cities and Towns

Municipality	FY2020 Enacted	Payment In Lieu of Taxes	Distressed Communities Relief Fund	Motor Vehicle Excise Tax	Library Grant- in-Aid	Library Construction Aid	Total FY2020 Revised Municipal Aid	Change from FY2020 Enacted
Barrington	\$2,551,816	\$16,308		\$2,122,709	\$382,079	\$111,619	\$2,632,715	\$80,899
Bristol	2,579,975	1,502,180		841,192	194,460	291,806	2,829,638	249,663
Burrillville	2,323,982	100,313		1,980,321	173,742	246,621	2,500,997	177,015
Central Falls	1,361,329	775	201,648	1,077,011	32,114		1,311,548	(49,781)
Charlestown	388,486			307,354	52,487		359,841	(28,645)
Coventry	2,311,711			2,003,870	231,669		2,235,539	(76,172)
Cranston	19,192,355	5,386,022	2,547,805	10,089,725	622,485		18,646,037	(546,318)
Cumberland	2,268,492			1,848,417	283,035	31,952	2,163,404	(105,088)
East Greenwich	1,307,453	645,955		538,524	129,591	53,215	1,367,285	59,832
East Providence	3,732,470	246,077		2,576,433	420,617	57,953	3,301,080	(431,390)
Exeter	804,801			708,094	52,255	75,968	836,317	31,516
Foster	678,942			598,827	33,391		632,218	(46,724)
Glocester	878,533			772,464	79,565		852,029	(26,504)
Hopkinton	627,274			566,002	36,702		602,704	(24,570)
Jamestown	237,151			114,788	107,185		221,973	(15,178)
Johnston	5,262,046		532,972	4,281,733	119,439		4,934,144	(327,902)
Lincoln	1,304,613			1,066,857	209,703		1,276,560	(28,053)
Little Compton	117,888			74,338	35,772		110,110	(7,778)
Middletown	507,687			363,454	144,623	47,786	555,863	48,176
Narragansett	559,934			337,688	186,191		523,879	(36,055)
Newport	2,475,959	1,590,280		454,627	409,617	188,609	2,643,133	167,174
New Shoreham	156,494			64,044	91,829	62,532	218,405	61,911
North Kingstown	1,212,759	1,136		789,158	297,091		1,087,385	(125,374)
North Providence	5,782,164		914,169	4,609,049	198,233		5,721,451	(60,713)
North Smithfield	1,656,246			1,619,876	79,060		1,698,936	42,690
Pawtucket	11,874,811	579,677	1,400,733	9,185,279	415,582		11,581,271	(293,540)
Portsmouth	708,285			561,293	116,067		677,360	(30,925)
Providence	60,506,119	33,187,319	5,155,694	20,503,369	1,326,768		60,173,150	(332,969)
Richmond	521,493			471,437	24,997		496,434	(25,059)
Scituate	476,590			345,690	105,942		451,632	(24,958)
Smithfield	3,268,361	751,793		1,990,919	304,595		3,047,307	(221,054)
South Kingstown	1,219,714	208,804		772,533	225,105		1,206,442	(13,272)
Tiverton	502,684			371,977	125,071	309,052	806,100	303,416
Warren	795,645			695,612	57,521		753,133	(42,512)
Warwick	9,202,020	1,704,861		6,244,786	772,285		8,721,932	(480,088)
Westerly	2,319,384	168,006		1,728,934	317,009	296,482	2,510,431	191,047
West Greenwich	441,164		859,102	382,106	39,028		1,280,236	839,072
West Warwick	2,937,811		772,334	1,818,002	162,581		2,752,917	(184,894)
Woonsocket	6,391,539			5,290,934	202,925	163,636	5,657,495	(734,044)
Total	\$161,446,180	\$46,089,504	\$12,384,458	\$90,169,431	\$8,798,411	\$1,937,231	\$159,379,031	(\$2,067,149)

FY2021 Indirect Local Aid to Cities and Towns

Municipality	FY2020 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2021 Total Indirect Aid	Change from FY2020 Enacted
Barrington	\$398,145	\$204,412	\$216,925	\$3,283	\$424,620	\$25,111
Bristol	811,726	281,297	526,401	80,237	887,935	75,093
Burrillville	427,735	206,240	245,702	164	452,106	25,970
Central Falls	392,227	244,455	142,395	315	387,165	(5,029)
Charlestown	360,665	97,833	209,800	53,922	361,555	580
Coventry	1,033,175	439,541	491,511	106,249	1,037,301	2,516
Cranston	3,086,495	1,020,662	2,250,118	23,304	3,294,084	207,421
Cumberland	993,115	434,814	570,526	403	1,005,743	14,724
East Greenwich	883,203	165,037	758,434	2,114	925,585	42,031
East Providence	1,758,248	597,746	1,218,505	69,574	1,885,825	128,844
Exeter	205,476	85,216	127,121	27	212,364	7,327
Foster	83,908	59,100	23,131	990	83,221	(616)
Glocester	207,055	125,952	91,888	3,814	221,654	15,172
Hopkinton	159,222	102,244	63,107	1,343	166,694	7,320
Jamestown	191,114	69,385	94,930	44,150	208,465	17,799
Johnston	1,107,536	367,521	844,023	9,485	1,221,029	113,408
Lincoln	1,227,790	272,625	921,863	161,567	1,356,055	129,710
Little Compton	131,804	44,379	65,238	27,112	136,729	5,206
Middletown	2,160,577	202,925	924,752	1,234,085	2,361,762	201,640
Narragansett	1,193,559	196,636	760,810	284,608	1,242,054	47,331
Newport	5,710,881	311,887	2,766,537	2,818,376	5,896,800	187,702
New Shoreham	1,061,692	10,461	435,658	614,374	1,060,493	(1,907)
North Kingstown	1,091,670	329,948	704,350	118,316	1,152,614	59,813
North Providence	818,275	407,678	443,513	1,602	852,793	34,113
North Smithfield	470,804	155,042	343,517	3,816	502,375	32,294
Pawtucket	1,974,978	904,592	1,056,806	119,905	2,081,303	109,900
Portsmouth	526,659	220,104	317,317	22,122	559,543	33,997
Providence	11,031,577	2,262,538	6,198,727	2,476,767	10,938,032	(88,326)
Richmond	253,044	95,892	159,119	12,224	267,235	13,934
Scituate	209,862	132,708	72,147	8,194	213,049	3,612
Smithfield	1,268,670	272,386	946,122	183,013	1,401,521	133,110
South Kingstown	1,532,195	387,095	1,074,857	211,746	1,673,698	141,745
Tiverton	465,109	200,026	336,733	18,706	555,465	91,030
Warren	462,993	132,242	321,315	1,764	455,321	(8,559)
Warwick	5,621,001	1,023,675	3,349,050	1,441,206	5,813,931	183,165
Westerly	1,961,032	285,179	1,099,007	852,573	2,236,759	274,972
West Greenwich	332,475	77,111	129,717	146,073	352,901	20,396
West Warwick	927,073	361,849	460,184	155,914	977,947	48,778
Woonsocket	1,163,966	523,168	636,389	73,367	1,232,924	71,223
Total	\$53,696,731	\$13,311,601	\$31,398,247	\$11,386,803	\$56,096,651	\$2,402,548

FY2020 Revised - Indirect Local Aid to Cities and Towns

Municipality	FY2020 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2020 Revised Total Indirect Aid	Change from FY2020 Enacted
Barrington	\$398,145	\$204,412	\$208,550	\$3,283	\$416,245	\$18,100
Bristol	811,726	281,297	506,078	76,755	864,130	52,404
Burrillville	427,735	206,240	236,216	164	442,620	14,885
Central Falls	392,227	244,455	136,898	315	381,668	(10,559)
Charlestown	360,665	97,833	201,700	53,254	352,787	(7,878)
Coventry	1,033,175	439,541	472,535	101,229	1,013,305	(19,870)
Cranston	3,086,495	1,020,662	2,163,247	22,320	3,206,229	119,734
Cumberland	993,115	434,814	548,500	403	983,717	(9,398)
East Greenwich	883,203	165,037	729,153	2,088	896,278	13,075
East Providence	1,758,248	597,746	1,171,462	66,488	1,835,696	77,448
Exeter	205,476	85,216	122,213	27	207,456	1,980
Foster	83,908	59,100	22,238	950	82,288	(1,620)
Glocester	207,055	125,952	88,340	3,660	217,952	10,897
Hopkinton	159,222	102,244	60,671	1,301	164,216	4,994
Jamestown	191,114	69,385	91,265	43,671	204,321	13,207
Johnston	1,107,536	367,521	811,438	9,050	1,188,009	80,473
Lincoln	1,227,790	272,625	886,273	153,846	1,312,744	84,954
Little Compton	131,804	44,379	62,719	26,780	133,878	2,074
Middletown	2,160,577	202,925	889,050	1,177,769	2,269,744	109,167
Narragansett	1,193,559	196,636	731,437	278,120	1,206,193	12,634
Newport	5,710,881	311,887	2,659,728	2,691,833	5,663,448	(47,433)
New Shoreham	1,061,692	10,461	418,839	598,918	1,028,218	(33,474)
North Kingstown	1,091,670	329,948	677,157	112,940	1,120,045	28,375
North Providence	818,275	407,678	426,390	1,602	835,670	17,395
North Smithfield	470,804	155,042	330,254	3,645	488,941	18,137
Pawtucket	1,974,978	904,592	1,016,005	114,355	2,034,952	59,974
Portsmouth	526,659	220,104	305,067	21,541	546,712	20,053
Providence	11,031,577	2,262,538	5,959,410	2,362,521	10,584,469	(447,108)
Richmond	253,044	95,892	152,976	12,036	260,904	7,860
Scituate	209,862	132,708	69,362	7,823	209,893	31
Smithfield	1,268,670	272,386	909,594	174,298	1,356,278	87,608
South Kingstown	1,532,195	387,095	1,033,359	203,340	1,623,794	91,599
Tiverton	465,109	200,026	323,733	18,106	541,865	76,756
Warren	462,993	132,242	308,910	1,764	442,916	(20,077)
Warwick	5,621,001	1,023,675	3,219,752	1,373,747	5,617,174	(3,827)
Westerly	1,961,032	285,179	1,056,577	814,244	2,156,000	194,968
West Greenwich	332,475	77,111	124,709	139,131	340,951	8,476
West Warwick	927,073	361,849	442,417	148,506	952,772	25,699
Woonsocket	1,163,966	523,168	611,820	69,936	1,204,924	40,958
Total	\$53,696,731	\$13,311,601	\$30,186,039	\$10,891,756	\$54,389,396	\$692,671

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. FY2021 is the final year of the transition plan.

In FY2021, the formula aid to the districts, charter schools, and state schools increases by \$31.0 million, categorical aid increases by \$3.9 million, and group home aid decreases by \$183,171. FY2021 represents the tenth year of the transition period; consequently, the Budget assumes the formula is fully phased in for all districts.

HOW THE FORMULA WORKS

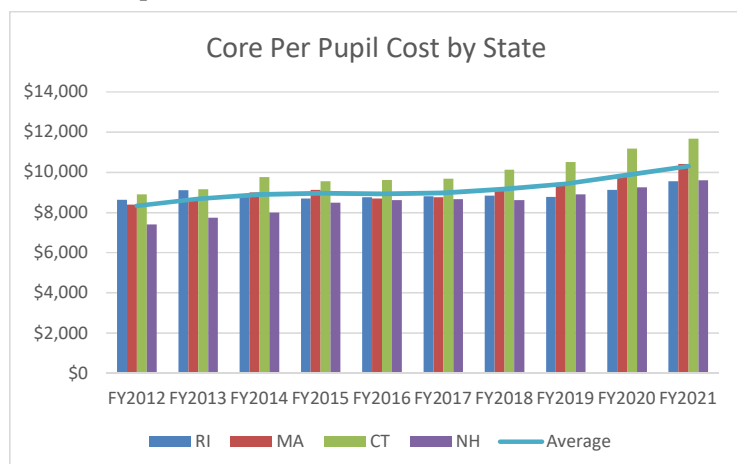
Step 1 - Student Enrollment: Student enrollment is based on resident average daily membership (RADM), which refers to the average number of students who are residents of the community and were enrolled in the school district during the prior school year. The Budget is based on enrollment data as of March 2019 with projected charter school enrollments and will be updated based on the March 2020 data.

Step 2 - Core Instruction Amount: The core instruction amount provides a base level of funding per pupil (\$10,310 in FY2021, a 4.4 percent increase from the FY2020 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 \$4,124 based on the FY2021 core instruction amount of \$10,310 ($\$10,310 \times 0.40 = \$4,124$), 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.



$$\text{Total Foundation Budget} = (\$10,310 \times \text{RADM}) + (0.40 \times \$10,310 \times \text{students in poverty})$$

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:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{SSRC^2 + \%PK - 6poverty^2}{2}}$$

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 FY2021.

FY2021 Enacted Education Aid Calculator¹

Districts	PK-12 RADM (Projected based on March 2019 Data adjusted for FY2021 PSOC growth)		Poverty RADM (Projected based on March 2019 Data)		Core Instruction Funding (C = \$10,310)		Student Success Factor Funding (F = 0.4*\$10,310 = \$4,124)		Total Foundation		% Poverty		EWAV		State Share Ratio		State Share of Foundation Budget		FY2020 Enacted (excludes group home and categoricals)		Change in State Funding		FY2021 (Year 10) formula Change If + is L/1; If - is L/1	
	A	B	B	B	A*C=D	B*F=G	D+G=H	PK6	EWAV	I	H*I=J	K	J-K=L	I+J=L/1	I	H*I=J	K	J-K=L	I+J=L/1	I	H*I=J	K	J-K=L	I+J=L/1
Barrington	3,349	130			\$34,528,190	\$536,120	\$35,064,310	4.7%	22.7%	16.4%	\$5,747,660	\$5,693,721	\$53,939	\$53,939					\$5,693,721	\$53,939			\$53,939	\$53,939
Burrillville	2,264	734			23,341,840	3,027,016	26,368,856	37.0%	66.4%	53.7%	14,173,058	12,926,571	1,246,487	1,246,487					12,926,571	1,246,487			1,246,487	1,246,487
Charlestown	757	171			7,804,670	705,204	8,509,874	22.4%	0.0%	15.8%	1,347,895	1,543,188	(195,293)	(195,293)					1,543,188	(195,293)			(195,293)	(195,293)
Coventry	4,632	1,338			47,755,920	5,517,912	53,273,832	31.5%	56.2%	45.6%	24,269,403	24,332,697	(63,294)	(63,294)					24,332,697	(63,294)			(63,294)	(63,294)
Cranston	10,153	4,152			104,677,430	17,122,848	121,800,278	43.6%	66.3%	56.1%	68,342,059	64,319,722	4,022,337	4,022,337					64,319,722	4,022,337			4,022,337	4,022,337
Cumberland	4,619	938			47,621,890	3,868,312	51,490,202	23.2%	52.0%	40.3%	20,731,569	21,547,453	(815,884)	(815,884)					21,547,453	(815,884)			(815,884)	(815,884)
East Greenwich	2,527	155			26,053,370	639,220	26,692,590	7.4%	15.4%	12.1%	3,224,836	2,531,530	693,306	693,306					2,531,530	693,306			693,306	693,306
East Providence	5,108	2,544			52,663,480	10,491,456	63,154,936	50.0%	63.4%	57.1%	36,057,984	35,472,845	585,139	585,139					35,472,845	585,139			585,139	585,139
Foster	256	65			2,639,360	268,060	2,907,420	22.6%	51.2%	39.6%	1,150,582	1,149,740	842	842					1,149,740	842			842	842
Glocester	525	68			5,412,750	280,432	5,693,182	12.9%	48.3%	35.4%	2,012,562	2,164,338	(151,776)	(151,776)					2,164,338	(151,776)			(151,776)	(151,776)
Hopkinton	1,113	236			11,475,030	973,264	12,448,294	23.6%	56.4%	43.2%	5,381,580	5,169,861	211,719	211,719					5,169,861	211,719			211,719	211,719
Jamestown	666	49			6,866,460	202,076	7,068,536	7.6%	0.0%	5.4%	379,864	425,899	(46,035)	(46,035)					425,899	(46,035)			(46,035)	(46,035)
Johnston	3,288	1,409			33,899,280	5,810,716	39,709,996	43.5%	50.7%	47.2%	18,757,961	17,893,657	864,305	864,305					17,893,657	864,305			864,305	864,305
Lincoln	3,086	793			31,816,660	3,270,332	35,086,992	28.2%	51.3%	41.4%	14,523,917	14,269,740	254,177	254,177					14,269,740	254,177			254,177	254,177
Little Compton	351	49			3,618,810	202,076	3,820,886	15.0%	0.0%	10.6%	405,266	403,530	1,736	1,736					403,530	1,736			1,736	1,736
Middletown	2,177	619			22,444,870	2,552,756	24,997,626	29.7%	32.3%	31.0%	7,756,075	7,533,193	222,882	222,882					7,533,193	222,882			222,882	222,882
Narragansett	1,227	235			12,650,370	969,140	13,619,510	23.3%	0.0%	16.5%	2,243,894	2,217,917	25,977	25,977					2,217,917	25,977			25,977	25,977
Newport	2,074	1,373			21,382,940	5,662,252	27,045,192	70.7%	0.0%	50.0%	13,520,554	12,377,253	1,143,301	1,143,301					12,377,253	1,143,301			1,143,301	1,143,301
New Shoreham	132	24			1,360,920	98,976	1,459,896	16.9%	0.0%	12.0%	174,459	130,462	43,997	43,997					130,462	43,997			43,997	43,997
North Kingstown	3,744	815			38,600,640	3,361,060	41,961,700	26.6%	29.6%	28.1%	11,808,025	10,417,472	1,390,553	1,390,553					10,417,472	1,390,553			1,390,553	1,390,553
North Providence	3,515	1,562			36,239,650	6,441,688	42,681,338	47.8%	64.2%	56.6%	24,156,431	22,896,007	1,260,424	1,260,424					22,896,007	1,260,424			1,260,424	1,260,424
North Smithfield	1,655	295			17,063,050	1,216,580	18,279,630	21.5%	41.2%	32.9%	6,006,868	5,716,299	290,569	290,569					5,716,299	290,569			290,569	290,569
Pawtucket	8,649	6,273			89,171,190	25,869,852	115,041,042	72.7%	87.4%	80.4%	92,477,722	89,623,419	2,854,303	2,854,303					89,623,419	2,854,303			2,854,303	2,854,303
Portsmouth	2,302	365			23,733,620	1,505,260	25,238,880	18.1%	0.6%	12.8%	3,232,006	3,428,751	(196,745)	(196,745)					3,428,751	(196,745)			(196,745)	(196,745)
Providence	22,487	18,624			231,840,970	76,805,376	308,646,346	85.2%	85.4%	85.3%	263,275,514	259,312,069	3,963,445	3,963,445					259,312,069	3,963,445			3,963,445	3,963,445
Richmond	1,138	180			11,732,780	742,320	12,475,100	17.9%	50.4%	37.8%	4,717,972	4,640,585	77,386	77,386					4,640,585	77,386			77,386	77,386
Scituate	1,288	224			13,279,280	923,776	14,203,056	14.8%	23.0%	19.3%	2,746,814	2,767,459	(20,646)	(20,646)					2,767,459	(20,646)			(20,646)	(20,646)
Smithfield	2,406	361			24,805,860	1,488,764	26,294,624	16.5%	26.7%	22.2%	5,835,807	6,081,263	(245,456)	(245,456)					6,081,263	(245,456)			(245,456)	(245,456)
South Kingstown	2,965	500			30,569,150	2,062,000	32,631,150	19.6%	0.0%	13.9%	4,522,447	5,102,341	(579,894)	(579,894)					5,102,341	(579,894)			(579,894)	(579,894)
Tiverton	1,763	450			18,176,530	1,855,800	20,032,330	27.6%	44.9%	37.3%	7,465,598	7,166,770	298,829	298,829					7,166,770	298,829			298,829	298,829
Warwick	8,761	2,897			90,325,910	11,947,228	102,273,138	36.5%	38.6%	37.6%	38,418,575	38,179,304	239,270	239,270					38,179,304	239,270			239,270	239,270
Westerly	2,745	920			28,300,950	3,794,080	32,095,030	36.7%	0.0%	26.0%	8,328,923	8,550,266	(221,343)	(221,343)					8,550,266	(221,343)			(221,343)	(221,343)
West Warwick	3,590	1,789			37,012,900	7,377,836	44,390,736	56.3%	73.0%	65.2%	28,936,989	27,009,115	1,927,874	1,927,874					27,009,115	1,927,874			1,927,874	1,927,874
Woonsocket	5,909	4,507			60,921,790	18,586,868	79,508,658	79.6%	91.1%	85.5%	68,014,464	63,607,000	4,407,464	4,407,464					63,607,000	4,407,464			4,407,464	4,407,464
Bristol-Warren ²	3,219	1,070			33,187,890	4,412,680	37,600,570	-	-	-	13,028,444	13,046,782	(18,337)	(18,337)					13,046,782	(18,337)			(18,337)	(18,337)
Exeter-West Greenwich ²	1,619	270			16,691,890	1,113,480	17,805,370	-	-	-	4,167,942	5,038,413	(870,471)	(870,471)					5,038,413	(870,471)			(870,471)	(870,471)
Charlton	-	-			-	-	-	-	-	-	-	38,320	(38,320)	(38,320)					38,320	(38,320)			(38,320)	(38,320)
Foster-Glocester ²	1,140	192			11,753,400	791,808	12,545,208	-	-	-	4,610,790	4,676,149	(65,359)	(65,359)					4,676,149	(65,359)			(65,359)	(65,359)
Central Falls	2,645	2,316			27,269,950	9,551,184	36,821,134	91.8%	97.4%	94.6%	34,848,047	33,484,704	1,363,343	1,363,343					33,484,704	1,363,343			1,363,343	1,363,343
District Total	129,844	58,692	58,692	58,692	\$1,338,691,640	\$242,045,808	\$1,580,737,448				\$866,800,556	\$842,885,805	\$23,914,751	\$23,914,751					\$842,885,805	\$23,914,751			\$23,914,751	\$23,914,751
Charter School Total	10,578	7,413			109,059,180	30,571,212	139,630,392	-	-	-	108,518,041	101,037,838	7,480,203	7,480,203					101,037,838	7,480,203			7,480,203	7,480,203
Davies	859	540			8,856,290	2,226,960	11,083,250	-	-	-	8,525,127	8,816,032	(290,905)	(290,905)					8,816,032	(290,905)			(290,905)	(290,905)
Met School	783	544			8,072,730	2,243,456	10,31																	

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 FY2021, the Budget provides \$108.5 million in funding formula aid to charter schools, an increase of \$7.5 million representing roughly one quarter of total statewide increase. This increase is primarily driven by enrollment. Charter school enrollment increases by 451 students, relative to the FY2020 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 FY2021 is based on FY2019 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 rate reductions pursuant to RIGL 16-7.2-5(c) were not available in time for the publication of this report.

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 FY2021 Budget includes \$3.0 million to fund group home beds. This is \$183,171 less than the FY2020 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.

FY2020 Enacted			Group Home Aid					FY2021 Enacted Total Aid
District	Total Aid	Number of Beds	FY2021 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	\$80,022	8	8	-	\$0	(\$6,087)	(\$6,087)	\$73,935
Coventry	83,543	8	8	-	-	(147)	(147)	83,396
Cranston	37,602	4	-	(4)	(68,000)	30,398	(37,602)	-
East Providence	509,554	39	39	-	-	(5,954)	(5,954)	503,600
Lincoln	89,418	8	8	-	-	(1,217)	(1,217)	88,201
Newport	145,520	14	14	-	-	(8,543)	(8,543)	136,977
North Providence	148,781	16	16	-	-	(7,489)	(7,489)	141,292
North Smithfield	100,435	8	8	-	-	(2,380)	(2,380)	98,055
Pawtucket	126,901	22	22	-	-	(8,167)	(8,167)	118,734
Portsmouth	557,258	36	34	(2)	(34,000)	(8,103)	(42,103)	515,155
Providence	476,104	95	88	(7)	(119,000)	55,421	(63,579)	412,525
Smithfield	219,137	16	16	-	-	1,607	1,607	220,744
South Kingstown	118,333	8	8	-	-	1,663	1,663	119,996
Warwick	279,648	24	24	-	-	(1,778)	(1,778)	277,870
Woonsocket	44,244	8	8	-	-	(7,023)	(7,023)	37,221
Bristol-Warren ¹	90,976	8	10	2	34,000	(26,500)	7,500	98,476
Exeter-West Greenwich	125,677	9	9	-	-	(1,872)	(1,872)	123,805
Total	\$3,233,154	331	320	(11)	(187,000)	3,829	(\$183,171)	\$3,049,983

¹ Based on final 12/31/2019 report from the Department of Children, Youth and Families. The FY2020 Revised Budget includes an increase of \$34,000 for Bristol-Warren, for an increase of 2 beds.

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 the Density Fund. The Density Fund support ended in FY2019. Article 9 of the FY2019 Budget as Enacted included a temporary aid category to support new Resource Officers at public middle and high schools.

(The Central Falls, Davies and Met School Stabilization Funds are addressed in the Department of Elementary and Secondary Education section of this analysis.)

The FY2021 Budget includes funding for all of these categories, except the Regionalization Bonus. Please note that the \$3.9 million increase in aid represents general revenue only and the table does not include the \$1.0 million in Opioid Stewardship Fund restricted receipts for School Resource Officer Support. Also, the table does not include \$3.3 million in general revenue support for early childhood education that the Governor recommends filtering through the funding formula.

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$7.7 million in FY2021, level with the FY2020 Budget as Enacted.

Governor's FY2021 Education Aid

Categorical	Change from Enacted	Total Funding
Transportation	\$0.0	\$7.7
Early Childhood ¹	1.4	16.3
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English/Multilingual Learners	2.5	7.5
Regionalization Bonus	-	-
School Resource Officer Support ²	-	1.0
Total	\$3.9	\$41.5

¹ This does not include the \$3.3 million in support transitioned to the funding formula.

² This does not include the \$1.0 million in Opioid Stewardship Fund restricted receipts.
\$ in millions

- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$16.3 million in FY2021, an increase of \$1.4 million in general revenue over the FY2020 Budget as Enacted.

Pursuant to Article 10, beginning in FY2021, the Department of Elementary and Secondary Education will be required to include students enrolled in approved pre-kindergarten classrooms in the average daily membership. From the statutory language, however, it is unclear what is meant by “approved” or “average daily membership”, as no definitions are provided. A broad interpretation could mean that any student attending a licensed pre-kindergarten program in Rhode Island would be included in the average daily membership (ADM) for the district of residence. The ADM would then be used to calculate the foundation aid for the district, the local tuition for charter and state schools, and the state share ratio. Funding the prekindergarten seats through the funding formula is projected to save \$251,095 relative to the amount of funding provided to these districts through the categorical program in FY2020. This “savings” will be reinvested into the program in addition to the \$1.4 million added to the categorical and the \$3.3 million in the funding formula for FY2021.

Impact of Funding Prekindergarten through Funding Formula
(This table does not include FY2021 early childhood categorical funds)

District	Seats	FY2021 Share Ratio	FY2020 Early Childhood Categorical	FY2021 Governor Formula Aid	Difference
Central Falls	90	94.6%	\$927,602	\$1,202,128	\$274,526
Cranston	18	56.1%	170,133	122,641	(47,492)
East Providence	160	57.1%	1,525,518	1,130,197	(395,321)
Johnston	18	47.2%	190,000	103,248	(86,752)
Pawtucket	72	80.4%	765,170	769,114	3,944
Total	358		\$3,578,423	\$3,327,328	(\$251,095)

- **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 \$72,170 for FY2021). 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 FY2021, level with the FY2020 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 associated 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 FY2021, 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 FY2021, the per-pupil weight is \$1,031, to reflect 10.0 percent of the \$10,031 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 \$7.5 million in FY2021, an increase of \$2.5 million over the previous fiscal year; however, an additional \$2.0 million would be needed to fully fund this category.

Article 10 of the FY2021 Budget changes the categorical for English Learners (EL) to multilingual learners (MLL); however, the statute does not provide a definition for “multilingual learner”, and makes other changes to the categorical including new language clarifying how the funds may be used and repealing the language intended to prevent the displacement of local funds.

- **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 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 in general revenue for this category in FY2021, level with FY2020 Budget as Enacted. The FY2020 Revised Budget reduces this category to reflect projected expenditures of \$325,000. \$201,060 was spent in FY2019.

The Article 10 expands the state support for school resource officers to include mental health professionals. Pursuant to the article, in FY2021 a district would be reimbursed for one-half of the cost of salaries and benefits for additional mental health professionals provided the district commits to funding the position beyond FY2021 in the absence of state funds. The categorical sunsets after FY2021, so no additional funding is available. In addition to the \$1.0 million general revenue that was

provided in FY2021, the Budget provides an additional \$1.0 million in Opioid Stewardship Funds to support the expanded application.

Article 13 of the FY2020 Budget as Enacted established an opioid registration fee paid quarterly to the Opioid Stewardship Fund by all manufacturers, distributors, and wholesalers of opioids. The total amount of the fund is set at \$5.0 million and licensees pay their share of the total based on the licensee's in-state market share of opioid sales. The \$5.0 million is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million. The FY2021 Budget allocates \$58,096 for 1.0 Supervising Accountant to administer the funds. The remaining \$4.4 million is distributed among the Departments of Children, Youth, and Families, Elementary and Secondary Education, Corrections, and the Office of the Health Insurance Commissioner (OHIC), for substance abuse programs and projects.

Pursuant to the expanded categorical, "mental health professionals" include, but are not limited to, student assistance counselors, school counselors, social workers, and school psychologists. Districts may not eliminate current mental health professional positions to create new ones, and if the demand for the funds is greater than the amount appropriated, the Department will prioritize distribution based on, but not limited to, current mental health capacity in the school and demonstrated need.

Analyst Note: It is unclear whether priority would be given to school resource officer support or mental health professional support should the demand exceed the available funds, or what would happen should a district fail to fund positions beyond FY2021.

The following table shows the education aid including the formula distribution, categorical aid, and group home aid.

FY2021 Education Aid¹

	FY2020 Enacted (excludes group home and categoricals)	FY2021 (Year 10) Formula Change	Transition PreK into Funding Formula	Transportation (>\$72,170)	High-cost Special Education (>\$72,170)	Group Home Aid ²	English Learners	Stabilization Funding	FY2021 Aid
Barrington	\$5,693,721	\$53,939	\$0	\$139,569	\$135,433	\$0	\$3,724	\$0	\$6,026,387
Burrillville	12,926,571	1,246,487	-	-	77,879	73,935	872	-	14,383,419
Charlestown	1,543,188	(195,293)	-	-	-	-	128	-	1,348,024
Coventry	24,332,697	(63,294)	-	12,015	49,521	83,396	10,350	-	24,424,685
Cranston	64,319,722	4,022,337	122,641	745,480	427,579	-	207,608	-	69,845,367
Cumberland	21,547,453	(815,884)	-	74,357	11,459	-	27,443	-	20,844,828
East Greenwich	2,531,530	693,306	-	74,702	125,503	-	1,274	-	3,426,315
East Providence	35,472,845	585,139	1,130,197	1,555	424,172	503,600	77,829	-	38,195,337
Foster	1,149,740	842	-	-	35,020	-	-	-	1,185,602
Glocester	2,164,338	(151,776)	-	-	96,273	-	-	-	2,108,835
Hopkinton	5,169,861	211,719	-	-	-	-	351	-	5,381,931
Jamestown	425,899	(46,035)	-	-	34,692	-	-	-	414,556
Johnston	17,893,657	864,305	103,248	180,588	229,127	-	47,528	-	19,318,452
Lincoln	14,269,740	254,177	-	-	156,981	88,201	8,061	-	14,777,160
Little Compton	403,530	1,736	-	-	-	-	86	-	405,352
Middletown	7,533,193	222,882	-	-	35,304	-	19,889	-	7,811,268
Narragansett	2,217,917	25,977	-	-	54,403	-	668	-	2,298,966
Newport	12,377,253	1,143,301	-	-	39,377	136,977	94,515	-	13,791,423
New Shoreham	130,462	43,997	-	-	-	-	873	-	175,332
North Kingstown	10,417,472	1,390,553	-	-	70,103	-	9,818	-	11,887,947
North Providence	22,896,007	1,260,424	-	120,340	276,124	141,292	56,486	-	24,750,673
North Smithfield	5,716,299	290,569	-	11,570	67,279	98,055	1,600	-	6,185,373
Pawtucket	89,623,419	2,854,303	769,114	153,114	154,090	118,734	645,743	-	94,318,517
Portsmouth	3,428,751	(196,745)	-	-	98,703	515,155	520	-	3,846,384
Providence	259,312,069	3,963,445	-	317,931	383,469	412,525	4,378,430	-	268,767,869
Richmond	4,640,585	77,386	-	-	-	-	614	-	4,718,585
Situate	2,767,459	(20,646)	-	35,180	45,276	-	-	-	2,827,270
Smithfield	6,081,263	(245,456)	-	136,125	92,728	220,744	2,701	-	6,288,106
South Kingstown	5,102,341	(579,894)	-	125,063	142,614	119,996	3,711	-	4,913,830
Tiverton	7,166,770	298,829	-	-	94,466	-	1,210	-	7,561,274
Warwick	38,179,304	239,270	-	5,535	388,596	277,870	33,223	-	39,123,799
Westerly	8,550,266	(221,343)	-	-	134,999	-	8,212	-	8,472,134
West Warwick	27,009,115	1,927,874	-	51,993	24,434	-	30,678	-	29,044,095
Woonsocket	63,607,000	4,407,464	-	9,815	94,325	37,221	380,371	-	68,536,197
Bristol-Warren ³	13,046,782	(18,337)	-	1,634,561	143,622	98,476	10,214	-	14,915,317
Exeter-West Greenwich ³	5,038,413	(870,471)	-	1,185,126	160,094	123,805	1,514	-	5,638,481
Charlho	38,320	(38,320)	-	2,040,025	95,008	-	-	-	2,135,033
Foster-Glocester ³	4,676,149	(65,359)	-	504,037	66,514	-	574	-	5,181,915
Central Falls	33,484,704	1,363,343	1,202,128	45,005	3,811	-	783,288	7,007,837	43,890,116
District Total	\$842,885,805	\$23,914,751	\$3,327,327	\$7,661,362	\$4,468,984	\$3,049,982	\$6,850,106	\$7,007,837	\$899,166,155
Charter School Total	101,037,838	7,480,203	-	-	31,015	-	620,393	-	109,169,450
Davies	8,816,032	(290,905)	-	-	-	-	2,496	5,245,993	13,773,615
Met School	7,542,871	(139,254)	-	-	-	-	21,629	1,938,389	9,363,635
Urban Collaborative	1,539,913	44,685	-	-	-	-	5,376	-	1,589,975
Total	961,822,460	\$31,009,481	\$3,327,327	\$7,661,362	\$4,500,000	\$3,049,982	\$7,500,000	\$14,192,219	\$1,033,062,830

¹ Based on March 2019 enrollment updated for projected charter school growth. Will be updated for March 2020 data.

² Based on final 12/31/2019 report from the Department of Children, Youth and Families. The FY2020 Revised Budget includes an increase of \$34,000 for Bristol-Warren, for an increase of 2 beds.

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.

Source: Rhode Island Department of Education

The following table shows the difference in education aid relative to the FY2020 Budget as Enacted.

FY2021 Education Aid - Change to FY2020 Budget as Enacted¹

Districts	FY2020 Enacted (includes group home and categorical)	FY2021 (Year 10) Formula Change	Transition PreK into Funding Formula	High-cost Special Education	Group Home ²	English Learners	Stabilization Funding	Total Change	FY2020 Education Aid
Barrington	\$5,872,943	\$53,939	\$0	\$49,668	\$48,603	\$0	\$1,234	\$0	\$6,026,386
Burrillville	13,164,631	1,246,487	-	137	(21,730)	(6,087)	(20)	-	1,218,788
Charlestown	1,543,508	(195,293)	-	-	-	-	(192)	-	(195,485)
Coventry	24,463,006	(63,294)	-	2,128	17,934	(147)	5,057	-	(38,321)
Cranston	65,623,892	4,022,337	122,641	(21,541)	69,136	(37,602)	66,504	-	4,221,475
Cumberland	21,686,833	(815,884)	-	10,160	(40,607)	-	4,325	-	(842,006)
East Greenwich	2,724,746	693,306	-	9,571	(1,942)	-	634	-	701,569
East Providence	36,282,709	585,139	1,130,197	(502)	183,652	(5,954)	20,094	-	1,912,627
Foster	1,214,958	842	-	(16,679)	(13,519)	-	-	-	(29,356)
Glocester	2,272,359	(151,776)	-	(18,702)	6,954	-	-	-	(163,524)
Hopkinton	5,170,111	211,719	-	-	-	-	101	-	211,820
Jamestown	465,975	(46,035)	-	-	(5,383)	-	-	-	(51,419)
Johnston	18,288,992	864,305	103,248	(29,857)	74,745	-	17,021	-	1,029,461
Lincoln	14,418,821	254,177	-	-	103,751	(1,217)	1,629	-	358,340
Little Compton	403,595	1,736	-	-	-	-	21	-	1,757
Middletown	7,592,462	222,882	-	-	(11,525)	-	7,450	-	218,806
Narragansett	2,255,836	25,977	-	-	16,983	-	170	-	43,130
Newport	12,580,979	1,143,301	-	-	35,059	(8,543)	40,627	-	1,210,444
New Shoreham	132,830	43,997	-	-	(1,875)	-	380	-	42,502
North Kingstown	10,492,830	1,390,553	-	-	1,286	-	3,277	-	1,395,116
North Providence	23,382,239	1,260,424	-	(24,880)	113,996	(7,489)	26,383	-	1,368,434
North Smithfield	5,884,223	290,569	-	647	13,169	(2,380)	(856)	-	301,149
Pawtucket	91,306,395	2,854,303	769,114	(34,659)	(752,267)	(8,167)	183,797	-	3,012,122
Portsmouth	4,048,901	(196,745)	-	-	36,275	(42,103)	57	-	(202,516)
Providence	263,818,881	3,963,445	-	3,601	(348,038)	(63,579)	1,393,558	-	4,948,987
Richmond	4,640,812	77,386	-	-	-	-	388	-	77,774
Scituate	2,824,310	(20,646)	-	10,121	13,485	-	-	-	2,960
Smithfield	6,457,532	(245,456)	-	50,262	22,724	1,607	1,438	-	(169,425)
South Kingstown	5,433,317	(579,894)	-	12,615	45,511	1,663	619	-	(519,486)
Tiverton	7,239,774	298,829	-	-	22,988	-	(317)	-	321,499
Warwick	38,761,117	239,270	-	1,286	113,176	(1,778)	10,728	-	362,683
Westerly	8,656,588	(221,343)	-	-	34,211	-	2,678	-	(184,454)
West Warwick	27,094,133	1,927,874	-	(12,191)	24,434	-	9,845	-	1,949,962
Woonsocket	63,980,831	4,407,464	-	(2,673)	32,582	(7,023)	125,015	-	4,555,365
Bristol-Warren ³	14,821,717	(18,337)	-	54,538	48,147	7,500	1,753	-	93,600
Exeter-West Greenwich ³	6,419,481	(870,471)	-	(26,746)	118,048	(1,872)	41	-	(781,000)
Charlho	2,147,804	(38,320)	-	10,660	14,889	-	-	-	(12,770)
Foster-Glocester ³	5,268,059	(65,359)	-	(29,760)	8,402	-	574	-	(86,144)
Central Falls	41,998,527	1,363,343	1,202,128	2,795	(50,758)	-	358,191	(984,109)	1,891,589
District Total	\$870,836,658	\$23,914,751	\$3,327,327	\$0	(\$27,505)	(\$183,171)	\$2,282,204	(\$984,109)	\$899,166,156
Charter School Total	101,454,544	7,480,203	-	-	27,505	-	207,196	-	7,714,904
Davies	13,697,834	(290,905)	-	-	-	-	(357)	367,044	75,781
Met School	9,353,100	(139,254)	-	-	-	-	10,536	139,253	10,535
Urban Collaborative	1,544,868	44,685	-	-	-	-	421	-	45,106
Total	\$996,887,005	\$31,009,481	\$3,327,327	\$0	(\$0)	(\$183,171)	\$2,500,000	(\$477,812)	\$1,033,062,830

¹ Based on March 2019 enrollment updated for projected charter school growth. Will be updated for March 2020 data.

² Based on final 12/31/2019 report from the Department of Children, Youth and Families. The FY2020 Revised Budget includes an increase of \$34,000 for Bristol-Warren, for an increase of 2 beds.

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.

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 FY2021, as projected by the Department, the minimum state share is 35.0 percent and the maximum is 93.8 percent for Central Falls: the state share for charter schools is 30.0 percent.

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

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

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

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

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

Article 9 of the FY2019 Budget as Enacted provided temporary incentives to encourage districts to improve the condition of public school buildings in Rhode Island, established a permanent incentive for school safety and security projects, and established school maintenance expenditure requirements.

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

In FY2021, the Budget provides \$80.0 million, level funded with the FY2020 Budget as Enacted. For FY2021, the Department projects expenditures of \$79.1 million in school housing aid, an increase of \$145,222 from the FY2020 Budget as Enacted. The surplus will be deposited into the School Building Authority Capital Fund.

School Building Authority Capital Fund: Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State's School Building Authority (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). For FY2021, the Budget provides \$869,807 in general revenue from the surplus construction aid to the Capital Fund.

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. There is no limit on the amount or type of expenses that will be funded; however, Article 9 limited 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.

Article 10 of the FY2021 Budget raises the cap on the fee charged to municipalities from one tenth of one percent (0.001) to one percent (0.01) of the principal amount. The article also deletes the "one-time or limited" qualification making RIHEBC responsible for all the expenses of the SBA and expands the funds that can be used to include investment income generated by state and municipal funds held in trust by the Corporation.

The Budget requires RIHEBC to transfer \$1.0 million to the state controller by June 30, 2021, in addition to providing \$1.0 million in personnel expenses for the School Building Authority (SBA). In FY2018, RIHEBC was required to transfer \$6.0 million to the State Controller. In FY2019, RIHEBC supported \$737,735 in SBA personnel expenses, and in FY2020 RIHEBC is projected to provide \$775,492.

Opioid Stewardship Fund

The FY2020 Budget as Enacted established a restricted, \$5.0 million Opioid Stewardship Fund requiring all licensed manufacturers, distributors, and wholesalers to contribute towards the fund through a registration fee. Licensed manufacturers, distributors, and wholesalers are required to report the details of all opioids sold or distributed in the State to calculate their liability. Registration payments are due annually on December 31. The first payment was due in on December 31, 2019, based on 2018 data.

Under federal law, manufacturers, distributors, and wholesalers are required to report controlled substance transactions through the Automated Reports and Consolidated Ordering System (ARCOS). Registrants are now required to share this reported data with DOH, allowing DOH to calculate each registrant's market share, or percentage of total opioid sales in Rhode Island. Some transactions are excluded from the market share calculation, including opioids sold to opioid treatment programs, epidurals, and anesthesia. The calculated market share will determine each registrant's registration fee, with the total Opioid Stewardship Fund equaling \$5.0 million annually. Therefore, the fee paid by a registrant is subject to change annually, depending on the registrant's level of sales relative to all other registrants. A registrant may pay more in a given year, even if their total sales decrease. This type of situation is illustrated for Registrant A in the example below.

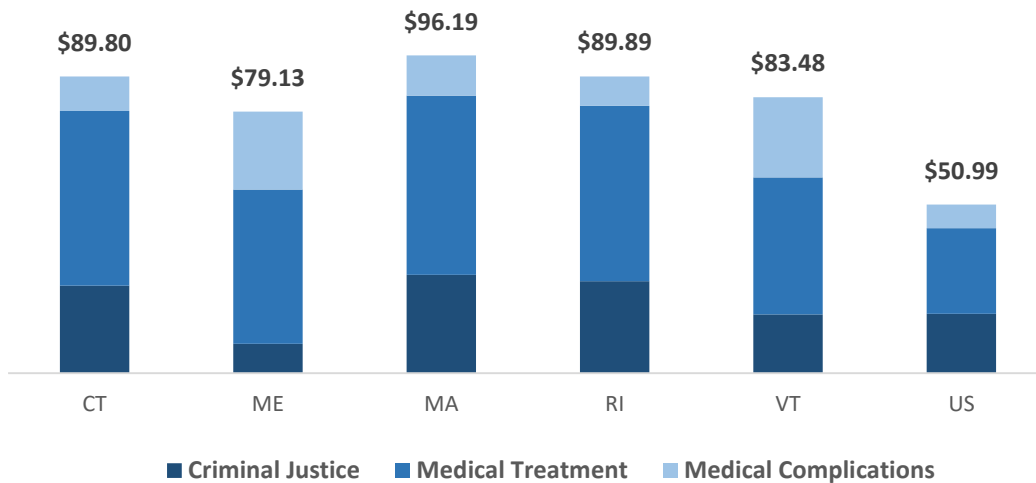
Registrant	Year 1			Year 2			<i>Δ in Fee</i>
	Total Sales	Market Share	Registration Fee	Total Sales	Market Share	Registration Fee	
A	\$10,000,000	14.3%	\$714,286	\$9,000,000	16.7%	\$833,333	\$119,048
B	15,000,000	21.4%	1,071,429	15,000,000	27.8%	1,388,889	317,460
C	20,000,000	28.6%	1,428,571	20,000,000	37.0%	1,851,852	423,280
D	25,000,000	35.7%	1,785,714	10,000,000	18.5%	925,926	(859,788)
Total	\$70,000,000		\$5,000,000	\$54,000,000		\$5,000,000	-

Note: For example purposes only. Figures are not representative of actual opioid sales in Rhode Island.

