

# House Fiscal Advisory Staff

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## Governor's FY 2012 Budget at First Glance March 9, 2011



Submitted to the 2011 House of Representatives

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## Governor's FY 2012 Budget at First Glance

On March 8, Governor Chafee released his FY 2012 budget recommendations in a televised address to the General Assembly. The Governor's official FY 2012 Budget submittal was not introduced at that time. The General Assembly extended the deadline for his budget submittal by 35 days from February 3 to March 10. Supporting documents have not yet been published; the Budget Office has made unbound copies and electronic versions of some of the documents available. However, the Capital Budget is not available at this writing.

This *First Glance* is the House Fiscal Staff's initial review of briefing material and draft copies of some of the supporting documents. It will be revised in one week to include additional information if it becomes available, and will reflect deeper review by staff.

<b>FY 2012</b>	<b>General Revenue</b>	<b>Federal</b>	<b>Restricted</b>	<b>Other</b>	<b>All Funds</b>
FY 2011 Enacted	\$ 2,942,118,704	\$ 2,903,497,922	\$ 180,035,096	\$ 1,838,494,088	\$ 7,864,145,810
Governor	3,169,836,026	2,557,164,416	209,472,234	1,724,828,932	7,661,301,608
Change to Enacted	\$ 227,717,322	\$ (346,333,506)	\$ 29,437,138	\$ (113,665,156)	\$ (202,844,202)
Percent Change	7.7%	-11.9%	16.4%	-6.2%	-2.6%

### Budget Issues

- ***FY 2012 Gap.*** House Fiscal Staff estimates that in preparing the FY 2012 budget, the Governor faced a projected revenue-expenditure gap of \$300 million, which would grow to about \$400 million by FY 2016. This was somewhat lower than Staff's FY 2011 forecast in the enacted FY 2011, mainly because of revisions at the November 2010 Revenue and Caseload Estimating Conference. The Governor's budget appears to have resolved this gap largely with increased revenues and one-time savings.
- ***Budget Assumptions.*** His budget follows the traditional Rhode Island budgeting practice of assuming passage of legislation submitted with the budget and approval by requisite federal agencies of changes under their purview. Should any of that legislation not pass, the budget will be significantly unbalanced.
- ***Out-Year Projections.*** The out-years appear to be significantly unbalanced. The forecast included with the Budget estimates a \$126.0 million gap for FY 2013, 3.9 percent of useable revenues, that grows to \$411.4 million in FY 2016, 12.0 percent of useable revenues. The FY 2013 gap is largely due to the use of one-time items in the resolution of the current budget gap and the phase in of the business tax reductions. That amount more than triples largely because expenditure growth rates outpace the revenue growth projections.
- ***Rainy Day Fund Repayment.*** The Budget further delays the \$22.0 million repayment of the Budget Stabilization and Cash Reserve Account for funds borrowed in FY 2009 to close the projected budget gap. Rhode Island General Law requires that any amounts used must be replaced in the following year. Governor Carcieri proposed legislation last year to delay the repayment to FY 2012; the Assembly allowed for a one year delay and appropriated funds for repayment in FY 2011. Governor Chafee would delay that to FY 2013.

## Taxes and Revenues

### Sales Taxes

- **Sales and Use Tax from 7.0 Percent to 6.0 Percent.** The Budget proposes to decrease the current 7.0 percent sales and use tax on items currently taxed to 6.0 percent and assumes a revenue loss of \$117.7 million. Separate proposals to extend the 6.0 percent tax to additional items and institute a new 1.0 percent tax on other currently exempt items generates \$282.6 million in new revenues to offset this reduction with the impact of all proposals adding \$186.8 million in new revenues.
- **Expansion of Sales Tax Base.** The Budget includes \$197.6 million from the imposition of a 6.0 percent sales and use tax on certain services that were previously exempt from the sales tax. Some of the services included are theater and museum admissions, car washes, veterinary services, repairs, laundry and dry cleaning and hair cuts. It includes \$0.9 million from the disallowance of a sales tax exemption towards the purchase of a car as a trade-in allowance on the value of a stolen or totaled vehicle. It also includes \$0.8 million from the imposition of a 6.0 percent sales and use tax on medical marijuana. The table below summarizes the general categories and impacts.