The registration fee is intended to encourage the monitoring of prescription opioids produced and distributed and to provide accountability for the role that pharmaceuticals have had in the opioid crisis. Since 2014, 1,874 individuals have died from overdoses in Rhode Island, and 14.0 percent of these fatal overdoses directly resulted from prescription opioids.

The opioid epidemic has been declared a national public health crisis and has social and economic costs, which the Opioid Stewardship Fund is expected to help alleviate. Opioid use disorders and overdoses place a burden on the criminal justice system and the healthcare system in the State. According to the New England Public Policy Center at the Federal Reserve Bank of Boston, the costs of the opioid crisis in Rhode Island is \$89.89 per capita, excluding the impacts of lost wages, homelessness, increased child welfare cases, and other incidental costs.

Per Capita Fiscal Impact of the Opioid Epidemic



Source: Federal Reserve Bank of Boston: *The Fiscal Impact of the Opioid Epidemic in the New England States*. New Hampshire data was incomplete and therefore excluded.

The Opioid Stewardship Fund is only to be used for opioid addiction treatment, recovery, prevention, education services, and other related programs. Fund allocations must be approved by both the Director of DOH and the Director of the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH). The Fund is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million. The FY2021 Budget allocates \$58,096 for 1.0 supervising accountant to administer the funds.

The table below displays the distribution of funds among the agencies and offices.

FY2021 Opioid Stewardship Fund Distribution

Agency/Department	Expenditures
BHDDH	\$1,847,681
Department of Education	1,590,000
Corrections	846,628
Office of the Health Insurance Commissioner	157,365
Health	58,326
Total Expenditures	\$4,500,000

BHDDH: The Budget includes \$1.1 million within BHDDH from Opioid Stewardship Funds to support core housing programs, particularly for those with a demonstrated need or significant shortages, including recovery housing and vouchers for people with a history of SUD at risk of returning to use; support for inpatient residential treatment programs to meet significant shortages of in-state, non-hospital residential treatment programs, particularly for youth (for whom access is most severely limited).

The Budget also allocates an additional \$550,000 for BH Link to supplement federal funds that are expiring on October 1, 2020. In November 2018, the Department contracted with Horizon Healthcare Partners to launch BH Link. 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 Opioid Stewardship Fund will provide \$200,000 to expand recovery houses using the Oxford model, a model for transitional housing that provides drug-free homes. The Oxford Houses are run by the residents

and emphasize peer support as a component of recovery. The Budget would appropriate funds to hire a contractor to oversee the operation of the Oxford Houses.

Department of Education: The Budget includes a total of \$1.6 million from the Opioid Stewardship Fund within the Department of Education, including \$1.0 million in restricted receipts for the School Resource Officer (SRO) Categorical from Opioid Stewardship Funds to allow school districts to hire new mental health professionals in schools, including student assistance counselors, school counselors, social workers, and psychologists.

The Budget also provides \$590,000 in restricted receipts from the Opioid Stewardship Fund to support mental/behavioral health training, curricula, and materials to increase in-classroom training resources. The enhanced training is intended to help teachers intervene more effectively when students show signs of challenges and allow teachers to teach students behavioral health skills. Of the total funding, \$330,000 will be used to train one individual at each school across the State as a “trainer”. The remaining \$260,000 will be used to purchase materials to support each trainer in training their fellow teachers.

Corrections: The Budget includes \$846,628 to expand the Medication-Assisted Treatment program at the Adult Correctional Institutions (ACI). The allocated funds will finance the current demand of the Medication Assisted Treatment (MAT) Program for treatment and transition to a new “medication first” approach. Under a “medication first” structure, MAT would be offered the night of commitment to individuals who may not stay in the ACI long enough to support traditional induction into MAT.

Health Insurance Commissioner: The Budget includes \$157,365 for 1.0 Senior Policy Analyst to meet recently expanded regulatory functions of the Office. The policy analyst would work with OHIC regulatory staff and legal counsel to translate market conduct examination findings and complaints into policy changes that improve consumer access to behavioral health services and work with stakeholders to ensure that the State has a system of care for behavioral health needs.

FY2020 Supplemental Budget

Expenditures by Source	FY2019 Final	FY2020 Enacted	FY2020 Governor	Change	% Change
General Revenue	\$3,924.0	\$4,077.6	\$4,086.3	\$8.7	0.2%
Federal Funds	3,118.7	3,325.4	3,325.2	(0.2)	0.0%
Other Funds	2,075.4	2,256.3	2,267.1	10.8	0.5%
Restricted Receipts	259.6	311.4	383.2	71.8	23.1%
Total	\$9,377.7	\$9,970.6	\$10,061.8	\$91.1	0.9%

Expenditures by Function					
General Government	\$1,471.2	\$1,630.9	\$1,681.3	\$50.4	3.1%
Health and Human Services	4,037.1	4,212.8	4,207.5	(5.4)	-0.1%
Education	2,633.9	2,746.5	2,769.5	23.0	0.8%
Public Safety	602.5	624.3	646.5	22.2	3.6%
Natural Resources	84.8	107.3	109.9	2.6	2.4%
Transportation	548.3	648.8	647.0	(1.7)	-0.3%
Total	\$9,377.7	\$9,970.6	\$10,061.8	\$91.1	0.9%

FTE Authorization	15,209.7	15,074.7	15,095.7	21.0	0.1%
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\$ in Millions. Totals may vary due to rounding.

FY2020 opened with \$5.0 million in additional surplus funds above the budgeted surplus of approximately \$30.5 million. The November 2019 Revenue Estimating Conference identified \$71,329 less in anticipated general revenue collections for FY2020.

Decreases in revenue were compounded by an additional \$12.5 million in projected human services costs from the Caseload Estimating Conference.

The Governor's budget recommends an \$8.7 million increase in general revenue expenditures compared to the FY2020 Budget as Enacted. General revenue increases occur in general government, education, and human service agencies: \$7.2 million in Administration, \$3.0 million at URI, and \$20.6 million in DCYF. Offsetting these increases is a \$16.3 million reduction in EOHHS and a \$3.8 million reduction in the Department of Corrections, reflecting the transfer of the Opioid Stewardship funds to restricted receipts.

FY2020 Governor's Recommended General Revenue Changes	
Expenditures	Change to Enacted
Reappropriations from FY2019	\$10.3
Caseload Conference Changes	(12.5)
Other Expenditures Changes (department-wide)	10.9
Total	\$8.7

Revenues	
Additional Opening Surplus Funds	\$5.0
Revenue Conference Changes	0.1
Reappropriations from FY2019	10.3
Additional Transfer to Rainy Day Fund	(0.7)
Other Revenue Changes (department-wide)	18.4
Total	\$33.1

FY2020 Enacted Free Surplus	\$0.5
Additional Free Surplus	24.4
FY2020 Revised Free Surplus	\$24.9

\$ in millions

The remainder of this report provides an overview of the major changes proposed by the Governor to the FY2020 Budget as Enacted, organized by department.

DEPARTMENT OF ADMINISTRATION***Debt Service******(\$9.9 million)***

The Budget decreases general revenue funded debt service payments by \$9.9 million. The reduction reflects adjustments to several debt service accounts including: a reduction of \$14.7 million for State general obligation debt service that primarily reflects the delay of a new bond issuance originally slated for FY2020; a decrease of \$3.6 million for outstanding debt service for obligations concerning the Providence Place Mall. The original financing of this debt required a final debt service payment in FY2020. However, the debt service reserve funds that were set aside in FY1999 were sufficient to fully defease the remaining debt in October 2019. This defeasance negated the need for the debt service appropriation in FY2020. Also, there is a decrease of \$170,000 in Fidelity Job Rent Credits reflecting fewer jobs claimed by Fidelity Investments. These items are offset by a net increase of \$8.4 million, including items as new debt for Rhode Island School Buildings, the Garrahy/Clifford Street Garage, and Affordable Housing bonds.

Debt Service	FY2020 Enacted	FY2020 Governor	Change
G.O. Bond New Bond Issue Projected Costs	\$14,659,400	\$0	(\$14,659,400)
EDC - Providence Place Mall Sales Tax	3,560,000	-	(3,560,000)
RI School Buildings	-	1,899,734	1,899,734
Garrahy Courthouse Garage	1,700,000	2,932,294	1,232,294
DOA - Affordable Housing GO Bonds	5,518,778	6,691,613	1,172,835
EDC - Fidelity Job Rent Credits	2,992,579	2,822,579	(170,000)
All Other Debt	130,346,525	134,485,060	4,138,535
Total	\$158,777,282	\$148,831,280	(\$9,946,002)

Centralized Services Adjustment***\$7.6 million***

The Budget increases general revenue expenditures by \$7.6 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 FY2020 Budget as Enacted appropriated \$12.1 million for these expenses, which is increased by \$7.6 million to \$19.7 million in the FY2020 proposed revised budget.

Personnel and Operating Savings***\$4.6 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 FY2020 Budget as Enacted included \$4.6 million in statewide general revenue savings to be identified in the current fiscal year. Generally, when the savings occur, the Budget Office distributes and accounts for the savings within the appropriate departmental budget accounts of the State agencies. The Revised Budget adds \$4.6 million in general revenue back to the Department, recognizing the amount of achieved savings that was distributed to the appropriate state agency budget accounts.

Turnover***(\$705,026)***

The Budget decreases general revenue by \$705,026 based on anticipated turnover savings for the Department of Administration. This is the second year that turnover is listed in the Budget as Enacted did not contain separate line items delineating turnover. There is an additional turnover reduction of \$199,469 in all other funds.

RICAP Project Adjustments (other funds)***\$114,079***

The Budget includes \$49.5 million in RICAP funds for various capital projects in FY2020 reflecting a minor increase of \$114,079 from the FY2020 Budget as Enacted. Significant project changes include:

- **Pastore Center Campus Projects:** Adds \$6.2 million to fund various major maintenance and repairs to 35 structures at the Pastore Government Center.
- **Capitol Hill Campus Projects:** Adds \$1.0 million to fund various infrastructure upgrades to structures listed as the Capitol Hill Campus, including the Cannon Building, Old State House, Chapin Health Lab, State Office Building (DOT), and the William Powers Building.
- **Hospital Consolidation:** Reduces \$10.1 million to fund the Hospital Reorganization and Consolidation project to improve the quality of care and obtain operational efficiencies. The total project cost is \$49.9 million (\$27.9 million RICAP funds and \$22.0 million from Certificates of Participation (COPs)). There is no further funding for the project beyond FY2021.
- **Rhode Island Convention Center Authority Venues:** Adds \$1.9 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:** Includes \$500,000 for continued structural stabilization work on the facility.
- **McCoy Stadium:** Includes \$320,010, reflecting an increase of \$120,010 for continued structural repairs and water penetration remediation work.

Information Technology (restricted receipts)***\$11.1 million***

The Budget adds \$11.1 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.

Rhode Island Health Benefits Exchange (restricted receipts)***\$867,775***

The Budget includes \$9.2 million in restricted receipts for the personnel and operating costs of 16.0 FTE positions. This reflects a net increase of \$867,775 from the FY2020 Budget as Enacted, and includes increases of \$1.2 million for contracted services, \$67,278 for operating and computer costs, and a net decrease of \$386,976 for personnel 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.

DEPARTMENT OF BUSINESS REGULATION***Personnel Expenditures******(\$138,439)***

The Budget reduces general revenues by \$138,439, reflecting the departure of several employees that were later filled without longevity pay and lower steps.

DEPARTMENT OF LABOR AND TRAINING***Federal Assistance and Grants (federal funds)******\$4.2 million***

The Budget includes an additional \$4.2 million in federal funds related to two new grants the Department has received. The Department received an opioid-crisis Dislocated Worker Grant (DWG) that includes an additional \$2.6 million in FY2020. The funds will be used to provide disaster relief jobs and services through Real Jobs RI to residents who are impacted opioid used, addition, and overdose. The Budget also includes \$1.7 million for education services related to opioid addiction through the Real Jobs program. This grant is administered by the RI Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH).

Uninsured Employers Fund (restricted receipts)***\$1.9 million***

The Budget includes \$1.9 million in restricted receipts for claims and settlement payments from the State's Uninsured Employers Fund. Filing fees collected from the Worker's Compensation Court go into this fund and are used for costs and fees associated with an employee who is injured while working for an employer who has failed to maintain a workers' compensation insurance policy.

DEPARTMENT OF REVENUE***Tax Compliance Improvement Project Agreement******\$2.0 million***

The Budget increases the Division of Taxation's operating expenditures by a net \$2.0 million. The net increase is primarily associated with a change in how the State accounts for activity related to the Division's Tax Compliance Improvement Project (TCIP).

The TCIP initiative, authorized by the General Assembly in 2016, utilizes a third-party vendor, Revenue Solutions, Inc. (RSI) to review collection, refunds, and interest and penalty data to identify opportunities for better revenue collection. The contract with RSI is contingency-based, with the amount paid for services being a percentage of actual revenue collected. Historically, payments made to the vendor were treated as a reduction in revenue as opposed to an operating expenditure. In its FY2019 Closing Report, the Office of the Auditor General determined that the payment should be recorded as an expense. This determination was made after the FY2020 Budget as Enacted. The Budget shifts \$2.0 million from budgeted revenue to FY2020 expenditures within the Division of Taxation.

State Aid – Motor Vehicle Excise Tax Phase-out***(\$4.0 million)***

The Budget reduces general revenue State aid to municipalities under the Motor Vehicle Excise Tax Phase-out program in FY2020 by \$4.0 million, for a total of \$80.3 million. The FY2020 Budget as Enacted included \$84.3 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)***\$14.3 million***

The Budget includes a net increase of \$14.3 million in Lottery Funds (other funds) for commissions and prize payments. This increase is based on the November 2019 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 in FY2020 is estimated to total \$295.6 million. Traditional lottery games are estimated to yield \$57.0 million. Table games are estimated to be \$15.1 million and sports betting is estimated to yield \$9.4 million.

EXECUTIVE OFFICE OF COMMERCE***Federal Grants - Office of Housing and Community Development (OHCD) (federal funds)*** ***\$3.2 million***

The Budget reduces federal fund expenditures in the Office of Housing and Community Development by \$3.2 million in the FY2020 Supplemental. The net reduction is related to the exhaustion of prior fiscal year Community Development Block Grant (CDBG) Program funds and CDBG Disaster Recovery funds, totaling \$3.4 million in federal funds. This is offset by a combined \$187,237 increase in several other OHCD administered housing and shelter programs.

Federal Grant	FY 2020 Enacted	FY2020 Revised	Change	
Community Development Block Grants	\$13.9	\$10.5	(\$3.4)	-24.6%
Neighborhood Stabilization Program	1.0	1.1	0.1	14.1%
Emergency Shelter Grants	2.1	2.2	0.0	2.1%
Housing Opportunities for Persons with AIDS	0.6	0.6	0.0	1.2%
Total	\$17.6	\$14.4	(\$3.2)	-18.3%

\$ in millions

OFFICE OF THE SECRETARY OF STATE

Federal HAVA Grant (federal funds)

\$793,770

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 the security of elections. A total of \$967,311 was expended in FY2019. The FY2020 Budget as Enacted included \$1.0 million. The Budget includes a carry-forward of unspent funds from the previous year, increasing the appropriation to \$1.8 million.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES

November Caseload Estimating Conference

(\$11.2 million)

The Governor recommends \$11.2 million in general revenue savings (\$20.8 million all funds) to reflect the consensus estimate adopted by the November 2019 Caseload Estimating Conference. The reduction in expenditures is largely attributable to declining enrollment in managed care programs, partially offset by modest increases in long-term care expenses.

RI Bridges Optimization

(\$5.2 million)

The Budget includes \$5.2 million in general revenue savings (\$19.5 million all funds) to account for a significant reduction in Medicaid eligibility that occurred after the November 2019 Caseload Estimating Conference. In November 2019, the Executive Office experienced a 2.5 percent decline across its managed care programs, which is expected to impact caseload trends in the remainder of FY2020 and into FY2021. According to the Budget Office, this reduction is attributable to a one-time update to the RI Bridges system that terminated approximately 5,500 cases.

Analyst Note: Changes in caseload assumptions, favorable or not, are typically addressed through the Caseload Estimating Conference process. It is unclear why this is included as a separate savings initiative. The updated enrollment trends will be captured at the May conference.

Non-UHIP Contracted Services

\$226,831

The Governor's Budget includes \$10.4 million from general revenues to support an array of finance and management contracts. This represents a general revenue increase of \$226,831 compared to the FY2020 Budget as Enacted.

Contract Purpose	FY2020 Enacted	FY2020 Governor	Change to Enacted
RIPIN Call Center	\$675,000	\$962,500	\$287,500
Independent Provider Model	192,500	2,934	(189,566)
RIC - Early Intervention	126,495	-	(126,495)
1115 Waiver	-	121,670	121,670
Milliman	724,822	844,668	119,846
DCYF Financial	-	28,800	28,800
All Other	8,437,483	8,422,559	(14,924)
Total	\$10,156,300	\$10,383,131	\$226,831

- **RIPIN Call Center:** The Governor's Budget includes \$962,500 from general revenues (\$1.9 million all funds) for the RIPIN call center contract in FY2020, consistent with the Executive Office's request. The contract supports high-risk individuals in the Rhody Health Options (RHO) transition population. The Governor's Budget represents a general revenue increase of \$287,500 compared to the FY2020 Enacted level. The General Assembly provided a \$1.1 million general revenue appropriation in order to fully fund this contract in FY2020. However, the Enacted Budget also included a \$2.0 million contract savings target for the Executive Office. It appears that EOHHS reduced the RIPIN contract by \$450,000 in order to achieve part of these savings, most of which are restored in the Revised Budget.
- **Independent Provider Model:** The Governor's Budget includes \$2,934 from general revenues (\$29,339 all funds) to support the Independent Provider (IP) Model in FY2020, a general revenue reduction of \$189,566 compared to the Enacted Budget. The 2018 General Assembly directed the State to establish an IP Model for the delivery of long-term services and supports. The Enacted Budget provided \$192,500 from general revenues and \$577,500 from federal funds to establish the IP Model infrastructure; however, supporting documentation indicates that this work only requires approximately \$30,000, with 10.0 percent paid through general revenues, in FY2020.
- **RIC – Early Intervention:** The Governor's Budget includes \$126,495 in general revenue savings by shifting the cost for a contract with Rhode Island College to federal funds. This contract supports early intervention services for children ages 0 to 3 years old with identified developmental disabilities or delays. The Executive Office determined that this contract could be shifted to the Early Childhood Intervention federal grant award. The Governor allocates the contract to federal funds, accordingly.
- **1115 Waiver Evaluation:** The Governor's Budget includes \$121,670 from general revenues (\$243,340 all funds) to procure a contract with the National Opinion Research Center (NORC) to conduct the State's 1115 Waiver evaluation. The federal government requires the State to seek an independent evaluation of the 1115 Waiver, which was extended through December 31, 2023. This evaluation was previously done in-house; however, the federal government now requires that it be completed by an independent third party. The Governor includes funding for an evaluator, accordingly. This contract has already been awarded. This funding will be required for the duration of the waiver approval period.
- **Milliman:** The Governor's Budget includes \$844,668 from general revenues (\$1.8 million all funds) for the Milliman contract in FY2020, consistent with the Executive Office's request. This contract provides an array of financial support to the Medicaid program. The Governor's Budget represents a general revenue increase of \$119,846 compared to the FY2020 Enacted level. The General Assembly provided a \$1.1 million general revenue appropriation in order to fully fund this contract in FY2020. However, the Enacted Budget also included a \$2.0 million contract savings target for the Executive Office. It appears that EOHHS reduced the Milliman contract by \$400,000 in order to achieve part of these savings, some of which is restored in the Revised Budget.
- **DCYF Financial:** The Governor's Budget includes \$28,800 from general revenues (\$40,000 all funds) for a contract with Alvarez & Marshal to provide fiscal oversight services for the Department of Children, Youth, and Families (DCYF). The Governor's Budget also includes \$350,000 within DCYF for this contract. The contract was partially funded using turnover savings realized from DCYF's vacant Chief Financial Officer position, which is funded at EOHHS.

Analyst Note: The Executive Office expended the \$40,000 for this contract in the first half of FY2020; however, the contract was funded entirely through general revenues.

Health System Transformation Project (federal funds/restricted receipts)

\$4.0 million

The Governor's Budget includes \$20.0 million from federal funds and \$14.4 million from restricted receipts for the Health System Transformation Project (HSTP) to reflect the approved level of funding for FY2020. This represents a \$4.0 million increase from all funds compared to the Enacted Budget; however, no general revenues are allocated to this project.

Prescription Drug Monitoring Program (federal funds)***\$3.5 million***

The Budget includes \$3.5 million in new federal funding for the Prescription Drug Monitoring Program (PDMP) in FY2020. The Rhode Island PDMP collects dispensing data for Schedule II, III, and IV prescriptions from all pharmacies in the State. The PDMP provides patient prescription information in order to prevent the proper or illegal use of controlled substances.

The Governor's recommendation includes \$3.0 million for contracted services for the PDMP software license agreement with Appriss, as well as \$504,211 for personnel costs. The majority of these positions are authorized within the Department of Health, where the PDMP is operated, but are cost allocated to EOHHS. The remainder are existing positions within EOHHS' current authorization whose salaries and benefits are partially paid through the PDMP program.

United Health Infrastructure Project (federal funds/restricted receipts)***(\$2.0 million)***

The Governor's Budget includes \$2.0 million from general revenues, \$40.7 million from federal funds, and \$26.9 million from restricted receipts for United Health Infrastructure Project (UHIP) expenses in FY2020. The Governor's recommendation represents no change to the Enacted general revenue appropriation, but is \$2.0 million less from other fund sources. This is attributable to reductions for UHIP contracted services and personnel expenses.

SUD Provider Capacity (federal funds)***\$1.8 million***

The Governor's Budget includes \$1.8 million from federal funds to reflect a new grant award. This is related to the Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) grant, a two-year grant that was awarded in the beginning of FY2020. These are planning grants aimed to increase the capacity of Medicaid providers to provide substance use disorder (SUD) treatment or recovery services to Medicaid populations.

Graduate Medical Education (federal funds)***\$500,000***

The Governor adds \$500,000 in new federal funding to supplement the State's \$1.0 million general revenue payment for Graduate Medical Education (GME), for total funding of \$1.5 million. The general revenue payment is included in the adopted caseload estimate. The State received approval for federal Medicaid matching funds on October 23, 2019, effective retroactively to July 1, 2019. In prior years, the \$1.0 million GME payment was not eligible for matching funds and was therefore made as a State-only payment.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES***Caseload Adjustment******\$17.2 million***

The Governor includes \$17.2 million more from general revenues (\$24.1 million all funds) in the assistance and grants category in FY2020, consistent with the Department's request. Assistance and grants fund the entirety of DCYF's direct services, including residential care and adoption. The request for additional funding is primarily driven by the Child Welfare program, which has experienced drastic caseload increases over the last two fiscal years. The Enacted Budget assumed that caseload numbers would decline in FY2020, which has not occurred. The Governor recommends the requested funding, offset by \$1.9 million related to several savings initiatives described separately below.

Personnel***\$6.3 million***

The Governor includes \$6.3 million more from general revenues for personnel costs in FY2020, primarily attributable to the following:

- **Turnover:** The Budget adds \$3.1 million from general revenues to account for a reduction in turnover. The Enacted Budget assumed a significantly higher staff vacancy rate than the Department has experienced in FY2020. This is related to efforts to keep frontline positions filled.

- **Overtime:** The Budget adds \$3.0 million from general revenues for overtime expenses within the Child Welfare and Juvenile Correctional Services programs. The Enacted Budget included \$2.7 million from general revenues for overtime, which was significantly lower than FY2017, FY2018, or FY2019 actual overtime expenses. The Governor includes overtime funding consistent with historical trends.

Centralized Service Charges**(\$1.6 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 Governor includes \$2.8 million from general revenues for these expenses in DCYF in FY2020, or \$1.6 million less than the Enacted Budget. This reflects a statewide adjustment to the existing accounts based on actual billings during FY2019 and the first half of FY2020.

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

The FY2020 Budget as Enacted provided \$500,000 from general revenues to support accreditation by the Council on Accreditation (COA), a national human service accrediting organization. The Governor's Budget removes this funding, consistent with the Department's request.

The Enacted Budget required that the Department initiate the application process by September 1, 2019, with a final accreditation plan due to the Governor and General Assembly by October 1, 2020. This plan would inform the Governor and General Assembly regarding the changes that would need to be made to obtain and maintain accreditation. The \$500,000 was included to cover the application fee, site visits by COA staff, and incidental personnel and operating costs; however, the Department's first quarter report indicated that the funding would not be required in FY2020. According to the Department, it was determined that a number of operational and policy changes were required prior to successfully seeking accreditation. DCYF plans to submit the required plan by October 1, 2020, which will include the steps taken and plan to achieve accreditation, along with the timeline to do so.

Multisystemic Therapy**(\$386,022)**

The Budget includes \$386,022 in new restricted receipts to reflect the allocation of Opioid Stewardship funds for Multisystemic Therapy (MST), which is an intensive community-based behavioral health treatment program for juvenile offenders and their families. These services are currently funded through general revenues. The Governor's Budget reduces general revenue expenditures by \$386,022, accordingly.

Financial Consultants**\$350,000**

In response to the Department's growing structural deficit, the State contracted with a fiscal implementation team in September 2019 to help oversee departmental spending and budget development processes. The Governor adds \$350,000 from general revenues to fund the work of these financial consultants in FY2020.

Federal Funding Optimization**(\$310,265)**

The Budget includes \$310,265 in general revenue savings by optimizing federal and restricted fund sources for the Department, with a concurrent increase in other fund sources for no net change overall. The savings would be achieved by streamlining Medicaid and Title IV-E claiming processes, cost allocating probation workers to federal funds, and accurately determining social security income eligibility.

Recruitment and Retention**(\$280,514)**

The Budget includes \$280,514 in general revenue savings (\$407,863 all funds) to hire 14.0 FTE positions to start in April 2020. These new positions will augment current staff in the Department's licensing unit to recruit, train, license, retain, and support foster parents, doubling the number of available families from 200 to 400 by the end of FY2021. The savings would be generated by shifting youth from other, more costly out-of-home placements into foster care, where appropriate.

Training School Education Program**(\$219,326)**

The Governor recommends restructuring the education program at the Rhode Island Training School due to a historically low census and reduced demand for teachers. The Budget includes \$219,326 in general revenue savings by freezing staff positions. These positions are currently filled.

Analyst Note: The Enacted Budget included \$438,651 in general revenue savings related to this initiative, which the Department restored in its revised request. It is unclear why the Governor's Budget accounts for a half-year of savings, when it appears that the Department will not achieve it.

Private Agency Foster Care**\$25,188**

The Governor adds \$25,188 from general revenues (\$27,247 all funds) to hire 1.0 Chief of Program Development to start in April 2020. This position will act as a contract manager to assist the Department in renegotiating private agency foster care contracts, which will be effective in July 2020. The FY2021 Budget includes savings resulting from enhanced contract oversight and standardization of foster care rates.

Supporting Safety Assessment**\$23,954**

The Budget includes \$23,954 from general revenues (\$28,169 all funds) to hire 4.0 Child Protective Investigators to start in April 2020. This initiative would reduce average employee caseloads to meet best practices and would lead to increased screenings and fewer youth entering care. The FY2021 Budget assumes savings from this initiative.

Improving Advocacy**(\$16,571)**

The Governor adds \$16,571 from general revenues (\$18,956 all funds) to hire 2.0 Paralegal FTE positions to allow for increased desk time for legal staff to engage with caseworkers and prepare for court events, thereby promoting availability and influence in court and accelerating the time for children in care to achieve permanency. The Governor's Budget also assumes that the Executive Office of Health and Human Services (EOHHS) will hire 2.0 Senior Legal Counsels within its existing personnel authorization for this initiative. All health and human services lawyers are centralized in EOHHS.

Director Salary Increase**\$1,875**

The Governor's Budget includes \$1,875 from general revenues and \$2,865 from federal funds in order to increase the DCYF Director's annual salary from the current rate of \$127,500 to \$135,000, and to adjust benefit expenses accordingly. The Budget assumes a salary increase in the fourth quarter of FY2020.

Female Youth Project (other funds)**(\$1.5 million)**

The Governor's Budget removes \$1.5 million in Rhode Island Capital Plan (RICAP) funding for the Department's female youth project in FY2020. The Enacted Budget included the funding for the acquisition and renovation of a facility for the purpose of operating an in-State residential treatment center for young women. The Department will still develop a female residential treatment facility. However, it plans to contract with providers who have existing facilities for this purpose; therefore, funding for infrastructure development is no longer required.

DEPARTMENT OF HUMAN SERVICES**Veteran's Home****\$1.9 million**

The Budget includes an additional \$1.9 million in general revenue to support the Veteran's Home. The majority of this increase will bring salary and benefit costs in line with FY2019 actual expenditures. The increase also includes an additional \$1.0 million for janitorial services related to increases in the contracts.

Caseload Estimating Conference**(\$1.3 million)**

The Budget decreases general revenues by \$1.3 million related to the November 2019 Caseload Estimating Conference. This includes a \$606,387 decrease in child care assistance related to a decrease in the number

of subsidies, a \$548,818 decrease in Supplemental Security Income (SSI) related to a decrease in the monthly cost per subsidy, and a \$117,220 decrease in General Public Assistance (GPA) due to a decrease in the estimated number of subsidies.

UHIP**(\$4.3 million)**

The Budget decreases general revenue related to the United Health Infrastructure Project (UHIP) by \$4.3 million. This decrease includes shifting funds from Health Care Eligibility and Individual and Family Support general revenue accounts into UHIP cost recovery restricted receipt accounts. The UHIP cost recovery account is intended to fund UHIP-related operating costs, including a portion of salary and benefits for relevant FTEs. UHIP cost recovery funds are based on current and anticipated settlement funds from Deloitte Consulting, the primary developer of the system.

The Budget includes \$21.9 million in the UHIP cost recovery restricted receipt account.

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS**DD Caseload****(\$2.5 million)**

The Budget reduces general revenues by \$2.5 million (\$10.3 million all funds) to reflect a lower than anticipated caseload growth within the Division of Developmental Disabilities. The adjustment for FY2020 is based on an estimated population increase of 1.5 percent. The estimate is 1.0 percent less than originally assumed. The savings from the reduced caseload adjustment is reallocated to the Person-Centered Supported Employment Performance Program (PCSEPP).

PCSEPP**\$2.4 million**

The Budget increases general revenues by \$2.4 million (\$4.9 million all funds) to support the Person-Centered Supported Employment Performance Program to ensure the Department meets required benchmarks of the consent decree. As of September 2019, there were 602 individuals enrolled in the program.

Zambarano Group Homes**(\$974,139)**

The Budget reduces general revenues by \$974,139 (\$1.4 million all funds) from the Zambarano campus of the Eleanor Slater Hospital to the Rhode Island Community Living and Supports (RICLAS) for the Zambarano group homes. An associated increase in RICLAS is largely offset by the transfer of administrative full-time equivalent positions to Central Management.

Central Management Personnel**\$854,560**

The Budget increases general revenue funds by \$854,560 to support the transfer of 4.0 FTEs from Behavioral Healthcare, and 1.0 position from Developmental Disabilities. The Budget also allocates 25.0 percent of the personnel costs of the Chief Medical Officer from the Eleanor Slater Hospital to Central Management. The transfers reflect an initiative to consolidate administrative positions within Central Management.

Centralized Service Charges**(\$308,638)**

The FY2020 Supplemental Budget reduces general revenues by \$308,638 due to lower than anticipated centralized service charges at the Zambarano campus for facilities management, human resources centers, and information technology.

OFFICE OF THE CHILD ADVOCATE**Turnover****(\$67,072)**

The Governor's Budget reduces personnel costs by \$67,072, attributable to staff turnover during FY2020. Of the Office's 10.0 FTE authorization, 3.0 positions experienced a partial or full vacancy during the fiscal year. The Governor's Budget accounts for \$67,072 in turnover savings, accordingly.

Analyst Note: The FY2020 Revised Budget assumed that these positions would be filled for half of the fiscal year, although this does not appear likely. The Office will likely end the fiscal year with approximately \$63,000 in additional turnover savings.

Cost Allocation

\$49,304

The Governor's Budget shifts personnel expenses from federal funds to general revenues, increasing general revenue expenditures by \$49,304 relative to the FY2020 Enacted Budget.

The FY2020 Enacted Budget allocated 38.8 percent of the personnel costs associated with the Office's Staff Attorney III position to the federal Victims of Crime Act (VOCA) grant, with the remainder funded through general revenues. The Governor's Budget allocates funding for this position entirely to general revenues in both FY2020 and FY2021, representing a shift of approximately \$50,000 from federal funds to general revenues in both years. This appears to be an error. According to the Office of the Child Advocate, 34.6 percent of the expenses associated with the position should be allocated to federal funds in both years.

OFFICE OF THE MENTAL HEALTH ADVOCATE

Personnel Expenditures

\$16,959

The Budget includes an increase of \$16,959 in general revenues for the personnel expenditures within the Office of the Mental Health Advocate. The additional revenues allows the personnel costs of the Mental Health Advocate, which was erroneously underfunded in the FY2020 Budget as Enacted.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

School Resource Officer Support

(\$675,000)

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 FY2020 Revised Budget reduces this category by \$675,000 to reflect projected expenditures of \$325,000. The table to the right reflects the projected FY2020 reimbursement as of March 24, 2020.

School Resource Officer Support			
District	Number of Officers	FY2019	FY2020 Projected
Bristol-Warren (began April 25, 2019)	1	\$7,145	\$43,491
East Providence	1	48,968	52,810
Narragansett	1	59,295	59,535
North Smithfield	2	85,652	91,685
	5	\$201,060	\$247,521

Source: Rhode Island Department of Elementary and Secondary Education March 24, 2020.

Central Falls

\$500,000

The Budget includes an additional \$500,000 in funding to Central Falls to support an increase of nearly 300 students relative to the enacted level. As of the publication of the report, the March 1, 2020, data update is not available.

Analyst Note: According to the Department's FY2020 Second Quarter Report, "the Department does not anticipate exceeding its enacted budget appropriation to resolve the Central Falls Public School financial condition."

Textbook Reimbursement Adjustment

(\$183,749)

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 FY2020 Budget as Enacted provided \$240,000 in state funding for the reimbursement of costs for textbooks. The Budget reduces funding for this program by \$183,749 to reflect actual costs in FY2020.

Education Aid

\$83,729

The Budget provides an additional \$83,729 in education aid to the Kingston Hill Academy 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 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

\$34,000

The Budget increases group home aid by \$34,000 to reflect the addition of two new beds in Bristol-Warren.

DEPARTMENT OF THE ATTORNEY GENERAL

Google Forfeiture Funds (federal funds)

\$3.2 million

The FY2020 Supplemental includes an increase of \$3.2 million in google forfeiture federal funds (a total of \$4.9 million) for the ongoing redesign and renovation of the Department's main headquarters at 150 South Main Street in Providence as well as continued support for the new customer service center in the Pastore Complex. The building was completed in the summer of 2018.

DEPARTMENT OF CORRECTIONS

Opioid Stewardship Funds

(\$3.0 million)

The Budget includes a \$3.0 million decrease in general revenue related to the Opioid Stewardship funds. These funds are transferred from an Institutional Based Rehab and Population Management general revenue account to a Healthcare Services restricted receipt account, resulting in a net-zero impact on the Budget.

Pharmaceutical Expenses

(\$1.5 million)

The Budget includes a \$1.5 million decrease in pharmaceutical expenses, bringing the Department's total amount for pharmaceuticals to \$3.5 million. This decrease is related to the Department's participation in the 340B pricing program.

The federal 340B Drug Pricing Program allows eligible entities to purchase pharmaceutical drugs at reduced costs. Eligible entities may purchase drugs from verified vendors at or below the maximum price as determined under the Federal 340B statute.

Analyst Note: The Department began the 340B plan in November 2019; however, projected savings are anticipated to be smaller as the program cannot be expanded to all medications due to the lack of resources that are required to track medications.

MILITARY STAFF

Injured on Duty (IOD) Savings

(\$245,313)

The Budget reduces personnel expenses \$245,313 in general revenue reflecting savings achieved through the Injured on Duty (IOD) reforms enacted as part of the FY2020 Budget as Enacted. Since passage of the IOD reforms two Quonset Airport Firefighters accepted the retirement disability package offered to them. The IOD savings are redistributed within the revised and proposed budgets to other areas of the Military Staff budget requiring added funding such as facility repairs and maintenance. The FY2021 Budget contains a similar savings of \$114,838.

RICAP Project Adjustments (other funds)

\$2.2 million

The Budget includes \$5.8 million in RICAP funds for various capital projects in FY2020 reflecting an increase \$2.2 million from the FY2020 Budget as Enacted. Significant project changes include:

- The Budget includes \$1.0 million in RICAP for the acquisition of land for the Middletown Armory to expand the property boundaries to meet federal security guidelines.
- An additional \$780,797 in RICAP funds for the Joint Force Headquarters Building project. The structure is complete and staff is relocating to the new facility at Camp Fogarty in the Town of East Greenwich.

- An increase of \$239,000 in RICAP for various asset protection projects.
- An increase of \$177,995 in RICAP for the Armory of Mounted Commands Rehabilitation project which includes the roof and HVAC replacement project.

RHODE ISLAND EMERGENCY MANAGEMENT

Disaster and Emergency Preparedness Grants (federal funds)

\$4.7 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 \$4.7 million more than the appropriation in the FY2020 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	FY2020 Enacted	FY2020 Governor	Change
Blizzard - Juno Disaster	\$0	\$2,320,216	\$2,320,216
Nemo Blizzard 2012 Disaster Reimbursement	156,250	1,130,140	973,890
FEMA Flood Reimbursement - Fed Match - State	156,900	789,634	632,734
All Other Grants	3,753,605	4,528,669	775,064
Total	\$4,066,755	\$8,768,659	\$4,701,904

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Restricted Receipt Fund Changes

\$1.2 million

- **Environmental Trust:** The Budget provides an additional \$450,000 (\$700,000 total) in restricted receipts for the purchase of six new F250 XL Super Cab 4x4 trucks with plow packages (\$222,000), six new light-duty trucks (\$160,000), and one Fairway mower for golf courses (\$94,000) for the Division of Parks and Recreation. The remaining funds will be used to purchase an electrician's van and additional equipment, such as lawnmowers and possibly a beach cleaning machine. Many of the Department's vehicles are aging beyond their useful life and replacements are needed to avoid costly repairs. This restricted receipt account is predominately funded from payments from Deepwater for the transmission line, a portion of concessionaire revenue, and donations to the parks. Volkswagen Settlement: The Budget includes an increase of \$339,143 (\$441,815 total) in restricted receipts from the State Volkswagen (VW) Settlement for six ongoing projects around hazardous waste material removal and the generation of green energy to reflect updated project schedules. 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. Rhode Island received a total of \$18.5 million from this settlement, of which \$14.4 million is for the implementation of the Beneficiary Mitigation Plan (BMP) and an additional \$4.1 million was awarded for a variety of environmentally beneficial projects across the State. Of the \$14.4 million, 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. Of the \$4.1 million, a portion was awarded for projects through DEM including the John Cronan Fishing Access Project (\$130,000), Farm Hazardous Waste Removal (\$10,000), Salty Brine State Beach Solar Panel Installation (\$200,000), and School Hazardous Water Removal (\$10,000).
- **Trout Stamp Fund:** The Budget includes \$144,327 in restricted receipts for the purchase of a new tanker truck for the Hatcheries Division. These funds were inadvertently excluded from the original budget submission. These revenues come from the issuance of trout stamp permits by the Department.

- **United States Geological Survey and University of Rhode Island Environmental Services:** The Budget includes an increase of \$111,480 (\$231,480 total) in restricted receipts for environmental services related to stream flow monitoring in Rhode Island by the United States Geological Survey and University of Rhode Island.
- **Regional Greenhouse Gas Initiative (RGGI):** The Budget includes an additional \$110,000 (\$200,000 total) in restricted receipts for the RGGI grant to the Massachusetts Clean Energy Technology Center. The grant will be matched with \$400,000 from the Bureau of Ocean Energy Management and \$400,000 from the Massachusetts Clean Energy Technology Center. The research will foster the development of clean, renewable, offshore wind energy in southern New England, while ensuring that the potential impacts of development are understood and that negative impacts to fishing and fishing resources are mitigated to the extent practical.

COASTAL RESOURCES MANAGEMENT COUNCIL

Federal Fund Changes

\$998,920

The Budget includes a net increase in federal funds of \$998,920, including the following:

- **Coastal Resources Management Project:** The Budget includes an additional \$493,368 in federal funds from CRMC's annual grant from the National Oceanic Atmospheric Administration (NOAA) for the continued development of stormtools design elevation (SDE) maps. The SDE map project will develop recommended base flood elevations (BFE) in the stormtools platform to account for sea level rise and future risk for comparison with Federal Emergency Management Agency maps. The SDE maps will provide a better tool to aid in coastal construction resiliency against coastal hazards.
- **Coastal Resilience:** The Budget provides \$230,115 in FY2020 in federal funding 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. An additional \$50,025 is provided in FY2021 to complete the project.
- **Stormtools - Coastal Environmental Risk Index (CERI) App:** The Budget provides \$200,000 in FY2020 for the development of the CERI Risk and Damage app that is available for IOS Apple and Android users. Once downloaded, the app will estimate the damage to structures from coastal flooding relative to the 100-year interval storm with varying sea level rise scenarios at user-selected locations in Rhode Island.

DEPARTMENT OF TRANSPORTATION

Truck Tolls (other funds)

(\$ 16.5 million)

The Budget includes \$8.5 million in toll revenues, a decrease of \$16.5 million from the FY2020 Enacted levels. Currently, four gantries are operational, the Budget anticipates an additional eight gantries being installed during the last two quarters of FY2020. The gantries charge a toll on tractor trailer trucks, vehicle class 8 or larger. Revenue generated from the truck tolls will be used for bridge maintenance and improvements throughout the State.

Federal Funds

\$12.7 million

The Budget includes \$337.8 million in federal funds, an increase of \$12.7 million from the FY2020 Budget as Enacted. This increase is mainly related to additional Federal Transit Authority funds awarded in FY2020, specifically, an additional \$8.1 million for federal highway projects, and an additional \$6.4 million for the Pawtucket Central Falls train station.



FY2021 BUDGET ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2021

Article 1 outlines the appropriation amounts from all fund sources for FY2021. 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 \$1.0 million.
- Authorizes 15,074.7 FTE positions reflecting no net change as compared to the authorized level set in the FY2020 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- Authorizes appropriations from the Rhode Island Intermodal Surface Transportation Fund towards specific projects in FY2022, FY2023, FY2024, and FY2025.
- Requires that all unexpended or unencumbered balances relating to the Rhode Island Intermodal Surface Transportation Fund be reappropriated to FY2021.
- 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 FY2022. In addition, the Office of the Postsecondary Commissioner shall provide \$355,000 to the Rhode Island College Crusade, \$75,000 to be allocated to Best Buddies Rhode Island, \$7.2 million be allocated to the Rhode Island Promise Scholarship program, and \$147,000 to be used to support the State's membership in the New England Board of Higher Education. Also 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 \$1.5 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.
- Requires transfers be made to the State Controller by June 30, 2021: \$5.0 million from the Rhode Island Resource and Recovery Corporation, \$5.0 million from the Rhode Island Infrastructure Bank, \$2.0 million from Rhode Island Student Loan Authority, \$2.0 million from the Narragansett Bay Commission, \$1.1 million from RI Housing, and \$1.0 million from the Rhode Island Health and Educational Building Corporation.

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, 2021.

Expenditures by Source	FY2019 Final	FY2020 Enacted	FY2021 Governor	Change to Enacted
General Revenue	\$3,924.0	\$4,077.6	\$4,247.8	\$170.2
Federal Funds	3,118.7	3,325.4	3,323.1	(2.3)
Other Funds	2,075.4	2,256.2	2,275.2	19.0
Restricted Receipts	259.6	311.4	348.9	37.5
Total	\$9,377.7	\$9,970.6	\$10,195.0	\$224.4

\$ 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 FY2021.

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	FY2020 Enacted	FY2021 Governor	Change
State Assessed Fringe Benefits	\$37,377,620	\$37,505,032	\$127,412
Administration Central Utilities	23,055,162	27,426,989	4,371,827
State Central Mail	6,290,947	6,583,197	292,250
State Telecommunications	3,450,952	3,552,053	101,101
State Automotive Fleet	12,740,920	12,743,910	2,990
Surplus Property	3,000	3,000	-
Health Insurance	252,444,854	273,639,595	21,194,741
State Fleet Revolving Loan Fund	273,786	264,339	(9,447)
Other Post-Employment Benefits	63,858,483	63,858,483	-
Capital Police	1,479,703	1,429,798	(49,905)
Corrections Central Distribution Center	6,798,359	6,868,331	69,972
Correctional Industries	8,191,195	8,231,177	39,982
Secretary of State Records Center	969,729	1,046,670	76,941
Human Resources Internal Service Fund	14,847,653	13,937,328	(910,325)
DCAMM Facilities Internal Service Fund	40,091,033	42,849,110	2,758,077
Information Technology Internal Service Fund	44,113,005	49,488,621	5,375,616
Total	\$515,986,401	\$549,427,633	\$33,441,232

- **Health Insurance:** According to the Budget Office, part of the increase is to meet historical funding levels, while the rest of the increase is to meet medical claims with an estimate in spending for FY2021, and reflects the employee health insurance increase that went into effect January 1, 2020.
- **Administration Central Utilities:** The increase reflects historical expenditures and accounts for recent rate increases for natural gas.
- **Information Technology ISF:** The increase in funding continues funding of the Microsoft Office 365 licensing and staff and operating costs increases.
- **DCAMM Facilities ISF:** The increase is due to several items, including higher natural gas rates, the full year expenses for a new statewide janitorial contract, which is covering more buildings, and additional security costs at the Pastore Center.

FUND TRANSFERS

Article 1 requires transfers from several quasi-public entities be made to the State Controller by June 30, 2021, to support the General Fund. This includes \$5.0 million from the Rhode Island Infrastructure Bank, \$5.0 million from the Rhode Island Resource Recovery Corporation, \$2.0 million from Rhode Island Student Loan Authority, \$2.0 million from the Narragansett Bay Commission, \$1.1 million from RI Housing, and \$1.0 million from the Rhode Island Health and Educational Building Corporation.

Agency	FY2020 Enacted	FY2020 Governor	Change	FY2021 Governor	Change
Health and Educational Building	\$0.0	\$0.0	\$0.0	\$1.0	\$1.0
Narragansett Bay Commission	-	-	-	2.0	2.0
Infrastructure Bank	4.0	12.9	8.9	5.0	1.0
RI Housing	1.5	1.5	-	1.1	(0.4)
Quonset Development Corporation	1.2	1.2	-	-	(1.2)
RI Resource Recovery	-	5.0	5.0	5.0	5.0
RI Student Loan Authority	1.5	1.5	-	2.0	0.5
DEM - Oil Spill Prevention, Administration Response Fund	-	1.0	1.0	-	-
DEM - Underground Storage Tank Trust Fund	-	1.0	1.0	-	-
DEM - Non-Point Pollution Control Bond Fund	-	0.1	0.1	-	-
DEM - Rocky Point Park Bond Fund	-	0.2	0.2	-	-
BHDDH - Asset Forfeiture Restricted Receipts	-	0.5	0.5	-	-
Commerce Corporation - First Wave Closing Fund	5.0	5.0	-	-	(5.0)
Total	\$13.2	\$29.9	\$16.7	\$16.1	\$2.9

\$ in millions

Rhode Island Infrastructure Bank: The FY2020 Budget as Enacted requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$4.0 million to the State Controller by June 30, 2020, bringing the total amount transferred from RIIB from FY2018 to FY2020 to \$11.5 million. As part of the FY2020 revised budget, the Governor proposes an additional transfer of \$8.9 million in FY2020, funds that were recently contributed to RIIB's restricted Municipal Road & Bridge program from the State's bond proceeds, and proposes another \$5.0 million transfer in FY2021. If the proposed transfers are enacted, RIIB will have lost \$24.5 million of infrastructure funds over 4 fiscal years.

The proposed Supplemental FY2020 Budget contains the first transfer from a restricted lending program of RIIB, namely the Municipal Road & Bridge program. According to RIIB, a transfer of \$8.9 million will result in RIIB having insufficient capital to meet demand for road and bridge project financing from municipalities in FY2020. The transfer of \$17.9 million over FY2020 and FY2021 will impact RIIB's operating capital. RIIB utilizes this capital to supplement lending programs in clean water, drinking water, municipal road & bridge, and municipal energy (Efficient Building Fund or EBF). RIIB has used operating capital to make over \$26.0 million of below-market infrastructure loans to municipalities. RIIB also uses this capital to make lending commitments when municipalities require the financing, rather than having to wait for the annual program bonds. This makes RIIB's financing programs more responsive to the timing of municipal infrastructure needs while reducing the cost of such investments.

RIIB also uses its operating capital to develop new programs and meet special infrastructure financing needs. In the past year, RIIB has committed \$1.0 million to fund zero-interest loans to homeowners for remediation of lead pipe connections to municipal water mains. RIIB anticipates making another \$3.0 million available to meet homeowner demand for this important investment in safe drinking water. RIIB also used operating capital to supplement the Efficient Building Fund loan demand, reducing the cost of energy to municipalities. In addition, \$2.0 million of operating capital was committed to the inaugural round of the Municipal Resiliency Program, which assists municipalities in developing resiliency plans and investing in projects to protect against the impact of climate change. Without operating capital, such programs would not have been possible.

Rhode Island Resource Recovery Corporation: The Budget requires the Rhode Island Resource Recovery Corporation (RIRRC) to transfer \$5.0 million in landfill tip fee revenues to the State Controller in FY2021 and FY2020. Both the 2017 and 2019 State of Rhode Island Debt Affordability Studies, issued by the Public Finance Management Board (5-3-2017 and 7-25-2019, respectively) recommend 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 use cash to self-fund future operations.

According to the RIRRC, if enacted, the \$10.0 million forfeiture would impact the existing FY2019 audited (9-30-2019) unrestricted net position of \$45.5 million, which will be used along with operating funds to support \$170.0 million in new landfill construction, heavy equipment repairs/purchases, debt covenant requirements, and other capital investments required to provide long-term disposal and recycling services to the state of Rhode Island over the next 6 years. Based on the current financial plan and projected cash requirements, the Corporation would be required to take one or more of the following actions to offset the transfer: defer necessary capital investments, increase revenues through price increases, reduce operational costs, or seek subsidies from the State.

Narragansett Bay Commission: The article requires the Narragansett Bay Commission (NBC) to transfer \$2.0 million to the State Controller by the end of FY2021. According to the NBC, if it occurs, the transfer would impact some of the State's poorest communities that are already projected to face future rate increases due to capital improvement projects. According to NBC, the rate increase necessary to generate \$2.0 million is 1.9 percent or \$9.78 per year for the average single-family homeowner. NBC also expressed concerns about the impact of the transfer on the Commission's bond rating and whether such a transfer would be legal given the constraints of the Trust Indenture and various other legal obligations.

Rhode Island Student Loan Authority: The Budget requires the Rhode Island Student Loan Authority (RISLA) to transfer \$2.0 million to the State Controller for deposit in the General Fund in FY2021 and \$1.5 million in FY2020. RISLA, a non-profit State authority, provides low cost higher education loans and refinances other existing higher education loans at a lower rate. Since 1998 RISLA's College Planning Centers have provided free admissions, planning, and financial aid counseling, and currently serves over 16,000 students and families a year. According to the Authority, to make these payments to the State, RISLA will have to increase the amount of its bond issues. Therefore, for these two transfers RISLA's debt service will increase approximately \$545,000 per year for six or seven years. This may in turn have to be passed along in the form of higher education loan interest rates for students and their families; however, the actual impact is indeterminable at this time. RISLA has indicated that at this time a ratings downgrade is unlikely; however, if the transfers become a regular occurrence it may become more difficult for RISLA to obtain the high bond ratings that are needed to continue to obtain low cost funding for students and parents.

Rhode Island Housing and Mortgage Finance Corporation: Article 1 requires the Rhode Island Housing and Mortgage Finance Corporation (RIHousing) to transfer \$1.1 million to the State Controller for deposit in the General Fund by June 30, 2021. The article also authorizes RIHousing to use any uncommitted funds appropriated for the Department of Behavioral Health and Developmental Disabilities (BHDDH) housing modification programs.

- **Reserve Transfer:** 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 RI Housing's ability to focus on its core mission of investing in housing production.

- **BHDDH Program Reserves:** Article 1 authorizes RIHousing to use half of the any accumulated unspent funds within BHDDH's Thresholds and Access to Independence programs to support the increase of community-based housing options for individuals with behavioral health issues and developmental disabilities. This authorization is intended as an expansion of RIHousing activities beyond the traditional scope of the programs. According to RIHousing, it has been challenging to allocate program funds in recent years due to the difficulty of identifying eligible and interested recipients. More flexible parameters for how these funds can be used to meet the needs of these populations will enable RIHousing to transfer resources from programs that aren't leveraging funds most effectively to those that are.
- **Thresholds:** The Thresholds program provides capital development funding and pre-development loans to increase the supply of housing for people with serious and persistent mental illness and developmental disabilities. RIHousing releases a Request for Proposals for available funding. A Committee that includes RIHousing, BHDDH staff, and members representing community mental health, disabilities and special needs populations reviews applications and recommends awards that are then approved by RIHousing's Board of Commissioners. RIHousing subsequently disburses funds and oversees development activity. As of December 31, 2019, RIHousing is holding \$288,541 in uncommitted Thresholds program funds (an additional \$200,000 was appropriated in FY2020 but has not yet disbursed to RIHousing)
- **Access to Independence:** The Access to Independence program makes grants and loans of up to \$50,000 available for families and caregivers of people with developmental disabilities for supportive home modifications that enable those individuals to continue living with their families. Funds cover the costs of adaptations, including the installation of ramps, modifications of bathrooms, installation of lifts, or other equipment purchases. Program participants apply directly to BHDDH. If they are approved, RIHousing underwrites and services the loans as well as providing post-rehab inspections to ensure the work has been done according to contract. As of December 31, 2019, RIHousing is holding \$1,217,335 in uncommitted Access to Independence program funds.

Rhode Island Health and Educational Building Corporation: The article requires the Rhode Island Health and Educational Building Corporation (RIHEBC) to transfer \$1.0 million to the State Controller by June 30, 2021, in addition, the program provided other assistance such as \$1.0 million to fund the assessment by the School Building Authority (SBA) to document the conditions of the schools and to help defray the costs associated with administering the School Building Authority Capital Fund, as well as the costs associated with financing school projects for communities.

In FY2018, RIHEBC was required to transfer \$6.0 million to the State Controller. In FY2019, RIHEBC supported \$737,735 in SBA personnel expenses, and in FY2020 RIHEBC is projected to provide \$775,492.

RIHEBC indicates that the transfer of these funds would eliminate the Corporation's capacity to meet its mission. RIHEBC is the largest bond issuer in the State and the administrative fees charged to borrowers have enabled the Corporation to expand programs to include small loans and grants for smaller projects or borrowers who cannot access the bond market, as well as subsidizing the school construction program.

Currently, the grant and loan programs are on hold until the final outcome of the FY2021 Budget and on-going funding for the School Building Authority (SBA) are finalized. 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. Pursuant to current law, the fee that RIHEBC can levy on districts is limited to one tenth of one percent of the principal amount; however, the Governor recommends increasing the cap to one percent of the principal amount.

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 Budget has no net change of FTE positions from the FY2020 Budget as Enacted. The following table lists the FTE amounts by budget function:

Expense by Function	FY2020 Enacted	FY2021 Governor	Change to Enacted
General Government	2,406.9	2,438.9	32.0
Human Services	3,556.6	3,426.6	(130.0)
Education	3,953.4	4,228.4	275.0
Public Safety	3,190.0	3,222.0	32.0
Natural Resources	424.0	435.0	11.0
Transportation	755.0	800.0	45.0
Subtotal	14,285.9	14,550.9	265.0
<i>Higher Ed. Sponsored Positions</i>	<i>788.8</i>	<i>523.8</i>	<i>(265.0)</i>
Total FTE Positions	15,074.7	15,074.7	-

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 FY2020 Budget as Enacted includes \$8.8 million in general revenue for CSO grant awards across 14 state agencies. The Budget recommends an appropriation of \$9.0 million in general revenue in FY2021, a net increase of \$235,000 from the previously enacted budget. The Budget recommends eliminating the \$250,000 award to Day One and increasing or providing new awards to the following entities: Year-Up for \$250,000, RI Community Food Bank by \$175,000, Polaris Manufacturing Technical Assistance Program by \$50,000, and Minority Entrepreneurship (formerly Urban Ventures) by \$10,000.

Agency	Grant Recipient	FY2020 Enacted	FY2020 Governor	FY2021 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	400,000	50,000
Executive Office of Commerce	International Trade And Export Programming	476,200	476,200	476,200	-
Executive Office of Commerce	Minority Entrepreneurship	140,000	140,000	150,000	10,000
Executive Office of Commerce	East Providence Waterfront Commission	50,000	50,000	50,000	-
Labor and Training	Opportunities Industrialization Center	100,000	100,000	100,000	-
Labor and Training	Year-up	-	-	250,000	250,000
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	325,000	325,000	325,000	-
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	350,000	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	200,000	-
Human Services	Community Action Fund	600,000	600,000	600,000	-
Education	Hasbro Children's Hospital - Hospital School	90,000	90,000	90,000	-
Education	Child Opportunity Zones	395,000	395,000	395,000	-
Office of Postsecondary Commissioner	Rhode Island College Crusade	355,000	355,000	355,000	-
Office of Postsecondary Commissioner	Best Buddies Rhode Island	75,000	75,000	75,000	-
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		\$8,801,200	\$8,801,200	\$9,036,200	\$235,000

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, 2022, June 30, 2023, June 30, 2024, and June 30, 2025. These amounts supersede appropriations provided for FY2021 within the FY2020 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:

- Authorizes the Board of Education to establish new restricted receipt accounts to administer funds donated in support of construction, maintenance, or general operations of Higher Education and Industry Centers in the state. The article also authorizes the Board to establish a restricted receipt account for income generated by the Rhode Island Nursing Education Center from the rental of classrooms, labs, or other facilities at the Providence Campus.
- Authorizes the Budget Officer to establish restricted receipt accounts within departments or agencies that receive funding from the Opioid Stewardship Fund and clarifies the reporting requirements for programs receiving funds. The FY2020 Budget established the Opioid Stewardship Fund, a restricted receipt account within the Department of Health. The account is funded with registration fees paid by all licensed manufacturers, distributors, and wholesalers of opioids.
- Clarifies that spending controls which require reporting and corrective action plans apply only to excess general revenue expenditures, and amends the authorization authority of the State Controller.
- Defines an appropriation as an enactment of the General Assembly authorizing the withdrawal of funds from the State Treasury, and that any enactment by the General Assembly that authorizes, specifies, or provides that funds are to be used for a particular purpose shall not be defined as an appropriation. The article also provides that additional general revenues shall be deemed appropriated in order to comply with a court order or stated emergency or to finance programs covered under the caseload estimating conference process up to the officially adopted estimates in the current fiscal year, providing that revenue are made up to the current year revenue availability as agreed to in the revenue estimating conference process.
- Authorizes the State Budget Officer to establish restricted receipt accounts within any state agency under certain conditions.
- Exempts six restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions. The proposed exemptions would apply to the Health Spending Transparency and Containment restricted receipt account within the Executive Office of Health and Human Services; the State-Control Adult Use Marijuana restricted receipt accounts in the Department of Health, the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, the Department of Public Safety, and in the Department of Business Regulation; and the Housing Production Fund in the Executive Office of Commerce.
- Removes the requirement that any revenue received by the Rhode Island Council on the Arts from gifts, donations, contributions, or bequests be deposited as general revenue receipts. This will give the Council more authority to spend in the expenditure of such funds that are provided for a specific purpose.

FISCAL IMPACT

Regarding the State Control Adult Use Marijuana restricted receipt accounts in the Department of Health, the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, the Department of Public Safety, and in the Department of Business Regulation; there is zero net impact to general fund revenues owing to the exemption, since all residual receipts (after expenses) lapse to the general fund. The proposed legislation to exempt the Housing Production Fund could reduce general revenues by \$351,415. The changes to the Opioid Stewardship Fund have no fiscal impact.

Analyst Note: At present the Budget Office does not possess a projection on the forgone general revenue for the Health Spending Transparency and Containment account, as this account will be budgeted through a Governor's Budget Amendment. Similarly, there is no fiscal projection for any revenue received by the Rhode Island Council on the Arts from gifts, donations, contributions, or bequests because the entity last received a general revenue departmental receipts in 2014.

ANALYSIS AND BACKGROUND

This article addresses various restricted receipts accounts. The changes are explained in detail below.

Education Budget and Appropriations

Section 1 of this article amends RIGL 16-59-9 authorizing the Board of Education to establish new restricted receipt accounts to administer funds donated in support of construction, maintenance, or general operations of Higher Education and Industry Centers in the state. The article also authorizes the Board to establish a restricted receipt for income generated by the Rhode Island Nursing Education Center from the rental of classrooms, labs, or other facilities at the Providence Campus.

Opioid Stewardship Act

Section 2 of this article amends RIGL 21-28.10 authorizing the Budget Officer to establish restricted receipt accounts within departments or agencies that receive funding from the Opioid Stewardship Fund and clarifies the reporting requirements for programs receiving funds.

The FY2020 Budget as Enacted established a restricted, Opioid Stewardship Fund within the Department of Health (DOH) and requires all licensed manufacturers, distributors, and wholesalers to contribute to the fund through a registration fee. Licensed manufacturers, distributors, and wholesalers are required to report the details of all opioids sold or distributed in the State for the purposes of calculating their liability of the annual \$5.0 million fund. Registration payments are due annually on December 31. The first payment was due on December 31, 2019, based on 2018 data.

The registration fee is intended to pressure registrants to monitor the prescription opioids they produce and distribute and to provide accountability for the role that pharmaceuticals have had in the opioid crisis. Over 1,500 individuals have died from overdoses in Rhode Island over the last five years, and 17.5 percent of these fatal overdoses directly resulted from prescription opioids. Evidence shows that opioid use disorders frequently begin with the misuse of prescriptions. Studies estimate that approximately 80.0 percent of heroin users first misused prescription opioids.

The Opioid Stewardship Fund may only be used for opioid addiction treatment, recovery, prevention, education services, and other related programs. Fund allocations must be approved by both the Director of DOH and the Director of the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The FY2021 Budget authorizes the Budget Officer to establish restricted receipt accounts within any agencies that are allocated monies from the Fund. Currently, the account is solely housed within DOH. The Budget also clarifies that any agency in receipt of Opioid Stewardship funds must report annually to the Governor, the Speaker of the House, and the President of the Senate.

The Opioid Stewardship registration fees will be distributed for opioid addiction related activities in FY2021 as follows:

FY2021 Opioid Stewardship Fund Distribution

Agency/Department	Estimated Expenditures
BHDDH	\$1,847,681
Rhode Island Department of Education	1,590,000
Corrections	846,628
Office of the Health Insurance Commissioner	157,365
Health	58,326
Total Expenditures	\$4,500,000

Control of State Spending

Section 3 of this article clarifies that spending controls which require reporting and corrective action plans apply only to excess general revenue expenditures, and not funds from federal, restricted receipt, or other sources. In addition, the article narrows the authorization authority of the State Controller to stop payments by agencies on payments only involving one-time payments or are in excess of the agencies previous fiscal years' service levels.

Analyst Note: The FY2020 Budget as Enacted added language to RIGL 35-3-24 to control state spending with state departments and agencies that demonstrate in a quarterly financial report, that the entity's obligations, encumbrances, and expenditures will exceed amounts appropriated to the entity.

Restricted Receipt Accounts

- **Legislative Appropriation Authority:** Amends state law to clarify that an appropriation is an enactment of the General Assembly authorizing the withdrawal of funds from the State Treasury, and that any enactment by the General Assembly that authorizes, specifies, or provides that funds are to be used for a particular purpose shall not be defined as an appropriation. Section 4 further clarifies that additional general revenues shall be deemed appropriated in order to comply with a court order or stated emergency or to finance programs covered under the caseload estimating conference process up to the officially adopted estimates in the current fiscal year, providing that revenue are made up to the current year revenue availability as agreed to in the revenue estimating conference process.
- **Use of Restricted Receipt or Special Revenue Funds:** Authorizes the State Budget Officer to establish restricted receipt accounts within any state agency under the following conditions:
 - To account for donated funds, funds received from non-profit entities, proceeds from multi-state settlements or from a contract or memorandum understanding with another state for a specific or one-time purpose.
 - To establish five restricted receipt accounts related to cash settlements collected or disbursed as part of the State's involvement with the Unified Health Infrastructure Project (UHIP).

Article 2 establishes five restricted receipt accounts for the purpose of collecting and disbursing all cash settlements received by the State from any business concerning the United Health Infrastructure Project (UHIP). The article also exempts these accounts from the indirect cost recovery provisions of RIGL 35-4-27. Three of the accounts are designated "UHIP Recovery" and are housed in HealthSource RI, the Department of Human Services (DHS), and the Executive Office of Health and Human Services (EOHHS). These accounts were included in the FY2020 Budget as Enacted, although the enacted budget did not include language to establish the accounts. This portion of the article appears to correct that omission. The remaining two accounts are new accounts designated as "UHIP Recovery: Non-UHIP Expenses" and are both housed within the Department of Human Services.

On March 15, 2019, the State announced plans to extend its contract with Deloitte, the primary developer of the UHIP system, through June 30, 2021. The extension included a \$50.0 million direct cash settlement from Deloitte to the State to compensate for ongoing issues that have plagued

the system since its inception. The FY2020 Budget as Enacted accounted for \$33.2 million in settlement funds to offset the costs of the UHIP system, assuming that the remainder would be paid to the federal government. The FY2020 Revised recommendation includes the full \$50.0 million, although \$21.1 million of the recovery funds in EOHHS are housed in a unique account. According to the Budget Office, this portion of the settlement funds is set aside to be returned to the federal government. The Budget assumes that the State will receive the full \$50.0 million payment from Deloitte and the State, in turn, will reimburse the federal government. As of January 31, 2020, no settlement funds have been received.

Analyst Note: The language in Article 2 creates five UHIP Recovery accounts, but the Governor's Budget includes six. A third "UHIP Recovery: Non-UHIP Expenses" account is housed in HealthSource RI, in addition to the two created in the Department of Human Services. Additionally, it is unclear why language is included in the FY2021 Budget recommendation when these changes occur in FY2020. It appears that the language should be included in the FY2020 Revised Budget, or there should be a retroactive provision to enable the creation of the accounts in FY2020.

- To convert any escrow liability account whenever such move is deemed appropriate by the both the State Controller and State Auditor General.

Analyst Note: The inclusion of new language under RIGL 35-4-22.2(c) will allow the Budget Office to create various restricted receipt accounts without any further notice to or authorization from the General Assembly.

- **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 4 of this article expands the list to include the following accounts:
 - **Health Spending Transparency and Containment:** The Health Spending Transparency and Containment account within the Executive Office of Health and Human Services provides a funding stream for the Healthcare Cost Trend project with a contribution from insurers of \$1 per covered life in the State as proposed in Article 20 of the FY2021 Budget. The Office of Management and Budget project revenues to be \$616,617 in FY2021. The goal of the project is to increase access to affordable, high-quality health insurance coverage.
 - **Adult Use Marijuana Licensing:** Article 13 authorizes Adult Use Marijuana Licensing restricted receipt accounts proposed within the Department of Health, the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, the Department of Public Safety, and in the Department of Business Regulation.
 - **Housing Production Fund:** The budget authorizes the creation of a restricted receipt account in the Executive Office of Commerce to contain revenues generated by the increase in the real estate conveyance tax on the portion of real estate value over \$500,000. The fund will be administered by RI Housing, in consultation with a new Housing Resources Steering Committee. The funds would be used for affordable and workforce housing initiatives, including the construction of new units and incentives to municipalities.

Rhode Island Council on the Arts

Section 5 of this article amends RIGL 42-75-8, removing the requirement that any revenue received by the Rhode Island Council on the Arts from gifts, donations, contributions, or bequests be deposited as general revenue receipts. This will give the Council more authority over the expenditure of such funds that are provided for a specific purpose. The language change will authorize the Budget Officer to create restricted receipt accounts.

Analyst Note: The Rhode Island Council on the Arts received \$50,000 from ArtPlace America, and the agency anticipates additional donations from other sources for the Arts & Health Initiative.

Article 3 – Relating to Government Reform and Reorganization

This article makes several changes to reform and reorganize policies, practices, and organizational structures of state government. Specifically, the article:

- Amends various licensing requirements within the Contractor’s Licensing Board.
- Changes the prioritization of paid court costs related to prosecutions to ensure the sustainability of the Crime Victims Compensation Program.
- Expands the use of asset forfeiture funds to include substance use disorder programs, rather than treatment programs alone.
- Transfers administration of commercial driver license (CDL) testing from the Community College of Rhode Island (CCRI) to the Division of Motor Vehicles (DMV), effective January 1, 2021.
- Eliminates language referencing the Rhode Island Community Living and Supports Program (RICLAS) to reflect the privatization of the entire system.
- Empowers the Central Collections Unit (CCU) program within the Department of Revenue by requiring agency participation, expanding the types of organizations required to work with the unit, and permitting the CCU to assess a collection fee on non-general revenue debt collections.
- Modifies how the State may withhold State aid to satisfy delinquent debt owed by a municipality. These proposed changes are primarily intended to enhance the State’s ability to recoup expenses associated with services provided by the State Police to towns that do not have a municipal police force.
- Amends the emergency police powers that are granted to out-of-State police officers when they transport detainees to hospitals for medical care in Rhode Island. Emergency police powers are currently granted for eight hours, after which Rhode Island sheriffs must take over guarding detained individuals charged with an out-of-State crime.
- Includes a joint resolution amending the State’s Constitution to allow the Governor the power of a line-item veto in the appropriation of funds. The line-item veto would take effect on January 23, 2023.

FISCAL IMPACT

The article reduces general revenue expenditures by \$3.3 million. The fiscal impact is summarized in the following table.

FY2021 Article 3 Expenditure Impact	
Item	General Revenues
RICLAS Privatization	(\$2,849,338)
Aid Withholding	(443,310)
Police Transports	(57,825)
CDL Testing	10,831
Total Expenditures	(\$3,339,642)

ANALYSIS AND BACKGROUND

Licensing Changes

Article 3 makes various changes to licenses issued by the Contractors Licensing Board. In 2000, the General Assembly passed legislation requiring home inspectors in the State to be licensed. Regulations were never promulgated by the Department of Business Regulation (DBR), therefore enforcement of the license never occurred. DBR recently promulgated new rules and regulations to reflect the law and began

accepting applications on January 1, 2020. The article changes the effective date to reflect the newly promulgated regulations.

Similarly, in 2012 the General Assembly passed legislation requiring licenses for Well-Drillers, Pump Installers, and Water Filtration Contractors. The regulations were not promulgated, therefore licenses were not required. DBR began accepting licenses on January 1, 2020. The article updates the “grandfather” clause to reflect the recently promulgated regulations. The article also eliminates a notary requirement as a license requirement for Well-Drillers, Pump Installers, and Water-Filtration Contractors to simplify the process for contractors.

The article eliminates bonding requirements for licensed roofing contractors. Currently licensed roofing contractors must be insured against failure to complete work, with a \$100,000 minimum bond requirement. The changes established in Article 3 regarding 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). The article would also change the continuing education requirement from ten hours per year to ten hours per two-year licensing cycle.

Crime Victims Compensation Fund

The article reprioritizes payments of court costs related to prosecutions to place a higher priority on the Crime Victims Compensation Fund. Due to the decriminalization of certain misdemeanors, there has been a decrease in court costs paid to the Crime Victim Compensation Program. As a result, the restitution payments would be prioritized over court costs. The reprioritization is expected to increase restricted receipts by \$450,000 (\$720,000 all funds). The table below illustrates the total appropriation into the Fund since FY2012.

Court Revenue	Amount
FY2012	\$1,079,792
FY2013	858,955
FY2014	809,288
FY2015	785,967
FY2016	838,621
FY2017	584,405
FY2018	537,217
FY2019	425,746

Asset Forfeiture:

Under Rhode Island General Law, assets obtained through illegal drug operations are forfeited and distributed among state and local police, the Office of Attorney General, and the Department of Behavioral Healthcare, Developmental Disabilities & Hospitals (BHDDH). The law currently requires the available funds from asset forfeiture within BHDDH only be used for substance abuse treatment. Article 3 adds substance abuse prevention to ensure funds can be utilized. Historically, the funds have not been spent due to the availability of federal funds for treatment programs.

Commercial Driver’s License Testing

Article 3 shifts the administration of the commercial driver’s license (CDL) road test from the Community College of Rhode Island (CCRI) to the Division of Motor Vehicles (DMV), effective January 1, 2021. This transfer impacts expenditures and revenues at both the DMV and CCRI. CCRI currently collects and retains \$188,000 in restricted receipt revenue from a \$100 CDL road test fee. Under Article 3, this revenue would instead be collected by the DMV and deposited into the general fund. Because the effective date of the article is January 1, 2021, the amount deposited as general revenues would be half of the annual revenue collected from the fee, or \$94,000, in FY2021. The Budget also includes \$142,331 for seven months of operations in FY2021 to provide the additional personnel and operation expenditures at the DMV required

to administer the road testing. This includes \$138,726 for 3.0 FTE positions, including 2.0 Senior Motor Vehicle Examiners and 1.0 Customer Service Specialist III, and \$3,605 in operating expenses.

FY2021 Net Fiscal Impact - Article 3 CDL Transfer

Budget Initiative	FY2021		
	Expenditures	Revenues	Net Fiscal Impact
DMV - Personnel [^]	\$138,726	-	(\$138,726)
DMV - Operating [^]	3,605	-	(3,605)
Transfer of CDL Fee Restricted Receipt Revenue to General Fund*	-	\$94,000	94,000
Elimination of School Bus Training Payments to CCRI*	(37,500)	-	37,500
Total	\$104,831	\$94,000	(\$10,831)

[^] Based on 7 months beginning December 2020 hiring date

* Half year based on January 1, 2021 effective date

Analyst Note: The DMV has been providing CCRI with \$75,000 per year for several years. The funds were originally leveraged by the College to secure a school bus driver education grant. The DMV indicates, however, that CCRI does not currently have this type of grant, and has not for some time. According to OMB and the DMV, CCRI has been notified that they will no longer be receiving these funds. The DMV explained that CCRI charges tuition for its classes and does not need the funds to support the training. The elimination of this payment is shown as \$37,500 savings in FY2021. This is half of the full \$75,000, presumably based on the January 1, 2021, effective date of the Article 3.

A base commercial driver's license (CDL) permits the licensee to operate large, heavy, or hazardous materials vehicles for commercial purposes. In addition to the base CDL, licensees may obtain additional endorsements such as semi-trailer (T), school bus driver (S), or passenger vehicle (P). To obtain these endorsements, an individual must possess a valid CDL and typically pass both a written and driving test.

Testing and licensing standards for the base CDL and accompanying endorsements are developed by the Federal Motor Carrier Safety Administration (FMCSA) at the U.S. Department of Transportation (USDOT). States are required to ensure that their testing and licensing procedures conform to these standards and are subject to compliance reviews by FMCSA. States failing to administer written and road tests in accordance to these regulations risk losing up to 6.0 percent of their federal highway funding.

In addition to the base CDL and endorsement for school bus drivers, Rhode Island law requires an individual to attend and pass a 10-hour school bus driver certification course. Every five years, an individual must attend a 3-hour refresher course to renew the license.

Currently, training for the base CDL and accompanying endorsements are provided by private truck driving schools. CCRI also provides preparation classes for the base CDL, as well as the 10-hour and 3-hour school bus driver certification classes and tests. These classes are conducted at all three of its campuses. The written test for the CDL and its endorsements are administered by the DMV. CCRI currently administers the CDL road test on behalf of the DMV, which would shift to the DMV under Article 3.

According to the DMV and the State's Office of Management and Budget (OMB), this shift would improve oversight and customer service.

- **Oversight:** Road testing for the CDL is closely regulated and audited by USDOT. Ensuring compliance with FMCSA standards is the responsibility of the DMV. Currently, because DMV staff are not present when CDL road testing occurs, they cannot guarantee that standards are being met. In-housing the road testing function mitigates the risk of non-compliant testing.
- **Customer Service and Efficiencies:** According to the DMV, Article 3 changes would improve customer service and create efficiencies. FMCSA rules require that an individual taking the road test present proof of insurance, copies of relevant permits, and proof of registration. If that a customer does not bring these materials, CCRI cannot permit the test to be taken. The DMV would be able to provide the

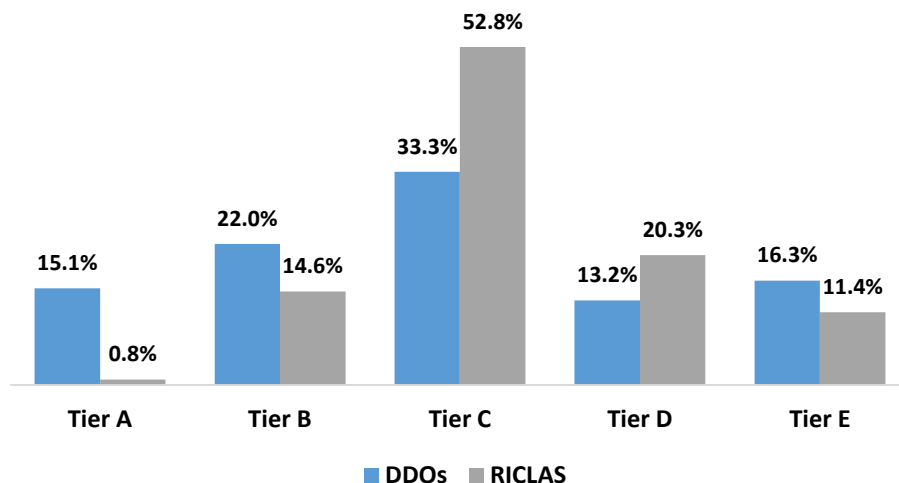
individual with these materials at the time of the test, allowing the test to go forward. Similarly, upon successful completion of the test, the DMV would be able to provide the license to the customer immediately.

RICLAS Privatization

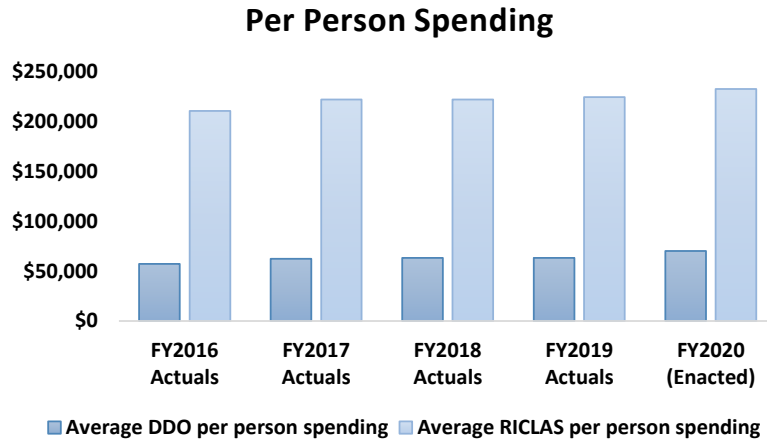
The article eliminates language referencing Rhode Island Community Living and Supports (RICLAS), the state-run group home system for individuals with developmental disabilities. References to the RICLAS program are eliminated to reflect the privatization of the system. RICLAS operates 25 group homes, all of which are state-owned and state run. The operations and clients of the RICLAS system would be transitioned over to private Licensed Developmental Disability Organizations (DDOs) by October 1, 2020.

There are 120 individuals receiving services under the RICLAS system and 3,386 individuals receiving services from private DDOs as of December 2019. The majority of RICLAS participants are former Ladd School patients, which closed as part of a deinstitutionalization initiative in 1994. Individuals in the RICLAS system tend to be older with more complex health statuses. Rhode Island uses the Support Intensity Scale (SIS-A) to determine the needs and related funding for individuals receiving services. The SIS-A assigns individuals a tier level, and services are recommended to individuals based on the assigned tier level. The table below displays the distribution of tiers in the DDO system and the RICLAS system.

Tier Distribution for DDOs and RICLAS



As state employees, RICLAS personnel are eligible to receive workers compensation, retirement benefits, health insurance, longevity pay, and other benefits provided to state employees. There are 238.2 FTEs, of which 62 have statutory status, that serve 25 group homes. The Budget includes \$2.3 million in general revenue to maintain the salaries and benefits of the statutory employees. This is a large factor in the per person expenditures at RICLAS.



BHDDH must meet several deadlines to ensure compliance with laws regarding the privatization of state services to meet the October 1, 2020 expected closure date. At least six months before privatization, BHDDH would be required to notify the affected Collective Bargaining Units of the intent to solicit proposals to privatize the system. At least 60 days before the request for proposals (RFP) is issued, the cost analysis and statement of work must be sent to the affected collective bargaining units. Before the RFP is issued, all individuals, their families and/or guardians must be notified of the intent to issue an RFP for potential privatization. After at least 60 days, BHDDH would evaluate all bids and award the bid to DDO providers.

The Budget includes \$500,000 (\$1.0 million all funds) to hire a consultant to implement the privatization of RICLAS. Net of privatization implementation costs, the Budget includes general revenue savings of \$2.8 million (\$9.7 million all funds) from the RICLAS privatization.

Department of Revenue Collections Unit

Article 3 expands the Department of Revenue (DOR) Central Collections Unit (CCU) pilot program.

The FY2019 Budget as Enacted established the CCU for tracking and collecting delinquent debts owed to State agencies. The unit is currently remains authorized as a pilot program, allowing DOR to implement changes and demonstrate the effectiveness of this approach to agency collections. The unit operates with 8.0 FTE positions and a budget of \$899,649.

It was estimated that the program would generate \$1.3 million in additional general revenue in FY2019. At the time of the November 2019 Revenue Estimating Conference (REC), the CCU had only collected \$195,988. The CCU relies on agencies to voluntarily engage with it and enter into Memorandums of Understanding (MOUs) for its services. Since the pilot was established, seven agencies have entered into 13 MOUs with the CCU.

Agency	Principal Debt Referred	Principal Collected	Interest	Total Collected
			& Fees Collected	
DLT	\$3,371,094	\$152,980	\$1,360	\$154,341
DEM	98,899	27,893	300	28,193
Ethics Commission	141,376	7,390	175	7,565
DOA	59,711	4,285	-	4,285
Human Rights	4,000	1,200	-	1,200
Board of Elections	10,250	404	-	404
Taxation	2,690,409	-	-	-
Total	\$6,375,739	\$194,152	\$1,835	\$195,988

Source: DOR - November 2019 REC

Article 3 makes the following changes to the CCU:

- **Mandatory Participation:** Mandates that all State agencies, quasi-public agencies, boards, and commissions shall begin participating in the collections unit program no later than October 1, 2020. As noted previously, participation is currently voluntary.
- **Statutory Deadlines:** Requires that agencies must refer all eligible debts no later than January 31, 2021, unless prohibited by federal law. After February 1, 2021, participating agencies shall refer all eligible debts to the CCU within 30 days of eligibility. The CCU, however, retains the discretion to refer debt back to the agency when deemed appropriate. The article also provides the CCU with the authority to negotiate the terms of settlement agreements with debtors, including the amount of principal, interest, penalties, and fees to be paid to settle and collect.
- **Non-General Revenue Collections Fee:** Authorizes the CCU to withhold 15.0 percent of amounts collected on a debts that consist of 50.0 percent or more of non-general revenue funds. According to the Office of Management and Budget (OMB), the fee will offset the cost of CCU operations.

The Budget does not assume a fiscal impact related to these changes.

Indirect Aid Withholding

Article 3 expands the categories of State aid that may be withheld from a city or town for delinquent debt to include indirect local aid. Section 9 of the article adds the local community proceeds of the hotel tax (RIGL 42-63.1-3), the 1.0 percent local meals and beverage tax (RIGL-44-18-18.1), and the CATV public service corporation tax (RIGL 44-13-13). The article also shortens the amount of time a municipality has to pay a state entity before it is considered delinquent from 180 days to 90 days.

Under R.I.G.L. 45-13-1.1 the State is permitted to withhold appropriated direct local aid from any municipality that is delinquent, by 180 days or more, in remitting funds it owes to a State entity. Direct local aid is comprised of several state aid programs that disburse funds based on eligibility and formula. These include the Payment in Lieu of Taxes (PILOT) program and the Distressed Communities program. Current law does not permit the State to withhold appropriated funds for the motor vehicle excise tax phase-out, a direct local aid program, or from any of the indirect local aid programs. Indirect local aid programs involve revenue collected by the State on behalf of cities and towns and disbursed based on specific criteria. These include a portion of the 5.0 percent hotel tax, the meal and beverage tax, and the public service corporation tax.

The changes included in Article 3 would permit the State to withhold indirect local aid from the Town of Exeter for the cost of services provided by the State Police to the Town. Exeter is the only municipality in Rhode Island without a police force. Law enforcement and public safety services for the town are provided by the Rhode Island State Police. The State Police attempted to formalize a services agreement with Exeter in 2007 and then again in 2014. On both occasions, the town council rejected the attempt and asserted its right not to establish a police force, arguing that the State Police are obliged to respond to public safety calls across the entire State.

In 2019, the State Police responded to 2,030 calls in Exeter and have averaged around 2,000 a year over the last three years. Similarly-sized communities, such as West Greenwich, average 80.0 percent less (see table). The Department of Public Safety's recommended annual staffing includes 1.0 Sergeant and 2.0 Troopers to meet this demand.

State Police Activity in Exeter - 2019

Arrests	Incidents	DUIs	Citations	Accidents	Calls
63	407	11	682	167	2,030

State Police Activity - Comparison

Town	Population	Size (sq. mi.)	State Police Calls	
			2017	2018
Exeter	6,527	58.4	1,890	2,109
West Greenwich	6,231	51.3	310	487
Foster	4,606	51.9	161	156

The Budget shifts \$443,310 from general revenues to restricted receipts within the Department of Public Safety to cover the costs of State Police personnel that provide services to Exeter. The Governor's Budget includes these expenses as restricted receipts, assuming that the town will reimburse the State. If Exeter does not pay this bill, the State has no other recourse to obtain funds from the town under current law because Exeter is not eligible for the direct local aid categories that may be withheld. However, the changes under Article 3 would give the State access to the \$1.9 million in indirect local aid available for Exeter. This would allow the State to withhold \$443,310 from the Town's indirect local aid to cover the expenses.

Transport and Guarding of Detainees

Article 3 amends the emergency police power statute so that out-of-State police officers retain their status until eight hours after a detainee is discharged from a medical facility.

From 2016 to 2018, Rhode Island area hospitals admitted 16 detainees for medical treatment who were arrested and charged with a crime in another state. Out-of-State police officers that transport and guard these individuals are granted temporary emergency police powers while in Rhode Island. The officers are required to notify the Rhode Island State Police before entering the State and are granted the emergency powers for eight hours, during which they operate under the command of the State Police. If the detainee remains in the area hospital for longer than eight hours, the responsibility of guarding the detainee falls to Rhode Island sheriffs. Article 3 would allow out-of-State officers to retain this status for the duration of a detainee's hospital stay.

In the three year-period from 2016 to 2018 there were a total of 16 incidents where these emergency powers were granted at an estimated total cost of \$173,475, or an average of \$57,825 per year. Consequently, the Governor's Budget assumes that this change will save the Department of Public Safety (DPS) \$57,825 in general revenue personnel costs in FY2021.

Line-Item Veto

Article 3, Section 11 includes a joint resolution pursuant to Section 1 of Article XIV of the State Constitution calling for the placement of a referendum before the electorate of the state at the next statewide general election (November 3, 2020), to approve or reject the proposition of a line item veto by the Governor in the appropriation of money or other items in a bill. The resolution establishes a separate override rule for such line-item vetoes. If approved by the voters, the proposition will amend Article IX of the Rhode Island constitution and be effective January 3, 2023.

Specifically, the proposed line item veto provisions would allow future governors to address appropriations of money by:

- Approving or disapproving the entire bill in like manner as all other bills.
- Reducing or eliminating any sum or sums of money appropriated in the bill while approving other portions of the bill.
- Disapproving non-appropriation provisions of a bill such as articles, sections, and subsections.

Furthermore, to the extent an item or part of an item is disapproved by the Governor that constitutes a condition directing or redirecting an appropriation, the sum of the fund of the disapproved condition shall not be reduced but instead remain as part of the appropriated funds. This action will allow such specified appropriations to remain for other use within a state agency.

The resolution does include limitations on a governor's line item veto authority. In approving a bill in part, the Governor may not:

- Create a new word by rejecting individual letters in the words.
- Create a new sentence by combining parts or two or more sentences.

Each vetoed item could be reconsidered by the General Assembly, but done so separately and individually, under the existing veto timeline, except that, the resolution establishes a separate override rule for items subject to the governor's line-item veto. In such cases, each separate override will require an affirmative vote of two-thirds by each chamber rather than the normal override provision of three-fifths of each chamber. This will require an additional five members of the House of Representatives and an additional two members of the Senate needed to override each line item vetoed item.

Chamber	Members	Constitutional Veto 3/5's Override	Line Item Veto 2/3's Override
Representatives	75	45	50
Senate	38	23	25

Since 2015, forty-four states provide governors some form of line item veto. Besides Rhode Island, the other five states that do not possess this line item veto are Indiana, Nevada, New Hampshire, North Carolina, and Vermont. In these six states, the governor may only veto the entire bill. The following table illustrates the authorized allowances of the line item veto amongst the fifty states.