<b>Sales Tax Base Modernization at 6.0 Percent</b>	<b>Estimated Revenue</b>
<b>Goods</b>	
Prewritten Computer Software delivered Electronically	\$ 7,578,075
Non-Prescription Drugs including Medical Marijuana	9,314,223
All Other Goods	5,109,741
<b>Services</b>	
Building services, incl. Landscaping, House Cleaning & Pest Control	23,336,753
Employment Agencies	19,083,406
Personal Care Services (Salons)	18,117,434
Business Support Services	9,473,322
Facilities Support Services	8,524,376
Taxicabs, Scenic and Sightseeing Transportation	9,276,683
Moving, Storage, incl. Warehouse, & Freight Services	8,247,240
Garbage Collection, including Remediation Services	6,729,745
All Other Services	19,780,181
<b>Recreation and Entertainment</b>	
Amusement Parks, Campgrounds	9,965,763
Membership Clubs	4,388,153
All Other Recreation and Entertainment	6,445,646
<b>Labor on Maintenance and Repairs</b>	
Motor Vehicles, including Car Washes	18,231,874
All Other Labor on Maintenance and Repairs	8,884,166
<b>All Other</b>	<b>5,107,454</b>
<b>Total</b>	<b>\$ 197,594,235</b>

- **Meals and Beverage and Hotels.** The Governor's budget assumes taxpayers would not see a change to the amount of total taxes paid on hotel and meals and beverages. The 1.0 percent difference as a result of lowering the general sales tax, estimated to be \$21.3 million, will still be collected but go into separate restricted funds to support two new initiatives. The revenue from 1.0 percent on meals and beverages would be used to encourage municipalities to address unfunded liabilities for pensions

and Other Post Employment Benefits. Revenues from the 1.0 percent on hotels would be used for tourism related improvements.

- **1.0 Percent Sales Tax on Certain Items Currently Exempt.** The Budget includes \$85.0 million in revenues from the imposition of a 1.0 percent sales and use tax on certain exempt items, such as clothing, aircraft and boats and for purchases made by nonprofit entities. It also includes a revenue loss of \$1.8 million for noncompliance with the Streamlined Sales and Use Tax Agreement which allows the state to receive payments from certain internet sellers not otherwise obligated to collect sales taxes. The Governor proposes that this expansion be repealed upon passage of federal legislation requiring remote sellers to collect sales tax on behalf of states that impose such taxes.

<b>Sales Tax Base Expansion at 1.0 Percent</b>	<b>Estimated Revenue</b>
Purchases Used for Manufacturing Purposes	\$ 38,882,322
Sales to Charitable, Educational or Religious Organizations	10,600,111
Clothing and Footwear	6,656,864
Precious Metal Bullion	3,304,052
Manufacturers' Machinery and Equipment	2,769,835
Agricultural Products for Human Consumption	2,593,582
Trade-In Value of Boats & Private Passenger Autos	2,496,123
Heating Fuels in Homes and Residential Premises	2,168,789
All Other	17,368,784
<i>Subtotal</i>	<b>\$ 86,840,462</b>
Noncompliance with Streamlined Sales Tax Agreement	\$ (1,840,011)
<b>Total from 1.0 Percent Tax</b>	<b>\$ 85,000,451</b>

**Business Taxes**

The Governor's budget includes four separate proposals relating to taxes on businesses that have a combined impact of a \$0.9 million revenue loss in FY 2012 growing to \$14.5 million in FY 2016. These are summarized in the table below and described separately in the paragraphs that follow.