Gubernatorial Line Item Veto Authority

States	Funding for Particular Line Item	\$'s for Entire Program or Agency	Language in Appropriation	Language in Footnote or Appropriation Explaining How \$'s to be Spent	Proviso or Contingency Language on Expenditure of Appropriation	Entire Bill Only	Reduce Amounts or Substitute Amounts for Legislature to Consider	Other
Alabama	X	-	-	-	-	-	S*	-
Alaska	X	X	X*	X*	X*	-	R	-
Arizona	X	X	-	X*	X*	-	-	-
Arkansas	X	X	-	-	-	-	-	-
California	X	X	X*	X*	X*	-	R	-
Colorado	X	X	-	X*	X*	-	-	-
Connecticut	X	X	-	-	-	-	-	-
Delaware	X	X	-	-	-	-	-	-
Florida	X	-	-	-	X*	-	-	-
Georgia	X	X	X	X	X	-	-	-
Hawaii	X	-	-	-	-	-	-	-
Idaho	X	-	-	-	-	-	-	-
Illinois	X	X	-	-	-	-	R*	-
Indiana						X		
Iowa	X	X	X	X	X			X*
Kansas	X	-	-	-	X	-	-	-
Kentucky	X	X	X	-	X	-	-	-
Louisiana	X*	X	X	X	X	-	-	-
Maine	X*	X	-	-	-	-	R*	X*
Maryland	-	-	-	-	-	-	-	-
Massachusetts	X	X	X	X	X	-	R	-
Michigan	X	X	X	X	-	-	-	-
Minnesota	X	-	-	-	-	-	-	-
Mississippi	X	X	X	X	X	-	-	-
Missouri	X	X	X*	-	-	-	R	-
Montana	X*	X	X*	-	-	-	-	-
Nebraska	X	X	X*	-	-	-	R	-
Nevada						X		
New Hampshire						X		
New Jersey	X	X	X	X	X	-	R	-
New Mexico	X	X	X	X	X	-	-	-
New York	X	X	X	X	X	-	-	X*
North Carolina						X		
North Dakota	X	X	X	X	X	-	-	-
Ohio	X	X	X	X	X	-	-	-
Oklahoma	X	X	X	X	X	-	-	-
Oregon	X	-	-	-	-	-	-	-
Pennsylvania	X	X	-	-	-	-	-	-
Rhode Island						X		
South Carolina	X	X	X	X	X	-	-	-
South Dakota	X	-	-	-	-	-	-	-
Tennessee	X	X	-	-	-	-	R	-
Texas	X	X	-	-	X*	-	-	X*
Utah	X	-	*	*	*	-	-	-
Vermont						X		
Virginia	X	X	X*	X*	X*	-	R	-
Washington	X	X	X	X	X	-	-	-
West Virginia	X	X	X	-	-	-	R	-
Wisconsin	X	X	X	-	X	-	R* S*	-
Wyoming	X	X	-	X	X	-	-	-

Source: National Conference of State Legislatures

Items with an X indicate what types of line item veto ability a governor has in each state.

Items with an astrisk delineate multiple variations or limits to a governor's line item veto.

R means reduce amounts, S means substitute amounts for legislature to consider.

Article 4: Relating to Debt Management Act Joint Resolutions

This article authorizes the issuance of \$118.8 million in certificates of participation (COPs) for multiple state projects within the Department of Administration; the Department of Children, Youth, and Families; the Executive Office of Health and Human Services; and, the Department of Public Safety. The article also authorizes the issuance of \$64.2 million in Motor Fuel Tax Revenue Bonds for the Department of Transportation.

FISCAL IMPACT

The article authorizes the issuance of \$118.8 million in certificates of participation (COPs) for multiple state projects and \$64.2 million in Motor Fuel Tax Revenue Bonds to provide state match funding for multiple infrastructure projects planned by the Department of Transportation.

Proposed Debt Authorizations					Annual Debt	Term of
Revenue Bonds	Department	Principal	Interest	Total Debt	Service	Loan (years)
Enterprise Resource Planning System	DOA	\$54.8	\$6.2	\$61.0	\$8.7	7.0
Child Welfare Info. System Replacement	DCYF	17.0	2.7	19.7	2.0	10.0
Eleanor Slater Hospital- Regan Building	EOHHS	12.0	2.8	14.8	1.0	15.0
Southern Barracks	DPS	35.0	8.2	43.2	2.9	15.0
Transportation Projects*	DOT	64.2	18.2	82.4	n/a	15.0
Total		\$183.0	\$38.1	\$221.1		

* Annual Debt Service for Transportation Projects not yet known

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

ANALYSIS AND BACKGROUND

Enterprise Resource Planning System (ERP) (\$54.8 million)

Section 2 authorizes the issuance of \$54.8 million in certificates of participation (COPs) to finance a portion of the modernization of the State's decades-old legacy systems for human resources, payroll, grants management, and financial data systems. The current system is outdated, leaving decision makers unable to receive accurate information in a timely manner. The current systems are susceptible to various single points of failure and are at-risk for security breaches. The new system, referred to as the Enterprise Resource Planning System or ERP, will have a total projected cost of \$73.7 million. An additional \$18.9 million will be financed through the Information Technology internal service fund. The resolution proposes that the \$54.8 million in COPs will be disbursed in two issuances, each with a seven-year term at an interest rate of 2.75 percent. The first issuance of \$36.3 million will occur in FY2021 with a seven-year term. The second disbursement of \$18.5 million will be issued in FY2023 and will also have a seven-year term. The total aggregate authorized debt service costs are not expected to exceed \$61.0 million.

Rhode Island Children's Information System (RICHIST) (\$17.0 million)

Article 4 authorizes the issuance of \$17.0 million in certificates of participation (COPs) to provide 60.0 percent of the estimated \$28.0 million required to replace the Department of Children, Youth, and Families' child welfare case management system, known as RICHIST. The remaining 40.0 percent, or \$11.0 million, would be supported by federal funds.

The total funding of \$28.0 million would be utilized over three years, FY2021 through FY2023, as follows:

Rhode Island Children's Information System	FY2021	FY2022	FY2023	Total
Certificates of Participation	\$2,000,000	\$10,000,000	\$5,000,000	\$17,000,000
Federal Funds	1,300,000	6,500,000	3,200,000	11,000,000
Total	\$3,300,000	\$16,500,000	\$8,200,000	\$28,000,000

Analyst Note: The Governor's recommendation for FY2021 does not include the \$1.3 million in federal funds planned for this project. According to the Budget Office, the Governor plans to submit an amendment to include the federal funding within the Department of Children, Youth, and Families.

RICHIST was developed in 1998 and serves as a registry for all confidential case, financial, provider, and staff management information. RICHIST also generates the caseload and financial data which the Department reports to the Governor, General Assembly, and the federal government. While Rhode Island was a national leader when RICHIST was first developed, it now relies on antiquated technology that has not adapted well to changes over the last 22 years. Most significantly, the existing RICHIST system does not enable easy mobility for staff in the field which inhibits the Department's ability to operate efficiently.

The new system would be a modular system that enables data analytics and reporting, allows easy access to real-time information when making important decisions for children and families, and simplifies the system's mobile interface. The federal government encourages the use of modular systems because they are more comprehensive and flexible, and they enhance the ability to navigate case information and incorporate data analytics into child welfare practice. Modern systems are also more dynamic, allowing child welfare agencies to respond more adeptly to frequent changes in standards and practices.

The annual general revenue payment on the COPs authorized by this article would be approximately \$1.9 million, based on an assumed interest rate of 2.75 percent over ten years. These payments would be budgeted within the Department of Administration, although the Governor's Budget does not include funding in FY2021. According to the Budget Office, due to the anticipated timeline for issuance, the Budget assumes that the first payment would be made in FY2022 and would be made annually through FY2031. Including interest, the total cost to the State will be \$19.7 million at the end of the ten-year period.

Eleanor Slater Hospital (\$12.0 million)

This article authorizes the issuance of \$12.0 million in certificates of participation (COPs) to support an ongoing reorganization project at Eleanor Slater Hospital (ESH), the state-run psychiatric and long-term care hospital. The total estimated cost of the project is \$61.9 million, including \$27.9 million from the Rhode Island Capital Plan Fund and \$22.0 million in previously authorized in COPs.

Hospital renovations began during FY2018 after the Hospital was denied initial accreditation by the Joint Commission for the Accreditation of Healthcare Organizations (JCAHO) due to significant ligature risks throughout several buildings. This accreditation allows ESH to bill Medicare, Medicaid, and other insurers approximately \$55.0 million annually. The JCAHO reinstated accreditation after the hospital submitted a plan to rehabilitate several buildings to meet federal standards, increasing the estimated project cost from \$29.9 to \$61.9 million. The reinstatement is contingent upon the hospital's ability to make these necessary improvements; failure to do so could result in the permanent loss of accreditation.

Article 4 authorizes the issuance of COPs to fund the additional \$12.0 million required for project completion. The FY2021 Budget as Enacted includes a debt service payment for the reorganization project of \$1.9 million within DOA. Repayment of the COPs would be funded through general revenues.

Southern Barracks (\$35.0 million)

In 2018, the Department of Public Safety (DPS) initiated a comprehensive planning review and feasibility study related to the Rhode Island State Police (RISP) barracks facilities located in Wickford, Hope Valley, and Portsmouth. The review and study were completed in the fall of 2019, and were coordinated by a master

planning committee consisting of members of the RISP, Department of Administration (DOA)'s Division of Capital Asset Management and Maintenance (DCAMM), the Office of Management and Budget, and the architectural and engineering design firm Kaestle Boos Associates.

The committee found that the existing three barracks, which were built in the 1930s, do not meet the 21st century public safety and policing requirements of the State Police. Specifically, the current barracks are no longer located along main thoroughfares, are in poor condition, are expensive to operate and maintain, and are not configured with a modern police facility layout. It was determined that it is not feasible to renovate the existing structures; and therefore, it is necessary to build a new, combined barracks in the southern part of the state. The preferred location, which remains subject to Federal Highway Administration and RI Department of Transportation approval, is a parcel of land located in West Greenwich off Route 95 at Exit 7 (New London Turnpike) between the northbound off ramp and the Park & Ride lot.

Transportation Projects (\$64.2 million)

The article authorizes the issuance of \$64.2 million in Motor Fuel Revenue Bonds for the maintenance and repair of the Henderson Bridge in East Providence, and other bridge and highway projects as identified in the State Transportation Improvement Program (STIP). The majority of these funds will be used as a state match for newly secured federal funds, any remaining funding will be used for the 1-95 Northbound Viaduct Project.

In February 2019 and again in December 2019, Senator Reed's office announced that the State would be receiving additional federal funds for the replacement of the Henderson Bridge, the Cranston Huntington Viaduct Bridge, and other highway improvements. The additional federal funds require a 20.0 percent state match.

In FY2020, the General Assembly approved the issuance of \$200.0 million in GARVEE bonds for the 1-95 Northbound Viaduct Project. The total project cost was estimated to be \$250.0 million with a 10.0 percent state match. In July 2019, the Department of Transportation was awarded an additional \$60.0 million from a federal discretionary INFRA grant. These additional funds require that the state match for the project be increased from 10.0 percent to 20.0 percent, requiring an additional \$25.0 million.

Debt service for the bonds is not anticipated to exceed \$82.4 million over a 15 year term and payments will be supported by \$0.02 of the gasoline tax.

Article 5: Relating to Capital Development Program

This article submits a total of \$268.8 million in ballot referenda to Rhode Island voters for their approval. Proposed as three questions on the November ballot, the following projects are included.

Article 5: Relating to Capital Development Program

November 2020 Bond Referenda	Amount
Higher Education Facilities Bond	\$117.3
<i>University of Rhode Island Fine Arts Center</i>	\$57.3
<i>Rhode Island College Clarke Science Building Renovation</i>	38.0
<i>Community College of Rhode Island Renovation and Modernization</i>	12.0
<i>Center for Ocean Innovation</i>	10.0
Beach, Clean Water, and Green Bond	\$64.0
<i>State Beaches, Parks, and Campgrounds</i>	35.0
<i>Local Recreation Projects</i>	4.0
<i>Natural and Working Lands</i>	3.0
<i>Clean Water and Drinking Water</i>	15.0
<i>Municipal Resiliency</i>	7.0
Housing and Infrastructure Bond	\$87.5
<i>Housing Opportunity</i>	25.0
<i>Port of Davisville Infrastructure at Quonset</i>	20.0
<i>Industrial Site Development</i>	21.5
<i>Early Childhood Care and Education Capital Fund</i>	15.0
<i>Cultural Arts and the Economy Grant Program</i>	5.0
<i>State Preservation Grants Program</i>	1.0
Total	\$268.8

\$ in millions.

FISCAL IMPACT

The article permits \$268.8 million in bond referenda to be placed on the November 2020 ballot including, \$117.3 million in bonds for higher education, \$64.0 million in bonds for the Green Economy, and \$87.5 million for housing and infrastructure. Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2022 at \$21.6 million. Total debt service over the life of the bonds would be \$431.4 million, including \$162.6 million in interest payments.

ANALYSIS AND BACKGROUND

Higher Education Facilities Bond

The Budget includes a \$117.3 million general obligation bond authorization be placed on the November 2020 ballot for higher education facilities. Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2022 at \$9.4 million. Total debt service over a 20-year term would be \$188.2 million, including \$70.9 million in interest. The bond proceeds would be allocated as follows:

- **University of Rhode Island Fine Arts Center (\$57.3 million):** The Budget includes a \$57.3 million bond referendum to fund repairs and construction of new facilities in support of musical, theatrical, visual, and graphic arts disciplines. While phase 1A of the project was completed with \$14.8 million in Rhode Island Capital Plan (RICAP) funds, the general obligation bond funds will be used to support

phase 1B of the project. Phase 1A focused on the building envelope and mechanical systems for five of the 10 pods of the building. Phase 1B involves demolishing the other five pods, replacing outdated spaces with a new building to provide needed academic space, and connecting the performance spaces improved through phase 1A.

Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2022 at \$4.6 million. Total debt service over a 20-year term would be \$92.0 million, including \$34.7 million in interest payments.

- **Rhode Island College Clarke Science Building Renovation (\$38.0 million):** The Budget provides a \$38.0 million bond referendum to fund the renovation of the Clarke Science Building which houses the School of Chemistry and Physics. The project will improve science and technology laboratories that support degree programs critical to the College's mission of statewide workforce development.

Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2022 at \$3.0 million. Total debt service over a 20-year term would be \$61.0 million, including \$23.0 million in interest payments.

- **Community College of Rhode Island Renovation and Modernization (\$12.0 million):** The Budget includes a \$12.0 million bond referendum to fund the restoration and enhancement of student support spaces, infrastructure improvements, and technology at the four campuses. This bond will be used to modernize classrooms, labs, and student support spaces; upgrade student services and common areas; provide core building infrastructure upgrades; expand campus technology; improve energy efficiency; fund Americans with Disabilities (ADA) upgrades; and, improve campus traffic flow.

Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2022 at \$962,911. Total debt service over a 20-year term would be \$19.3 million, including \$7.3 million in interest payments.

- **Center for Oceanic Innovation (\$10.0 million):** The Budget includes a \$10.0 million bond referendum to fund the development of one or more Centers for Ocean Innovation. The project includes the development of undersea and maritime technologies to create a "Smart Bay". Of the total, \$6.0 million will be used to rehabilitate the bulkhead, the dock, and the boat launch; \$1.0 million is for scientific sensors for research; and \$3.0 million is for an education and research facility. The total building cost is projected at \$4.4 million with \$1.4 million being leveraged from private sources.

Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2022 at \$802,426. Total debt service over a 20-year term would be \$16.0 million, including \$6.0 million in interest payments.

Beach, Clean Water, and Green Bond

The Budget includes a \$64.0 million general obligation bond authorization be placed on the November 2020 ballot for environmental and recreational purposes. Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2022 at \$5.1 million. Total debt service over a 20-year term would be \$102.7 million, including \$38.7 million in interest payments. The bond proceeds would be allocated as follows:

- **State Beaches, Parks, and Campgrounds (\$35.0 million):** Provides funding for major capital improvements to state beaches, parks, and campgrounds. The projects may include a new facility at Goddard Park beach; upgraded facilities at Roger Wheeler State beach, Scarborough State beach, Misquamicut State beach, and Brenton Point; and, improvements to various campgrounds.
- **Local Recreation Projects (\$4.0 million):** Provides funding for matching grants for up to 80.0 percent of project costs associated with municipalities acquiring, developing, or rehabilitating local recreation facilities. The grant applications will be evaluated and ranked by the State Recreation Resources

Review Committee, which is comprised of state and local government officials and representatives of non-profit agencies. DEM exhausted the remaining \$4.0 million in 2014 bond funds for grant awards in 2016. Voters approved \$2.0 million in general obligation bonds in 2016 and \$5.0 million in 2018. According to DEM, applications for the \$5.0 million approved in FY2018 total over \$13.0 million in local projects. The new bond proceeds would be used to continue the program in FY2021. Since the inception of the program in 1988, DEM has awarded 519 grants totaling \$73.0 million worth of investments in all of Rhode Island's 39 cities and towns.

- **Natural and Working Lands (\$3.0 million):** Provides funding to protect working forest and farm lands across the State including the purchase of forest conservation easements, and the purchase of developmental rights by the Agricultural Lands Preservation Commission and the State Farmland Access Program.
- **Clean Water and Drinking Water (\$15.0 million):** Provides funding for clean water and drinking water infrastructure improvements. Clean water projects include wastewater collection and treatment upgrades, stormwater resilience improvements, combined sewer overflow projects, water pollution abatement projects, and other water quality protection initiatives. Drinking water projects include construction of and improvements to water supply, treatment, and distribution infrastructure.

The funds will provide the state match to recapitalize the Clean Water and the Drinking Water revolving funds at the Rhode Island Infrastructure Bank (RIIB). The revolving funds are capitalized by federal Environmental Protection Agency (EPA) grants, with the State providing a 20.0 percent match, generally through general obligation bond proceeds. The revolving funds were last capitalized with state funds from the proceeds of the 2018 general obligation bond for \$6.1 million. According to RIIB, the investment of \$15.0 million is projected to leverage approximately \$75.0 million in federal funds.

- **Municipal Resiliency (\$7.0 million):** Provides funding for matching grants for up to 75.0 percent of project costs to municipalities for restoring and/or improving the resiliency of infrastructure and vulnerable coastal habitats, and for restoring river and stream floodplains.

Analyst Note: The Budget includes \$17.9 million in fund transfers from the Rhode Island Infrastructure Bank in FY2020 and FY2021. If the proposed transfers are enacted, RIIB will have lost \$24.5 million of infrastructure funds over four fiscal years. RIIB uses its operating capital to develop new programs and meet special infrastructure financing needs. For example, \$2.0 million of operating capital was committed to the inaugural round of the Municipal Resiliency Program, which assists municipalities in developing resiliency plans and investing in projects to protect against the impact of climate change.

Housing and Infrastructure

The Budget includes an \$87.5 million general obligation bond authorization be placed on the November 2020 ballot for housing, facility improvements, and infrastructure projects. Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2022 at \$7.0 million. Total debt service over a 20-year term would be \$140.4 million, including \$52.9 million in interest payments. The bond proceeds would be allocated as follows:

- **Housing Opportunity (\$25.0 million):** Provides funding to support the development of affordable and workforce housing in Rhode Island. This financing is part of a larger set of affordable housing initiatives in the Budget, including increasing the real estate conveyance tax and directing the new revenue into a dedicated Housing Production Fund (HPF). The Housing Opportunity bond funds will also be held in and distributed out of the HPF. The programming of these funds will be overseen by a new Housing Resources Coordinating Council.
- **Port of Davisville Infrastructure at Quonset (\$20.0 million):** The Budget provides \$20.0 million through a general obligation bond referendum for infrastructure modernization and repairs at the Port, including the construction of a new pier at Terminal Five, the rehabilitation of Pier One, and dredging

around the main piers. These projects will allow for the Port of Davisville to support the existing cargo and auto export business onto the smaller Pier 1 and onto a new pier to be located south of Pier 1. This will allow the space on the larger pier to accommodate the cargo and logistics staging for the offshore wind business. This work follows the \$205.0 million Port of Davisville master plan and is in conjunction with the ongoing capital infrastructure general obligation bond funded projects approved in the FY2017 Budget as Enacted.

- **Industrial Site Development (\$21.5 million):** Provides funds to increase the amount of vetted, permitted, and utility-ready sites available for economic development projects across Rhode Island. This bond measure is part of a larger set of site-readiness initiatives in the Budget. Article 11 establishes a new Site Readiness Program to oversee and coordinate investment in these “pad-ready” sites and help municipalities overcome barriers to creating them. The Budget also authorizes the Quonset Development Corporation (QDC) to act in the place of CommerceRI under the program for those municipalities that request the QDC’s services and expertise related to site development
- **Early Childhood Care and Education Capital Fund (\$15.0 million):** Provides funding for physical improvements to and the development of licensed early childhood care and education facilities. According to the Office of Management and Budget and the Department of Human Services:
 - \$12.0 million of the bond proceeds will be used to develop new spaces. This funding is expected to support eight to 12 projects, creating capacity for as many as 1,500 children.
 - \$2.0 million is for small grants to address urgent health and safety concerns, make quality improvement, and reconfigure spaces to increase capacity and serve priority populations such as infants and toddlers.
 - \$1.0 million will provide technical assistance and training to prepare organizations for success, fund administration, and monitor compliance.

Analyst Note: Pursuant to the Rhode Island Early Childhood Care and Education Capital Fund, proposed in Article 10, an “eligible facility” is a building, structure, or site that is, or will be, owned, leased, or otherwise used by an eligible organization licensed by DHS to provide child care. Municipally-owned buildings are only eligible if there is a single-purpose space for licensed early childhood care.

- **Cultural Arts and the Economy Grant Program (\$5.0 million):** Provides funding to continue the Cultural Arts and the Economy Grant program administered by the Rhode Island State Council on the Arts (RISCA) for capital improvements, preservation, and renovation of public and nonprofit performance centers, museums, and cultural art centers.
 - **Trinity Repertory Company (\$2.5 million):** For the Lederer Theater and the Pell Chafee Performance Centers in Providence.
 - **Rhode Island Philharmonic (\$1.5 million):** For the Carter Center for Music Education and Performance in East Providence.
 - **Other Nonprofit Cultural Organizations (\$1.0 million):** These funds will be allocated by RISCA for 1:1 matching grants to nonprofit cultural organizations that lease or own their performance space and for program administration costs at RISCA.
- **State Preservation Grants Program (\$1.0 million):** Funds will be distributed to cities, towns, and nonprofits organizations to preserve, renovate, and improve public and nonprofit historic sites, museums, and cultural art centers in historic structures. The funding will be administered by the Rhode Island Historical Preservation and Heritage Commission. In November 2014, voters approved \$5.0 million to recapitalize the State Preservation Grant Program. The Commission is currently in the third round of awards supporting 30 statewide projects in FY2019 and FY2020.

Article 6: Relating to Fees

This article makes a number of changes to fees, administrative penalties, and public utilities. Specifically the Article:

- **Special Data Analysis Request Fee:** Authorizes the Director of the Department of Health (DOH) to establish fees in response to requests for processing special data analysis.
- **EMS Professional Licensing Fee:** Requires Emergency Medical Services (EMS) personnel working for cities and towns, volunteer, and non-profit organizations to pay the EMS professional licensing fees.
- **Misclassification of Employees:** Increases the fee charged to employers for the first offense of a misclassification of an employee from no less than \$1,500 and no greater than \$3,000 to no less than \$3,000 and no greater than \$4,000. This fee can be charged for each employee that the employer misclassifies.
- **General Permit and Inspection Fees:** Increases general permit fees based on the cost of construction for new buildings, additions, alterations, structures, etc. The article also increases the State Fire Marshal's Office inspection fee from \$100 to \$250 per inspection and clarifies that this fee shall constitute payment for the initial inspection and any required subsequent inspections.
- **Explosives Permit Fees:** Establishes a standard fee of \$100 per year for an explosives manufacturer's/dealer's/possessor's permit and establishes a user's fee of \$50 per project. The article also removes the non-refundable \$25 fee for the processing and issuance of apprentice permits.
- **Late Fee – License and Registration Renewal:** Establishes a \$15.00 late fee that is paid, in addition to applicable renewal fees, for the late renewal of an operator's license, a chauffeur's license, or a commercial driver's license. The article also establishes a \$15.00 fee, in additional to applicable renewal fees, for the late renewal of a motor vehicle registration.
- **Driving Records – Online Subscription Fee:** Increases the fee for driving records obtained through an online subscription service from \$16.00 to \$20.00.
- **Registration Reinstatement Fee:** Establishes a \$100 fee for the reinstatement of the registration or certificate for a motor vehicle if the registration was suspended pursuant to RIGL 31-8-4(a), 31-38-3, 31-38-4, or 31-47.1-3.
- **Substance Abuse Education Fee:** Establishes a \$250 substance abuse education fee for any person found guilty of driving under the influence or for a violation of refusal to submit to a chemical test. This fee will be allocated to BHDDH to support substance abuse programs.
- **Administrative Penalty - Payment of Debts by Contractors:** Amends RIGL 37-13, "Labor and Payment of Debts of Contractors", to establish an administrative penalty to be paid by an employer who enters into a settlement with the Department of Labor and Training to administratively resolve any labor and payment violations pursuant to this chapter, rather than have a formal administrative hearing. The administrative penalty shall be no less than two times the total amount agreed to be due by the employer and no greater than three times the amount.
- **Hearings - Payment of Debts by Contractors:** Article 6 amends RIGL 37-13 to increase the number of days the Director of Labor and Training, or a designee, is required to hold a hearing after issuing an order from 10 days to 30 days. The Article also increases the number of days that the Director of Labor and Training, or a designee, has to make a determination and enter an order about the hearing from 10 days to 30 days after the hearing. Article 6 further adjusts the payment of a civil penalty to include an amount of no less than two times the amount found to be due and no greater than three times the amount. Under current law the civil penalty does not have a minimum.

- **Public Utilities and Carriers - Utility Service Restoration Act:** Adds a new chapter, RIGL 39-2.3, "Utility Service Restoration Act", that requires all investor-owned gas and electric companies to file an annual emergency response plan. A fine of \$500 per day may be issued to any company failing to file the required emergency response plan.
- **Public Utilities and Carriers - Penalties for Violations:** Increases the fine paid by any officer, agent, or employee of a public utility, who fails to comply with the provisions in Chapters 1-5 or RIGL 39-4, from \$100 to \$1,000. The Article also requires that any public utility who fails to comply with Chapters 1-5 of RIGL 39-4, as determined by the Public Utilities Commission, to forfeit a sum not exceeding the greater of \$200,000 or 0.02 percent of the annual intrastate gross operating revenue of the public utility.
- **Sheriff Training Academy Application Fee:** Implements a \$50 application fee for applicants to the sheriffs' training academy. The Director of Public Safety may waive this fee if it would impose a hardship upon the applicant.

FISCAL IMPACT

The Budget includes an additional \$9.4 million in revenues related to the fees implemented and increased in Article 6.

Article 6:	Current Fee	Proposed Fee	Revenues
DOH Data Request Fee	-	\$140/hr	\$438,900
EMT Licensing Fee	-	\$80 - \$120	333,600
Misclassification of Employees	\$1,500 - \$3,000	\$3,000 - \$4,000	4,200,000
General Permit Fee	\$25 - \$3,033+	\$35 - \$3,292+	540,000
State Fire Marshal Inspection Fee	\$100	\$250	13,950
License Renewal Late Fee	-	\$15	1,136,025
Online Driving Records Fee	\$16	\$20	660,000
Suspended Registration Inspection	-	\$100	1,832,100
Substance Abuse Education Fee	-	\$250	220,016
Sheriff Training Academy Fee	-	\$50	13,000
Total			\$9,387,591

ANALYSIS AND BACKGROUND

Center for Health Data Analysis (CHDA)

The Budget establishes a fee for data requests that require the CDHA to analyze, calculate, and/or interpret data. The fee would be set by the Department of Health (DOH) through rules and regulations and is expected to generate \$438,900 in general revenue annually. Approximately half of the funds generated would be directed to CHDA to support the management of data systems.

The Center receives approximately 700 requests per year and the fee would apply to external requests that require fifteen or more hours. The fee would not apply to Access to Public Records Act (APRA) requests as the records must be created and APRA requests are for existing records. DOH estimates they would receive 209 chargeable requests, at an average hourly rate of \$140 per hour. The Director would have discretionary authority to waive the fee and it would not apply to any public records requests.

Emergency Medical Technician Licensing Fees

The Budget eliminates fee exceptions for emergency medical technicians (EMTs) who provide services for cities or towns, and non-profit organization volunteers. Currently, there are 3,069 EMT professionals that are exempt. License fees range from \$80 to \$120 annually. The elimination of the exemptions is expected to generate \$333,600 in general revenues for FY2021.

Misclassification of Employees

Article 6 increases the civil penalty for misclassified workers, for a first time offense, from no less than \$1,500 and no greater than \$3,000 to no less than \$3,000 and no greater than \$4,000. This fee can be charged for each employee that is misclassified. The fee for subsequent offenses remains \$5,000 per misclassified employee. When deciding on a civil penalty, the Director of the Department of Labor and Training, or a designee, takes into consideration the size of the employer's business and whether the violation was an innocent mistake or willful. In 2019, there were 92 misclassification cases identified, of these cases 23 were finalized. Misclassification cases can often span multiple fiscal years.

State Fire Marshal Fees

The Budget standardizes explosives permit fees at \$100. Currently, the fees vary based on whether the applicant is a manufacturer, dealer, or possessor. User permits would be \$50 per project, which are currently based on the estimated project cost. In addition, the Budget eliminates the \$25 blasting apprenticeship permit fee. The changes in explosive fees were found to have a minimal impact due to a low number of applications, therefore revenue changes were not included in the Budget.

The Budget also includes a number of fee changes within the Office of the State Fire Marshal for plan review general permit fees and inspection fees. The plan review fees are required for the construction of new buildings, additions, alterations, and structures and are based on the total cost of construction. The increase in fees is expected to generate \$540,852 in additional general revenues.

The Budget increases the fire inspection fee from \$100 to \$250 and eliminates the additional fee for reinspections. The changes to fire inspection fees are expected to increase general revenues by \$13,950.

License and Registration Renewal Fee

The Division of Motor Vehicles charges various amounts for the both the initial and the renewal fees related registering motor vehicles and obtaining the various classifications of driver's licenses. The Division, however, does not currently charge a late fee for the renewals of registrations or licenses. Connecticut charges a \$10 fee for a late renewal of a registration and \$25 for a driver's license. Massachusetts does not charge late fees.

According to the Division of Motor Vehicles, there were 50,497 late license renewals and 61,702 late registration renewals in FY2019. The Office of Management and Budget estimated that the imposition of a late fee would reduce these numbers by 10.0 percent. Applying the \$15 fee would yield \$1.5 million in revenue. This estimate was then reduced to \$1.1 million taking into consideration the October 1 implementation date.

Driving Records – Online Subscription Fee

The Division of Motor Vehicle charges a fee of \$16 to provide a complete driver's record. A record consists of a complete list of all accidents an individual has been involved in and all driving violation convictions. The article increases the driving record request fee from \$16 to \$20 if the request is made through an online subscription service.

According to the Division of Motor Vehicles over 90.0 percent of driving records are purchased via RI.gov subscribers. RI.gov is the State's information technology internet portal and companies that regularly use its services become subscribers by entering into a memorandum of understanding (MOU) with the State. Insurance companies and data brokers are the primary purchasers of driving records and they typically buy them in bulk as subscribers to RI.gov.

Less than 10.0 percent of all driving record purchasers are individuals who buy either online or in person. An individual does not have to be a subscriber to RI.gov to obtain a record online, and therefore, is not affected by the fee increase in Article 6.

Suspended Registration Inspection Fee

The penalty for operating a vehicle without a valid inspection sticker is a fine of \$85 and, under RIGL 31-38-2 and RIGL 31-38-3, may also include suspension of the vehicle's registration. The Division of Motor Vehicles (DMV), however, has generally refrained from imposing the latter penalty. Historically, the DMV has not been able to accurately determine all of the non-compliant vehicles at any one point in time. Violations were usually only discovered during routine traffic stops. Prior to July 1, 2018, the penalty, had it been enforced, was a \$250 fee registration reinstatement fee. Because the suspension penalty was never enforced, this fee was never collected.

Article 8 of the FY2018 Budget as Enacted eliminated the \$250 reinstatement fee. With the advent of the Division's new IT system in 2017, the DMV was able to determine the status of vehicle inspections uniformly and accurately. As the DMV prepared to implement the reinstatement fee in the fall of 2017 and notice of the policy change was communicated, a public backlash materialized. The Governor placed a moratorium on the fee's enforcement and the General Assembly indicated it would address the issue in the 2018 session.

Article 6 reestablishes the fee. The article sets the fee amount at \$100, \$150 less than the original \$250. According to the DMV, the Division does not immediately suspend a registration for not having a valid inspection sticker. The DMV notifies individuals 45 days after an inspection sticker expires that they have 20 more days to have their vehicle successfully inspected before DMV suspends the registration.

In FY2019, there were 18,321 inspection suspension reinstatements. The Office of Management and Budget used this figure to calculate the \$1.8 million revenue estimate for this fee in FY2021. Expenditures related to this proposal include \$166,313 in personnel costs and \$14,960 in IT programming costs. The DMV recommends 2.0 new FTE positions that include 1.0 Motor Vehicle Appeals Officer and 1.0 Adjudication Service Representative. The staff will be assigned to handle an anticipated increase in appeal hearings related to the reestablishment of the fee.

Analyst Note: Typically, the DMV requires a January 1 start date for program changes enacted in the Budget. This allows for the hiring and training of staff and for DMV to make the changes to its IT systems required for implementation of the new program. The revenue estimate for Section 8 is based on a July 1, 2020, implementation date. In addition, the revenue estimate does not appear to take into account a reduction in the number of reinstatements that might reasonably be expected with the threat of a \$100 fee. Based on these two issues the revenue estimate may be overstated.

Substance Abuse Education Fee

The Budget establishes a \$250 substance abuse education fee applicable to anyone convicted of driving under the influence or failure to submit to a breathalyzer. Expected revenues from the fee are estimated at \$220,016 for FY2021. Funds would be appropriated to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) for substance abuse prevention programs and student assistance programs. The fee would take effect on January 1, 2021.

Payment of Debts by Contractors

Section 10 amends RIGL 37-13 to establish an administrative penalty for any employer who enters into a settlement with the Department of Labor and Training to administratively resolve any labor and payment violations pursuant to this chapter, rather than have a formal administrative hearing. The administrative

penalty shall be no less than two times the total amount agreed to be due by the employer and no greater than three times the amount.

The Article also amends RIGL 37-13 to increase the number of days the Director of Labor and Training, or a designee, has to hold a hearing after issuing an order from 10 days to 30 days. Pursuant to RIGL 37-13, any contractor who does not comply with the provisions of this chapter will be issued a hearing. The Article also increases the number of days that the Director of Labor and Training, or a designee, has to make a determination and enter an order about the hearing from 10 days to 30 days after the hearing.

Article 6 further adjusts the payment of a civil penalty to include an amount of no less than two times the amount found to be due and no greater than three times the amount. Under current law, the civil penalty does not have a minimum. If the order determined at the end of the hearing requires the contractor to make a payment of wages found to be due, the order must also require a civil penalty in an amount up to three times the total amount found to be due.

Public Utilities and Carriers:

- **Utility Service Restoration Act:** Section 12 adds a new chapter, RIGL 39-2.3, “Utility Service Restoration Act”, requiring all investor-owned gas and electric companies to file an annual emergency response plan with the Division of Public Utilities and Carriers (Division) by the first Monday in June. The Article outlines minimum standards of acceptable performance to ensure companies are prepared to respond with the restoration of service should an emergency occur. A fine of \$500 per day may be issued to any company that fails to file the required emergency response plan. The Article also requires electric and gas distribution companies, as part of their plans for emergency events, to adhere to certain minimum standards of acceptable performance. If the Division determines that a distribution company violated the minimum standards of acceptable performance, the Division shall have the authority to levy a penalty up to \$100,000 per day up to \$7.5 million.
- **Penalties for Violations:** Section 13 increases the fine paid by any officer, agent, or employee of a public utility, who fails to comply with the provisions in Chapters 1-5 of RIGL 39-4, from \$100 to \$1,000. The Article also requires any public utility who fails to comply with Chapters 1-5 of RIGL 39-4, as determined by the Division of Public Utilities and Carriers, to forfeit a sum not exceeding the greater of \$200,000 or 0.02 percent of the annual intrastate gross operating revenue of the public utility. At present, the State of Rhode Island has no provision to penalize a private utility company for failing to abide by an acceptable standard of performance to prevent and restore power outages.

Sheriff Training Academy Application Fee

The Department of Public Safety conducts an 8-week training academy for deputy sheriff recruits on an as-needed basis. The most recent class graduated in November 2019 and included 17 new deputy sheriffs. There were 393 applicants for the November 2019 class. The next class is slated for the fall of 2020.

Article 6 imposes a \$50 application fee to be paid by applicants to the sheriffs’ training academy. The Office of Management and Budget assumes that instituting an application fee would reduce the overall amount of applications by one third. Based on the November 2019 experience, the number of applicants for the next class would be 260 and the \$50 fee revenue would be \$13,000. The Director of Public Safety may waive this fee if it would impose a hardship upon the applicant. The Article does not define hardship criteria and appears to leave this determination to the discretion of the Director.

Article 7: Relating to the Environment

This article repeals the requirement that hunting and fishing regulations promulgated by the Department of Environmental Management (DEM) only remain in effect for one year after the date of effectiveness. The article also changes fees related to recreational hunting and fishing, modernizes the commercial fishing licensing system, establishes a dockside program for shellfish packing houses through the Department of Health (DOH), and, increases the Oil Spill Prevention, Administration, and Response (OSPAR) fund per-barrel fee from \$0.05 to \$0.10 of petroleum products received at a marine terminal in the State. The article also empowers the Director of DEM to implement an expedited permitting process and establishes the Ocean State Climate Adaptation and Resilience (OSCAR) fund, a restricted receipt fund within the budget of DEM, to fund adaptation and resiliency projects in the State.

FISCAL IMPACT

The new dockside program is projected to increase general revenue by \$366,138 in new licensing fees; however, the cost of the 3.0 new FTE positions needed to manage the program and the additional operating costs are estimated to completely offset the new revenue.

The new and increased permitting fees for expedited processing are projected to increase general revenues by \$599,212 in FY2021; however, this increase may be offset by the addition of 5.0 new FTE position in the Department of Environmental Management.

The article is projected to increase hunting, fishing, and OSPAR fees restricted receipts by a total of \$2.0 million in FY2021 and \$2.2 million in FY2022. The following table breaks out the restricted receipts by source.

Article 7 - Total Restricted Receipt Impact

	FY2021	FY2022	FY2025	FY2028
Recreational Fishing and Wildlife	\$62,482	\$62,482	\$187,362	\$313,955
Commercial Fishing License Modernization	81,025	317,050	317,050	317,050
Shellfish Packing Houses	-	-	-	-
OSPAR Fee Increase	1,858,043	1,858,043	1,858,043	1,858,043
Total Fiscal Impact (restricted receipts)	\$2,001,550	\$2,237,575	\$2,362,455	\$2,489,048

ANALYSIS AND BACKGROUND

Recreational Fishing and Hunting License Fees: The article repeals the requirement that hunting and fishing regulations promulgated by the Department of Environmental Management (DEM) only remain in effect for one year after the date of effectiveness. The administration asserts that repealing the requirement will reduce unnecessary work for the Division of Fish and Wildlife and, since there are minimal changes from year to year, there is no need for the automatic sunset. While most fees increase, junior hunting license fees decrease, and a license for the disabled and those over 65 years of age remain free. The article also establishes a new category of hunting license for resident and non-resident juniors, and provides for fee changes to various recreational fishing and hunting licenses, as provided in the following table.

**Article 7. Recreational Fishing and Hunting License Fees
Rhode Island**

License/Permit	Current Fee	FY2021 Fee	FY2025 Fee	FY2028 Fee	Massachusetts Fees	Connecticut Fees	Regional Average ¹
Hunting	\$18.00	\$21.00	\$24.00	\$27.00	\$27.50	\$19.00	\$26.49
Hunting Jr.	18.00	14.00	14.00	14.00	11.50	10.00	8.11
Hunting - non-resident	45.00	55.00	65.00	75.00	65.50/99.50 ²	91.00	118.54
Hunting Jr. - non-resident	45.00	40.00	40.00	40.00	65.50/99.50 ²	91.00	47.49
Hunting Landowner - non-resident	18.00	21.00	24.00	27.00	n/a ³	n/a ³	n/a
Hunting Tourist 3-day - non-resident	16.00	20.00	20.00	20.00	n/a	35.00	42.63
Hunting Tourist Jr. 3-day - non-resident	16.00	16.00	16.00	16.00	n/a	n/a	n/a
Hunting Active Military - non-resident	18.00	21.00	24.00	27.00	27.50	19.00	26.49
Freshwater Fishing	18.00	21.00	24.00	27.00	27.50	28.00	25.09
Freshwater Fishing - non-resident	35.00	38.00	41.00	44.00	37.50	55.00	45.89
Freshwater Fishing Tourist 3-day - non-resident	16.00	18.00	20.00	22.00	23.50	22.00	17.84
Freshwater Fishing Active Military - non-resident	18.00	21.00	24.00	27.00	27.50	28.00	25.09
Combination	33.00	38.00	43.00	48.00	n/a	40.00	50.65
Trapping	10.00	15.00	20.00	25.00	35.50	34.00	25.29
Trapping - non-resident	30.00	50.00	75.00	100.00	200.00	250.00	192.32
Game Bird Permit	15.50	17.00	18.50	21.00	n/a	25.00	28.58
Deer Permit	12.50	13.00	14.00	15.00	5.00	19.00	15.61
Deer Permit All Outdoors Package	75.00	75.00	75.00	75.00	n/a	n/a	n/a
Deer Permit - non-resident	25.50	26.50	27.50	28.50	5.00	68.00	29.11
Turkey Permit Spring	7.50	8.00	9.00	10.50	5.00	28.00	18.11
Turkey Permit Spring - non-resident	20.00	21.50	23.00	24.50	5.00	28.00	25.61
Turkey Permit Fall Archery	7.50	8.00	9.00	10.50	5.00	28.00	18.11
Turkey Permit Fall Archery - non-resident	20.00	21.00	23.00	24.50	5.00	28.00	25.61
Trout Stamp	5.50	5.50	6.00	6.50	n/a	5.00	10.22
Waterfowl Stamp	7.50	8.00	9.00	10.00	5.00	17.00	8.99/9.88 ⁴

¹Regional Average includes MA, CT, ME, NH, VT, NY, NJ, DE, MD, and PA.

²MA charges \$65.50 for a nonresident small game hunting license (includes all game except deer, bear, and turkey), and \$99.50 for big game hunting (includes deer, bear, and turkey).

³Ma and CT do not offer this license - nonresident landowners must obtain a regular nonresident hunting license.

⁴Resident/nonresident

According to DEM, the changes bring Rhode Island Fishing and Wildlife fees more in line with neighboring states. In addition, the fee collections provide the state match for federal funds used to administer the State's fish and wildlife programs. The Division of Fish and Wildlife (DFW) relies primarily on fee collections and federal funds to administer the State's fish and wildlife programs; consequently, Rhode Island's low fee structure has made it difficult for the DFW to unlock all the available federal funding. The proposal is estimate to increase restricted receipts by \$62,482 in FY2021, \$187,362 in FY2025, and \$313,955 in FY2028. The additional revenue is projected to leverage additional federal funds at a ratio of 25:75, resulting in a corresponding increase in federal funds of \$187,446 in FY2021, \$562,086 in FY2025, and \$941,865 in FY2028.

Analyst Note: While the article does not provide a definition for "junior", RIGL 20-13-5(1), Issuance of Licenses, provides that a junior hunting license may be obtained for persons 12 to 14 years of age upon completion of a basic hunter's safety course, and provided they only hunt in the immediate company of a qualified, license adult 21 years of age or over. Otherwise, a person must be at least 15 years of age to obtain a hunting license.

Commercial Fishing License Fees:

The article is based on the Rhode Island Commercial Fishing License Modernization Initiative (Initiative), which was designed with input from the industry. The Initiative aims to improve the commercial fisheries licensing system in response to the evolution of fisheries management and fisheries accounting

technologies, and to simplify the structure of the licensing system. The four main goals of the restructure include:

1. Maintain a healthy fishing community in the State of Rhode Island,
2. Maintain flexibility for fishermen and allow for diversification of their fishing portfolio,
3. Increase simplicity and understanding of the system for fishermen and seafood dealers, and
4. Increase and support resources for RI's contemporary marine fisheries needs.

DEM estimates that the updated fee structure will increase annual restricted receipts by \$81,025 in FY2021 and \$317,050 in FY2022, which will unlock additional federal funds. There is no general revenue impact. The additional restricted receipts will replace expiring federal grants such as the one currently supporting the electronic seafood dealer program, also known as the Standard Atlantic Fishery Information System (SAFIS). The program, including data auditing, customer service, and compliance management, is currently supported by the Atlantic Coastal Cooperative Statistics Program (ACCSP), which is in the first year of a three-year phase out.

The changes will also better align licensing fees with the cost of assessing and managing marine resources, while bringing Rhode Island's fee structure more in line with neighboring states.

Multistate Commercial Fishing License Fee Analysis (2017)

Type of License	Connecticut	New York	Massachusetts	Rhode Island Current (average)	Rhode Island Proposed (average)
Limited License (single sector focus) - Resident	\$790 - \$975	\$180 - \$450	\$160 - \$310	\$209	\$200
Limited License (single sector focus) - Non-Resident	855 - 2,100	275 - 1,250	320 - 570	460	700
Maximum Flexibility License - Resident	790 - 975	780	1,240	329	4450
Maximum Flexibility License - Non-Resident	885 - 2,100	1,975	2,330	n/a	n/a
Party and Charter Vessel - Resident	315	250	65 - 130	25/2 years	100
Party and Charter Vessel - Non-Resident	315	250	130 - 260	25/2 years	300

Source: Rhode Island Department of Environmental Management

The main structure of the new licensing system will consist of licenses for Rhode Island's three main fishing sectors: shellfish, finfish, and crustaceans. In each of the sectors there will be an open license, or "Limited", category for species unconstrained by quotas. There will also be restricted, or "Unlimited", license that allows for all species in the category including those regulated through quotas. Limited license categories will be available annually without restriction.

Under the new system, a fishing license owner with a multipurpose license will have an opportunity to convert the license to a vessel license. This change will allow owners with multiple vessels to have more flexibility in the captains they hire, allowing a vessel to be operated by any captain who can now land any species available under the vessel license.

The Rhode Island Commercial Fishing License Modernization Initiative (Initiative) seeks to protect and expand commercial-related fishing jobs by maintaining healthy resources, enhancing opportunities for fishermen to grow their businesses through diversified fishing portfolios, and improving customer service by simplifying the license system for fishermen and seafood dealers. The current license structure is outdated relative to changes in fisheries management and results in fees disparities among license holders who have the same access to the same resources.

Elements of the current system that will remain in place include a gear endorsement requirement for gillnets, and landing licenses, which were recently streamlined through regulation. Seafood dealer licenses will be simplified through the removal of a couple of categories that are no longer needed and the fees will be

adjusted to equate to the license costs for fishermen. The following table provides the proposed fee changes as provided by DEM.

Commercial Fishing License Modernization

License Type	Old/ New	Current Fee	Proposed Fee
Multipurpose Dealer License		\$300	\$450
Finfish Dealer License		200	300
Shellfish Dealer License		200	300
Crustacean Dealer License		200	300
Party and Charter Vessel License - Resident		13	100
Party and Charter Vessel License - Non Resident		13	300
Resident Landing Permit		200	300
Non Resident Landing Permit		300	600
Multipurpose License (resident only)		300	450
Standard Resident Commercial Fishing License with 1 Limited Endorsement	New		150
Standard Resident Commercial Fishing License with 2 Limited Endorsements	New		200
Standard Resident Commercial Fishing License with 3 Limited Endorsements	New		250
Standard Resident Commercial Fishing License with 1 Unlimited Endorsement	New		300
Standard Resident Commercial Fishing License with 1 Unlimited Endorsement and 1 Limited Endorsement	New		350
Standard Resident Commercial Fishing License with 2 Unlimited Endorsements and 1 Limited Endorsement	New		375
Standard Resident Commercial Fishing License with 1 Unlimited Endorsement and 2 Limited Endorsements	New		400
Standard Resident Commercial Fishing License with 2 Unlimited Endorsements and 1 Limited Endorsement	New		425
Standard Resident Commercial Fishing License with 3 Unlimited Endorsements	New		450
Standard Non Resident Commercial Fishing License with 1 Limited Endorsement	New		350
Standard Non Resident Commercial Fishing License with 2 Limited Endorsements	New		700
Standard Non Resident Commercial Fishing License with 3 Limited Endorsements	New		1,050
Standard Non Resident Commercial Fishing License with 1 Unlimited Endorsement	New		700
Standard Non Resident Commercial Fishing License with 1 Unlimited Endorsement and 1 Limited Endorsement	New		1,050
Standard Non Resident Commercial Fishing License with 2 Unlimited Endorsements and 1 Limited Endorsement	New		1,400
Standard Non Resident Commercial Fishing License with 1 Unlimited Endorsement and 2 Limited Endorsements	New		1,400
Standard Non Resident Commercial Fishing License with 2 Unlimited Endorsements and 1 Limited Endorsement	New		1,750
Commercial Fishing License with 1 Endorsement - Resident	Old	75	
Commercial Fishing License with 1 Endorsement - Non Resident	Old	200	
Commercial Fishing License with 2 Endorsements - Resident	Old	100	
Commercial Fishing License with 3 Endorsements - Resident	Old	125	
Commercial Fishing License with 4 Endorsements - Resident	Old	150	
Commercial Fishing License with 5 Endorsements - Resident	Old	175	
Commercial Fishing License with 6 Endorsements - Resident	Old	200	
Commercial Fishing License with 7 Endorsements - Resident	Old	225	
Principle Effort License with 1 Endorsement - Resident	Old	150	
Principle Effort License with 1 Endorsement - Non Resident	Old	400	
Principle Effort License with 2 Endorsements - Resident	Old	225	
Principle Effort License with 2 Endorsements - Non Resident	Old	500	
Principle Effort License with 3 Endorsements - Resident	Old	300	
Principle Effort License with 3 Endorsements - Non Resident	Old	600	
Principle Effort License with 4 Endorsements - Resident	Old	375	
Principle Effort License with 5 Endorsements - Resident	Old	450	
Principle Effort License with 5 Endorsements - Non Resident	Old	900	
Principle Effort License with 6 Endorsements - Resident	Old	525	
Principle Effort License with 7 Endorsements - Resident	Old	600	
Principle Effort License with 8 Endorsements - Resident	Old	675	

Source: Department of Environmental Management

The additional revenue will be used to replace declining federal funds but can also be used to support other commercial fishing industry priorities including dedicated staff to support commercial-only species such as squid, mackerel, and lobster; infrastructure improvements; and, increased enforcement capabilities to maintain a level playing field for fishermen. Other investments include upgrading Rhode Island's physical

licensing system to use swipe cards, physical licenses with photographs, and an improved licensing database infrastructure.

If approved by the 2020 General Assembly, the Initiative will go through rulemaking in the fall of 2020 and be implemented in 2021. The proposal will address problems with an outdated, overly complicated, and unbalanced commercial fishing license structure, while also addressing a funding deficit in the Division of Marine Fisheries caused by discontinued federal resources and growing responsibilities.

Shellfish Packing Houses:

The article authorizes the Director of the Department of Health (DOH), with the assistance of DEM, to establish a dockside program, including rules and regulations. The article also provides DOH with the authority to set a shellfish-licensing fee through rules and regulations. In April 2019, the National Marine Fisheries Council closed a large portion of fishing grounds used for harvesting surf clams in order to protect certain marine species. Authorizing DOH to establish the program allows companies in the State to continue processing certain shellfish and ensure they are safe for human consumption. The program would not apply to aquaculture, the cultivation of fish in controlled conditions.

Massachusetts has a similar program, with a fee of \$35,000 per vessel, per year and is collected from vessels that harvest from specific waters not regularly monitored for biotoxins. The fee is deposited into the Dockside Testing Trust fund and is used for the regulation, monitoring, and testing of shellfish.

The new dockside program would require 2.0 FTE Lab Scientist positions and 1.0 FTE Food Specialist. The cost of the FTE positions, in addition to operating costs, would result increased expenditures of \$366,138, funded by the proposed license fee.

Expedited Permit Processing in the Department of Environmental Management (DEM)

The article empowers the Director of DEM to designate case managers to facilitate and expedite project permitting, particularly for complex projects, and to coordinate permitting with the mitigation of non-compliant conditions of project sites. Through the regulatory process, new performance-driven permitting fees will be added and some fees would be increase, bringing them in line with neighboring states. In addition, the Governor's FY2021 Budget includes 5.0 new FTE Environmental Engineer I positions to expedite permit processing times. According to DEM, between FY2015 and FY2019, the Department saw a 33.0 percent increase in permit applications and a 3.0 percent decrease in staffing levels. The new and increased permitting fees are projected to increase general revenues by \$599,212 in FY2021.

Uniform Oil Spill Prevention, Administration, and Response (OSPAR) Fee

The article increases the cap on the per-barrel fee of petroleum products received at a marine terminal in the State from \$0.05 to \$0.10. The increase is to replenish the OSPAR fund, as well as capitalizing a new Ocean State Climate Adaptation and Resilience (OSCAR) Fund. Of the \$0.05 increase, \$0.02 (an estimated \$743,217) would go to the OSPAR Fund and \$0.03 (an estimated \$1.1 million) would be deposited into the OSCAR Fund. The OSCAR Fund is a restricted receipt account within DEM that would be used for adaptation and resilience projects.

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. The North Cape spill cost the State approximately \$3.0 million (\$4.8 million in today's dollars).

The table estimates the impact of the proposed fee increase. Over the last five years, expenditures from the fund have averaged \$2.1 million annually. Of note, while raising the per-barrel fee, the Administration also plans to transfer \$1.0 million in accumulated OSPAR balances to the General Fund to help balance the budget in FY2020.

Oil Spill Prevention, Administration Response Fund			
	FY2020	FY2021	
		Without Fee Increase	With Fee Increase
Carry Forward	\$3,188,721	\$1,379,737	\$1,379,737
Total Account Revenue ¹	1,773,974	1,773,974	2,517,191
Total Account Expenditures ¹	(2,582,958)	(2,506,080)	(2,506,080)
FY2020 Transfer	(1,000,000)		
Difference	\$1,379,737	\$647,631	\$1,390,848

¹Revenues are based on the Department's FY2021 Budget request. Expenditures are based on the Governor's FY2021 Budget.

Ocean State Climate Adaptation and Resilience (OSCAR) Fund

As part of a broader effort to fight climate change, the article creates the OSCAR fund, a restricted receipt fund, within the budget of the Department of Environmental Management, to fund adaptation and resiliency projects as defined in the statute. The article further empowers the Director of DEM, in consultation with the Coastal Resources Management Council, to adopt rules and regulations necessary for the administration and enforcement of the OSCAR fund.

- **Financing the OSCAR Fund:** The fund will be capitalized primarily with \$0.03 of the \$0.05 increase in the per-barrel fee on petroleum products received at marine terminals in the State (an estimated \$1.1 million annually). Other sources of revenue include federal, state, or other resources identified for use in climate adaptation, and private donations.
- **Allocation of OSCAR Funds:** The OSCAR funds may be used for administrative costs (up to \$75,000 annually); projects approved by DEM upon recommendation by the technical advisory committee, including planning and design, engineering, construction; and monitoring of projects.
- **Technical Advisory Committee:** The technical advisory committee will consist of a representative from DEM, the Executive Climate Change Coordinating Council, Statewide Planning, and the Rhode Island Emergency Management Authority. The article identifies numerous factors the Committee shall consider in prioritizing project applications, including but not limited to the following:
 - Consistency with the State's resiliency strategy, the Coastal Resources Management Council's most recent sea level rise projections, the coastal habitat restoration strategy, the State nonpoint pollution control plan, and other applicable state and federal laws,
 - The ability of the applicant to carry out and maintain the project,
 - Whether the project will enhance public access,
 - The extent of public use of the land,
 - The impact on habitat loss and restoration,
 - The extent of collaboration between partners including municipalities, nongovernmental organizations, and federal agencies, and
 - The benefits to the public and the estimated time frame of those benefits.
- **Eligible Projects:** Only adaptation and resilience projects approved by DEM upon recommendation of the technical advisory committees are eligible for funding. Such projects include proposals on public land and open space that protect or enhance natural systems and habitats, that are proposed in response to climate change impacts, and that improve climate resilience.

Analyst Note: "Open space" includes privately owned land. The article defines "open space" as "land in its natural state" or "contiguous tracts of undeveloped land" that serves to "enhance agricultural values or public access to shorelines and riverbanks."

- **Ineligible Projects:** OSCAR funds may not be used to mitigate current or future projects that degrade or otherwise destroy coastal, estuarine, or riverine habitats, or for restoration required pursuant to an environmental or public health enforcement action. With the exception of certain culverts and bridge spans, the funds may not be used to repair or replace infrastructure in its existing location, or for constructing roads, bridges, or new shoreline protections.
- **Reporting Requirements:** Beginning in January 2022, DEM will submit a report to the General Assembly by the tenth day following the convening of each regular session. The report will include the amount of money awarded from the OSCAR fund in the previous fiscal year, a brief summary of the projects funded, the timeline of the implementation of the projects, and any other information the General Assembly requests.

Article 8: Relating to Taxes

Article 8 expands the sales tax base, modifies the taxation of alcohol, amends State law to support and authorize participation in the U.S. Treasury Department's offset programs, increases the State's 5.0 percent hotel tax and modifies its distribution, and authorizes a local meal and beverage tax collection assessment. Specifically, the article:

- **Sales Tax Base Expansion:** Subjects computer system design services; hunting, trapping, and shooting services; lobbying services; courier and messenger services; and interior design services to the State's 7.0 percent sales tax.
- **Alcohol-Related Tax Changes:** Lowers the alcohol excise tax rate on high proof spirits from \$5.40 to \$3.75 per gallon and the excise tax on still wine from \$1.40 to \$0.60 and subjects wine and spirits to the 7.0 percent sales and use tax.
- **U.S. Treasury Offset Program:** Authorizes the Division of Taxation to enter into an agreement with the United States Treasury to participate in its Treasury Offset Program (TOP).
- **Hotel Tax Increase:** 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 percentage point increase going to the general fund.
- **Collection Assessment - Meal and Beverage and Hotel Taxes:** Authorizes the Division of Taxation to assess a 2.0 percent collection fee on revenue collected on behalf of municipalities related to the local meals and beverage tax and the hotel tax.

FISCAL IMPACT

Article 8 is estimated to generate a total of \$33.0 million in new general revenue in FY2021.

Article 8 Proposal	FY2021
Sales Tax Expansion	\$14.1
Alcohol-Related Tax Changes	9.1
U.S. Treasury Offset Program	5.0
Hotel Tax Increase	4.7
Collection Assessment - Meal and Beverage and Hotel Taxes	0.8
Total	\$33.8

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

ANALYSIS AND BACKGROUND

Sales Tax Expansion

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, ride-share services in 2017, and pet care services in 2012). Article 8 continues this trend by expanding the sales tax to include computer system design services; courier and messenger services; hunting, trapping, and shooting range services; lobbying; and interior design services. These services are delineated by the federal North American Industrial Classification System (NAICS) and designated by numerical classification codes. The expansion is estimated to generate \$14.1 million in FY2021.

Sales Tax Changes	Amount
Computer System Design Services	\$7.9
Courier and Messenger Services	4.1
Hunting, Trapping, and Shooting Ranges	0.8
Lobbying Services	0.7
Interior Design Services	0.6
Total	\$14.1

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

- **Computer System Design Services:** Article 8 expands the sales tax base to include computer system design and related services. These include industries primarily engaged in providing expertise in the field of information technology and include activities such as writing, modifying, testing, and supporting software to meet the particular needs of a customer. It may also include the planning, designing, and on-site management of clients' computer systems and data processing facilities.

The Office of Revenue Analysis (ORA) estimates that sales tax collected on computer system design services will generate \$7.9 million in general revenue in FY2021 based on an October 1, 2020, start date.

- **Courier and Messenger Services:** Article 8 expands the sales tax base to include courier and messenger services. These include industries primarily engaged in providing air, surface, or combined mode courier and express delivery services. This includes food and parcel delivery. There are 30 businesses operating in Rhode Island that fall into this category. ORA estimates \$4.1 million in new sales tax revenue based on a January 1, 2021 start date.
- **Hunting, Trapping, and Shooting Range Services:** Article 8 subjects services delineated by NAICS as "hunting and trapping" to the sales and use tax. The 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.

Using personal consumption data ORA estimated that fishing, hunting, game preserves, and shooting ranges comprise 5.7 percent of the overall untaxed recreational services sector in the State. ORA then employed its sales and use tax simulation model to determine the impact of adding this category to the sales and use tax base. Based on this analysis, ORA projects \$818,036 in FY2021 revenue based on an October 1, 2021, start date.

- **Lobbying Services:** Article 8 expands the categories of services subjected to the sales tax to include 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 548 registered lobbyists in the State. Using an October 1, 2020, start date, ORA estimates \$692,982 in new revenue.

- **Interior Designers:** Article 8 expands the sales and use tax to include interior design services. The specific services as delineated by NAICS are specialized design services (interior design). ORA estimates \$628,089 in FY2021 revenue based on a January 1, 2021, start date.

Analyst Note: The language in Section 5 of the Article 8 specifically cites NAICS code 541410 to delineate the type of interior design services that are to be subject to the sales tax. It does not, however, include architectural services (NAICS code 541310). Firms categorized under this NAICS often provide interior design services as part of its business. This activity would not be taxed under Article 8.

Alcohol-Related Tax Changes

Article 8 reduces the alcoholic beverage excise tax levied on wine and spirits and repeals their exemption from the State's 7.0 percent sales and use tax. Based on a July 1, 2020, effective date, these changes are estimated to generate \$9.1 million in additional general revenue.

Alcohol Taxes	Amount
Reimpose Sales Tax on Wine and Spirits	\$14.4
Reduction of Alcohol Taxes	(5.3)
Total	\$9.1

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

The State levies taxes on alcoholic beverages imported, manufactured, rectified, blended, or reduced for sale in the State. Alcohol taxes are payable monthly for imported beverages and quarterly for beverages manufactured within the State. Alcohol taxes are deposited as general revenues.

In 2013, the General Assembly restructured the State's alcohol tax structure. The changes included both an increase in alcohol excise tax rates on wine and spirits and an exemption from the sales tax. Article 8 reinstates the previous excise tax rates, reducing the excise tax on still wines from \$1.40 per gallon to \$0.60 and on spirits from \$5.40 per gallon to \$3.75. The table below shows the excise tax changes and how they compare to neighboring states:

Alcohol Excise Tax Rate History & Regional Comparison

Type	Pre-2013 Rate	Current Rate	Article 8 Rate	MA	CT	Per Unit
Beer	\$3.00	\$3.30	\$3.00	\$3.41	\$7.44	Barrel
Still Wines						
(Entirely RI Grown)	0.30	0.30	0.30	-	-	Gallon
Still Wines	0.60	1.40	0.60	0.55	0.79	Gallon
Sparkling Wines	0.75	0.75	0.75	0.70	1.94	Gallon
Whiskey, Rum, Gin, Spirits, Etc.	3.75	5.40	3.75	4.05	5.94	Gallon
Whiskey, Rum, Gin, Spirits, Etc. (≤ 30 Proof)	1.10	1.10	1.10	1.10	2.75	Gallon
Ethyl Alcohol						
(Beverage Use)	7.50	7.50	7.50	-	-	Gallon
Ethyl Alcohol	0.08	0.08	0.08	-	-	Gallon

Note: Massachusetts exempts alcohol from the state's 6.25 percent sales tax. Connecticut taxes the sales of alcohol at 6.35 percent.

Analyst Note: The 2013 changes were intended to be temporary, with rates set to expire on July 1, 2015. However, the 2015 General Assembly made the changes permanent. The reported intent of the initial pilot approach was for the Division of Taxation to collect the necessary data to evaluate the impact of Rhode Island excise and sales tax changes on wine and spirit sales. According to the Division of Taxation, this analysis was never undertaken. Statutorily-mandated alcohol tax reports do, however, report some data on sales and foregone revenue. The following table shows wine and spirit sales activity from TY2013-TY2018:

Wine and Spirits Sales Activity TY2013-TY2018			
Tax Year	Total Sales	Growth over Foregone	
		Previous Year	Revenue
2013*	196.1	-	-
2014	221.4	12.9%	15.5
2015	237.1	7.1%	16.6
2016	242.9	2.4%	17.0
2017	240	1.2%	16.8
2018	244.3	1.8%	17.1

\$ in millions

*2013 alcohol tax changes became effective December 2013. Taxation does not have data on total sales of wine and spirits for TY2013.

U.S. Treasury Offset Program

Article 8 authorizes the Division of Taxation to enter into an agreement with the United States Treasury to participate in its Treasury Offset Program (TOP). Under the TOP, the federal government crosschecks to see whether individuals or businesses who are delinquent in paying Rhode Island taxes are due a federal tax refund. If they are, the Treasury offsets the payment and diverts it, in whole or in part, to the State. Article 8 also authorizes Taxation to establish a reciprocal state program to assist the federal government in recouping tax debt. If a Rhode Island taxpayer owes delinquent federal taxes, the article permits the Division of Taxation to withhold the owed amount from State tax refunds and remit it to the federal government. The federal government requires reciprocal participation in TOP. The Office of Management and Budget (OMB) estimates that participating in the program will yield \$5.0 million in additional revenue collections, across nine tax types, based on an effective date of July 1, 2020.

Estimated Revenue Recapture from U.S. Treasury Offset Program	Amount
Sales and Use Taxes	\$2.2
Business Corporations Taxes	1.7
Personal Income Taxes	0.6
Public Utilities Gross Earnings Taxes	0.2
Tobacco Dealer Licensing	0.1
OTP Excise Tax	0.1
Health Care Provider Assessment - Nursing Home Taxes	0.1
Cigarette Excise Tax	0.0
Insurance Companies Gross Premium Taxes	0.0
Total	\$5.0

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

Hotel Tax Changes

Section 6 of Article 8 raises the State's hotel tax rate from 5.0 percent to 6.0 percent. Section 2 of the article alters the distribution of the State hotel tax.

State Hotel Tax Increase: Article 8 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. Based on a July 1, 2020, effective date, the tax increase is estimated to generate \$4.7 million in additional general revenue in FY2021.

State Hotel Tax Distribution: Article 8 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 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.

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.

Location of Room Rental/ State Hotel Tax Recipient	Current Share of Hotel Tax (5.0 %)	Article 8 Share of Hotel Tax (6.0%)
<i>Providence</i>		
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%
<i>Warwick</i>		
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%
<i>Omni Hotel (Providence)</i>		
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%
<i>Statewide District*</i>		
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%
<i>All Other Locations in the State</i>		
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%
<i>Rental Via Hosting Platform (ie. Airbnb)</i>		
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*

Collection Assessment - Meals and Beverage and Hotel Taxes

The State collects a 1.0 percent tax, on top of the 7.0 percent sales tax, on all meals and beverages sold in Rhode Island. The tax is collected and submitted to the Division of Taxation by eating and/or drinking establishments on a monthly basis. The Division of Taxation collects the taxes and distributes them monthly, to the city or town in which the meals and beverages are delivered. Similarly, Taxation collects the non-state portions of the hotel tax and distributes it to the appropriate municipalities and organizations.

Article 8 authorizes the Division of Taxation to retain 2.0 percent of the meal and beverage tax revenue and hotel tax revenue prior to distribution as an administrative fee. The revenue from the 2.0 percent fee would be deposited as general revenue. Based on a July 1, 2020 effective date, this fee is expected to generate an additional \$799,333 in general revenue in FY2021.

Analyst Note: The State collects the meal and beverage tax on behalf of all municipalities. It does the same for the state hotel tax except for Newport. Newport collects its own portion of the hotel tax and reports it to Taxation. The 2.0 percent fee, therefore, would not be applicable to the revenue generated by the hotel tax in that city.

Article 9: Relating to Local Aid

This article creates a tangible property tax reduction incentive program, authorizes municipalities to levy property taxes on non-mission related buildings and property owned by tax-exempt entities, and modifies the car tax phase-out formula.

- **Car Tax Phase-Out Formula:** Article 9 adjusts the car tax phase-out formula, which effectively increases local property tax assessments from current law and reduces State reimbursements for foregone aid in FY2021.
- **Tangible Personal Property Tax Competitiveness Program:** Article 9 establishes an incentive to reduce municipal tangible personal property tax rates.
- **Property Tax Expansion:** Article 9 provides municipalities with 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.

FISCAL IMPACT

The car tax phase-out modifications result in a net \$11.8 million reduction in planned state-aid for of FY2021. The proposed tangible personal property tax competitiveness program requires \$85,000 in consulting expenditures in FY2021.

ANALYSIS AND BACKGROUND

Article 9 includes three major proposals related to local aid and local taxes.

Modification to the Car Tax Phase-out Formula

Article 9 modifies several of the levers used in calculating the state aid 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 changes the minimum required exemption amounts and the maximum allowable tax rates used in the phase-out formula. Lastly, it extends the phase-out period by five years, from FY2024 to FY2029. As a result of changing these levers, taxpayers would pay \$11.8 million more in motor vehicle excise taxes in FY2021 than under current law.

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. In 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 the foregone local taxes it with state general revenue aid. The tax was reduced over a seven-year phase-out 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 FY2021 for the car tax phase-out to municipalities will be \$112.6 million, 24.7 percent more than the revised FY2020 level of \$90.3 million (inclusive of the standing \$10.0 million in state aid established prior to FY2018).

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 includes a graduated cap on the percentage of “clean retail” that assessors may use. Article 9 modifies these caps from 80.0 percent to 82.5 percent in FY2021, 75.0 percent to 80.0 percent in FY2022, and 70.0 percent to 77.5 percent in FY2023. The article then establishes new ratios for FY2024 through FY2028 (see table).
- 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 FY2021 minimum from \$4,000 to \$3,500, FY2022 minimum from \$5,000 to 4,000, and the FY2023 minimum from \$6,000 to \$4,500. The article then establishes new minimums for FY2024 through FY2028 (see table).
- 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 FY2022, raising it from \$30 to \$33 per \$1,000 of value and \$20 to \$25 per \$1,000 value for FY2023. The article then establishes new minimums for FY2024 through FY2028 (see table).

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%	85.0%	-
FY2021	80.0%	82.5%	2.5%
FY2022	75.0%	80.0%	5.0%
FY2023	70.0%	77.5%	7.5%
FY2024	N/A	75.0%	75.0%
FY2025	N/A	72.5%	72.5%
FY2026	N/A	70.0%	70.0%
FY2027	N/A	67.5%	67.5%
FY2028	N/A	65.0%	65.0%
FY2029	N/A	N/A	N/A

Exemption Floor			
Fiscal Year	Current	Article 9	Change
FY2018 Baseline	\$500	\$500	\$0
FY2018	1,000	1,000	-
FY2019	2,000	2,000	-
FY2020	3,000	3,000	-
FY2021	4,000	3,500	(500)
FY2022	5,000	4,000	(1,000)
FY2023	6,000	4,500	(1,500)
FY2024	N/A	5,000	5,000
FY2025	N/A	5,500	5,500
FY2026	N/A	6,000	6,000
FY2027	N/A	7,000	7,000
FY2028	N/A	8,000	8,000
FY2029	N/A	N/A	N/A

Rate Cap			
Fiscal Year	Current	Article 9	Change
FY2018 Baseline	N/A	N/A	N/A
FY2018	\$60	\$60.0	\$0
FY2019	50	50.0	-
FY2020	35	35.0	0
FY2021	35	35.0	-
FY2022	30	33.0	3.00
FY2023	20	31.0	11.00
FY2024	N/A	26.5	26.50
FY2025	N/A	22.5	22.50
FY2026	N/A	19.0	19.00
FY2027	N/A	15.0	15.00
FY2028	N/A	10.0	10.00
FY2029	N/A	N/A	N/A

Under the current formula, the general revenue supported car tax phase-out State aid grows 24.7 percent in FY2021 and FY2022. The formula as modified by Article 9 grows State aid by 11.6 percent in FY2021 and FY2022. Overall, by changing the levers and extending the phase-out time period, 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	FY2025	FY2026	FY2027	FY2028	FY2029
Current Law												
State Assessment Ratio	95.0%	90.0%	85.0%	80.0%	75.0%	70.0%	-	-	-	-	-	-
Rate Cap	\$60.0	\$50.0	\$35.0	\$35.0	\$30.0	\$20.0	-	-	-	-	-	-
Exemption Amount	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	-	-	-	-	-	-
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$80,263,694	\$102,566,219	\$130,378,609	\$165,259,237	\$224,550,736	\$231,605,162	\$237,136,338	\$242,721,320	\$248,343,148	\$253,991,518
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$33,981,394	\$22,302,525	\$27,812,389	\$34,880,629	\$59,291,499	\$7,054,426	\$5,531,176	\$5,584,982	\$5,621,828	\$5,648,371
Governor's Proposal												
State Assessment Ratio	95.0%	90.0%	85.0%	82.5%	80.0%	77.5%	75.0%	72.5%	70.0%	67.5%	65.0%	
Rate Cap	\$60.0	\$50.0	\$35.0	\$35.0	\$33.0	\$31.0	\$26.5	\$22.5	\$19.0	\$15.0	\$10.0	
Exemption Amount	\$1,000	\$2,000	\$3,000	\$3,500	\$4,000	\$4,500	\$5,000	\$5,500	\$6,000	\$7,000	\$8,000	
Total Statewide Aid:	\$24,544,191	\$46,282,300	\$80,263,694	\$90,745,937	\$102,632,964	\$114,418,804	\$131,447,356	\$147,107,315	\$161,573,760	\$180,521,698	\$197,303,934	\$224,550,736
Additional Aid from Previous FY	\$24,544,191	\$21,738,109	\$33,981,394	\$10,482,243	\$11,887,027	\$11,785,840	\$17,028,552	\$15,659,959	\$14,466,445	\$18,947,938	\$16,782,236	\$27,246,802
Statewide Aid Variance				(\$11,820,282)	(\$27,745,645)	(\$50,840,434)	(\$93,103,380)	(\$84,497,848)	(\$62,199,622)	(\$51,039,214)	(\$29,440,782)	

Tangible Personal Property Tax Competitiveness Program

Article 9 establishes a limited incentive program for municipalities to reduce their tangible personal property tax (TPPT) rates in order to make these cities and towns, and Rhode Island as a whole, more competitive, regionally and nationally. Under the program, the State would provide partial offsetting payments to participating municipalities that implement a reduction in their TPPT rates.

Tangible personal property (TPP) comprises property that can be moved or touched, and commonly includes items such as business equipment, furniture, and automobiles. Intangible personal property, by contrast, includes things like patents, intellectual property, and financial instruments such as stocks.

The taxation of TPP varies from state to state. Some states limit the types of TTP that are allowed to be taxed (i.e. the exclusion of vehicles), while others prohibit taxation altogether. Rhode Island has an effective tax rate (ETR) of 3.89 percent, the highest in the Northeast.

The tangible personal property tax rates for cities and towns in Rhode Island range from a high of 7.31 percent in Central Falls to 0.62 percent in New Shoreham. Rhode Island has 14 municipalities with higher TPPT rates than the state average for Connecticut, the state with the next highest effective tax rate. The following table shows a comparison of TPPT rates by municipality.

State	Statewide Average ETR	Net TPPT Assessed	
		Value	TPPT Levy
Rhode Island	3.89%	\$4,813.4	\$187.1
Connecticut	3.37%	22,029.7	741.9
Maryland	2.68%	13,079.0	350.8
Massachusetts	2.15%	36,153.5	777.3
Maine	1.82%	5,998.9	109.3
Vermont	0.64%	957.8	6.2
New Hampshire	-	-	-
Pennsylvania	-	-	-
Delaware	-	-	-
New York	-	-	-
New Jersey	-	-	-

\$ in millions

Source: Ernst and Young

Tangible Personal Property Taxes (TPPT) - Municipal Comparison

Municipality	TPPT as a			TPPT Levy by Municipality
	TPPT Rate	Percent of Total	Percent of Total	
		Tax Levy	Tax Levy without MV	
Central Falls	7.31%	9.24%	9.86%	\$1,478,904
North Providence	6.89%	7.22%	7.78%	5,047,839
Johnston	6.40%	15.78%	17.17%	11,927,795
Smithfield	5.97%	15.21%	16.63%	9,087,361
East Providence	5.64%	13.75%	14.96%	14,980,408
Providence	5.58%	15.43%	16.04%	55,216,367
Pawtucket	5.21%	6.70%	7.19%	7,086,144
Woonsocket	4.66%	9.80%	10.57%	5,483,581
West Warwick	4.49%	8.36%	8.87%	5,598,805
North Smithfield	4.25%	16.51%	17.94%	5,718,590
Glocester	4.09%	3.50%	3.78%	773,637
Scituate	3.81%	2.64%	2.79%	815,314
Warwick	3.75%	8.66%	9.40%	20,903,741
West Greenwich	3.63%	6.92%	7.25%	1,411,745
Foster	3.26%	2.23%	2.42%	296,587
Lincoln	3.13%	9.78%	10.65%	5,553,037
Cranston	3.12%	5.55%	5.93%	10,472,091
Cumberland	3.09%	8.78%	9.36%	5,951,525
East Greenwich	2.34%	3.32%	3.43%	1,886,268
Coventry	2.22%	3.02%	3.19%	2,297,809
Richmond	2.19%	2.36%	2.48%	465,910
Hopkinton	2.07%	4.06%	4.30%	779,722
Barrington	2.01%	1.34%	1.42%	871,905
Warren	1.91%	2.51%	2.66%	599,999
North Kingstown	1.71%	3.48%	3.69%	2,854,728
Portsmouth	1.64%	2.26%	2.34%	1,267,421
Burrillville	1.60%	8.73%	9.65%	2,813,658
Tiverton	1.58%	2.70%	2.80%	1,022,792
Exeter	1.57%	2.40%	2.69%	349,891
Newport	1.54%	2.54%	2.60%	2,018,718
South Kingstown	1.45%	2.17%	2.26%	1,648,609
Narragansett	1.43%	2.70%	2.77%	1,446,300
Bristol	1.37%	1.41%	1.48%	634,217
Middletown	1.32%	2.87%	2.97%	1,359,409
Little Compton	1.19%	1.00%	1.02%	128,607
Westerly	1.12%	1.95%	2.06%	1,469,478
Charlestown	0.92%	0.78%	0.80%	182,714
Jamestown	0.81%	0.55%	0.56%	116,397
New Shoreham	0.62%	1.07%	1.08%	111,663

Source: Department of Revenue - Office of Municipal Finance. 2018 data.

The new voluntary program established under Article 9 is designed to incentivize the reduction of municipal TPPT rates with the objective of lowering Rhode Island's statewide average TPPT rate relative to other states in the Northeast. The proposed program provides funds to municipalities to offset the revenue loss resulting from the reduction in TPPT rates.

Administration: The new program will be administered by the Department of Revenue's Division of Municipal Finance (DMF) and the Executive Office of Commerce and CommerceRI will formally provide input on program and regulatory design. According to EOC and DMF staff, no additional personnel is required to run the program.

Fiscal Impact: Offset payments will be made from a fund established within the DMF. The article provides a year-long implementation ramp-up period, with first payments to municipalities being made in FY2022. The article caps the amount of funding for the program at \$2.5 million in FY2022 and \$5.0 million in FY2023. The Budget provides \$85,000 to the EOC in FY2021 for advisory services related to commercial tax research.

Eligibility Criteria and Application Process: The DMF, in consultation with Commerce, is charged with developing a methodology for determining municipal eligibility and an application process. Pursuant to the article, this selection process shall consider:

- The rate to which a municipality's tangible personal property tax will be reduced;
- The effective date for this rate reduction;
- Methods for sustaining the rate reduction over time;
- Evidence that the municipality's reduction of the tangible personal property rate complies with all applicable property tax classification laws and local ordinances; and
- Representation of a municipality's ability to reduce its tangible personal property tax rate while complying with the levy cap requirements as provided for under §44-5-2.

The application and review process will include:

- A preliminary application;
- Notification from the DMF that the preliminary application is acceptable, acceptable with conditions, or denied;
- Confirmation from a municipality with an acceptable preliminary application that it intends to participate in the program; and
- A final application.

Formula for TPPT Offset Payments: The Division of Municipal Finance, in consultation with Commerce, is authorized to develop a formula to calculate fund payments to participating municipalities. The article requires that this formula be based upon the estimated tangible levy losses resulting from reductions in tangible personal property tax rates. The estimated tangible levy losses must be based upon the following:

- The reduced tangible personal property tax rate in effect in the year for which state aid applies;
- The lesser of the tangible personal property tax rates in the full fiscal year preceding the enactment of the aid program and the full fiscal year prior to the submission of the municipality's preliminary application; and
- The lesser of the net tangible personal property assessments in the full fiscal year preceding the enactment of the aid program and the full fiscal year prior to the submission of the municipality's preliminary application.

Pursuant to the article the tiered partial reimbursement rates in FY2022 will be:

- 50.0 percent of the estimated tangible levy loss resulting from a reduction in the tangible personal property tax rate within a range above a 6.5 percent rate for the applicable certified assessment date;
- 25.0 percent of the estimated tangible levy loss resulting from a reduction in the tangible personal property tax rate between the interval of and below a 6.5 percent rate and above a 5.0 percent rate; and;
- 10.0 percent of the estimated tangible levy loss resulting from a reduction in the tangible personal property tax rate between the interval of and below a 5.0 percent rate and above a 2.15 percent rate.
- In succeeding fiscal years, the Division of Municipal Finance may adjust these partial reimbursement rates, in consultation with Commerce.

Analyst Note: According to the EOC, the 2.15 percent minimum TPPT rate at which an eligible municipality may receive funds was selected because it is equal to Massachusetts' average TPPT effective rate.

Reporting Requirement: Article 9 provides for program reporting requirements. At the end of each fiscal year, the DMF, with the support of Commerce, will report on:

- The amount of state matching funds provided to each participating municipality and overall;
- The levels to which participating municipalities reduced their tangible tax rates;
- The reduced tangible tax levy for each participating municipality and overall; and
- An analysis of each participating municipality's tax levy by property class.

Minimum Exemption: Article 9 provides municipalities with the authority to establish a minimum filing threshold and/or exemption for tangible personal property within a city or town's geographic limits by ordinance. According to DMF, the amount of TPPT owned by many businesses is so small that it is not cost effective for a municipality to collect it.

Property Tax Expansion – Non-Profit Organizations

Background: Under current state and federal law, any property, real or personal, owned by a tax-exempt non-profit organization is not required to pay municipal property taxes. Examples of such non-profit organizations include colleges, universities, and certain hospitals. For some communities, the amount of real and personal property owned by such organizations represents 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 owe if the full valuation of the property was taxable. These agreements acknowledge that municipalities must still provide services, such as police, fire, and sanitation, to non-profits and help offset the cost of doing so.

Article 9 Changes: The Governor proposes permitting municipalities to levy property taxes on the portion of tax-exempt, non-profit 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 explicitly states 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. The article establishes December 31 of the year prior to the effective date as the date of assessment of property value.

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 if the value of non-mission related property will be removed from the State-level PILOT calculation.

Article 10: Relating to Education

This article makes numerous changes to the General Laws relating to Education. Major changes include renaming the English Learner (EL) categorical as multilingual learners (MLL), expanding the School Resource Officer categorical to include mental health professionals, and increasing the fee on municipalities to fund the School Building Authority (SBA) through the Rhode Island Health and Educational Building Corporation (RIHEBC). The article also eliminates the sunset on the Rhode Island Promise Scholarship program, and extends the Wavemaker Fellowship to STEM teachers while changing the current sunset to December 2023.

FISCAL IMPACT

Funding prekindergarten seats through the funding formula is projected to save \$251,095 relative to the amount of funding provided through the categorical program in FY2020.

The article eliminates the sunset of the Rhode Island Promise Scholarship program thereby increasing projected costs beyond FY2022; however, the impact would depend on future enrollment trends and tuition rates. Extending the sunset of the RI Wavemaker Fellowship program for three more years to December 31, 2023, would also increase projected future costs; however, since the statute limits the commitment of awards to available funds, the expanded obligation would depend on the appropriated funding. The Budget provides an increase of \$872,000 in Wavemaker Fellowship funding (\$2.1 million total) in FY2021, and \$1.2 million in FY2020.

Increasing the cap on the fee charged to municipalities to support the SBA from one tenth of one percent (0.001) to one percent (0.01) of the principal amount will have a fiscal impact on municipalities; however, the degree of that impact would depend on the future borrowing of each municipality.

ANALYSIS AND BACKGROUND

English Learners (EL)

The article changes the categorical for English Learners (EL) to multilingual learners (MLL); however, the statute does not provide a definition for “multilingual learner”. According to Pearson, a British-owned education publishing company, “multilingual learners” are learning the language of instruction at the same time they are learning rigorous academic content. This definition may expand the categorical to include dual language programs where native English speakers are learning French or Spanish. This section does not have a direct fiscal impact; however, the FY2021 Budget provides \$7.5 million in general revenue for the EL categorical, in increase of \$2.5 million over the FY2020 Budget as Enacted.

The article provides new language clarifying that the funds may be used to:

- Increase the number of bilingual programs,
- Increase the capacity of multilingual educators and English to Speakers of Other Languages (ESOL) certified educators,
- Support ongoing training to retain multilingual and ESOL certified educators,
- Increase the knowledge of building administrators about MLL students and how to better support them,
- Provide training for general education teachers to become certified in ESOL, and
- Provide training for instructional coaches and personnel supporting differently-abled students to serve multilingual students.

Analyst Note: The article repeals the language intended to prevent the displacement of local funds. The article does not provide a definition of “differently-abled”.

Categorical Aid for School Resource Officers Expanded to Mental Health Professionals

The article expands the state support for school resource officers to include mental health professionals. Pursuant to the article, in FY2021 a district would be reimbursed for one-half of the cost of salaries and benefits for additional mental health professionals provided the district commits to funding the position beyond FY2021 in the absence of state funds. The categorical sunsets after FY2021, so no additional funding is available. This section does not have a direct fiscal impact; however, the FY2021 Budget provides \$1.0 million in general revenue, consistent with the FY2020 Budget as Enacted. FY2020 expenditures are projected at \$325,000.

Districts may not eliminate current mental health professional positions to create new ones, and if the demand for the funds is greater than the amount appropriated, the Department will prioritize distribution based on, but not limited to, current mental health capacity in the school and demonstrated need.

Analyst Note: It is unclear whether priority would be given to school resource officer support or mental health professional support should the demand exceed the available funds, or what would happen should a district fail to fund a positions beyond FY2021.

“Mental health professionals” include, but are not limited to, student assistance counselors, school counselors, social workers, and school psychologists.

Prekindergarten Seats in the Funding Formula

Beginning in FY2021, the article requires the Department of Elementary and Secondary Education to include students enrolled in approved prekindergarten classrooms in the average daily membership. From the statutory language, however, it is unclear what is meant by “approved” or “average daily membership”, as no definitions are provided. A broad interpretation could mean that any student attending a licensed prekindergarten program in Rhode Island would be included in the average daily membership (ADM) for the district of residence. The ADM would then be used to calculate the foundation aid for the district, the local tuition for charter and state schools, and the state share ratio. Funding the prekindergarten seats through the funding formula is projected to save \$251,095 relative to the amount of funding provided to these districts through the categorical program in FY2020. This “savings” will be reinvested into the program in addition to the \$4.8 million added to the categorical in FY2021.

Impact of Funding Prekindergarten through Funding Formula

District	Seats	FY2021 Share Ratio	FY2020 Early Childhood Categorical	FY2021 Governor Formula Aid	Difference
Central Falls	90	94.6%	\$927,602	\$1,202,128	\$274,526
Cranston	18	56.1%	170,133	122,641	(47,492)
East Providence	160	57.1%	1,525,518	1,130,197	(395,321)
Johnston	18	47.2%	190,000	103,248	(86,752)
Pawtucket	72	80.4%	765,170	769,114	3,944
Total	358		\$3,578,423	\$3,327,328	(\$251,095)

The article also amends the prekindergarten categorical to delete the power of the General Assembly to determine the amount of funding, and instead leaves the Department to recommend criteria for the allocation of funds consistent with the RIGL 16-87, the Rhode Island Prekindergarten Education Act.

Analyst Note: It is unclear how funding would be determined since the Department is only empowered to recommend criteria for the allocation of funds. This amendment may thereby create an entitlement program for prekindergarten.

Education of Very Young Children

The article amends RIGL 16-48, “Educational Services to Very Young Children”, to apply to children between the ages of four and six years of age, instead of two years eight months and six years of age. The article allows any person or association desiring “High Quality Comprehensive Approval” to apply for such approval and to receive approval upon satisfying the standards established by the Commissioner of Elementary and Secondary Education. The approval would be valid for three years, unless revoked by the Commissioner for cause. The article also allows for the accreditation of classrooms, instead of schools.

Analyst Note: It is unclear what impact this article may have on educational programs for three-year olds, while DHS will continue to license childcare facilities, it appears RIDE will no longer be authorized to approve educational services for this age group. Furthermore, the article may eliminate the authority of the Commissioner of Elementary and Secondary Education to approve applications for preschool programs not meeting the high-quality standards by deleting language referring to the establishment and maintenance of a program. The article does not provide a definition of "High Quality Comprehensive Approval" for this chapter; however, high quality elements are provided in the Rhode Island Prekindergarten Act.

This amendment appears to be in conflict with the Council on Elementary and Secondary Education's regulations on Comprehensive Early Childhood Education (CECE) programs Tier 1 – Operational Approval, which applies to private early childhood education programs serving children between the ages of three and six.

Rhode Island Prekindergarten Act

In FY2020, Rhode Island supports 1,420 high-quality prekindergarten seats through the Rhode Island Prekindergarten Education Act (Act), at an average cost of \$11,700, including state, federal, and Head Start funds. This includes 358 seats in public schools, 414 in child care centers, and 648 in Head Start programs. The target for universal access, as proposed by the article, is 7,000 seats.

State general revenue funding of \$14.9 million in FY2020, is provided through the early childhood categorical as part of the broader education aid. In FY2021, the Budget provides an additional \$1.4 million in categorical aid and \$3.3 through the funding formula to support the 358 seats located in district schools. With \$3.0 million funding from a new federal preschool development grant, the FY2021 Budget is projected support 750 new seats.

Analyst Note: The new federal funding is part of a recently awarded three-year, \$27.0 million federal Preschool Development Grant Birth -5 Renewal Grant. This grant is a renewal of the one-year \$4.2 million planning grant the State received in 2019. The grant is projected to support 300 seats for three-years. It is unclear how those seats will be supported in FY2024. In FY2020, \$5.8 million in general revenue was added to replace expired federal funding for existing seats. Based on information received from DHS, the federal grant requires a \$3.0 million state match.

In addition, the federal funds are not currently in the proposed budget, however, the Office of Management and Budget has indicated that an amendment will be submitted.

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 clear 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.

Distribution of Funds: 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 delineate a plan for the distribution of funding, other than providing that the Department of Elementary and Secondary Education and the Department of Human Services will ensure that, during the request for proposal process, priority points will be given to communities serving a higher proportion of low-income children. The article further ensures that, until universal access is achieved in a community, the state prekindergarten lottery process will include an algorithm to match enrollment to the socioeconomic distribution of the community.

Analyst Note: Ensuring that additional priority points are awarded to programs in communities with a higher concentration of low-income children will not necessarily prioritize low-income seats. There does not appear to be any language in the article to drive the available funds to the low-income children where those funds will have the greatest return on investment.

Prekindergarten Facilities: The article requires the Department of Elementary and Secondary Education and the Department of Human Services to work with other departments and private philanthropy to research and establish programs to expand access to high-quality prekindergarten facilities.

High Quality Elements: The Department of Elementary and Secondary Education is authorized to promulgate regulations for the implementation of high-quality, universal prekindergarten. The standards to be addressed within the regulations include such items as teacher education and certification, class size and staff ratios, learning time and standards, curriculum, support for students with special needs, support for dual English Language Learners, professional development, child assessments, and observations to improve practice.

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 transition 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 professional 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 of 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 philanthropies 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 who work with children from birth to age five. This statute was originally enacted in 2008.