<b>Business Tax Proposal</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Corp. Income Tax Rate Reduction	\$(8,525,365)	\$(20,005,564)	\$ (33,967,968)	\$ (35,345,444)	\$ (36,466,135)
Jobs Development Act Phase-out	4,845,502	9,345,814	15,367,882	15,991,083	16,498,109
Corp. Minimum Tax Restructure	(6,117,310)	(6,166,843)	(6,241,142)	(6,290,675)	(6,364,975)
Combined Reporting	8,891,640	9,993,357	10,955,116	11,399,371	11,760,808
<b>Total Impact</b>	<b>\$ (905,533)</b>	<b>\$ (6,833,236)</b>	<b>\$ (13,886,112)</b>	<b>\$ (14,245,665)</b>	<b>\$ (14,572,193)</b>

- **Corporate Income Tax Rate Reduction Phase-In.** The Budget proposes to decrease the Corporate Income Tax rate from 9.0 percent by 0.5 percent per year until reaching 7.5 percent for tax year 2014. The Budget assumes a revenue loss of \$8.5 million in FY 2012, \$20.0 million in FY 2013, \$34.0 million in FY 2014, \$35.3 million in FY 2015 and \$36.5 million in FY 2016.

- **Jobs Development Act Phase-Out.** The Budget assumes \$4.8 million in revenues from phasing out the elimination of the Jobs Development Act rate reduction beginning in tax year 2012 by one-third. The Jobs Development Act provides for rate reductions of one quarter of one percent (0.25 percent) for each 50 new jobs created by eligible companies for three years past the base year. The reduction cannot be more than six percent.

- **Corporate Minimum Tax Restructure.** The Budget proposes to restructure the Corporate Minimum Tax to subject limited partnerships and limited liability partnerships to the Corporate Minimum Tax. The Governor proposes to replace the corporate minimum and minimum franchise taxes with a tiered system. Businesses would be taxed based on their Rhode Island gross receipts. The maximum amount of tax paid would be \$2,000 for a business with gross receipts of \$5.0 million or more. The Budget assumes a revenue loss of \$6.1 million in FY 2012.
- **Combined Reporting.** The Budget includes \$8.9 million in revenues from requiring business corporation tax filers to file as a “unitary business” or single enterprise, commonly referred to as combined reporting, effective January 1, 2012.

**Other Taxes and Fees**

- **Motion Picture Tax Credit Elimination.** The Governor recommends the elimination of the Motion Picture Tax Credit and assumes increased revenues of \$1.6 million. Effective July 1, 2011, no new credits can be issued unless an initial certification had already been granted.
- **Compassion Center 4.0 Percent Surcharge.** The Budget assumes \$0.6 million in new revenues from a 4.0 percent surcharge on net patient revenues of three compassion centers to be established.
- **Hospital Licensing Fee.** The Governor’s budget includes \$141.8 million from general revenues, consistent with the enacted level, from extending the hospital licensing fee into FY 2012. The licensing fee appears annually in the Appropriations Act.
- **Beach Parking Fees.** The Governor recommends increasing the daily and annual parking fees at state beaches, with the total value of the increase accruing to the state. The FY 2012 Budget includes an additional \$1.9 million generated by raising the fees for residents and non-residents, including senior citizens. These fees were last increased in April 2002. The table below summarizes the changes.

	Current	Proposed
<b>Season Pass</b>		
Resident	\$ 30.00	\$ 60.00
Senior Resident	\$ 15.00	\$ 30.00
Non-Resident	\$ 60.00	\$ 120.00
Senior Non-Resident	\$ 30.00	\$ 60.00
<b>Daily Parking - Weekday</b>		
Resident	\$ 6.00	\$ 10.00
Senior Resident	\$ 3.00	\$ 5.00
Non-Resident	\$ 12.00	\$ 20.00
Senior Non-Resident	\$ 6.00	\$ 10.00
<b>Daily Parking - Weekend</b>		
Resident	\$ 7.00	\$ 15.00
Senior Resident	\$ 3.50	\$ 8.00
Non-Resident	\$ 14.00	\$ 25.00
Senior Non-Resident	\$ 7.00	\$ 13.00