Rhode Island Early Childhood Care and Education Capital Fund (Capital Fund) Act

Section 8 of the article establishes the new Capital Fund to expand quality early learning and childhood care facilities by capitalizing on existing spaces, facilitating innovative partnerships, and providing technical support to building a pipeline of new construction projects. The Department of Human Services (DHS), with the help of a community partner organization, will administer the program through a competitive grant process for programs that are state licensed to provide child care and serve children from birth through age six. This model is based on the Early Education and Out of School Time (EEOST) Capital fund in Massachusetts.

Eligibility for Funding: An “eligible organization” includes child care providers that have demonstrated a commitment to providing early childhood care for low-income families with a public subsidy. An “eligible facility” is a building, structure, or site that is, or will be, owned, leased, or otherwise used by an eligible organization licensed by DHS to provide child care. Municipally-owned buildings are only eligible if there is a single-purpose space for licensed early childhood care.

Analyst Note: Funding for the program would include general obligation bond proceeds, currently proposed for the November 2020 referendum, and other amounts appropriated for the program. Consequently, the program involves the use of public funds to make capital improvements to privately-owned facilities. Additional information received from the Office of Management and Budget indicates that DHS would require a lease term of at least 15 years; however, this requirement is not in the statutory language nor would it appear to apply to facilities “otherwise used” by an eligible organization. Furthermore, it is unclear how a 15-year lease term would protect the State’s capital investment should the lease be broken. The article does provide that DHS will establish procedures to safeguard the expenditure of public funds.

Program Funding: The article authorized DHS to create a restricted receipt account that is exempt from indirect cost recovery; however, the account is not listed in RIGL 35-4-27 as an exempt account. The program may be funded from the proceeds of a general obligation bond, as proposed for the November 2020 referendum, as well as appropriated funds and charitable donations. The funds will be distributed through a competitive process managed by DHS, with administrative support from a community partner organization.

The program funds may be used to pay for grants to eligible organizations, technical assistance related to capital planning and application assistance for early childhood care and education providers, as well as costs associated with the administration of the program.

Analyst Note: The use of bond proceeds to cover program costs inflates those costs to include debt service. Furthermore, the article does not provide a definition or limitation of “costs associated with the administration of the program.”

Reporting: The article requires DHS to publish a report on the status of the program implementation, as well as an accounting of the use of funds including a list of the organization name, city or town in which the facility is located, a project description, and the grant amount for each recipient. In addition, the report will track the impact of each completed project in terms of the number and quality of current or additional classrooms and seats supported. The report is due 90 days after the end of the fiscal year with a copy provided to the Governor, Speaker of the House of Representatives, and the President of the Senate.

School Building Authority (SBA)

Under current law, the Rhode Island Health and Educational Building Corporation (RIHEBC) supports “one-time or limited” personnel and operating costs of the SBA through revenue from levying a fee of one tenth of one percent (0.001) of the principal amount on municipal bonds for school construction. The article deletes the “one-time or limited” qualification making RIHEBC responsible for all the expenses of the SBA and expands the funds that can be used to include investment income generated by state and municipal funds held in trust by the Corporation. In addition, the article raises the cap on the fee charged to municipalities from one tenth of one percent (0.001) to one percent (0.01) of the principal amount.

The Budget requires RIHEBC to transfer \$1.0 million to the state controller by June 30, 2021, in addition to providing \$1.0 million in personnel expenses for the School Building Authority (SBA). In FY2018, RIHEBC was required to transfer \$6.0 million to the State Controller. In FY2019, RIHEBC supported \$737,735 in SBA personnel expenses, and in FY2020 RIHEBC is projected to provide \$775,492.

Rhode Island Promise Scholarship

The article eliminates the sunset on the Rhode Island Promise Scholarship to extend the program beyond the high school graduating class of 2020. The article also extends the program to include certificate

programs, in addition to an associate's degree. "Certificate" is defined as any certificate program with labor market value as defined by the Postsecondary Commissioner. New language specifies that grants received from the Department of Children, Youth and Families' Higher Education Opportunity Incentive program or the College Crusade would not have to cover tuition and mandatory fees before the awarding of any Promise Scholarship grant monies; thereby allowing the use of these grants for other expenses.

Wavemaker Fellowship

The article expands the RI Wavemaker Fellowship to include "high-demand" STEM teachers, and limits the awards to eligible STEM teachers to no more than 100 awards and no more than 25.0 percent of the awards in a given calendar year. 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 and up to \$6,000 for a graduate or post-graduate degree.

The article defines an "eligible high-demand STEM teacher" as a full-time content area teacher employed by a public elementary or secondary school who satisfies the criteria proposed by the Commissioner of Education, in consultation with the Commerce Corporation, and approved by the Commerce Corporation.

The Commerce Corporation will establish the guidelines ensuring the cap on the proportion of awards to STEM teachers, in consultation with the Rhode Island Department of Education. The article also changes the credits awarded to recipients to education loan repayment expenses paid by the taxpayer, instead of incurred, and adds a definition for "business".

The article extends the sunset of the RI Wavemaker Fellowship program for three more years to December 31, 2023.

Since the statute limits the commitment of awards to available funds, the expanded eligibility does not have a direct fiscal impact; however, the Budget provides an increase of \$872,000 in Wavemaker Fellowship funding (\$2.1 million total) in FY2021, and \$1.2 million in FY2020.

Article 11: Relating to Economic Development

Article 11 introduces new or amends existing economic development incentives. The changes include:

- **Site Readiness Program:** Creating a new Site Readiness Program within the Rhode Island Commerce Corporation to develop pad-ready sites and other economic development projects in partnership with municipalities.
- **Rebuild RI:** Raising the maximum aggregate number of Rebuild RI credits from \$210.0 million to \$250.0 million, an increase of 19.0 percent. The article also reduces the per project limit of 20.0 percent of the total project cost down to 15.0 percent, with the exception of those projects that involve historic structures or include infrastructure investment.
- **Reauthorization of Incentives:** Extending the authorization of eleven incentives for another three years by pushing their sunsets from December 31, 2020, to December 31, 2023. The article also permanently authorizes the Small Business Assistance Program.

FISCAL IMPACT

The FY2021 Budget includes \$390,000 in general revenue to fund the work of five RI Commerce Corporation “fellows” within the Site Readiness Program. Article 5 proposes bond referenda for industrial site development that would make \$21.5 million available to the program. The Budget also provides \$22.5 million for the Rebuild RI program, \$12.5 million more than the FY2020 enacted level.

ANALYSIS AND BACKGROUND

New Site Readiness Program

Article 11 establishes a new Site Readiness Program (SRP) within the Rhode Island Commerce Corporation (CommerceRI) in partnership with the Quonset Development Corporation (QDC) to increase the amount of vetted, permitted, and utility-ready sites available for economic development projects across Rhode Island.

According to the Executive Office of Commerce (EOC), developers face challenges at the local level as a result of limited municipal resources. Municipal capacity varies tremendously across the State in terms of planning and land-use initiatives, building and permitting review, and comprehensive zoning. The new Site Readiness Program is proposed as method of assisting municipalities in overcoming barriers to creating “pad-ready” sites.

Administration and Staff: The Site Readiness Program is to be administered by CommerceRI through site readiness subcommittees of CommerceRI’s board of directors. In addition to board members, a subcommittee shall include a representative from the RI League of Cities and Towns and a representative selected by the municipal government of the participating community.

Analyst Note: According to EOC, existing staff will administer the program with the assistance of five CommerceRI “fellows” that will be “embedded” in participating municipalities. These positions will be employed by CommerceRI but will not be considered state employees. EOC indicates that personnel costs for the fellows will be shared equally by CommerceRI and the participating municipality. EOC also indicates that there is \$390,000 budgeted in the Site Readiness Program to support its share of the cost of these fellows. There is not, however, currently a budget line sequence, however, associated with the program in EOC’s budget.

Authority and Functions: Article 11 provides the Commerce Corporation with extensive powers to carry out the SRP 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 Commerce Corporation is authorized to provide training and assistance to municipalities and/or owners of real estate on best practices that support economic development. This includes improving local capacity to develop an inventory of vetted pad-ready sites in the State and to establish the capacity to develop, manage, and market these lands.

Analyst Note: While not specifically authorized, nothing in current law prohibits the EOC or Commerce Corporation from providing technical assistance and capacity building to municipalities now.

- **Investments in Site Preparation:** Article 5 proposes a bond referenda for industrial site development that would make \$21.5 million available to the SRP for acquiring parcels and preparing pad-ready site.
- **Powers and Duties:** Article 11 authorizes CommerceRI to develop permitting and pre-permitting processes at the State level that may be used in partnership with municipalities in preparing sites for development. Pursuant to the article, CommerceRI, through and with the Department of Business Regulation, may issue permits, licenses, and other authorizations necessary to carry out the program. In addition to these State-level powers, CommerceRI 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. Parcels and projects would be exempt from any municipal zoning and land use ordinances, 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 a political subdivision thereof. In a city or town in which a project is completed, the municipality must provide typical services, such as police, fire, and sanitation to the project site. The authority provided to the SRP under Article 11 does not override the existing authority of the Department of Environmental Management or the Coastal Resources Management Council.

Quonset Development Corporation Expansion: Section 1 of the article authorizes the Quonset Development Corporation (QDC) to act in the place of CommerceRI under the SRP for those municipalities that request the QDC's services and expertise related to site development.

The QDC is a quasi-public subsidiary of CommerceRI 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 and has a professional staff of approximately 50.0 FTEs. The QDC has extensive authority act as a real estate development and management firm.

Tax Stabilization Incentive: Under Article 11, CommerceRI may recommend certain qualifying projects for special consideration under the State's tax stabilization incentive (TSI). 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. For qualifying projects, CommerceRI may reimburse communities up to an additional 15.0 percent, for a maximum of 25.0 percent of foregone revenues. This proposal is intended to provide CommerceRI with the ability to offer municipalities greater incentives to advance economic development in their communities. The article limits the number of enhanced TSI projects that may be certified under this provision to five per calendar year.

Analyst Note: Although Article 11 indicates that communities would formally apply for an enhanced TSI award and that such an award is subject to available appropriations, it does not indicate the criteria to be used to evaluate application or describe the review process. This presumably would be left to Commerce to determine.

TSI awards typically span many years, partially reimbursing municipalities' foregone revenue well into the out-years. Authorizing up to five enhanced TSI per year, along with ongoing approvals of regular TSI awards, may lead to a time

in the out-years when the State has a large number of TSI obligations. The article language limiting the enhanced TSI awards to funds appropriated specifically for the program is similar to limiting language for the regular TSI under RIGL 42-64.22-8. It should be noted however that a loophole exists that permits regular TSI awards to obtain funding absent appropriation. Under the Rebuild RI Tax Credit Program statutes (42-64.20) Commerce is allowed to pledge Rebuild RI funding to TSI projects awarded under 42.64.22. It is not clear if this loophole would be applicable to the enhanced TSI awards authorized under Article 11.

Rebuild Rhode Island Tax Credit Program Changes

Article 11 makes several changes to the Rebuild RI tax credit program. Rebuild RI uses both tax credit and sales tax exemption incentives to promote investment in real estate development for commercial and/or residential use across the State. When the Rebuild RI tax credit program was first established by the General Assembly, several program limits were instituted to prevent awarded credits from outpacing general revenues and to ensure program performance. These limits 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.

Additional limits have since been placed on the program. In 2019, the General Assembly modified the total program cap by increasing it from \$150.0 million to \$210.0 million. However, the cap now applies to the combined total of tax credits and sales tax exemptions. The per-project cap was also modified as it related to the potential Fane Tower project in the I-195 Redevelopment District. In this instance, the cap was raised to \$25.0 million, including credits and exemptions, and the project does not count against the overall program cap. The sunset date for Rebuild RI has twice been extended, most recently to December 31, 2020.

Since the program's inception, CommerceRI has awarded \$111.1 million in Rebuild RI tax credits and \$43.1 million in sales tax exemptions across 34 projects, for a combined total of \$154.2 million, or 73.4 percent of the \$210.0 million program cap.

Article 11 makes several changes to the Rebuild RI program limits.

- **Program Cap Increase:** Under current law, the combined total amount of tax credits and sales tax exemptions that may be issued under the Rebuild RI program is \$210.0 million. Article 11 raises that cap to \$250.0 million.
- **Project Cap Reduction:** The article also reduces the per project limit of 20.0 percent of the total project cost down to 15.0 percent, with the exception of those projects that involve historic structures or include infrastructure investment. These latter types of projects are also eligible for an additional 10.0 percent of projects costs, for a maximum of 30.0 percent, if they meet certain criteria such as if the project includes the adaptive reuse of historic structures, is aimed at an officially prioritized industry, is located in a transit-oriented development area, and other similar economic objectives.
- **Sunset Extension:** The article extends the Rebuild RI sunset from December 31, 2020, to December 31, 2023.

Reauthorization of Incentives

In addition to Rebuild RI, Article 11 reauthorizes the following incentives for another three years:

- Rhode Island Tax Increment Financing
- Tax Stabilization Incentive
- First Wave Closing Fund
- I-195 Redevelopment Project Fund
- Small Business Assistance Fund

- Main Street Rhode Island Streetscape Improvement Fund
- Innovation Initiative
- Industry Cluster Grants
- High School, College, and Employer Partnerships
- Air Service Development Fund
- Rhode Island Qualified Jobs Incentive

These programs are currently set to expire on December 31, 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 11 establishes a new sunset date of December 31, 2023.

Analyst Note: CommerceRI's Wavemaker Fellowship incentive is also currently set to expire on December 31, 2020. Article 10 extends its sunset to December 31, 2023.

Article 12: Relating to Housing

Article 12 establishes a comprehensive new framework for the development of affordable housing in Rhode Island. The article significantly modifies the governance, policy-making, and funding mechanisms available to the State to ensure sufficient affordable and workforce housing for Rhode Islanders. The changes in Article 12 are effective July 1, 2020. Specifically, the article:

- **Reorganization of Housing Policy and Coordination:** Establishes the Housing Resources Coordinating Council (HRCC), replacing the Housing Resources Commission as the principal policy, strategy, and funding organization for affordable housing in the State.
- **Dedicated Funding for Affordable and Workforce Housing:** Increases the real estate conveyance tax on the portion of real estate value over \$500,000. Revenue from this increase would be used for affordable and workforce housing initiatives, including constructing new units and providing incentives to municipalities. The article also exempts affordable housing-related developments from the transfer of interest portion of the real estate conveyance tax.
- **Housing Incentives for Municipalities:** Creates a new incentive for municipalities to support and develop affordable housing by making school impact offset payments through RIHousing.

FISCAL IMPACT

Article 12 eliminates, transfers, and creates several restricted receipt accounts related to affordable housing. This includes repealing the Housing Resource Commission Fund and establishing the Housing Production Fund. The article increases the real estate conveyance tax on real estate value greater than \$500,000. The Office of Revenue Analysis (ORA) estimates that this will generate \$3.6 million restricted Housing Production funds in FY2021. The exemption of affordable housing transactions from the transfer portion of the real estate conveyance tax represents a loss of \$36,722 loss in general revenues. The Budget also includes \$200,000 to support the implementation of the new housing incentive program for municipalities and \$209,911 for a Deputy Secretary for Housing and Community Development within the Executive Office of Commerce.

ANALYSIS AND BACKGROUND

Article 12 establishes a comprehensive new framework for the development of affordable housing in Rhode Island. The elements of this new framework are outlined below.

Reorganization of Housing Policy and Coordination

Rhode Island currently has a network of public and quasi-public entities responsible for housing policy development, planning, program administration, and financing. There are several aspects of this network that facilitate its coordination. The entities include:

- **RIHousing:** RIHousing is Rhode Island's official State-chartered housing finance agency. Housing finance agencies vary from state-to-state, but typically are independent entities that operate under the direction of a board of directors appointed by the state's governor. They administer a wide range of affordable housing and community development programs, including providing mortgage loans. RIHousing is also charged with administering affordable housing bonds.
- **Housing Resources Commission:** Under the Housing Resources Act of 1998, the Housing Resources Commission (HRC) was established as the State's principal organization for affordable housing policy, strategy, and coordination. It is comprised of 28 members, including six State agency directors, eight community groups, several municipal planning officials, banking and professional associations, and the chair of RIHousing. The HRC is charged with developing the State's affordable housing strategic plan, setting housing standards, developing programs, and providing technical assistance to

organizations and municipalities related to housing and homelessness. The HRC receives funding for these activities from a dedicated 0.6 percent of the State's real estate conveyance tax revenue. This revenue is deposited into a Housing Resources Commission restricted receipt account called the Housing Resources Commission Fund.

- **Office of Housing and Community Development:** The Office of Housing and Community Development (OHCD) provides financial, operational support, and staffing for all housing programs administered by the Housing Resources Commission (HRC), including the State's rental assistance and homelessness programs. OHCD is also responsible for administering the federal Community Development Block Grant (CDBG) and other related programs. When the General Assembly established the Executive Office of Commerce (EOC) in 2013, it transferred the OHCD from DOA to the EOC. The OHCD is comprised of two sections. The OHCD is headed by a 1.0 Chief of Housing and Community Development.

Article 12 proposes a new method for the State to organize around housing and homelessness issues. The article repeals the Housing Resources Act of 1998 and replaces it with a new Housing and Community Development Act (HCDA). The new act is outlined below.

- **Division of Housing and Community Development (DHCD):** The Act elevates the Office of Housing and Community (OHCD) to a formal division within the Executive Office of Commerce. The new division shall administer programs pertaining to housing, housing services, and community development including services for the homeless; rental assistance; community development; disaster assistance; outreach, education, and technical assistance; and financial support to non-profits and community development organizations. DHCD is required to provide the Governor and General Assembly with annual reports on its activities and recommendations by March 1st of each year, beginning in FY2021. The Budget transfers the existing 11.0 FTE positions in the OHCD to the DHCD and provides \$691,817 in general revenue and \$642,348 in federal funds for personnel expenses. The Budget provides \$395,192 in general revenue and \$48,269 in federal funds for operating expenses in FY2021. These funding levels are consistent with the FY2020 enacted levels for the OHCD.
- **Housing Resources Coordinating Council:** The HCDA replaces the Housing Resources Commission with a new entity called the Housing Resources Coordinating Council (HRCC). The new council is created within the executive branch for the purposes of coordinating housing policies and programs across State agencies and political subdivisions in order to ensure the efficient and effective deployment of resources.
- **Powers and Duties:** The Act authorizes the HRCC to negotiate and enter into contracts related to housing policy in the State. The article provides the HRCC with the authority to establish committees and other bodies to address housing issues and to develop state plans, policies, and programming for housing in consultation with the proposed Housing Resources Steering Committee. The article further provides that the HRCC may establish performance metrics for housing programs, promote community input into housing measures, grant or loan funds to agencies and political subdivisions for housing projects, and establish and charge fees for its services.

Executive Director and Staff: The Housing Resources Commission is currently staffed by the OHCD and is headed by a Chief of Housing and Community Development. Currently, the chief is the ranking staff person within the EOC on housing issues. The Act authorizes a new 1.0 Deputy Chief of Staff/Policy FTE position to serve as both as a Deputy Secretary of Housing and Homelessness at Executive Office Commerce and as executive director of the HRCC. The Budget provides EOC with and \$209,911 in general revenue in FY2021 to support personnel expenses for the position. According to EOC, the chief will remain as part of the staff at the DHCD.

The HRCC is authorized to hire staff and employ technical and professional consultants. The article provides that the HRCC may contract staff through memorandum of agreement with RIHousing or any other agency or political subdivision of the State with approval.

Analyst Note: The Budget provides the existing HRC with \$48,075 is restricted receipt funding for salaries and benefits in FY2021. The HRCC does not have its own budget line sequence. The EOC's OHCD has a memorandum of agreement with the HRC to provide administrative and staff support to the HRC. Article 12 transfers all HRC agreements to the HRCC and all OHCD agreements to the DHCD. Presumably this means that the DHCD will staff the HRCC.

- **Membership:** Membership of the various entities addressed by Article 12 are summarized and compared in the following table:

Current Housing Resources Commission	Article 12 Proposed	
	HRSC	HRCC
DOA	EOHHS	EOHHS
DBR	Secretary of Commerce	Secretary of Commerce
Elderly Affairs	RIHousing	RIHousing
DOH	RI Continuum of Care/Agency or Political Subdivision	RI Continuum of Care/Agency or Political Subdivision
DHS	Agency or Political Subdivision	Agency or Political Subdivision
BHDDH	Rep.	Rep.
RIHousing	Agency or Political Subdivision	Agency or Political Subdivision
Attorney General	Rep.	Rep.
RI Bankers Assoc.	Representing Appointee [†]	HRSC Chair*
RI Mortg. Bankers Assoc.	Representing Appointee [†]	
RI Realtors	Representing Appointee [†]	
RI Homeless Coalition	Representing Appointee [†]	
Assoc. of Housing Ex. Dir.	Representing Appointee [†]	
RI Housing Network	Representing Appointee [†]	
Operation Stand Down	Representing Appointee [†]	
Community Develop Rep.	Representing Appointee [†]	
Lead Abatement Rep.	Representing Appointee [†]	
Local Planner	Representing Appointee [†]	
Local Building Official	Representing Appointee [†]	
Fair Housing Advocate	Representing Appointee [†]	
Advocate for Minority Housing	Representing Appointee [†]	
RI Builders Assoc.	Representing Appointee [†]	
Insurer Rep.		
Community Develop Intermediary		
Non-profit Developer		
Senior Housing Rep.		
Citizen Rep.		
Citizen Rep.		

Serves ex-officio

Gubernatorial appointment with advice and consent of Senate

Gubernatorial appointment only

** Depending on who is selected by the Governor, this position may or may not be reviewed by the Senate*

† The representing appointees are to be drawn from the following: disability advocacy, homelessness, veterans, banking/lending, fair housing, education, healthy housing, health equity, business, public housing, for-profit/non-profit development, community development corporations, local government, senior housing, colleges/universities, realty, and homeownership advocates.

- **Housing Resources Steering Committee:** Article 12 establishes a new Housing Resources Steering Committee (HRSC) for the purposes of incorporating community and stakeholder input into the long-term vision for housing policy in Rhode Island and deploying existing resources.
 - **Powers and Duties:** Pursuant to the article, the HRSC shall adopt the State's plan to end homelessness; monitor and evaluate progress of State housing programs; provide recommendations to the HRCC on policy goals, strategic plans, funding priorities, and performance metrics; and conduct research and issue reports on housing issues. The HRSC is required to provide the Governor and General Assembly with annual reports on its activities and recommendations by March 1st of each year, beginning in 2021.
 - **Membership:** Membership of the HRSC is summarized and compared in the table above.
 - **Strategic Housing Plan:** The HRSC, in conjunction with the State Planning Program, is charged with adopting a four year strategic housing plan. The plan is required to address the goals, intermediary steps, implementation activities, and standards for the production of housing in Rhode Island. The plan is to address workforce and low-income housing and to address the housing needs of older Rhode Islanders, students, individuals with disabilities, and other vulnerable populations. The plan is to be updated every four years.
- **RIHousing:** Article 12 adds the new HRCC executive director and the new chairperson of the HRSC as ex-officio, non-voting commissioners to RIHousing's Board of Commissioners, increasing the total membership to nine.

Dedicated Funding for Affordable and Workforce Housing

Article 12 increases the real estate conveyance tax on the portion of real estate value over \$500,000. Revenue from this increase would be used for affordable and workforce housing initiatives, including the construction of new units and incentives to municipalities.

Housing Production Fund/HRCC Fund: Article 12 establishes two new funds related to the financing of housing programs in the State. The Housing Production Fund (HPF) is a new restricted receipt fund to be administered by RIHousing for the purposes of providing financial assistance, loans, grants, or otherwise for the planning, production, or preservation of housing opportunities in the State, including affordable workforce housing. Revenue from the proposed increase in the real estate conveyance tax authorized by Article 12 will be deposited into the HPF.

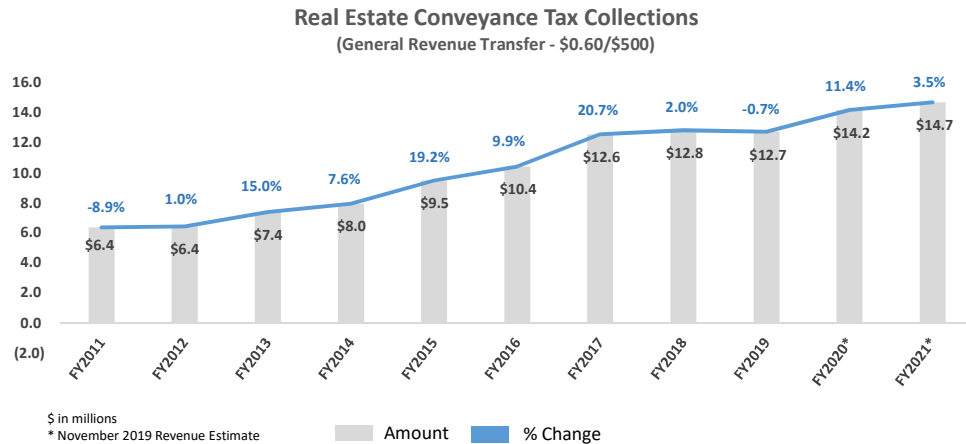
Analyst Note: Workforce housing is understood to be housing that is affordable to workers and close to their jobs. It may include both home ownership and rental housing. Workforce housing is typically defined as housing that is affordable to households earning 60.0 to 120.0 percent of the area median income (\$65,226 for Rhode Island). It may also be defined as housing costs that are no more than 30.0 to 40.0 percent of income.

Article 12 also establishes a new restricted Housing Resources Coordinating Council Fund (HRCCF) that replaces the current Housing Resources Commission Fund (HRCF). The HRCCF will be used to by the HRCC to provide initiatives including housing production, lead hazard abatement, housing rental subsidies, housing retention assistance, homelessness services, and veteran services. The 0.06 percent of the State's real estate conveyance tax that currently is dedicated to the HRCF is transferred to the HRCCF.

Real Estate Conveyance Tax: Article 12 increases the State's real estate conveyance tax on the portion of real estate valued above \$500,000 and dedicates the additional revenue to housing production.

The State imposes a tax on each deed, instrument, or writing by which interests in real estate are conveyed to a purchaser, and when the value of the transfer is greater than \$100. The tax rate is \$2.30 for each \$500, equating to a 0.46 percent tax rate.

Real estate conveyance tax collections grew by 58.8 percent during the five year period from FY2014 to FY2019. Based on the November 2019 Revenue Estimating Conference's adopted estimate, the general revenue portion of the tax (\$0.60/\$500) is estimated to be \$14.7 million in FY2021.



Tax payments are due upon the making, execution, delivery, acceptance, or recording the instrument of conveyance. The municipality where the real estate is located collects the fee at the time the deed is recorded and then remits the State share on a monthly basis. The State collects the fee when the transaction involves the sale or transfer of the ownership interest in a real estate company. Collections are shared between the State and the municipality in which the property is situated, based on the distribution shown in the first two columns of the following table.

Real Estate Conveyance Tax Distribution

	Current		Article 12			
			Portion < \$500K		Portion > \$500K	
	Effective		Effective		Effective	
	Per \$500	Rate	Per \$500	Rate	Per \$500	Rate
State	\$1.20	0.24%	\$1.20	0.24%	\$3.50	0.70%
General Revenue	0.60	0.12%	0.60	0.12%	0.60	0.12%
Distressed Communities	0.30	0.06%	0.30	0.06%	0.30	0.06%
Housing Resources Commission	0.30	0.06%	-	-	-	-
Housing Production Fund	-	-	-	-	2.30	0.46%
HRCC Fund	-	-	0.30	0.06%	0.30	0.06%
Local Government	1.10	0.22%	1.10	0.22%	1.10	0.22%
Total	\$2.30	0.46%	\$2.30	0.46%	\$4.60	0.92%

Article 12 Changes: Article 12 makes several changes to the real estate conveyance tax.

- Real Estate Conveyance Tax Increase:** Article 12 increases the real estate conveyance tax on the portion of real estate value over \$500,000. The rate applied to this portion doubles from 0.46 percent to 0.92 percent. Revenue from this increase would be deposited into the HPF, to be administered by RIHousing and used for increasing housing opportunities across the State.

The Office of Revenue Analysis (ORA) estimates that the amount this change will generate an additional \$3.6 million in FY2021 based on an effective date of January 1, 2021.

Real Estate Value	Tax Liability		
	(Current)	(Article 12)	Change
\$270,000	\$1,242	\$1,242	0.0%
500,000	2,300	2,300	0.0%
750,000	3,450	4,600	33.3%
1,500,000	6,900	11,500	66.7%

Source: Office of Management and Budget

The FY2022 full-year estimate is \$7.9 million. In determining these estimates, ORA used data from the Warren Group, a company that specializes in real estate data in the New England and New York housing markets. The data included 23,389 real estate transactions and included transactions for every city and town in Rhode Island. ORA filtered the data by price and date to identify the transactions over \$500,000 that occurred on or after January 1, 2019, and applied its analysis of the tax increase to these transactions.

Analyst Note: According to ORA's methodology, the \$3.6 million is based on a January 1, 2021, effective date. Section 6 of the article establishes the effective date as July 1, 2020.

- **Affordable Housing Exemption:** Firms whose main business is holding and renting real estate are defined as “acquired real estate companies” in State statute. When an acquired real estate company is sold, or the controlling interest in it is transferred, its real estate holdings are transferred as well. Prior to 2015, these real estate conveyances were not subject to the real estate conveyance tax. The 2015 General Assembly closed this loophole and subjected these transactions to the tax, based on the value of the interest being transferred.

Affordable housing developments often involve developers and investors that meet the definition of acquired real estate companies and are therefore subject to the transfer tax upon the sale of an investor's interest. These types of projects, however, typically involve the use of federal low-income housing tax credits that incentivize investor participation and facilitate the acquisition of necessary capital. Once the investor realizes the tax benefit of the credit, they are no longer required to be part of the project and typically leave the partnership. The transfer of the investor's interest is subject to taxation even though real estate value has not changed hands. This unintended consequence of the changes made in 2015 is considered a barrier to developing affordable housing.

Article 12 exempts these types of transactions from the real estate conveyance tax in order to reduce barriers to the development of affordable housing. This exemption is estimated to result in a general revenue loss of \$36,722 in FY2021.

- **Collection Fee:** Article 12 also establishes a 2.0 percent collection fee that the State will apply to the municipal portion of the real estate conveyance tax revenue distribution. Most real estate conveyance taxes are collected by municipalities and, therefore, will not be subject to this fee. The State collects the tax on acquired real estate company transfers. Revenue from these transactions will be subject to the fee prior to its distribution to municipalities. Because there are relatively few of these transactions each year, the Budget does not assume a fiscal impact for this fee in FY2021.

Analyst Note: The 2.0 percent collection fee is consistent with the treatment of the State's hotel tax and meals and beverage taxes included in Article 8.

Housing Incentives for Municipalities

Article 12 authorizes a new program designed to encourage municipalities to establish new overlay zoning districts to promote affordable housing production. Article 12 provides a financial incentive for municipalities to participate by providing payments to offset the additional costs of educating students living in new affordable housing districts. The Budget includes \$200,000 in restricted receipt Housing Production Funds for the school offset payment portion of the incentive program in FY2021.

Administration: The new program will be administered by the Housing Resources Coordinating Council in consultation with State's Division of Statewide Planning and RIHousing. The HRCC is charged with developing rules and regulations, including application criteria, eligible locations for housing incentive districts, minimum requirements for districts, eligible students for the calculation of school impact offset payments, and the amount and method of payment to municipalities for school impact offset payments. The HRCC is also authorized to provide municipalities with technical assistance and other support related to developing affordable housing. The HRCC is required to provide annual reports to the Governor and

General Assembly that include information on the commitment and disbursement of funds allocated under the program.

Housing Incentive Districts: Municipalities are encouraged to establish special overlay zones in locations that - by virtue of their infrastructure, existing underutilized facilities, proximity to public transit centers and concentrated development - are determined by the HRCC to be suitable as housing incentive districts. A housing incentive district under Article 12 is intended to encourage residential development and must permit minimum residential uses. The district may accommodate uses complimentary to residential use; however, the majority of lots must be dedicated to housing. Although the districts may adopt zoning that encourages residential development, Article 12 does not infringe upon a municipality's zoning and permitting authority.

School Impact Offset Payments: Article 12 establishes a school impact offset payment program. The program is based on a Massachusetts program known as 40S. In Massachusetts, eligible communities are reimbursed for any net cost of educating students living in new housing in a designated smart growth district. The reimbursement is equal to the cost of educating students living in new housing in a smart growth district minus the percentage of new revenues from the district that would otherwise be devoted to educational costs and any increase in state educational aid resulting from students living in new housing in the district.

Article 12 defines school impact offset payments as payments to a city or town to help offset increased municipal costs of educating a student attending a school in the town that lives in newly constructed housing that would not otherwise have been built absent the housing incentive district zoning. The article charges the HRCC with developing a framework for the school impact offset payment component of the new incentive program, including the amount and method of payment. Article 12 is unclear regarding the duration of payment, whether they are transitional or permanent. The offset payments are to be made out of the new HRCCF. It also authorizes identifies RIHousing to make the payments.

Article 13: Relating to State Controlled Adult Use Marijuana

Article 13 establishes a state-controlled adult-use marijuana market, increasing restricted receipts by \$26.0 million in FY2021. Specifically, the article:

- Authorizes the Office of Cannabis Regulation to notify law enforcement when there is a reasonable belief that a primary caregiver is not in compliance with laws and regulations.
- Establishes the Adult-Use of Marijuana Act and the Marijuana Regulation, Control, and Revenue Act to provide a framework for the state-controlled market.

FISCAL IMPACT

The State anticipates sales would begin in March 2021. The partial year of sales would result in a restricted receipt increase of \$26.0 million in FY2021, based on the assumption that 33.0 percent of the market will have been realized. The State would receive all fee revenues, totaling \$699,000 in FY2021. After accounting for expenditures related to the adult-use marijuana market, the estimated transfer to the general fund is \$21.8 million in FY2021.

The FY2022 estimated impact assumes there will be a 20.0 percent decrease in the retail price of marijuana and that the market be fully realized by the start of FY2022. These assumptions increase adult-use retail sale profits by 50.4 percent in FY2022. There are no tax revenues assumed in the Budget for adult-use marijuana, as sales are tax exempt. The fiscal impact of Article 13 is summarized in the following table:

Article 13 Net Impact		
Initiative	FY2021	FY2022
Adult-Use Retail Sale Profits	\$26,018,679	\$52,483,731
Fee Revenues	699,000	-
Expenditures	(4,888,172)	(12,894,739)
Anticipated Transfer to General Fund	\$21,829,507	\$39,588,992

ANALYSIS AND BACKGROUND

Medical Marijuana: The article expands the enforcement authority of the Office of Cannabis Regulation (OCR) within the Department of Business Regulation (DBR). OCR would be authorized to notify law enforcement when there is a reasonable belief that a primary caregiver is not in compliance with plant tag requirements, possession limits and plant limits. The changes to medical marijuana are not expected to have a fiscal impact.

Adult-Use Marijuana: The article legalizes the adult-use of marijuana and authorizes the OCR to oversee the proposed state-controlled adult-use market. The article would allow for individuals aged twenty-one or older to purchase up to one ounce of marijuana. Up to five ounces of marijuana can be in a home if securely stored and there is at least one individual over the age of twenty-one. Homes with at least two individuals aged twenty-one or older can securely store up to ten ounces of marijuana in their home. Possession of marijuana in a motor vehicle must remain sealed, unused, and in the original packaging.

The Office of Management and Budget (OMB) completed an analysis to estimate the retail sales in the state. Using self-reported marijuana-use rates, OMB took the number of self-reported marijuana users in the State and adjusted for expected underreporting and the number of medical marijuana patients in the State.

The state-controlled adult-use marijuana market is modeled after New Hampshire's state-controlled liquor market. State-controlled markets lower prices and attract additional consumers. A study found that liquor prices were 89.0 percent of the prices in markets that were not state-controlled. OMB used this information to estimate the impact that a state-controlled model will have on retail prices and consumer demand. Adjusting for under-reporting of marijuana-use, medical marijuana patients, and the impact of a state-

controlled adult-use marijuana market, OMB found that Rhode Island can anticipate 176,388 consumers in the adult-use market.

To estimate the total sales annually, OMB calculated used average sales per user in Colorado and Washington. To account for the proposed 50.0 percent potency limit, they analyzed the potency of products sold in Colorado. The data from Colorado suggests that potency limits would decrease sales and production by 13.7 percent. Nevada is currently the only other state that limits the potency of adult-use marijuana, but a number of states are considering potency limitations as potency continues to grow in both legal and illegal markets around the world.

A state-controlled model would allow the State to provide lower prices for the retail sale of marijuana, as New Hampshire has done with state-controlled liquor sales. Lower prices are expected to attract consumers away from the black market and allow the State to be competitive with neighboring states. OMB estimated the impact a state-controlled market would have on product pricing and adjusted accordingly. When including adjustments from the potency limits and the impact of a state-controlled market, the State can anticipate \$209.6 million in total sales annually in the adult-use market.

In Connecticut, the Governor included legalization of marijuana in their budget. Massachusetts passed legalization in 2016 and launched the retail sale of marijuana in 2018. There are three marijuana retail stores within approximately ten miles of the Rhode Island border, including one Fall River location within 0.1 miles of the Rhode Island border.

Prohibited Activities and Fines: The article prohibits specific activities and limits the amount of marijuana an adult may possess. If an individual or entity possesses marijuana plants without a cultivator license or medical marijuana plant tags, they are subject to forfeiture and fines based on the number of plants in possession. Fines range from \$2,000 to \$5,000 per plant and anyone possessing more than 20 plants is subject to a felony conviction. Adults over the possession weight limits would be penalized \$2,000 per ounce over the limit and would be required to forfeit the marijuana.

Prisoners are not permitted to possess marijuana, and marijuana is not permitted in any jail, detention or correctional facilities. An individual who smokes or vaporizes marijuana in public places or on the premises of certain housing facilities would subject to a \$150 fine per violation, in addition to any fines by the municipality where the violation occurred.

The article does not exempt marijuana use when using marijuana could result in negligence or professional malpractice. The article also prohibits the use of marijuana on school grounds, school buses or other forms of public transportation, drug treatment facilities, public places and any place where smoke may affect children. Employers would not be required to accommodate employee marijuana use and may implement policies prohibiting the use and possession of marijuana in the workplace. Landlords also may restrict or ban the distribution, transfer, or use of marijuana.

Individuals or entities that distribute or sell marijuana to a minor would be subject to a \$10,000 fine. In addition, if the individual is at least three years older than the minor, the person is subject to a felony conviction. The article authorizes the OCR to complete compliance checks and statewide purchase surveys to ensure compliance with minimum age requirements. Penalties were excluded from revenue estimates.

Adult-Use Marijuana Fund: The article establishes the Adult-Use Marijuana Fund as a restricted receipt account exempt from the indirect cost recovery provision of RIGL 35-4-27. The allocation for net adult-use retail marijuana revenue would be as follows: 61.0 percent of the funds to the State, 10.0 percent to municipalities, and 29.0 percent to the contractor(s) operating on the State's behalf.

The article allocates \$4.9 million in funding from the fund for expenditures related to adult-use marijuana program administration. 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.

Article 13 FY2021 Expenditures

Agency	Restricted Receipt
Business Regulation	\$3,216,792
Food Safety and Staffing	641,536
BHDDH	529,844
Public Safety	500,000
Total Agency Expenditures	\$4,888,172

The article would require the remaining balance be transferred to the General Fund from the restricted receipt account on a monthly basis. In FY2021 the total anticipated transfer is \$21.1 million.

Municipalities: Municipalities would have the opportunity to limit or ban any or all marijuana-related licenses through a referendum completed on or by November 3, 2020. All municipalities would receive 25.0 percent of the municipality allocation, \$27,342 per municipality in FY2021. The remaining distribution would be based on volume; 25.0 percent of the municipal allocation would be based on license volume (with retail locations weighted double all other licenses), and the remaining 50.0 percent would be allocated based on sales volume. In FY2022, the first full year of retail sales, \$8.6 million would be available for municipality distribution. Municipalities may also receive an impact fee from new licensees to offset or reimburse actual, direct costs, and expenses that the municipality incurs during the first three months of operation.

FY2021 Article 13 Municipality Distribution

Distribution	FY2021	FY2022
Sales Volume (50%)	\$2,132,679	\$4,301,945
License Volume (25%)	1,066,339	2,150,973
All Municipalities (25%)	1,066,339	2,150,973
Total	\$4,265,357	\$8,603,890

Community Equity and Reinvestment Council: The article establishes the Community Equity and Reinvestment Council to advocate for social equity and community reinvestment. The Governor would appoint eleven members with expertise in areas such as community reinvestment, cannabis economics, cannabis reform and policy, criminal justice, social equity, diversity and inclusion, and business and employment opportunities. The Council members would be appointed by the Governor, without the advice and consent of the State Senate, to serve without compensation. The Council would be tasked with collecting and reviewing data, providing recommendations for the use of funds, and conducting public meetings. The Council serves as an advisory committee and does not have authority to allocate funds.

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. 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 would receive \$500,000 in funding for training and operational costs associated with the adult-use marijuana program.

License and Application Fees: The article establishes fees associated with applying for and obtaining licenses for cultivators, processors, contractors, and employees who work in the marijuana industry. Current medical marijuana cultivators may apply for and obtain adult-use cultivator licenses so long as it will not impact supplies in the medical marijuana market. The new licenses established are specifically for the adult-use marijuana market and would generate \$699,000 in FY2021. Licenses would require renewal every three years. The OCR would have regulatory authority to set fees through the promulgation of rules and

regulations and would be responsible for licensing marijuana contractors, processors, cultivators, and employees who work in the industry. The Department of Health (DOH) would be responsible for the oversight and licensing of the lab testing of marijuana and marijuana products.

FY2021 Article 13 License Revenue

License	Estimated Revenue
Cultivator	\$360,000
Processors	270,000
Contractors	30,000
Key Employees	9,000
Operations Employees	30,000
License Fees	\$699,000

- **Cultivator License:** In order to cultivate marijuana, an entity would be required to apply for and obtain a cultivator license with an anticipated license fee of \$5,000. The cultivator license fee is based on the cultivator's size and scope of marijuana growth, ranging from \$5,000 to \$80,000, the same as the medical marijuana cultivator license. OMB estimates that OCR would approve 72 applications, generating \$360,000. Cultivators are prohibited from manufacturing or processing marijuana products.
- **Processors:** In order to process and produce marijuana products, a processor license with an anticipated license fee of \$5000 is required. OMB estimates that OCR would approve 54 applications, generating \$360,000. Processors are prohibited from cultivating marijuana.
- **Contractors:** In the state-controlled adult-use marijuana market, the State would enter into a contractual agreement with one or more contractors that would acquire marijuana and operate retail stores on behalf of the State. Contractors would be required to obtain a contractor license. The contractor license fee is expected to be \$10,000 and OMB anticipates that three will be approved. Contractor license fees are projected to generate \$30,000. Contractors are prohibited from cultivating or processing marijuana.
- **Employee Licenses:** OMB anticipates the fee for employee licenses would be \$300 for key employees and \$150 for operational employees. Employee license fees are expected to generate \$39,000.

Article 14: Relating to Medical Assistance

This article modifies the financing and delivery of the medical assistance (Medicaid) program. The article also includes a joint resolution authorizing the Executive Office of Health and Human Services (EOHHS) to undertake various reforms within the Medicaid program that require amendments to the State's 1115 Waiver, Medicaid State Plan, rules and regulations, or managed care contracts. Specifically, the article:

- Implements adult co-pays for select services, including prescription drugs and inpatient hospital visits.
- Maintains inpatient and outpatient hospital payment rates at FY2020 levels.
- Eliminates the outpatient upper payment limit (UPL) payment.
- Increases nursing home rates by 1.0 percent on October 1, 2020.
- Transitions the State's managed care plans from to full risk arrangements by increasing monthly capitation rates.
- Increases non-emergency ambulance rates.
- Adds Medicaid coverage for perinatal doula services, which provide individual supports for expectant mothers before, during, and after birth.
- Directs EOHHS to modify rules and regulations in order to promote enrollment in RItE Share, the State's premium assistance program.
- Increases wages for direct support professionals who serve individuals with intellectual and developmental disabilities in the private, community-based system on January 1, 2021.
- Allows the Executive Office to pursue any changes in the Medicaid program which may offset State costs or improve access, quality, or effectiveness.

FISCAL IMPACT

The initiatives included in this article result in a net \$9.2 million in general revenue expenditure savings (\$28.9 million all funds) in FY2021. Several initiatives also impact revenue collections. The Governor's Budget accounts for a net \$568,843 reduction in revenue collections from the 2.0 percent insurance premium tax and the 5.5 percent nursing home provider tax.

Analyst Note: The Governor's Budget appears to miscalculate the revenue impact from this article. The Senate Fiscal Office estimates that these initiatives will result in a net revenue loss of \$778,282, an additional loss of \$209,439 compared to the Governor's Budget.

ANALYSIS AND BACKGROUND

Adult Co-Pays

This article implements co-pays for adults over age 19, including for inpatient hospital visits (\$3.00) and prescription drug coverage (up to \$3.65), mirroring the Medicaid co-pays currently charged in Massachusetts. The article excludes adults in institutions, adults with disabilities, and pregnant women. The total amount paid by an individual shall not exceed 5.0 percent of annual countable income, and services would not be withheld due to a beneficiary's inability to cover a co-pay. The Governor's Budget assumes \$4.7 million in general revenue savings (\$17.8 million all funds) within the Medicaid program, offset by an additional \$220,000 from general revenues (\$1.0 million all funds) to support implementation costs. The Governor's Budget also assumes that the State would forego \$178,014 in revenues from the 2.0 percent insurance premium tax. This proposal requires a State Plan Amendment.

The Governor's Budget assumes that the \$17.8 million in Medicaid savings would result from the collection of co-pay revenue as well as a reduction in utilization.

Co-Pays Included	Utilization	Co-Pay	Co-Pay Savings	Reduced Utilization	Costs Avoided	Utilization Savings	Total Savings
Preferred Prescription Drugs	252,923	\$1.00	\$252,923	29,086	\$29.55	\$859,450	\$1,112,372
Non-Preferred Prescription Drugs	2,343,721	\$3.65	\$8,554,581	269,528	\$29.55	\$7,964,134	\$16,518,716
Inpatient Hospital Visits	56,759	\$3.00	\$170,276	N/A		N/A	\$170,276
Total			\$8,977,781			\$8,823,584	\$17,801,364
<i>General Revenue</i>			<i>2,363,705</i>			<i>2,314,108</i>	<i>4,677,813</i>

States are permitted to charge co-pays for non-emergency services, up to certain maximums set by the federal government. These maximums vary based on annual income as a proportion of the federal poverty level (FPL). Copayments may not exceed 5.0 percent of annual income.

Maximum Allowable Copayments			
	< 100% FPL	101-150% FPL	> 150% FPL
Institutional care (inpatient hospital, rehabilitation, etc.)	\$75.00	10% of state cost	20% of state cost
Non-institutional care (physician visits, physical therapy, etc.)	\$4.00	10% of state cost	20% of state cost
Non-emergency ED use	\$8.00	\$8.00	up to 5% income
Prescriptions, preferred	\$4.00	\$4.00	\$4.00
Prescriptions, non-preferred	\$8.00	\$8.00	20% of state cost

Source: Medicaid.gov

The co-pays included in Article 14 are well below these caps and would apply equally to all income levels. The Governor proposes co-pays of \$3.00 for inpatient hospital visits; \$1.00 for preferred prescription drugs that treat diabetes, high blood pressure, and high cholesterol; and \$3.65 for all other prescription drugs. The article exempts family planning prescription drugs from the co-pay requirements.

According to a survey conducted by the Kaiser Family Foundation, as of January 2019, 26 states charged co-pays for inpatient hospital visits and 38 states charged co-pays for prescription drug coverage. While the specific services subject to co-pays vary by state, four of the six New England states currently charge co-pays in some form, including Maine, New Hampshire, Vermont, and Massachusetts.

The proposal is slated to begin on July 1, 2020. The Budget includes funding for 2.0 FTE positions as well as system upgrades to implement the program, offsetting the above general revenue savings by \$220,000 (\$1.0 million all funds). The Governor's Budget includes a net \$4.5 million in general revenue savings (\$16.8 million all funds) from the initiative.

Hospital Payments

Article 14 reduces general revenue payments to hospitals by \$8.6 million (\$24.9 million all funds) relative to the November 2019 Caseload Estimating Conference estimate by freezing hospital reimbursement rates and eliminating the outpatient upper payment limit (UPL) payment.

- **Hospital Rate Freeze:** Hospitals are reimbursed by Medicaid on a fee-for-service basis and by managed care organizations (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).

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%
FY2020	7.2%	7.2%
FY2021 Gov	0.0%	0.0%

The November 2019 Caseload Estimating Conference adopted FY2021 hospital payment figures assuming cost growth of 3.7 percent for inpatient and 2.7 percent for outpatient services relative to FY2020 rates. Article 14 eliminates the inflator in FY2021 and freezes hospital rates at FY2020 levels. This would generate \$7.1 million in general revenue savings (\$20.3 million all funds) relative to the adopted estimate and would require a State Plan Amendment.

Although this initiative would significantly reduce expenditures, the proposal also negatively impacts revenue collections. Of the \$20.3 million in estimated savings, \$18.9 million would otherwise be subject to the 2.0 percent insurance gross premium tax. Therefore, by freezing hospital rates, the State would forego approximately \$377,040 in revenues in FY2021 relative to the estimate adopted by the November 2019 Revenue Estimating Conference.

- **Outpatient Upper Payment Limit:** Upper Payment Limit (UPL) payments compensate hospitals for the difference between what hospitals receive for Medicaid services and what they are paid 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. Article 14 eliminates UPL payments for outpatient hospital services in FY2021. The inpatient portion of the UPL payment was eliminated in the FY2020 Budget as Enacted.

UPL payments are authorized, but not required, by federal law. According to EOHHS, these payments limit the State's ability to utilize federal Medicaid funds in order to drive value. The November 2019 CEC adopted estimate includes a total of \$4.6 million in outpatient UPL payments in FY2021, of which \$1.5 million is from general revenues. The Governor's Budget reduces expenditures by the equivalent amount.

Outpatient UPL	
Hospital	FY2021 Adopted
Butler	-
Kent	467,307
Women and Infants	503,725
Care New England	\$971,032
Bradley	-
Miriam	526,739
Newport	153,358
Rhode Island Hospital	2,150,649
Lifespan	\$2,830,746
Roger Williams	331,194
St. Joseph's	211,401
Prospect - CharterCARE	\$542,595
Landmark	142,564
South County	114,418
Westerly	34,665
Rehabilitation	6,382
Other	\$298,029
Total	\$4,642,402

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 2019 Caseload Estimating Conference adopted FY2021 nursing home payments assuming a 3.6 percent price increase over FY2020 rates. Article 14 limits the rate increase to 1.0 percent, saving \$3.4 million in general revenues (\$7.5 million all funds) compared to the adopted estimate. This proposal requires a State Plan Amendment.

Although this initiative would significantly reduce expenditures, the proposal also negatively impacts

Nursing Facility Rate Changes by Year				
Fiscal Year	Date	Adopted	Index	Difference
FY2014	10/1/2013	0.0%	2.9%	-2.9%
FY2015	10/1/2019	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%
FY2020	10/1/2019	1.0%	3.0%	-2.0%
FY2021 Gov	10/1/2020	1.0%	3.6%	-2.6%

revenue collections. Of the \$7.5 million in estimated savings, \$1.0 million would otherwise be subject to

the 2.0 percent insurance gross premium tax and \$6.5 million would otherwise be subject to the 5.5 percent nursing home provider tax. Therefore, by limiting the nursing home COLA, the State would forego approximately \$376,673 in revenues in FY2021 relative to the estimate adopted by the November 2019 Revenue Estimating Conference.

Medicaid Resolution

Article 14 includes a joint resolution authorizing the Executive Office of Health and Human Services (EOHHS) to amend the Medicaid State Plan, submit formal amendments to the special terms and conditions of Rhode Island's Section 1115 Waiver, update State rules and regulations, and/or modify the terms of managed care contracts.

The annual appropriations bill typically includes a Medicaid resolution that describes reforms within the Medicaid program underlying the Governor's Budget recommendation which do not necessarily require statutory action, but rather require federal approval, regulatory changes, or substantial contract amendments. This resolution grants EOHHS the authority to undertake all actions required to realize the funding levels included in Article 1. The Medicaid resolution included in Article 14 authorizes EOHHS to submit State Plan Amendments in order to implement adult co-pays, freeze hospital rates, and limit the nursing home COLA, as noted previously. In addition:

- **MCO Full Risk:** The resolution allows EOHHS to execute contract amendments in order to transition Medicaid managed care organizations (MCOs) from risk sharing arrangement to full risk arrangements. The Governor adds \$5.4 million from general revenues (\$15.7 million all funds) to increase monthly capitation rates in order to enable this transition. This investment will also generate an additional \$314,000 in revenues from the 2.0 percent insurance premium tax in FY2021 relative to the adopted revenue estimate.

Each of the contracts between EOHHS and the MCOs, or health plans, calls for the State and each MCO to share in aggregate gains or losses related to the medical expenditures incurred by the MCO over the course of a contract year. These risk/gain share arrangements are set in relationship to actuarially certified capitation rates (per member per month payment rates) that combine forecasts for the costs of future experience with estimates of the risk entailed in taking on responsibility for those costs for the health plan's covered populations. In developing these rates, a range of factors are considered, including historical experience, changes in program requirements or structure, and the level of exposure to financial risk. In general, the greater the level of risk taken, the larger the premium to be paid for taking that risk. Under this proposal, the State would no longer share in the health plans' gains or losses. This would encourage the health plans to coordinate with accountable care organizations, which are in risk sharing arrangements with the MCOs as part of the State's Health System Transformation Project. According to EOHHS, this investment would incentivize the MCOs to manage costs for their populations and would enhance budget predictability in the long term.

By transitioning the State's MCOs to full risk arrangements, the monthly capitation rates would be increased to incorporate a larger factor for risk. The Governor's Budget assumes that rates would be increased to include a 2.5 percent risk margin, compared to the current 1.5 percent margin. EOHHS projects that this would cost \$15.7 million from all funds across the State's managed care programs, including \$5.4 million from general revenues. The Governor's Budget includes funding, accordingly.

- **Ambulance Rates:** The resolution includes the authority to maintain non-emergency ambulance rates, which were increased in FY2020. On August 9, 2019, the State executed a contract amendment with the State's transportation broker, Medical Transportation Management (MTM), to increase non-emergency ambulance rates to match the rates paid in Massachusetts, effective from July 1, 2019, through June 30, 2020. The Governor includes \$790,395 from general revenues (\$2.2 million all funds) to carry this change forward to FY2021, which would require another contract amendment.

Before the rates were increased on July 1, 2019, non-emergency ambulance rates had not been increased in Rhode Island in over 25 years. The State's reimbursement rates for both basic life support (BLS) and advanced life support (ALS) had remained stagnant at \$71.50 per one-way trip. The contract amendment increased rates to \$147.67 for BLS ambulance services (a 111.1 percent increase) and \$177.20 for ALS ambulance services (a 153.3 percent increase).

The Governor's Budget assumes that this \$2.2 million investment will result in a corresponding increase in revenue collections from the 2.0 percent insurance premium tax, and includes an additional \$44,349, accordingly.

- **Perinatal Doula Services:** The resolution allows EOHHS to submit a State Plan Amendment in order to add Medicaid coverage for perinatal doula services. The Governor includes \$94,802 from general revenues (\$226,750 all funds) to cover \$850 per birth for these services. This investment would generate an additional \$4,535 from the 2.0 percent insurance premium tax.

Doulas are non-medical professionals trained in childbirth who provide women with continuous physical, emotional, and informational support before, during, and after birth. During childbirth, doulas provide breathing techniques, massages, advice, and advocacy. Studies show that one-on-one support during labor and delivery is associated with improved outcomes, particularly in communities of color, including shorter labor periods, reduced risk for costly C-section procedures and premature births, and a reduction in the use of pain medication. EOHHS anticipates that doula coverage will reduce the likelihood of higher-cost interventions in labor and delivery within Medicaid populations.

Two other states, Oregon and Minnesota, currently offer Medicaid reimbursement for doula services, and Indiana recently passed legislation to include coverage. New York has also launched a pilot program in several counties to evaluate the effectiveness of covering doula services.

The Governor's Budget assumes that 10.0 percent of Medicaid births, or 495 births, would be assisted by a doula. Studies show that doulas reduce the incidence of C-section births by approximately 40.0 percent. The Governor's Budget assumes that providing doula services would result in 67 fewer C-section births for savings of \$194,000, offset by an increase of \$420,750 to cover the additional cost of providing doula services. This would result in a net expenditure increase of \$226,750, including \$94,802 from general revenues, in FY2021.

- **RIte Share:** The resolution includes the authority for EOHHS to implement changes to the RIte Share program required pursuant to Article 20. This initiative is described in detail in Article 20; the resolution provides the authority to update regulations in order to effectuate the program changes.
- **Direct Support Professional Wage Increase:** The resolution enables an 1115 Waiver amendment to enable a wage increase 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 critical workforce because they are unable to offer competitive wages. The Governor includes \$1.0 million from general revenues (\$2.2 million all funds) within the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to support a wage increase on January 1, 2021. This additional funding would equate to a raise of \$0.13 per hour for direct support professionals, based on a current average hourly wage of \$13.18. Because other staff wages are paid as a percentage of DSP wages, this would also result in wage increases for supervisors (150.0 percent of DSP wages) and support coordinators and job developers (175.0 percent of DSP wages).
- **Federal Financing Opportunities:** The resolution allows EOHHS to pursue any changes to the 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 FY2021.

Article 15: Relating to Human Services

This Article makes a number of changes within the Department of Corrections; Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH); and, the Department of Human Services. Specific changes include:

- Expands medical parole within the Department of Corrections to include geriatric parole. Geriatric parole would be available to inmates whose advanced age reduces the risk they pose to the public's safety.
- Authorizes the BHDDH to distribute grants to municipalities for youth programs related to substance abuse. The grants would be funded by redirected general revenues raised from traffic violation fines.
- Changes the RI Works program to include children who are over 18 and still in high school, and amends the Income section of the RI Works program, such that the first six months of earned income received by a RI Works member, in compliance with their employment plan, shall be excluded from the family's income as it pertains to receiving cash assistance.
- Expands child care supports to include families, at or below 180.0 percent of the Federal Poverty Level, with parents enrolled at a Rhode Island institution of higher education or in a qualified training program.
- Amends the child care reimbursement rates for licensed child care centers providing care for infants/toddlers and preschool-aged children.
- Changes the work release program at the Department of Corrections such that 30.0 percent of an inmate's net salary shall be withheld from their income earned through work release. Under current law, 30.0 percent of an inmate's gross salary is withheld.

FISCAL IMPACT

Article 15:	Expenditures
Medical Parole - Geriatric Expansion	(\$150,000)
Youth and Substance Abuse Programs	\$249,653
RI Works - Dependent Children Age Increase	\$40,000
RI Works - Earned Income Disregard	\$200,000
Post-Secondary Child Care Assistance	\$200,000
Child Care Rates - Infant/Toddlers	\$1,816,034
Child Care Rates - Preschool	\$2,018,418
Work Release Inmate Earnings	\$18,800
Total	\$4,392,905

Article 15 includes an additional \$4.4 million in expenditures. Of this total \$4.1 million is an increase in general revenues related to substance abuse programs, expansion of post-secondary child care assistance, changes in child care reimbursement rates, and changes in inmate work release earnings. These increases are partially offset by a savings related to changes in geriatric parole. The remaining \$240,000 is an increase in Temporary Assistance for Needy Families (TANF) funding related to changes in the RI Works program, which is a federally funded program.

ANALYSIS AND BACKGROUND

Medical Parole - Geriatric Expansion

The Article includes a new definition for cognitively-incapacitated inmates under medical parole. The Article also expands medical parole within the Department of Corrections to include geriatric parole.

Currently, medical parole includes inmates who are permanently physically incapacitated, and terminally or severely ill but does not include elderly inmates. Geriatric parole would be available to inmates whose advanced age reduces the risk they pose to the public's safety. All inmates above age 65, except those serving life without parole, will be eligible for geriatric parole once they have served the lesser of 10 years or 75.0 percent of their sentence, regardless of the crime committed. All parole decisions must go through the Department's Parole Board. The Department's Medical Director has identified 26 inmates that could be eligible for medical parole in FY2021, with 7 of the inmates considered highly eligible. This change is anticipated to save \$150,000 in FY2021.

17 states currently have geriatric parole. Massachusetts and Connecticut are not among these states; however, inmates in Connecticut who are eligible for medical parole may be paroled to a private nursing home that receives federal funds to help support their care.

Youth and Substance Abuse Programs

The Article would allow high schools to receive grants for youth substance abuse programs. Current law does not permit BHDDH to offer grants to municipalities for high school programs, only middle school and junior high school programs. The Article also authorizes the Department to identify criteria for effective programs. The Article requires municipalities in receipt of grants to submit annual reports to BHDDH with a detailed breakdown of expenditures from the grants.

Currently, municipal grants for youth programs related to substance abuse are funded with a \$30 fee assessed on all speeding violations. The Article would redirect \$249,653 in general revenues raised from traffic violation fines to provide additional funding for the youth substance abuse programs in middle schools, junior high schools, and high schools.

The Article also transfers authority from the courts to BHDDH to approve drug-awareness programs required by individuals who are seventeen years old found in possession of one ounce or less of marijuana.

RI Works

RI Works Dependent Children Age Increase: Section 7 of this Article amends the definition of a dependent child within the RI Works program to allow children who turn 18 while in high school to continue receiving cash assistance regardless of their graduation date. Under current law, children may receive cash assistance if they are under 18, when they turn 18 they will only be eligible for cash assistance if they are anticipated to graduate high school before turning 19. The Office of Management and Budget anticipates an additional 10 students will remain on RI Works in FY2021, costing an additional \$40,000 in TANF funds.

RI Works Earned Income Disregard: Section 8 amends RIGL 40-5.2-10, the income section of the RI Works program, such that the first six months of earned income received by a RI Works member, in compliance with their employment plan, shall be excluded from the family's income as it pertains to receiving cash assistance. This income may be excluded for six months, until the family's total gross income exceeds 185.0 percent of the Federal Poverty Level, or the family reaches the 48-month time limit, whichever is first. The Budget includes \$200,000 in TANF funds to support this initiative for the second half of FY2021, a full year of this initiative would cost \$400,000. The Office of Management and Budget anticipates anywhere from 13 to 75 additional families receiving RI Works benefits.

Post-Secondary 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 Budget includes \$200,000 in general revenue 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.

Child Care Rates

The article amends child care reimbursement rates for licensed, child care centers to include a base rate. The base rate will be set at the 25th percentile of the 2018 weekly market rate for infant/toddler care and halfway to the 25th percentile of the 2018 weekly market rate for preschool aged children. The maximum reimbursement rates for infant/toddler and preschool care that will be paid to licensed child care centers will be implemented in a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system. The Article also includes a weekly reimbursement rate of \$146.26 for licensed, child care centers providing care to school-aged children.

The Article also states that the minimum, base reimbursement rates for licensed family child care providers caring for infants/toddlers and preschool aged children will be determined through a collective bargaining agreement. Like licensed child care centers, the maximum reimbursement rates for infant/toddler and preschool care that will be paid to licensed family child care providers will be implemented in a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system.

The Department of Human Services is required to conduct an independent survey of current weekly market rates for child care in Rhode Island beginning June 30, 2021, and triennially thereafter.

Child care reimbursement rates for licensed child care centers were last altered the FY2019 Budget as Enacted. The below tables illustrate the changes in reimbursement rates for infants/toddlers and preschool-aged children.

Licensed Child Care Centers Infant/Toddler Rates	FY2019 Infant/Toddler Rates	Art. 15 Infant/Toddler Rates	Change from FY2019	
Tier 1	\$198.48	\$222.38	\$23.90	12.0%
Tier 2	\$203.32	\$226.83	\$23.51	11.6%
Tier 3	\$218.81	\$240.17	\$21.36	9.8%
Tier 4	\$232.37	\$249.07	\$16.70	7.2%
Tier 5	\$257.54	\$257.54	-	0.0%

** Based on FY2018 weekly rate of \$193.64*

Licensed Child Care Centers Preschool Rates	FY2019 Preschool Rates	Art. 15 Preschool Rates	Change from FY2019	
Tier 1	\$165.75	\$176.67	\$10.92	6.6%
Tier 2	\$169.80	\$180.53	\$10.73	6.3%
Tier 3	\$177.88	\$193.94	\$16.06	9.0%
Tier 4	\$182.73	\$201.99	\$19.26	10.5%
Tier 5	\$195.67	\$212.84	\$17.17	8.8%

** Based on FY2018 weekly rate of \$161.71*

Work Release Inmate Earnings

The Article amends RIGL 42-56-38 such that 30.0 percent of an inmate's **net** salary will be withheld from their income earned through work release. Under current law, 30.0 percent of an inmate's **gross** salary is withheld. The Department withholds a portion of the inmates' work release earnings for room and board. The inmate may use the remaining earnings to support their family, pay court fees and fines, restitution, and other responsibilities. The Department currently has 16 inmates participating in work release with the capacity to hold up to 24 in the work release module.

The Budget includes an additional \$18,000 in general revenue from this change. This increase is the net result of the revenue loss when the 30.0 percent of an inmate's net salary is withheld, rather than gross salary, combined with the earnings that will be withheld from an additional 9 inmates participating in the program. The Department anticipates that allowing inmates to retain more income will incentivize an additional 9 inmates to begin participating in work release. The funds that are withheld from inmates salaries are used for costs associated with the work release room and board.

- Increases the percentage of a resident's net income that is collected by the Veterans Home from 80.0 percent to 100.0 percent.
- Increases the amount kept by residents for personal needs from \$150 to \$300 per month.
- Amends RIGL 30-24-10 to allow the Veterans Home to retain 100.0 percent of the net income assessment that is collected from residents.
- Increases the amount charged for the burial of non-veterans at the Veterans Cemetery up to the amount of the U.S. Department of Veterans Affairs burial plot allowance.

FISCAL IMPACT

The Governor includes an increase of \$1.3 million in restricted receipts related to increasing the percentage of resident's net income that is collected by the Veterans Home from 80.0 percent to 100.0 percent. This increase is partially offset by a \$428,544 decrease in funding due to changes relating to how physical/occupational therapy co-pays are handled and the increase in residents personal needs monthly allowance. Under current law, these co-pays are the responsibility of the resident; however, the Governor suggests updating regulations such that the Veterans Home would cover the cost. The Article is estimated to increase funding for the Veterans Home by a net increase of \$881,801 in restricted receipts.

Increasing the amount charge for the burial of non-veterans at the Veterans Cemetery is anticipated to generate an additional \$351,600, which would be directed to the general fund.

ANALYSIS AND BACKGROUND

Veterans Home – Resident Income Assessment:

Under current law, the Veterans Home conducts an income assessment for each resident, and collects 80.0 percent of the resident's "net income". Article 16 would increase the amount of net income collected by the Veterans Home from 80.0 percent to 100.0 percent. This increase is anticipated to yield an additional \$1.3 million in restricted receipts. Collecting 100.0 percent of resident's net income is the standard practice at the Massachusetts's Veterans Home.

The Article also increases the monthly personal needs amount that is retained by residents from \$150 to \$300.

The table below illustrates the impact these changes would have on individual veterans, depending on their monthly net income. The average monthly net income the veterans at the Home is \$2,329. A veteran with \$900 or less in monthly income would either benefit or break even under this initiative, while a veteran with a monthly income of more than \$900 would see a loss.

Under Current Law:							Article 16:						
Monthly Net Income	\$500	\$700	\$900	\$1,000	\$2,000	\$3,000	Monthly Net Income	\$500	\$700	\$900	\$1,000	\$2,000	\$3,000
Monthly Allowance	\$150	\$150	\$150	\$150	\$150	\$150	Monthly Allowance	\$300	\$300	\$300	\$300	\$300	\$300
Average Monthly Net Income	\$350	\$550	\$750	\$850	\$1,850	\$2,850	Average Monthly Net Income	\$200	\$400	\$600	\$700	\$1,700	\$2,700
80.0 percent to Vets Home	\$280	\$440	\$600	\$680	\$1,480	\$2,280	100.0 percent to Vets Home	\$200	\$400	\$600	\$700	\$1,700	\$2,700
Veteran Left With:							Veteran Left With:						
Monthly Allowance	\$150	\$150	\$150	\$150	\$150	\$150	Monthly Allowance	\$300	\$300	\$300	\$300	\$300	\$300
Remainder of 20.0 percent	\$70	\$110	\$150	\$170	\$370	\$570		\$0	\$0	\$0	\$0	\$0	\$0
Total:	\$220	\$260	\$300	\$320	\$520	\$720	Total:	\$300	\$300	\$300	\$300	\$300	\$300
<i>*Average monthly net income at Veterans' Home is \$2,329</i>							<i>*Average monthly net income at Veterans' Home is \$2,329</i>						

Analyst Note: *Per RIGL 30-24-10 (b), "net income" is defined as "gross income minus applicable federal and state taxes, any amount paid by a resident to support a spouse or child who is blind and/or permanently disabled, and a \$150 per month personal needs disregard."*

Under current law, Veterans Services retains 20.0 percent of the funds collected from the resident's income assessments, the remaining 80.0 percent is deposited into the general fund. Article 16 amends RIGL 30-24-10 to allow Veterans Services to retain 100.0 of the funds collected through income assessments. Allowing Veterans Services to retain these additional funds will help to pay for ongoing costs associated with running the home as well as any physical/occupational therapy co-pays. Prior to 2019, all co-pays for physical/occupational therapy were paid for by the Veterans Home. In 2019 this changed and residents were responsible for their own co-pays. Transitioning back will help to increase physical/occupational therapy access and participation for residents. This is anticipated to cost \$82,944.

In Connecticut, any funds paid by Veterans for programs or services are deposited into the general welfare funds of the Department of Veterans Affairs.

Veterans Cemetery- Burial of Non-Veterans:

Article 16 allows Veterans Services to charge for the burial of eligible non-veterans in the Veterans Cemetery. Under current law, Veterans Services may only charge eligible non-veterans for the cost of a grave liner. The Article would allow Veterans Services to charge non-veterans up to the amount of the U.S. Department of Veterans Affairs burial plot allowance, which is set forth annually on October 1st. As of October 1, 2019, the plot-interment allowance was \$796. This increase is anticipated to generate an additional \$351,600, which will be deposited in the general fund.

Connecticut does not charge for the burial of eligible non-veterans in the Veterans' Cemetery. Massachusetts currently charges \$300 for a casket burial or \$150 for an urn.

Article 17: Relating to Uncompensated Care

This article authorizes the disbursement of Disproportionate Share Hospital (DSH) payments to qualifying community hospitals in federal fiscal year (FFY) 2021, or State fiscal year (SFY) 2022. The article limits the aggregate amount of the payments to \$142.3 million all funds. This is consistent with the FFY2020 payments authorized in the SFY2020 Budget as Enacted.

FISCAL IMPACT

This article does not impact expenditures in SFY2021. DSH payments are issued in July of each fiscal year; therefore, there is a discrepancy between State and federal DSH financing. The FFY2021 payments authorized by this article will be disbursed in July 2021, or SFY2022.

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 that are not covered by Medicaid or other sources. 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 authorized in Article 18.

DSH payments for SFY2021, which will be issued in July 2020, were authorized by the FY2020 Budget as Enacted. The Governor includes \$66.9 million from general revenues (\$142.3 million all funds) in FY2021 for these payments, consistent with the enacted budget. Article 17 authorizes DSH payments for State FY2022 with the same aggregate limit of \$142.3 million. The article requires that DSH funds be allocated in direct proportion to each hospital's share of statewide uncompensated care provided in FFY2018.

The federal Patient Protection and Affordable Care Act (ACA) included a phase-out of federal DSH payments, set to begin initially in 2014, which has been postponed by Congress several times. At the time of the November 2019 Caseload Estimating Conference (CEC), federal legislation to delay DSH reductions was pending in Congress but had not been passed. Because caseload estimates are based on current law—both State and federal—the Conference included the reduced federal DSH allotment in the SFY2021 estimate, which also lowered the State's contribution. This lowered the aggregate DSH payment for SFY2021 from \$142.3 million to \$77.8 million.

As of February 20, 2020, the DSH reductions planned for FFY2020 have not been delayed; however, the Governor's Budget assumes that the DSH payments will be restored by Congress for both SFY2021 and SFY2022. Therefore, Article 17 does not modify the existing DSH authorization for SFY2021 and the Governor's Budget includes the full \$142.3 million. This increases general revenue expenditures by \$30.3 million relative to the November 2019 CEC estimate but does not impact expenditures compared to the Enacted Budget. The additional expenditures are accounted for within the Medicaid program, although this increase is not effectuated by statutory changes included in Article 17.

State	Federal	DSH Limit	State Share
FY2017	FY2016	\$138.2	49.58%
FY2018	FY2017	139.7	48.98%
FY2019	FY2018	138.6	45.85%
FY2020	FY2019	142.4	47.43%
FY2021	FY2020	142.3	47.05%
FY2022	FY2021	142.3	45.91%

\$ in millions

Article 18: Relating to Licensing of Hospital Facilities

This article increases the hospital license fee from the current FY2021 authorization of 5.0 percent to 6.0 percent, consistent with the fee structure utilized in both FY2019 and FY2020.

FISCAL IMPACT

The Budget assumes that the hospital license fee will generate a total of \$193.8 million in FY2021, consistent with the FY2020 Enacted Budget.

The revenue generated by the enacted 5.0 percent fee, or \$161.5 million, is already accounted for in the November 2019 Revenue Estimating Conference (REC) estimate. Conferees are required to base their estimates on current law, which includes a 5.0 percent fee in FY2021. The 1.0 percentage point increase authorized by this article will generate an additional \$32.3 million in FY2021 relative to the November estimate.

Fiscal Year	Fee	Revenue
FY2015	5.703%	\$157.2
FY2016	5.862%	169.1
FY2017	5.652%	169.0
FY2018	5.856%	182.0
FY2019	6.000%	180.8
FY2020	6.000%	193.8
FY2021	6.000%	193.8
<i>\$ in millions</i>		

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 annual legislative action 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.

Article 18 authorizes a hospital license fee of 6.0 percent in FY2021, consistent with the FY2020 Enacted Budget. The rate is discounted by 37.0 percent (to a fee of 3.78 percent) for hospitals located in Washington County (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) payment authorized in Article 17. 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.

The hospital license fee has been authorized on an annual basis since its inception. However, due to pending changes to the DSH program at the federal level, the FY2020 Budget as Enacted included a license fee in advance for FY2021, lowering the standard fee from 6.0 percent to 5.0 percent. The Governor's Budget assumes that these federal changes will be delayed, as they have been in prior years, and maintains both the DSH payment and the hospital license fee at the FY2020 Enacted level.

FY2021 Hospital License Fee Revenue	
Hospital	Article 18 (6.0%)
Eleanor Slater Hospital	\$6,828,501
Kent Hospital	19,987,868
Landmark Medical Center	7,371,115
Miriam Hospital	25,924,198
Newport Hospital	6,429,455
Rhode Island Hospital	75,663,562
Roger Williams	9,768,299
St. Joseph's	8,077,374
South County Hospital	6,062,216
Westerly Hospital	2,470,208
Women & Infants	25,266,971
Total	\$193,849,765

Note: Total only reflects the hospital license fee paid to the State; it does not include State payments made to hospitals.

Analyst Note: The FY2021 fee is payable by July 13, 2021, which means that the State will not receive full payment until FY2022. However, the article requires hospitals to report the amount of the fee due by June 15, 2020, allowing the State Controller to book the revenues as a receivable to FY2021.

Article 19: Relating to Workforce Development

This Article makes a number of changes to apprentice programs, apprentice and trainee terminology, and the jobs development assessment within the Department of Labor and Training. The Article also increases the minimum wage from \$10.50 to \$11.50 per hour, and increases the Rhode Island Earned Income Tax Credit.

FISCAL IMPACT

The Governor includes an increase of \$1.4 million in restricted receipts related to the expansion of the Job Development Assessment to include eligible non-profit entities. This increase is partially offset by a \$1.1 million reduction from increasing the Earned Income Tax Credit.

The Governor also includes an additional \$151,343 in general revenue within the Department of Environmental Management to support the increase in the minimum wage.

ANALYSIS AND BACKGROUND

Apprentice Definitions

Article 19 amends RIGL 28-45 to further define an apprentice, apprenticeship program, and registration agency, and states that this chapter only applies to registered apprenticeship programs. The Article also amends the definition of an “apprentice plumber” to require the apprentice be registered as an apprentice plumber in accordance with RIGL 28-45 and changes the definition from trainee/telecommunications apprentice to telecommunications trainee. These changes in definitions are intended to ensure compliance with federal regulations.

Electrician Apprentices

The Article outlines exam requirements for each class of the electrical licensing exam, and outlines the time-based terms of electrical apprenticeships for Class B, Class M, and lighting protection installers. Current law requires apprentice electricians to complete a certain number of hours within a time constraint, i.e. an apprentice electrician working to qualify for the journeyman “B” electrician exam must complete 8,000 hours of work over a period of 4 years. The Article retains the required number of hours for each Class of electrician but removes the time constraint within which the hours must be completed.

The Article also allows for an apprentice, who has an associate degree in electrical technology, has completed electrical technology courses in a recognized college, or has successfully completed an authorized trade school education, to be granted credit for 288 hours of instruction toward the completion of their apprenticeship. An apprentice may also be granted 144 hours of credit for relevant technical education completed in high school. The Article also requires any electrical apprentice, who is registered with a registration agency outside of the State, to obtain reciprocal recognition from DLT before being allowed to work as an electrical apprentice in Rhode Island.

Mechanical Trades

The Article amends RIGL 28-27 to change the measurement of time required to complete a journeyman refrigeration technician, journeyman pipefitter, journeyman sheet metal worker, and journeyman sprinkler fitter apprentice program from years to hours.

The Article also allows an apprentice to receive credit for prior learning, to be used towards licensing hours, with written approval of the mechanical board. Apprentices who have completed two years of relevant technical coursework or have an associated degree in pipefitting, refrigeration/air conditioning, or fire protection sprinkler systems may receive 288 hours of instruction toward the completion of their apprenticeship. The Article removes the \$30 apprenticeship license fee for P.J.F. journeyman oil burnerperson’s license.

School Construction Apprenticeships

The Article amends RIGL 37-13-3.2 to include legislative findings pertaining to the state of Rhode Island's schools and school construction. The Article references a 2017 report, commissioned by the School Building Authority, which identified \$2.2 billion in deficiencies within the State's 306 public schools. In 2018, voters approved \$250.0 million in general obligation bonds to support school construction projects. The Article also notes that there will be a shortage of construction workers by 2022 which could delay projects and negatively impact future project costs. Apprenticeship training is a viable solution to address changes in the workforce while preparing future construction workers for their careers. The Article defines an "approved apprenticeship program" as a program that has been approved by the U.S. Department of Labor or a recognized state apprenticeship agency.

To ensure the future of the construction labor force, the Article requires contractors and subcontractors working on major school construction projects, valued at \$5.0 million or more, to participate in apprenticeship training programs, and ensure that no less than 10.0 percent of the labor hours worked on the project is performed by apprentices. This is only required of contractors and subcontractors with five or more employees. The Article also requires any contractor or subcontractor awarded a school construction project to submit data pertaining to their employees to the entity responsible for managing the relevant school construction contract. The DLT may impose a fine of \$500 per day that the contractor or subcontractor does not submit the required information. Any fines collected will be paid to the Department's prevailing wages enforcement fund and deposited into a restricted receipt account.

Hearings – Payments of Debts by Contractors

Pursuant to RIGL 37-13, Labor and Payment of Debts by Contractors, any contractor who does not comply with the provisions of this chapter will be summoned to a hearing before a hearing officer who may be the Director of Labor and Training, or a designee. Article 19 amends RIGL 37-13 to increase the number of days the hearing officer has to hold a hearing after issuing an order from 10 days to 30 days. The Article also increases the number of days that the hearing officer has to make a determination and enter an order about the hearing from 10 days to 30 days after the hearing. The Article adds that failing to report apprenticeship information is a violation of the chapter.

Employment of Minors

Amends RIGL 28-3 to be renamed "Employment of Minors". Under current law, the chapter is titled "Employment of Women and Children".

Minimum Wage

The Article increases the minimum wage from \$10.50 to \$11.50 per hour effective October 1, 2020. Rhode Island increased the minimum wage in 2018 and 2019. The Governor's FY2020 Budget proposed to increase the minimum wage from \$10.50 to \$11.10 per hour effective January 1, 2020; however, this was not included in the FY2020 Budget as Enacted.

New England Minimum Wage Rates

	2017	2018	2019	2020	2021
Massachusetts	\$11.00	\$11.00	\$12.00	\$12.75	\$13.50
Rhode Island	9.60	10.10	10.50	10.50	11.50
Connecticut	10.10	10.10	10.10	12.00	13.00
Vermont	10.00	10.50	10.78	10.96	10.96*
Maine	9.00	10.00	11.00	12.00	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 2021 is not yet known as the applicable CPI-U percent change will not be available until late 2020. Beginning in 2021, Maine's minimum wage will increase by the percentage

increase in the Consumer Price Index –W. In 2019, New Hampshire’s Legislature passed bills to increase the minimum wage; however, the Governor vetoed both bills.

The Governor’s Budget includes an additional \$151,343 within the Department of Environmental Management to support increased compensation for seasonal workers.

Jobs Development Assessment

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. Under current law, the JDA is 0.21 percent of taxable wages, 0.19 percent is dedicated to job training programs operated by the Governor’s Workforce Board (GWB) and 0.02 percent is dedicated to costs associated with administering the State’s Unemployment Insurance (UI) and employment service programs.

The Article expands RIGL 28-43, “Employment Security – Contributions”, to subject any non-government, nonprofit organizations with at least 1,000 employees to the job development assessment. The Director of DLT is authorized to promulgate regulations to administer this assessment and may allow employers to make in-kind contributions in lieu of monetary payments. The Department anticipates there will be between 11 and 12 new employers who will be impacted, generating an additional \$1.4 million in restricted receipt funds.

	FY2020 Enacted	FY2021 Governor (without non-profits)	FY2021 Governor (with non-profits)	Difference	
Job Development Fund	\$16,843,397	\$17,710,179	\$19,122,676	\$1,412,497	8.0%

Analyst Note: The Article does not define “in-kind contributions”. According to the Department of Labor and Training, what constitutes in-kind contributions will be decided if the Article is passed and may include providing instructors and spaces to use for work training programs.

Earned-Income Tax Credit (EITC) Increase

Beginning December 1, 2020, the Article increases the refundable Rhode Island earned income tax credit (EITC) by one percentage point increments each tax year until the RI EITC amount is equal to 20.0 percent of the federal EITC. The EITC for TY2021, therefore, would be 16.0 percent, or 1.0 percent above the current 15.0 percent. The percentage reaches 20.0 percent in TY2025. Article 19 decreases revenues by \$1.1 million in FY2021. The fiscal impact for fiscal years FY2021-FY2025 are summarized in the following table:

EITC History			
Tax Year	Percnt of Federal EITC	Fiscal Year	Revenue Impact
2020	15.0%	FY2020	-
2021	16.0%	FY2021	(\$1.1)
2022	17.0%	FY2022	(3.5)
2023	18.0%	FY2023	(6.0)
2024	19.0%	FY2024	(8.7)
2025	20.0%	FY2025	(11.6)
Total			(\$30.9)

Note: Yearly revenue impacts are relative to current law, not previous tax year.

The Earned Income Tax Credit (EITC) is a refundable tax credit for low and moderate income working individuals whereby the credit can go beyond reducing an individual’s tax liability to zero to producing a credit that is greater than the amount of tax owed, thus representing a refundable cash payment to the filer. It is designed to work in tandem with other cash transfer programs to encourage employment among low-

income families. As income rises, cash benefits decrease and the EITC transfer increases as an offset, and in essence, replaces cash benefits and thus encourages employment.

The General Assembly has modified the EITC credit structure several times since 2014. Prior to 2014, the Rhode Island EITC was based on 25.0 percent of the federal EITC with up to 15.0 percent of it refundable to the taxpayer. In 2014, the General Assembly reduced the credit as percentage of EITC to 10.0 percent; however, it permitted up to 100.0 percent of the credit to be refundable beginning TY2015. The credit amount was increased in 2015 for TY2016 to 12.5 percent, and again in 2016 for tax years TY2017 and thereafter to its current 15.0 percent of the federal EITC, continuing to be fully refundable.

A taxpayer can claim a federal earned income tax credit if the person is employed and meets certain eligibility criteria related to children living in the home. The federal EITC is 45.0 percent of the first \$12,570. The Office of Revenue Analysis (ORA) has estimated that for tax year 2019 there were 94,773 taxpayers that claimed the Rhode Island EITC, representing \$28.4 million in foregone revenue. The table below shows the estimated number of taxpayers for the last five tax years.

EITC History	
	Percent of
Tax Year	Federal EITC
Pre-2015	25.0%
2015	10.0%
2016	12.5%
2017	15.0%
2018	15.0%
2019	15.0%
2020	15.0%
2021*	16.0%
2022*	17.0%
2023*	18.0%
2024*	19.0%
2025*	20.0%

* Article 9 percentage

EITC Activity		
Fiscal Year	Taxpayers	Foregone Revenue
2015	87,349	\$18,949,131
2016*	89,053	23,682,525
2017*	90,920	28,418,780
2018*	92,827	28,418,780
2019*	94,773	28,418,780

* ORA Estimates

Article 20: Relating to Healthcare Reform

This article establishes several initiatives to increase access to healthcare and promote stability in the health insurance market in the State of Rhode Island. Specifically, the article:

- Establishes and amends state statute to allow Rhode Island to enter into five medical profession interstate compacts.
- Codifies certain provisions of the Affordable Care Act into state law applicable to individual, large group, and small employer health insurance plans.
- Establishes the Health Spending Transparency and Containment Act with an imposed fee of \$1 per enrolled individual in the State.
- Promotes enrollment in RItE Share, Rhode Island's premium assistance program for Medicaid-eligible individuals, by ensuring that the Medicaid program has the requisite information from employers to be able to enroll their employees in a RItE Share plan. The article also establishes new penalties for employers with 50 or more employees that do not comply with the State's reporting requirements.

FISCAL IMPACT

The revenue impact of Article 20 is summarized in the following table:

FY2021 Article 20 Revenue Impact	
Initiative	General Revenue
RItE Share	(\$214,725)
Medical Profession Interstate Compacts	(59,331)
Total	(\$274,056)

Initiative	Restricted Receipts
Health Care Cost Trends Project Enrollee Fee	\$616,617

The article increases general revenue expenditures by \$12,000 for compact fees for the nurse and psychologist compacts. Expansion of the RItE Share program is anticipated to decrease expenditures by \$4.9 million with Medicaid savings offset by implementation and personnel costs.

ANALYSIS AND BACKGROUND

Medical Profession Interstate Compacts

This article establishes and modifies language to allow the State to enter into several medical profession interstate compacts. Interstate licensure compacts allow special licensure or exceptions to state licensing requirements for specific health care providers to practice across state lines in other states that have adopted the same compact as long as certain requirements are met. The compacts would decrease license fee revenues by \$59,331 and increase expenditures by \$12,000. The State would enter the following interstate compacts:

- **Interstate Medical Licensure Compact (IMLC):** The article would allow the State to enter into the Interstate Medical License Compact. The IMLC is an agreement between 29 states, the District of Columbia and the Territory of Guam, where physicians are licensed by 43 different Medical and Osteopathic Boards. The General Assembly and Governor must sign off on the new rule and the Compact language must be the same in every state. Under this agreement, licensed physicians can qualify to practice medicine in other compact states if they meet the agreed-upon eligibility requirements. Approximately 80.0 percent of physicians meet the criteria for licensure through the IMLC. The Compact began approving physician applications in 2017 and has approved over 500 physicians.

The Compact provides an optional, expedited, pathway to licensure for physicians with an exemplary record. Physicians from a compact state who meet qualifications of the Compact would be eligible for licensure in any other compact state. Physicians are responsible for following all statutory laws and administrative rules of the state. Physicians approved are able to provide services in compact states, increasing access to primary care and specialist physicians.

Physicians hold a license in a compact state with no record of convictions, adjudications, community supervision, or deferred dispositions. The physician must have a record clear of discipline by any state, federal, or foreign jurisdiction and have never had a controlled substance license or permit revoked. The physician must choose a primary state of principal license. The Compact is governed by a Board of Directors made up of two representatives from each Compact state. The physician's credentials and legal history are reviewed by the Board, who decides if licensure is granted. All compact states are required to share complaint/investigative information so that if the physician comes under review in one state, all states will take similar action.

- **Nurse Licensure Compact:** The Enhanced Nurse Licensure Compact (eNLC) promotes access to care while maintaining public health at the state level. Under the eNLC, nurses may practice in other eNLC states, without having to obtain additional licenses. Rhode Island was a member of the former version of the compact, the Nurse Licensure Compact (NLC), from 2008 until 2017. When the State did not update the necessary statutes to join the new Compact, the State lost its status as a compact state. The Budget updates the necessary statutes to comply with eNLC standards and allows Rhode Island to regain its status as a compact state.

The eNLC allows for registered nurses (RNs) and licensed practical/vocational nurses (LPN/VNs) to have one multistate license, with the ability to practice in person or via telehealth in both their home state and other eNLC states. Licensing standards are aligned in eNLC states so all nurses applying for a multistate license are required to meet the same standards, which include a federal and state criminal background check that will be conducted for all applicants for multistate licensure.

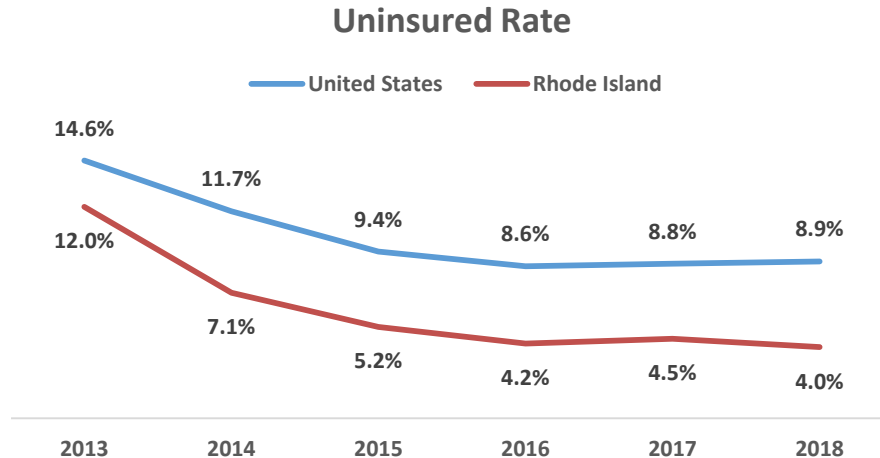
The eNLC is governed by a commission established on July 20, 2017. The purpose of the commission is to facilitate the States' responsibility to protect the public as well as the exchange of information between party states.