- **Veterans’ Home Resident Assessment.** The Governor’s budget assumes revenues of \$0.8 million from the state increasing the monthly fee assessed to residents of the Veterans’ Home from 80 percent to 100 percent of countable income. The resident will continue to retain a portion of any monthly payments received up to \$150 and the state will retain the balance. The state will deposit 80 percent

into the general fund and the remaining 20 percent will be deposited into the Department of Veterans Affairs' restricted receipt account to be used for activities and operations at the Home.

- **Telecommunications Education Access Fund.** The Governor recommends legislation to reduce the assessment for the Telecommunications Education Access Fund from \$0.26 to \$0.15 per line effective February 1, 2011 and expand it to include wireless lines. This is expected to generate an additional \$0.7 million in revenue in FY 2012 to substitute for the current state support. It should be noted that, although the wireless customers are not currently charged for this expense, they do pay a different \$0.26 charge that goes to general revenues. It had initially been imposed to support geo-coding the state for 911 calls. This proposal was submitted by Governor Carcieri as part of his FY 2011 budget but was not enacted by the Assembly.
- **Securities Sales Representative License Fee.** The Budget includes \$1.2 million in additional revenues in FY 2012 from increasing the licensing fee for a securities sales representative from \$60 to \$75. The Department of Business Regulation annually licenses approximately 79,000 securities sales representatives from across the country.
- **Federally Covered Adviser License Fee.** The Budget includes \$41,000 in additional revenues in FY 2012 from increasing the licensing fee for a federally covered adviser from \$250 to \$300. The Department of Business Regulation licenses approximately 820 federally covered advisers annually.
- **Estate Filing Fee.** The Budget includes \$108,915 in revenues from increasing the estate filing fee from \$25 to \$50.
- **Fire Code Violation Fee.** The Budget adds \$40,000 from increasing the fire code violations fee from \$100 to \$125 in FY 2012.
- **DMV Check Return Fee.** The Budget includes \$18,720 in revenues from the assessment of a \$25 fee on returned checks.
- **DMV Driving Records Abstracts.** The Budget includes \$3.0 million in revenues from requiring insurance companies to use driving record abstracts at least every three years for rating and underwriting policies. The cost to obtain the record is \$17.50, including the \$1.50 technology surcharge. There is an additional convenience fee if records are obtained online.
- **Background Check Fee.** The Budget includes \$110,000 in revenues from instituting fees for background checks on adults who wish to care for a child.
- **Motor Vehicles Registration, Licenses and Fees to Transportation.** The Budget assumes a five year phase-in of a plan to dedicate all motor vehicles registration, licenses and fees currently used as general revenues for transportation uses. The loss to general revenues would be \$12.0 million in FY 2012, \$24.4 million in FY 2013, \$37.2 million in FY 2014, \$50.5 million in FY 2015 and \$64.2 million in FY 2016.

#### **Enhanced Collections**

- **Tax Delinquents Postings.** The Division of Taxation currently posts a list of the top 100 tax delinquents. The FY 2012 Budget assumes \$1.8 million in revenues by dividing the list into the top 100 individuals and the top 100 businesses who are delinquent in paying taxes.

- **Lottery Winnings Setoff for Taxes Owed.** The FY 2012 Budget assumes \$141,457 in revenues from garnishing lottery winnings over \$600 when unpaid state taxes are owed. There are currently two other setoffs; child support and benefit overpayments from the Department of Labor and Training.
- **Department Revenues Set off Tax Refund Offset.** The Budget includes \$0.2 million in FY 2012 from the Department of Corrections revenues based on the Governor's proposal to allow the Division of Taxation to offset tax refunds owed to state agencies. Currently, the Department has outstanding debts of \$3.8 million for home confinement, probation, parole, and electronic monitoring programs.

### **Other Revenues**

- **Resource Recovery Transfer.** The Governor proposes to transfer \$3.5 million from insurance settlement proceeds from the Rhode Island Resource Recovery Corporation to state general revenues in FY 2012. The Corporation was last required to make a transfer of \$7.5 million in FY 2009. It spread the payment over two years, including \$4.5 million in FY 2009 and \$3.0 million in FY 2010.

### **Local Government**

- **Central Falls Stabilization Payment.** The Governor recommends \$1.8 million in FY 2011 and \$4.9 million in FY 2012 to eliminate the projected deficits for Central Falls.
- **Central Falls Receivership.** The Budget includes general revenue expenditures of \$0.9 million in both FY 2011 and FY 2012 for various costs, primarily for legal services pertaining to the non-judicial receivership for Central Falls, as the constitutionality of the act is being questioned.
- **Distressed Communities Relief Fund.** The Governor provides \$15.6 million, an additional \$5.2 million for the Distressed Communities Relief Fund for the FY 2011 revised budget but reverts to the enacted level of \$10.4 million in FY 2012. Communities' aid distribution is based on updated qualifying tax levies. Updated data shows that North Providence qualifies for distressed aid in FY 2012 and Burrillville no longer qualifies. Communities entering and exiting the program receive 50.0 percent of what would otherwise be full funding under the formula.
- **Municipal Accountability, Stability and Transparency Fund.** The Governor proposes the establishment of the Municipal Accountability, Stability and Transparency Fund to encourage municipalities to address unfunded liabilities for pensions and Other Post Employment Benefits. He estimates \$19.3 million will be available from a 1.0 percent sales tax on meals and beverages; with the rollback of the regular sales tax rate, the total tax on meals and beverages would be unchanged from the current level. The funds will be distributed based on per capita income and local tax burdens using FY 2009 data from the General Revenue Sharing program.

Municipalities must meet set criteria in order to be eligible to receive funding. In FY 2012, all municipalities must provide a five-year forecast to the Division of Municipal Finance including options for fully funding annually required post employment benefit liabilities, provide fiscal impact statements for changes in health care plans, submit financial data on time, join the Municipal Uniform Chart of Accounts and fulfill other requirements. By FY 2014, municipalities not in compliance will receive a decrease in the state's contribution towards the employer cost of teacher retirement expenses.

- **Payment in Lieu of Taxes Program.** The Budgets include \$27.6 million in FY 2011 and FY 2012 to level fund the Payment in Lieu of Taxes program at the FY 2011 enacted level. This program reimburses cities and towns for property taxes that would have been due on real property owned by



nonprofit educational institutions, nonprofit hospitals, or any state-owned hospital, veterans' residential facility or correctional facility, which is exempt from taxation by state law. Reimbursement is 27.0 percent of the forgone tax, subject to appropriation. Distributions to communities reflect updated data and a ratable reduction to the appropriation.

- **Motor Vehicles Excise Tax.** The FY 2011 and FY 2012 budgets level fund the Motor Vehicles Excise Tax program at the enacted amount of \$10.0 million. The 2010 Assembly enacted legislation mandating a \$500 exemption for which the state will reimburse municipalities an amount subject to appropriation. The legislation allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement.

- **Library Resource Sharing Aid.** The Governor recommends \$8.8 million in both FY 2011 and FY 2012 to level fund library operating aid at the FY 2011 enacted level. The recommendation for FY 2012 is \$1.3 million or 12.7 percent less than allowed under current law, which requires 25.0 percent reimbursement of second prior year expenditures. Community distributions reflect updated data and a ratable reduction to the appropriation.

- **Library Construction Aid.** The Governor provides the enacted amount of \$2.5 million for library construction aid in FY 2011 and \$2.8 million in FY 2012. The recommendation reflects current funding requirements for both years based on updated cost information, interest rates, and construction schedules for approved projects. The state reimburses libraries up to half the total costs for eligible projects on an installment basis for a period of up to 20 years. The payments do not begin until the state fiscal year following the completion, acceptance, and audit of the project.