- **Psychology Interjurisdictional Compact (PSYPACT):** The Psychology Interjurisdictional Compact (PSYPACT) is an interstate compact designed to facilitate the practice of telepsychology and temporary in-person, face-to-face psychology practice across state boundaries. Currently, PSYPACT has twelve member states. Currently, New Hampshire is the only compact state in New England. PSYPACT is governed by a commission comprised of one representative from each member state.
- **Physical Therapist Licensure Compact:** The Physical Therapy Licensure Compact (PTLC) would allow Physical Therapists (PTs) and Physical Therapy Assistants (PTAs) to practice or work in multiple states. In order to participate in the PTLC, states must adopt the PTLC through legislation. PTs and PTAs in participating states will have the option of obtaining a "compact privilege" to practice or work in another participating state if they meet certain criteria.
- **Interstate Commission for EMS Personnel Practice:** The Emergency Medical Services (EMS) Compact, enacted by legislation in 16 states, would allow for EMS personnel to perform duties across state lines. Currently, New Hampshire is the only compact state in New England. The multi-state compact allows EMS personnel in member states to respond to calls and transport patients across state lines and provide emergency services before returning to their home state without having to apply for a separate license in another member state. It is not considered a separate license but is considered an extension of privileges for EMS personnel to practice on a short-term, intermittent basis under certain circumstances. The Compact provides a mechanism for states to access and rapidly share EMS

personnel licensure information. EMS personnel are prohibited from practicing if their home state license is suspended or restricted.

State Codification of the Affordable Care Act

Article 20 includes changes to statute that would ensure that the provisions of the Affordable Care Act (ACA), enacted by Congress in 2010, would remain in effect in the State in the event that federal courts or Congress repeal the provisions. The provisions would only take effect upon the repeal of the associated federal laws. Under the ACA, Rhode Island has been able to lower the uninsured rate, stabilize the State's health insurance market, and increase access to healthcare.



Source: US Census Bureau

On December 18, 2019, a federal appeals court ruled that the ACA's individual mandate is unconstitutional. The appeals court sent the case back to the lower court to determine how much of the ACA should be overturned, putting protections like coverage of preexisting conditions at risk. The article does not expand on the protections provided in the ACA, it only codifies certain provisions into state law. The article would require that all individual, small employer, and large group plans cover preventative services without any copayments, deductibles, or co-insurance.

The codified protections would continue to prevent insurers in the individual market from denying coverage based on health status, age, gender, or other factors. Plans sold to individuals cannot deny coverage on the basis of a preexisting condition. The article would allow insurers in the individual market to offer open enrollment periods annually for 30 to 60 days.

The article would also codify the requirement that individual and small employer plans cover essential health benefits. Essential health benefits include ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health services and behavioral health treatment, prescriptions, rehabilitative and habilitative services and devices, laboratory services, preventative care, and pediatric services (including oral and vision care).

Since 2013, thirteen states have codified certain protections of the Affordable Care Act. Maine, New Mexico, and Washington have codified all protections of the Affordable Care Act into state law.

RItE Share

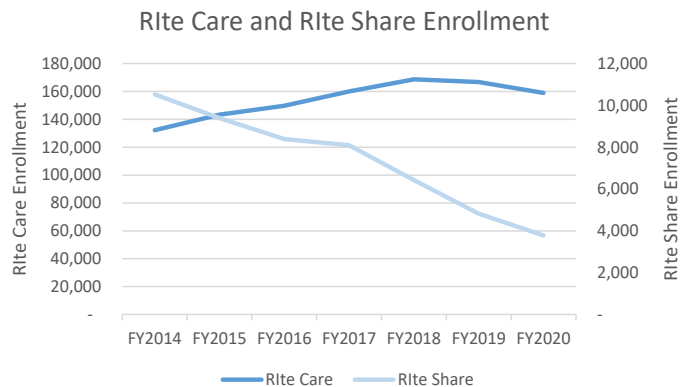
This article amends RIGL 40-8.4-12 to expand enrollment in the RItE Share program, Rhode Island's premium assistance program for working Medicaid beneficiaries, by ensuring that the State has the requisite eligibility information from employers. The article requires that for-profit, non-government employers with 50 or more employees submit employee eligibility information to the State and establishes penalties for

non-compliance, modeled after a penalty in Massachusetts. The article also amends the duties of the Tax Administrator to collect the penalties established by the article. The impact from increased RItE Share enrollment would generate approximately \$5.0 million in general revenue savings within the Executive Office of Health and Human Services, with a corresponding loss of \$380,000 in insurance premium tax revenues. The Budget also assumes that the State will collect \$165,675 in new penalty revenues, of which \$50,000 is for technology systems and \$100,251 to fund a position within the Division of Taxation. The position would be funded within the current FTE authorization.

The Rhode Island Health Reform Act of 2000 established the RItE Share premium assistance program to subsidize the costs of enrolling working Medicaid beneficiaries in employer-sponsored insurance (ESI) plans. The program is an alternative to RItE Care or Medicaid Expansion, Rhode Island's primary managed care plans that provide health insurance coverage to low-income children, pregnant women, families, and non-disabled adults. Instead of enrolling individuals in either RItE Care or Expansion, the RItE Share program pays all or a portion of an individual or family's premium on an approved ESI plan, which is significantly more cost-effective. RItE Share participants are also eligible to receive any services and benefits that would be available through RItE Care or Expansion that are not available through the employer's plan, known as wraparound services. On average, the cost avoided by enrolling one individual in RItE Share instead of RItE Care or Expansion is approximately \$3,200 per year.

In order to enroll in the program, the Executive Office of Health and Human Services (EOHHS) must first approve the ESI plan to ensure that it meets specific criteria. EOHHS must determine that the benefits offered by the ESI plan are substantially similar to the benefits offered by the Medicaid program. EOHHS must also determine that an ESI plan is cost-effective, meaning that the portion of the ESI subsidized by the State (including premiums, wraparound services, and cost-sharing), on average, costs less to the State than enrolling the same individual or family in a managed care delivery system. Once EOHHS determines that an ESI plan conforms to RItE Share requirements, any Medicaid-eligible employee working for the same employer is required to participate.

Average RItE Share enrollment has steadily declined over the last decade, although overall participation in Medicaid has increased. This is attributable to the current RItE Share enrollment process, which Article 20 seeks to amend. Currently, the State requires employees to furnish information about available ESI plans and EOHHS must confirm with their employers. This puts the burden of enrollment on employees and is inefficient for employers, who often respond to EOHHS on a per-employee basis.



This article shifts the burden of ESI data collection from the employee to the employer to efficiently enroll all eligible employees from a single employer at the same time. In order to accomplish this, the article requires for-profit employers with 50 or more employees to provide EOHHS and the Division of Taxation with sufficient and necessary information for EOHHS to determine employee eligibility for RItE Share. Employers would be required to provide quarterly enrollment reports detailing which employees are and are not enrolled in ESI and to notify EOHHS of any employee who is no longer employed or otherwise loses their ESI. Submissions would be required from employers who had 50 or more employees at any time during the State fiscal year, with the first submission due from employers who had 50 or more employees at any time between July 1, 2019, and June 30, 2020. The forms must be filed with the Division of Taxation between November 15 and December 15 during the year in which they are due, with the first round due in 2020. Employers who do not file on time would be assessed a \$2,500 penalty, and employers who falsify or omit information would be assessed a \$5,000 penalty. Assuming that 1.0 percent of employers will file

late and 0.5 percent will not comply, the FY2021 Budget includes \$165,675 in new penalty revenue in FY2021. This revenue would cover \$150,251 in implementation costs in the Division of Taxation.

By streamlining the RItE Share eligibility determination process, the Budget assumes that approximately 5,800 members will be enrolled in RItE Share instead of either RItE Care or Expansion, generating \$5.6 million in general revenue savings (\$19.0 million all funds) to the Medicaid program in FY2021. The savings would be offset by \$600,000 in implementation costs within EOHHS, including \$500,000 for system enhancements and \$100,000 for a contracted employee, for net general revenue savings of \$5.0 million. Additionally, the \$19.0 million all funds savings would otherwise be subject to the 2.0 percent insurance premium tax; therefore, this initiative would also result in a \$380,000 loss in revenues.

Healthcare Cost Trend Project

In August 2018, the Governor convened the Rhode Island Cost Trend Steering Committee to advise the Rhode Island Health Care Cost Trend Project. The project's goal is to provide all Rhode Islander's with access to high-quality, affordable healthcare with spending that does not increase at a rate higher than the consumer price index (CPI.) Key stakeholders including hospital systems, health insurers, physicians' groups, advocates, and researchers agreed to a voluntary target of 3.2 percent total healthcare cost growth.

The Executive Office of Health and Human Services (EOHHS) and the Office of the Health Insurance Commissioner (OHIC) partnered on the Cost Trends Project to work with community stakeholders. The article establishes the Health Spending Transparency and Containment Act with an imposed fee of \$1 per covered individual in the State. The fee does not apply to individuals covered by publicly funded plans. The funds raised from the fee, paid by insurers, will help sustain the Cost Trends effort moving forward. OHIC will be working with EOHHS, but the primary focus is the data analytics, which will be done by EOHHS staff.

The fee will raise \$616,617 in restricted receipts in FY2021 to fund the program and the data analysis required to track and steer healthcare spending.

Analyst Note: The restricted receipt account would be housed in EOHHS, but was not included in the Governor's Budget. An amendment is expected but has not been received as of February 11, 2020.

Article 21: Relating to Health and Safety

Article 21 makes various changes to the sale of tobacco products and electronic nicotine delivery systems (ENDS). Specifically, the article:

- Raises the legal purchasing age of tobacco products and electronic nicotine devices from 18 to 21.
- Increases the cigarette excise tax by \$0.35 per pack of 20 cigarettes.
- Increases the maximum tax per cigar from \$0.50 to \$0.80.
- Changes the regulatory framework for ENDS and other tobacco products, including oversight authority, licensing requirements, fees, and penalties.
- Modifies the excise tax for ENDS and other tobacco products.

FISCAL IMPACT

The initiatives in Article 21 are estimated to increase general revenue collections by \$2.0 million in FY2021.

Cigarettes & Other Tobacco Products Changes	Amount
Cigarette Tax Increase	\$4.3
Tobacco 21	(3.7)
Other Tobacco Products and ENDS (Vaping) Changes	1.4
Total	\$2.0

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

ANALYSIS AND BACKGROUND

Cigarette Tax Increase

Article 21 increases the excise tax levied on cigarettes by \$0.35 per pack of cigarettes, raising the total tax from \$4.25 to \$4.60 per pack of 20. According to the Office of Revenue Analysis (ORA), the total minimum retail price will increase by \$0.41, from \$10.00 to \$10.41 per individual pack. According to the Department of Revenue, this amount is \$0.02 less than the minimum retail price in Massachusetts, but \$0.03 above the minimum price in Connecticut. The article also imposes a floor stock tax of \$0.35 per pack of 20 cigarettes. The additional excise, floor, and associated sales taxes from the article is estimated to generate an additional \$4.3 million in revenue based on an August 1, 2020, effective date.

In determining the revenue estimate, ORA considered the elasticity of the price of cigarettes. The \$0.35 excise tax increase amounts to a 4.1 percent price increase. Applying elasticity from decreased demand, calculated from previous tax increases, results in a net excise tax revenue increase of 3.0 percent.

Cigarette Tax Increase - Fiscal Impact	
Cigarette Excise Tax Increase	\$3.3
Cigarette Excise Tax - Floor Tax	1.0
Impact of Cigarette Tax Increase on Sales Tax	(0.0)
Total	\$4.3

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

Impact of Cigarette Excise Increase and Regional State Comparison							
	Rhode Island		Massachusetts		Connecticut		
	Current	Proposed					
Base Price per Pack in \$	\$4.33	\$4.33		\$4.14		\$4.14	
Excise Tax in \$	4.25	4.60		3.51		4.35	
<i>Subtotal base price + Excise</i>	8.58	8.93		7.65		8.49	
Wholesale Markup	2.0%	0.17	0.18	2.0%	0.15	6.5%	0.55
Wholesale Cartage	0.75%	0.07	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.53	0.55	25.0%	1.96	8.0%	0.72
<i>Total Base Cost</i>	9.35	9.73		9.82		9.76	
Sales Tax	7.0%	0.65	0.68	6.25%	0.61	6.35%	0.62
Total Price per Pack	\$10.00	\$10.41		\$10.43		\$10.38	

Note: The Office of Revenue Analysis calculated final retail price per pack using a weighted average of price per pack based on the respective states' minimum price lists and data on market share provided by the CDC. Data on final retail price for Connecticut is from The Tax Burden on Tobacco, 1970-2018 dataset as provided by the CDC. An average ratio between the final retail price calculated by ORA for RI and MA and the average cost per pack from The Tax Burden on Tobacco data for RI and MA was applied to the average cost per pack from The Tax Burden on Tobacco data for CT.

Tobacco 21

Effective December 21, 2019, federal legislation raised the minimum age to purchase tobacco products from 18 to 21. The legislation provided the US Food and Drug Administration (FDA) with six months to amend regulations to reflect the change. Upon adoption of the regulations, the minimum purchase age would increase to 21 within 90 days. A number of states had already adopted a minimum purchase age of 21 prior to the change at the federal level, including Connecticut, Maine, Massachusetts and Vermont. Article 21 updates Rhode Island statutes to reflect these new federal minimum age changes.

- **BHDDH Enforcement:** The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) administers the State's anti-smoking programs and enforces underage smoking laws. Article 21 updates relevant BHDDH statutes to reflect the new minimum age. The article also incorporates the electronic nicotine delivery systems (ENDS) into these statutes.
- **Penalties:** Article 21 also changes the penalties for violations of these statutes, although the Budget does not assume additional revenue from these changes.

Article 21 Penalty Changes		
Violation	Current	Article 21
Failure to display legal smoking age	\$35	\$100
Selling cigarettes/OTP/ENDS in altered packaging or as single cigarettes	500	1,000
Selling cigarettes/OTP/ENDS to under 21		
1st offense	250	500
2nd offense	500	1,000
3rd offense	1,000	2,000
4th + offense	1,500	3,000

To estimate the lost revenue from the 18 to 21 population, the Office of Revenue Analysis (ORA) used census data and the Youth Risk Behavior Survey to estimate the number of cigarette smokers in that age group. ORA estimates there are currently 4,160 18 to 21 year old cigarette smokers in Rhode Island. Using statistics on the number of cigarettes smoked per day by 18, 19, and 20 year olds, ORA estimates the State will lose \$1.8 million in excise tax revenues. ORA also similarly estimated the impact on other tobacco products (OTP). Approximately 7.7 percent of 18 to 21 year olds use OTP, resulting in an estimated excise

tax revenue decrease of \$827,310. The increased minimum purchase age will also reduce sales tax revenues by \$1.0 million. This results in a net revenue loss of \$3.7 million in FY2021.

Tobacco 21 Fiscal Impact	
Cigarette Excise Tax	(\$1.8)
Sales and Use Tax	(1.0)
Cigar Tax	(0.8)
Total	(\$3.7)

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

Other Tobacco Products and ENDS (Vaping) Changes

Article 21 bans the sale of flavored electronic nicotine delivery system (ENDS) products. The article also makes significant modifications to the regulatory and tax framework of other tobacco products (OTP), including establishing a new ENDS product category.

ENDS Background: Electronic nicotine delivery systems, or ENDS, have become a popular alternative to cigarette smoking. ENDS are referred to by various names depending on their design, including vapes, e-hookahs, vape pens, tank systems, mods, and e-cigarettes. ENDS usually have a battery, a heating element, and a place to hold liquids. The device produces an aerosol by heating liquids that usually contain nicotine and other chemicals. Proponents claim that ENDS are a proven and healthy method of smoking cessation. The products, however, have been deemed unsafe by the U.S. Center for Disease Control for youth, young adults, pregnant women, and adults who do not already use tobacco products. The aerosol can contain potentially harmful substances. In September 2019, the Governor issued an executive order banning all ENDS products that “impart a characterizing flavor” or contain a nicotine content of 35 milligrams per milliliter. Characterizing flavor means a distinguishable taste or aroma including menthol. Article 21 codifies this ban. The ban does not apply to flavored cigarettes.

Consolidated Tobacco/ENDS 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 21 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 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 21 makes the following changes:

- **Regulatory Agency:** Dealers and distributors of cigarettes and OTP are currently required to be licensed through the Division of Taxation. ENDS-related product dealers and distributors are licensed by the Department of Health. Article 21 shifts the regulation of ENDS products to the Division of Taxation.
- **Transactions Requiring a License:** Currently, manufacturers or importers of cigarettes are only permitted to sell their products in Rhode Island if they are purchased by a licensed cigarette dealer or distributor. 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.

Article 21 requires that OTP and ENDS products be purchased only by in-State dealers, distributors, manufacturers, and importers who are licensed by the Division of Taxation. Manufacturers of ENDS products would be required to obtain a license from Taxation to be able to sell to in-State licensees legally permitted to purchase and receive these products. Manufacturers of OTP products, however, are exempted from this licensing requirement.

- **Fee Changes:** Article 21 increases fees related to the various classes of businesses associated with cigarette, OTP, and ENDS-related products. The Office of Management and Budget (OMB) estimates that these changes will yield \$402,500 in FY2021, based on a July 1, 2020, effective date.

Class	Fee	Current	Article 21	Change
Manufacturer	Application	\$0	\$1,000	\$1,000
Importer	Application	1,000	1,000	-
Distributor	Application	1,000	1,000	-
Non-stamping Distributor	Application	100	400	300
Dealer	Application	25	75	50
Dealer	License	-	400	400
Dealer	Renewal	25	400	375

Other Tobacco Product Tax Changes: Article 21 makes several changes to OTP excise taxes.

- **Cigar Tax Increase:** Article 21 increases the maximum tax imposed on cigars sold in the State. The current maximum tax is set at \$0.50 per cigar. Article 21 raises the maximum to \$0.80, effective August 1, 2020. According to the ORA, cigars with a wholesale cost of over \$0.63 per cigar are taxed at the maximum rate. In FY2019, approximately 3.3 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 that increasing the maximum cigar tax will generate \$737,379 in new general revenue in FY2021 based on an August 1, 2020, effective date.
- **E-liquids Excise Tax:** Article 21 subjects e-liquid products to the “other tobacco products” (OTP) excise tax at the rate of 80.0 percent of the wholesale cost. E-liquid and e-liquid products are defined under Article 21 as the liquid or substance that is placed in an ENDS product and vaporized or combusted. The article specifically indicates that an item is considered an e-liquid product when is either sold separately or in combination with an ENDS device. For purposes of the application of the excise tax, therefore, the entire value of a vaping device that is sold with e-liquid would be taxable. ENDS products associated with hemp-derived consumable CBD products are specifically exempted from the excise tax.
- Using e-liquid and e-cigarette revenue data from other states, ORA projects that excise taxes associated with ENDS products will generate \$251,414 in general revenue in FY2021 based on September 1, 2020, effective date.

Article 22: Relating to Effective Date

This article provides that the Act will take effect on July 1, 2020, except as otherwise provided herein.



FY2020 SUPPLEMENTAL BUDGET ARTICLES

Article 1: Relating to Making Revised Appropriations in Support of FY2020

Article 1 outlines the appropriation amounts from all fund sources for the FY2020 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:

- Sets the airport impact aid formula at \$1.0 million.
- Authorizes 15,095.7 FTE positions reflecting an increase of 21.0 FTE positions as compared to the authorized level set in the FY2020 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- 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 Office of the Postsecondary Commissioner shall provide \$355,000 to the Rhode Island College Crusade, \$75,000 to Best Buddies Rhode Island, \$6.9 million to the Rhode Island Promise Scholarship program, and \$147,000 to support the State's membership in the New England Board of Higher Education. Also the University of Rhode Island shall allocate \$350,000 to the Small Business Development Center and 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 \$1.4 million. It requires Judiciary to provide \$230,000 to the Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and \$90,000 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 \$16.7 million to the State Controller by June 30, 2020, to support the General Fund.

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	FY2019 Final	FY2020 Enacted	FY2020 Governor	Change to Enacted
General Revenue	\$3,924.0	\$4,077.6	\$4,086.3	\$8.7
Federal Funds	3,118.7	3,325.4	3,325.2	(0.2)
Other Funds	2,075.4	2,256.3	2,267.1	10.8
Restricted Receipts	259.6	311.4	383.2	71.9
Total	\$9,377.7	\$9,970.6	\$10,061.8	\$91.1

\$ 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	FY2020 Enacted	FY2020 Governor	Change
State Assessed Fringe Benefits	\$37,377,620	\$37,885,909	\$508,289
Administration Central Utilities	23,055,162	27,422,775	4,367,613
State Central Mail	6,290,947	6,610,350	319,403
State Telecommunications	3,450,952	3,530,421	79,469
State Automotive Fleet	12,740,920	12,730,668	(10,252)
Surplus Property	3,000	3,000	-
Health Insurance	252,444,854	273,609,071	21,164,217
State Fleet Revolving Loan Fund	273,786	9,447	(264,339)
Other Post-Employment Benefits	63,858,483	63,858,483	-
Capital Police	1,479,703	1,404,564	(75,139)
Corrections Central Distribution Center	6,798,359	6,800,468	2,109
Correctional Industries	8,191,195	8,154,048	(37,147)
Secretary of State Records Center	969,729	984,540	14,811
Human Resources Internal Service Fund	14,847,653	13,381,939	(1,465,714)
DCAMM Facilities Internal Service Fund	40,091,033	40,214,312	123,279
Information Technology Internal Service Fund	44,113,005	44,127,512	14,507
Total	\$515,986,401	\$540,727,507	\$24,741,106

- **Health Insurance:** According to the Budget Office, part of increase is to meet historical funding levels, while the rest of the increase is to meet medical claims with an estimate in spending for FY2020, and reflects the employee health insurance increase that went into effect January 1, 2020.
- **Administration Central Utilities:** The increase reflects historical expenditures and accounts for recent rate increases for natural gas.

FUND TRANSFERS

Article 1 in the FY2020 Revised Budget proposes additional transfers from several quasi-public entities be made to the State Controller by June 30, 2020, to support the General Fund. The article further proposes the transfer of funds from three restricted receipt funds and the transfer of unexpended bond proceeds to the General Fund. This reflects an increase of \$8.9 million from Rhode Island Infrastructure Bank, and \$5.0 million from the Rhode Island Resource Recovery Corporation (RIRRC). The following table illustrates the required transfers for FY2019 and FY2020:

Agency	FY2019 Final	FY2020 Enacted	FY2020 Governor	Change
Infrastructure Bank	\$4.0	\$4.0	12.9	\$8.9
RI Housing	-	1.5	1.5	-
Quonset Development Corporation	-	1.2	1.2	-
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	-	-	-
DEM - Government Water Pollution Control Bond Funds	0.1	-	-	-
DEM - Private Water Pollution Control Facility Bond Funds	0.0	-	-	-
DEM - State Rec. Facilities Development Renovation Bond	0.0	-	-	-
DEM - Local Recreational Facilities Distressed Bond Fund	0.0	-	-	-
DEM - 25 India Street (Shooter's) Bond Fund	0.2	-	-	-
DEM - Non-Point Pollution Control Bond Fund	-	-	0.1	0.1
DEM - Rocky Point Park Bond Fund	-	-	0.2	0.2
BHDDH - Asset Forfeiture Restricted Receipts	-	-	0.5	0.5
Commerce Corporation - Anchor Institution Tax Credit	0.8	-	-	-
Commerce Corporation - First Wave Closing Fund	-	5.0	5.0	-
Total	\$6.2	\$13.2	\$29.9	\$16.7

\$ in millions

Rhode Island Infrastructure Bank: The FY2020 Budget as Enacted requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$4.0 million to the State Controller by June 30, 2020, bringing the total amount transferred from RIIB from FY2018 to FY2020 to \$11.5 million. The Governor proposes an additional transfer of \$8.9 million in FY2020, funds that were recently contributed to RIIB's restricted Municipal Road & Bridge program from the State's bond proceeds, and \$5.0 million in FY2021. If the proposed transfers are enacted, RIIB will have lost \$24.5 million of infrastructure funds over 4 fiscal years.

The proposed FY2020 Supplemental Budget contains the first transfer from a restricted lending program of RIIB, namely the Municipal Road & Bridge program. According to RIIB, a transfer of \$8.9 million will result in RIIB having insufficient capital to meet demand for road and bridge project financing from municipalities in FY2020. The transfer of \$17.9 million over FY2020 and FY2021 will impact RIIB's operating capital. RIIB utilizes this capital to supplement lending programs in clean water, drinking water, municipal road & bridge, and municipal energy (Efficient Building Fund or EBF). RIIB has used operating capital to make over \$26.0 million of below-market infrastructure loans to municipalities. RIIB also uses this capital to make lending commitments when municipalities require the financing, rather than having to wait for the annual program bonds. This makes RIIB's financing programs more responsive to the timing of municipal infrastructure needs while reducing the cost of such investments.

RIIB also uses its operating capital to develop new programs and meet special infrastructure financing needs. In the past year, RIIB has committed \$1.0 million to fund zero-interest loans to homeowners for remediation of lead pipe connections to municipal water mains. RIIB anticipates making another \$3.0 million available to meet homeowner demand for this important investment in safe drinking water. RIIB also used operating capital to supplement the Efficient Building Fund loan demand, reducing the cost of energy to municipalities. In addition, \$2.0 million of operating capital was committed to the inaugural round of the Municipal Resiliency Program, which assists municipalities in developing resiliency plans and investing in projects to protect against the impact of climate change. Without operating capital, such programs would not have been possible.

Rhode Island Resource Recovery Corporation: The Budget requires the Rhode Island Resource Recovery Corporation (RIRRC) to transfer \$5.0 million in landfill tip fee revenues to the State Controller in FY2020. Both the 2017 and 2019 State of Rhode Island Debt Affordability Studies, issued by the Public Finance Management Board (5-3-2017 and 7-25-2019, respectively) recommend 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 use cash to self-fund future operations.

According to the RIRRC, if enacted, the \$10.0 million forfeiture would impact the existing FY2019 audited (9-30-2019) unrestricted net position of \$45.5 million, which will be used along with operating funds to support \$170.0 million in new landfill construction, heavy equipment repairs/purchases, debt covenant requirements, and other capital investments required to provide long-term disposal and recycling services to the state of Rhode Island over the next 6 years. Based on the current financial plan and projected cash requirements, the Corporation would be required to take one or more of the following actions to offset the transfer: defer necessary capital investments, increase revenues through price increases, reduce operational costs, or seek subsidies from the State.

Restricted Receipt Funds: The article transfers \$1.0 million in restricted receipts from the Oil Spill Prevention, Administration Response (OSPAR) Fund, \$1.0 million in restricted receipts from the Underground Storage Tank Trust (UST) Fund, and \$500,000 in restricted receipts from the Asset Forfeiture account in BHDDH to the State Controller for deposit in the General Fund by June 30, 2020.

- **DEM – Oil Spill Prevention, Administration Response 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, 2020. 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. The North Cape spill cost the State approximately \$3.0 million (\$4.8 million in today's dollars).

Through Article 7 of the FY2021 Budget, the Governor recommends increasing the cap on the per-barrel the fee from \$0.05 to \$0.10 to replenish the fund, as well as capitalizing a new Ocean State Climate Adaptation and Resilience (OSCAR) Fund. Of the \$0.05 increase, \$0.02 (an estimated \$743,217) would go to the OSPAR Fund and \$0.03 (an estimated \$1.1 million) would be deposited into the OSCAR Fund. The OSCAR Fund is a restricted receipt account within DEM that would be used for adaptation and resilience projects.

The table estimates the impact of the proposed transfer without the fee increase proposed in Article 7. Over the last five years, expenditures from the fund have averaged \$2.1 million annually.

Oil Spill Prevention, Administration Response Fund		
	FY2020	FY2021
Carry Forward	\$3,188,721	\$1,376,878
Total Account Revenue ¹	1,773,974	1,773,974
Total Account Expenditures ¹	(2,585,817)	(2,511,933)
FY2020 Transfer	(1,000,000)	
Difference	\$1,376,878	\$638,919

¹Revenue and expenditures are based on DEM's FY2021 Budget Request.

- **DEM – 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, 2020. 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 ensure 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 insures 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.

Underground Storage Tank Trust Fund		
	FY2020	FY2021
Balance Forward	\$3.0	\$2.5
Average Revenue FY2015 - FY2019	2.0	2.0
Budgeted Expenditures	(1.5)	(1.5)
Transfer to General Fund	(1.0)	-
Total	\$2.5	\$3.0

Source: Departmental Environmental Management

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.

- **BHDDH – Asset Forfeiture:** The article transfers \$500,000 from the Asset Forfeiture restricted receipt account within the Department of Behavioral Health, Developmental Disabilities, and Hospitals (BHDDH) to the general revenue fund by June 30, 2020. Law enforcement agencies may seize certain assets utilized by individuals for the purpose of illegal distribution of controlled substances. Proceeds from the forfeited assets are distributed to several state agencies, including 10.0 percent to BHDDH for substance use disorder treatment programs.

Analyst Note: BHDDH has not expended any of the funds and has accrued over \$500,000. The Budget transfers the funds for general purpose, and proposes changes to RIGL 21-28-5.04 under Article 3, section 5, to allow for funds to be used for substance use disorder prevention activities in addition to treatment programs to allow for future expenditures.

Unexpended General Obligation Bond Proceeds: The article transfers certain unexpended bond proceeds on two 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, 2020. 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.

- **DEM – Non-Point Pollution Control Bond Fund:** The Budget transfers \$67,684 in unissued bond funds from the Non-Point Pollution Control bond approved by voters in 1990. The original bond amount was for \$1.0 million. The transfer will leave a balance of about \$140,000 to complete the final project with the Rhode Island State Conservation Committee and the Eastern RI Conservation District for Hoogendoorn Nurseries Stormwater Management Improvements. This project will reduce sediment and nutrient loadings from a large container nursery that drains to the Maidford River and Nelson Pond in Middletown. The Department of Environmental Management (DEM) indicated the transferred funds will be used toward debt service payments.
- **DEM – Rocky Point Park Bond fund:** The Budget transfers \$189,425 from the Rocky Point Park bond approved by voters in 2010. The original bond was for \$10.0 million to acquire title to Park, which has been completed. The Department of Environmental Management (DEM) indicated the transferred funds will be used toward debt service payments.

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 FY2020 Budget as Enacted. The following table outlines the changes included in the Governor's proposal:

Expense by Function	FY2020 Enacted	FY2020 Governor	Change to Enacted
General Government	2,406.9	2,406.9	0.0
Human Services	3,556.6	3,577.6	21.0
Education	3,953.4	4,218.4	265.0
Public Safety	3,190.0	3,190.0	0.0
Natural Resources	424.0	424.0	0.0
Transportation	755.0	755.0	0.0
Subtotal	14,285.9	14,571.9	286.0
<i>Higher Ed. Sponsored Positions</i>	<i>788.8</i>	<i>523.8</i>	<i>(265.0)</i>
Total FTE Positions	15,074.7	15,095.7	21.0



APPENDIX

Summary Tables

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General Revenue Expenditures	531
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Summary Tables

GENERAL REVENUE BUDGET SURPLUS

	FY2018 Audited	FY2019 Audited	FY2020 Enacted	FY2020 Governor	FY2021 Governor
Opening Surplus					
Free Surplus	\$61,660,230	\$52,525,379	\$25,464,117	\$30,502,912	\$24,842,778
Reappropriated Surplus	10,338,899	10,057,409	-	10,296,451	-
Subtotal	\$71,999,129	\$62,582,788	\$25,464,117	\$40,799,363	\$24,842,778
Total Revenues	3,908,384,435	\$4,024,579,618	\$4,178,728,671	\$4,197,141,028	\$4,355,257,550
To Cash Stabilization Fund	(119,101,340)	(122,313,150)	(126,125,784)	(126,829,318)	(131,403,010)
From Cash Stabilization Fund					
Total Available Resources	\$3,861,282,224	\$3,964,849,256	\$4,078,067,004	\$4,111,111,073	\$4,248,697,318
Total Expenditures	3,798,699,436	3,924,049,893	4,077,594,991	4,086,268,295	4,247,805,059
Total Surplus	62,582,788	40,799,363	472,013	24,842,778	892,259
Free Surplus	\$62,582,788	\$30,502,912	\$472,013	\$24,842,778	\$892,259
Rainy Day Fund	\$198,502,233	\$203,855,250	\$210,209,639	\$211,382,197	\$219,005,016

ALL FUNDS EXPENDITURES

General Government	FY2019 Final	FY2020 Enacted	FY2020 Governor	Change from Enacted	FY2021 Governor	Change from Enacted
Administration	\$266,429,354	\$327,880,776	\$350,706,747	\$22,825,971	\$342,713,165	\$14,832,389
Business Regulation	22,926,425	26,363,657	26,402,274	38,617	30,101,257	3,737,600
Executive Office of Commerce	53,240,311	59,996,451	56,768,113	(3,228,338)	80,451,025	20,454,574
Labor and Training	433,781,694	449,014,095	459,193,877	10,179,782	464,735,173	15,721,078
Revenue	577,205,401	643,187,244	656,228,411	13,041,167	672,082,118	28,894,874
Legislature	40,798,614	45,636,115	52,768,810	7,132,695	46,914,237	1,278,122
Lieutenant Governor	1,108,949	1,147,816	1,145,892	(1,924)	1,163,022	15,206
Secretary of State	11,131,156	11,001,157	11,755,090	753,933	10,945,193	(55,964)
General Treasurer	42,045,578	42,655,641	42,420,937	(234,704)	44,626,993	1,971,352
Board of Elections	4,272,724	2,748,855	2,717,647	(31,208)	3,472,921	724,066
Ethics Commission	1,719,160	1,845,298	1,843,445	(1,853)	1,977,107	131,809
Office of the Governor	5,624,462	6,093,211	6,086,325	(6,886)	6,580,157	486,946
Commission for Human Rights	1,743,539	1,917,005	1,907,748	(9,257)	1,957,449	40,444
Public Utilities Commission	9,125,173	11,382,980	11,369,924	(13,056)	11,658,234	275,254
Total	\$1,471,152,540	\$1,630,870,301	\$1,681,315,240	\$50,444,939	\$1,719,378,051	\$88,507,750
Human Services						
Office of Health and Human Services	\$2,601,568,379	\$2,690,732,762	\$2,668,890,776	(\$21,841,986)	\$2,682,199,049	(\$8,533,713)
Children, Youth, and Families	248,168,752	229,859,090	256,223,531	26,364,441	263,575,227	33,716,137
Health	167,007,954	186,637,844	192,098,855	5,461,011	186,724,931	87,087
Human Services	594,233,703	638,343,380	618,533,697	(19,809,683)	635,222,724	(3,120,656)
BHDDH	422,854,603	463,195,456	467,752,247	4,556,791	487,056,873	23,861,417
Governor's Commission on Disabilities	1,167,621	1,558,659	1,536,797	(21,862)	1,618,795	60,136
Governor's Commission on the Deaf	521,007	663,338	656,326	(7,012)	600,270	(63,068)
Office of the Child Advocate	958,019	1,234,057	1,149,476	(84,581)	1,248,036	13,979
Office of the Mental Health Advocate	578,693	602,411	619,370	16,959	630,982	28,571
Total	\$4,037,058,731	\$4,212,826,997	\$4,207,461,075	(\$5,365,922)	\$4,258,876,887	\$46,049,890
Education						
Elementary and Secondary Education	\$1,436,464,723	\$1,491,082,208	\$1,506,053,093	\$14,970,885	\$1,555,461,635	\$64,379,427
Public Higher Education	1,190,951,203	1,247,926,398	1,256,096,148	8,169,750	1,272,641,392	24,714,994
Council on the Arts	3,021,503	3,438,248	3,376,559	(61,689)	3,503,487	65,239
Atomic Energy Commission	1,350,027	1,495,094	1,423,754	(71,340)	1,520,779	25,685
Higher Education Assistance Authority	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	2,087,992	2,595,330	2,595,475	145	2,730,229	134,899
Total	\$2,633,875,448	\$2,746,537,278	\$2,769,545,029	\$23,007,751	\$2,835,857,522	\$89,320,244
Public Safety						
Attorney General	\$44,034,948	\$33,287,718	\$36,820,501	\$3,532,783	\$34,263,854	\$976,136
Corrections	247,380,965	257,611,700	267,234,227	9,622,527	251,429,093	(6,182,607)
Judiciary	119,750,863	127,492,559	126,698,912	(793,647)	126,487,766	(1,004,793)
Military Staff	36,306,284	41,148,960	42,639,287	1,490,327	38,966,975	(2,181,985)
Emergency Management Agency	19,850,370	13,622,589	18,366,733	4,744,144	13,216,961	(405,628)
Public Safety	123,255,848	138,208,356	141,861,091	3,652,735	135,655,557	(2,552,799)
Public Defender	11,969,257	12,900,536	12,874,501	(26,035)	13,462,088	561,552
Total	\$602,548,535	\$624,272,418	\$646,495,252	\$22,222,834	\$613,482,294	(\$10,790,124)
Natural Resources						
Environmental Management	\$77,221,763	\$102,118,898	\$103,530,687	\$1,411,789	\$102,397,594	\$278,696
Coastal Resources Management Council	7,532,372	5,220,930	6,382,522	1,161,592	5,041,233	(179,697)
Total	\$84,754,135	\$107,339,828	\$109,913,209	\$2,573,381	\$107,438,827	\$98,999
Transportation						
Transportation	\$548,339,286	\$648,773,516	\$647,028,365	(\$1,745,151)	\$660,012,366	\$11,238,850
Grand Total	\$ 9,377,728,675	\$ 9,970,620,338	\$ 10,061,758,170	\$91,137,832	\$ 10,195,045,947	\$224,425,609

GENERAL REVENUE EXPENDITURES

General Government	FY2019 Final	FY2020 Enacted	FY2020 Governor	Change from Enacted	FY2021 Governor	Change from Enacted
Administration	\$174,086,181	\$206,638,425	\$208,871,535	\$2,233,110	\$214,958,218	\$8,319,793
Business Regulation	16,364,148	17,896,681	17,815,293	(81,388)	18,670,217	773,536
Executive Office of Commerce	30,235,022	28,181,129	28,179,484	(1,645)	44,264,097	16,082,968
Labor and Training	15,403,217	14,679,932	14,673,124	(6,808)	22,922,142	8,242,210
Revenue	179,734,169	216,254,237	214,537,942	(1,716,295)	229,096,871	12,842,634
Legislature	39,348,617	43,804,101	50,963,049	7,158,948	45,075,055	1,270,954
Lieutenant Governor	1,108,949	1,147,816	1,145,892	(1,924)	1,163,022	15,206
Secretary of State	9,796,149	9,533,255	9,489,047	(44,208)	9,883,628	350,373
General Treasurer	2,926,332	3,037,551	2,965,993	(71,558)	2,991,420	(46,131)
Board of Elections	4,272,724	2,748,855	2,717,647	(31,208)	3,472,921	724,066
Ethics Commission	1,719,160	1,845,298	1,843,445	(1,853)	1,977,107	131,809
Office of the Governor	5,624,462	6,093,211	6,086,325	(6,886)	6,580,157	486,946
Commission for Human Rights	1,298,536	1,353,591	1,350,221	(3,370)	1,452,747	99,156
Public Utilities Commission	-	-	-	-	-	-
Total	\$481,917,666	\$553,214,082	\$560,638,997	\$7,424,915	\$602,507,602	\$49,293,520
Human Services						
Office of Health and Human Services	\$972,457,072	\$1,002,282,411	\$985,967,831	(\$16,314,580)	\$1,010,660,918	\$8,378,507
Children, Youth, and Families	180,711,210	165,124,585	185,731,369	20,606,784	186,790,002	21,665,417
Health	30,324,520	30,968,921	30,925,000	(43,921)	32,999,978	2,031,057
Human Services	113,957,594	92,178,627	92,200,297	21,670	117,884,921	25,706,294
BHDDH	191,570,579	196,381,240	195,276,093	(1,105,147)	207,783,433	11,402,193
Governor's Commission on Disabilities	864,209	1,055,069	1,080,665	25,596	1,107,632	52,563
Governor's Commission on the Deaf	447,102	533,338	524,519	(8,819)	537,816	4,478
Office of the Child Advocate	815,011	986,701	970,275	(16,426)	1,063,237	76,536
Office of the Mental Health Advocate	578,693	602,411	619,370	16,959	630,982	28,571
Total	\$1,491,725,990	\$1,490,113,303	\$1,493,295,419	\$3,182,116	\$1,559,458,919	\$69,345,616
Education						
Elementary and Secondary Education	\$1,186,515,425	\$1,239,252,258	\$1,238,976,176	(\$276,082)	\$1,283,925,871	\$44,673,613
Public Higher Education	233,580,831	243,650,858	246,847,417	3,196,559	244,404,094	753,236
Council on the Arts	1,977,428	2,004,748	1,993,137	(11,611)	2,056,961	52,213
Atomic Energy Commission	1,018,455	1,059,094	1,055,815	(3,279)	1,064,567	5,473
Higher Education Assistance Authority	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	1,191,271	1,488,293	1,464,425	(23,868)	1,598,029	109,736
Total	\$1,424,283,410	\$1,487,455,251	\$1,490,336,970	\$2,881,719	\$1,533,049,522	\$45,594,271
Public Safety						
Attorney General	\$25,581,021	\$28,675,203	\$28,633,277	(\$41,926)	\$30,054,511	\$1,379,308
Corrections	235,714,454	242,088,059	238,288,920	(3,799,139)	242,109,240	21,181
Judiciary	99,950,290	105,213,960	105,318,280	104,320	106,383,394	1,169,434
Military Staff	2,836,265	3,219,493	2,914,664	(304,829)	3,227,916	8,423
Emergency Management Agency	2,276,138	2,364,647	2,362,651	(1,996)	2,901,055	536,408
Public Safety	103,724,264	105,918,952	105,267,826	(651,126)	105,726,368	(192,584)
Public Defender	11,940,555	12,824,871	12,798,836	(26,035)	13,386,423	561,552
Total	\$482,022,987	\$500,305,185	\$495,584,454	(\$4,720,731)	\$503,788,907	\$3,483,722
Natural Resources						
Environmental Management	\$41,449,798	\$43,623,975	\$43,542,012	(\$81,963)	\$46,259,572	\$2,635,597
Coastal Resources Management Council	2,650,012	2,883,195	2,870,443	(12,752)	2,740,539	(142,656)
Total	\$44,099,810	\$46,507,170	\$46,412,455	(\$94,715)	\$49,000,111	\$2,492,941
Transportation						
Transportation	\$0	\$0	\$0	\$0	\$0	\$0
Grand Total	\$ 3,924,049,863	\$ 4,077,594,991	\$ 4,086,268,295	\$8,673,304	\$ 4,247,805,061	\$170,210,070

PERSONNEL

	FY2019	FY2020	FY2020	Change from FY2020	FY2021	Change from FY2020
	Actual	Enacted	Governor	Enacted	Governor	Enacted
General Government						
Administration	655.7	647.7	647.7	-	652.7	5.0
Business Regulation	161.0	161.0	161.0	-	171.0	10.0
Executive Office of Commerce	16.0	14.0	14.0	-	15.0	1.0
Labor and Training	409.7	390.7	390.7	-	395.7	5.0
Revenue	604.5	602.5	602.5	-	611.5	9.0
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	13.0	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	53.0	52.0	52.0	-	54.0	2.0
Total	2,438.9	2,406.9	2,406.9	-	2,438.9	32.0
Human Services						
Office of Health and Human Services	192.0	186.0	186.0	-	201.0	15.0
Children, Youth, and Families	631.5	621.5	642.5	21.0	640.5	19.0
Health	514.6	499.6	499.6	-	540.6	41.0
Human Services	1,020.1	1,038.1	1,038.1	-	1,037.1	(1.0)
BHDDH	1,302.4	1,189.4	1,189.4	-	985.4	(204.0)
Office of the Child Advocate	10.0	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	3,682.6	3,556.6	3,577.6	21.0	3,426.6	(130.0)
Education						
Elementary and Secondary Education	321.1	325.1	325.1	-	334.1	9.0
Public Higher Education	3,605.5	3,595.5	3,860.5	265.0	3,861.5	266.0
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	3,959.4	3,953.4	4,218.4	265.0	4,228.4	275.0
Public Safety						
Attorney General	237.1	239.1	239.1	-	247.1	8.0
Corrections	1,416.0	1,411.0	1,411.0	-	1,423.0	12.0
Judiciary	723.3	726.3	726.3	-	726.3	-
Military Staff	92.0	92.0	92.0	-	96.0	4.0
Emergency Management	32.0	32.0	32.0	-	32.0	-
Public Safety	564.6	593.6	593.6	-	598.6	5.0
Public Defender	95.0	96.0	96.0	-	99.0	3.0
Total	3,160.0	3,190.0	3,190.0	-	3,222.0	32.0
Natural Resources						
Environmental Management	395.0	394.0	394.0	-	405.0	11.0
Coastal Resources Management Council	30.0	30.0	30.0	-	30.0	-
Total	425.0	424.0	424.0	-	435.0	11.0
Transportation						
Transportation	755.0	755.0	755.0	-	800.0	45.0
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	622.8	622.8	357.8	(265.0)	357.8	(265.0)
Total	788.8	788.8	523.8	(265.0)	523.8	(265.0)
Grand Total	15,209.7	15,074.7	15,095.7	21.0	15,074.7	-

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Board of Elections
Commission on Disabilities
Convention Center Authority
Ethics Commission
General Treasurer
Governor
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I-195 Redevelopment Commission
Lieutenant Governor
Military Staff
Public Defender
Public Utilities Commission
Quonset Development Corporation
RI Emergency Management Agency
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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
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