- **Property Valuation Reimbursement.** The Governor provides full funding of \$0.8 million in FY 2011 and \$1.1 million in FY 2012 to reimburse communities conducting property valuation updates.

- **Airport Impact Aid.** The Governor provides the enacted level of \$1.0 million in both FY 2011 and FY 2012 to the Economic Development Corporation so that the Airport Corporation can provide impact aid payments to the seven communities that host the six state airports. The community payments are made proportionally based on the number of total landings and takeoffs.

## **Education Aid**

- **Funding Formula.** The Governor funds the first year of the education funding formula adopted by the 2010 Assembly. The calculation for FY 2012 uses June 30, 2010 student enrollment data adjusted for FY 2012 projected charter school enrollments, a per pupil core instruction amount of \$8,333 and census data released in December 2010. It assumes that districts that will receive more state funding will have the additional funding phased in over seven years and districts that are going to receive less state funding will have that loss phased in over ten years. Supporting documents note that the aid amounts are subject to further revision in the coming months.

- **FY 2012 Formula Education Aid.** The Governor recommends \$714.5 million for school formula aid for school districts including Central Falls, the Metropolitan Career and Technical School, Davies Career and Technical School and charter schools pursuant to the new funding formula. This is \$16.3 million more than enacted and includes \$32.3 million from federal education jobs funds that districts will receive for use in FY 2011 and FY 2012 in lieu of general revenues.

- **Education Jobs Funds.** The Governor's budget uses \$32.3 million from federal education jobs funds that districts will receive for use in FY 2011 and FY 2012 in lieu of general revenues for FY 2012 school formula aid.
- **Regionalization Bonus.** The new education funding formula allows for additional funding from the state for a limited two-year bonus for regionalized districts. The Governor recommends \$0.9 million to fund this.
- **Transportation.** The new education funding formula allows for additional funding from the state to districts for transportation costs. The Governor recommends \$1.1 million for FY 2012. The state will provide funding to mitigate the excess costs associated with transporting students to out-of-district non-public schools and within regional school districts.
- **School Construction Aid.** The Governor recommends \$72.5 million to fund projected costs of school housing aid to local districts for FY 2012, which is \$4.5 million more than the FY 2011 entitlement. Aid is based on wealth with minimum reimbursements of either 30.0 or 35.0 percent of approved costs for FY 2012. The new funding formula legislation includes a two-year phased increase in the state's minimum housing aid participation to provide that no local district receives less than a 40.0 percent state reimbursement by FY 2013 for projects completed after June 30, 2010. The minimum had been 30.0 percent.
- **Charter School Construction Aid.** The Governor proposes legislation to set the state reimbursement for charter school construction projects at the average share ratio of the sending districts. Unless sponsored by a school district, charter schools are currently eligible for a 30.0 percent reimbursement. There is no impact on the FY 2012 budget and the supporting documents do not estimate the impact of this change on future budgets.
- **Group Home Aid.** The Governor's budget reflects group home aid consistent with current law that requires that aid be paid for all beds opened as of December 31, 2010. The FY 2012 budget is \$255,000 less than the FY 2011 enacted budget.
- **Textbook Reimbursement.** The Governor recommends eliminating funding for reimbursements allowed under the textbook loan program for FY 2012; the enacted budget includes \$240,000. The state reimburses districts for the cost of providing textbooks to non-public school students in the areas of English/language arts and history/social studies in kindergarten through 12<sup>th</sup> grade.
- **FY 2011 Education Aid.** Based on the final allocation of fiscal stabilization funds between elementary and secondary education and higher education, there is \$0.7 million less available for distribution to school districts for FY 2011. The Governor's budget reduces FY 2011 education aid to each district in proportion to the amounts allocated to reflect this change.
- **Education Costs for Adjudicated Youth.** The Governor's budget shifts \$2.1 million of general revenue expenditures to local cities and towns by requiring them to pay for the education of juveniles at the training school, Camp E-Hun-Tee, and Ocean Tides. The education aid formula does not appear to account for these students.

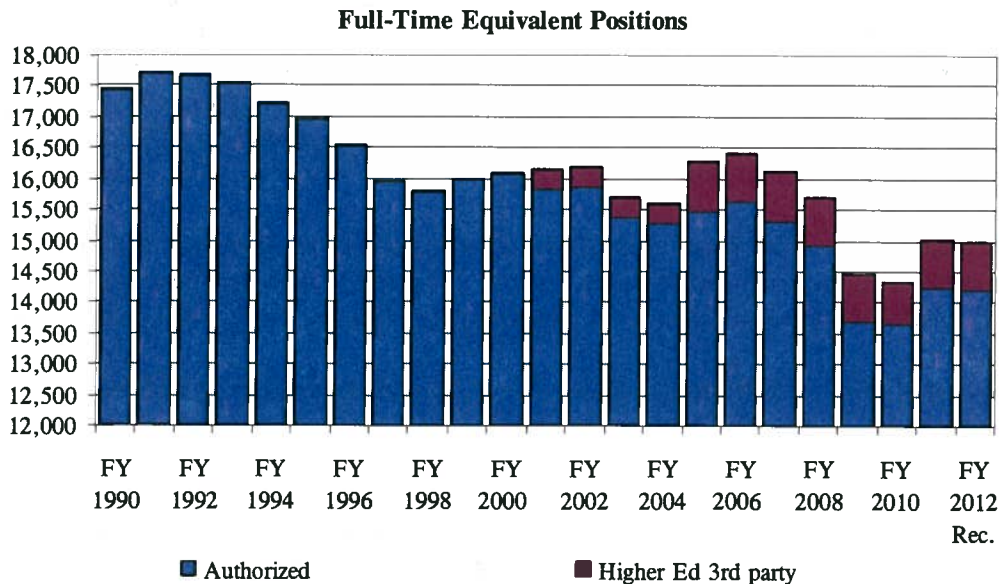
## **Housing and Economic Development**

- **Neighborhood Opportunities Program.** The Governor's FY 2012 budget removes the \$1.5 million from Rhode Island Capital Plan funds in the enacted budget and requires that the Rhode Island Housing

and Mortgage Finance Corporation fund the program at that level. The Housing Resource Commission administers the program, which currently provides operating subsidies to affordable housing projects. In prior years, the funds were used for the development costs of housing units.

- **Housing Resource Grant.** The Governor recommends \$2.1 million for the Housing Resource Commission grant in FY 2011 and FY 2012 for emergency shelter grants and for the lead hazard reduction program.
- **Tourism Asset Protection Fund.** The Governor recommends establishing a Tourism Asset Protection Fund for tourism related improvements. The Fund is supported by the retention of a 1.0 percent sales tax on the rental of rooms and lodging; with the proposed rollback of the regular sales tax rate, the total sales tax would be unchanged from the current level. Use of the funds is at the discretion of the Department of Administration and the FY 2012 budget assumes they will be used for the restoration of Fort Adams.
- **Economic Development Corporation - Operations.** The Budget reflects a 15.0 percent or \$0.6 million reduction from the \$4.6 million enacted from general revenues to support general operations of the Economic Development Corporation.
- **Slater Technology Fund.** The Budget includes \$2.0 million for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new ventures.
- **Experimental Program to Stimulate Competitive Research (EPSCoR).** The Budget includes the enacted level of \$1.5 million for participation in the National Science Foundation’s Experimental Program to Stimulate Competitive Research.
- **Convention Center Authority.** The Budget includes \$23.1 million for the Convention Center Authority to cover debt service requirements.

**State Government**



- **Staffing.** The Governor recommends 14,990.6 full-time equivalent positions, including 785.0 higher education positions supported by research or other third-party funds. The recommendation is 163.0 positions more than enacted, primarily from the addition of 82.5 teaching and student support positions at Rhode Island College and the Community College of Rhode Island and 129.0 additional positions in the Human Service and Education agencies, including 90.0 new federally funded positions and 39.0 new positions at the Department of Veterans Affairs.

These increases are offset by the elimination of positions funded through the American Recovery and Reinvestment Act and the elimination of vacant positions in the Department of Children, Youth and Families. As of February 26, 2011 there were 13,771.7 positions filled, leaving 844.7 non-research vacancies. In FY 2010, the state averaged 13,588.5 filled positions reflecting an average of 647.5 non-research vacancies.

- **Employee Pension Contributions.** The Governor proposes that effective July 1, 2011, all state employees and teachers contribute 11.75 percent towards pension benefits. State employees currently contribute 8.75 percent and teachers contribute 9.5 percent and those rates are set in statute. The additional funds, estimated to be \$40.7 million, will be used to pay down the unfunded liability in the system. There would be no reduction in the employer share, and the budget assumes no savings from this proposal.

- **Statewide Savings.** The Budget includes unidentified statewide personnel and operating savings of \$20.7 million from nearly all agencies. Similar savings totaling \$3.7 million are included in the FY 2011 revised budget.

- **Unemployment Insurance Benefits.** The Governor's budget includes \$590.8 million for the payment of unemployment insurance benefits in FY 2011, including \$95.9 million from federal stimulus funds and \$494.9 million from the Employment Security Trust Fund. He also includes \$224.8 million in FY 2012, entirely from the Trust Fund, reflecting the expiration of stimulus funds and anticipation of more claimants exhausting their benefits.

- **Employment Security Trust Fund.** The Governor's budget includes Article 4 to make changes to the state's unemployment insurance system to progressively increase the balance of the Trust Fund over the next four years. He proposes changes beginning January 1, 2012 with incremental changes each year through FY 2015. The FY 2012 budget assumes additional revenues of \$15.4 million into the Trust Fund from two changes increasing the taxable wage base for savings of \$7.1 million and seven changes to benefits and eligibility for savings of \$8.3 million.

- **Historic Tax Credit Trust Fund Debt Service.** The Budget includes \$22.6 million from general revenues to fund debt service for historic tax credits. This is \$14.4 million less than the \$37.0 million current service estimate, but the higher level would likely be needed in FY 2013 and beyond.

- **Contingency Fund.** The Budget includes the enacted amount of \$250,000 from the contingency fund.

- **Rhode Island Financial Accounting Network System.** The Budget proposes to use \$11.5 million in Rhode Island Capital Plan funds over a four-year period for information technology upgrades to the state's accounting system. The voters approved a constitutional amendment in 2006 to allow the capital account to be used solely for capital projects.

- **State Leases.** The Budget eliminates the requirement that departments obtain legislative approval before entering into a long-term lease agreement, five years or more or lease agreements that are more than \$0.5 million.
- **Matching Public Funds.** The Governor's FY 2011 revised budget for the Board of Elections includes \$0.4 million less from general revenues for Matching Public Funds for the November 2010 general election and related audit fees due to lower than anticipated candidate requests.

### **Health and Human Services**

- **Enhanced Medicaid Rate Expiration.** The Governor's FY 2012 budget backfills the loss of \$215.1 million in federal funds from the June 30, 2011 expiration of the enhanced Medicaid match included in the American Recovery and Reinvestment Act.
- **Cash Assistance and Medical Benefits Caseload.** The Governor's budget adds \$57.7 million, including \$193.2 million from general revenues for updated cash assistance and medical benefit costs adopted at the November Caseload Estimating Conference. This includes \$161.2 million that will be needed from general revenues for the return to the regular Medicaid rate July 1, 2011. He includes \$55.9 million more for medical benefits and \$1.7 million more for cash assistance program expenses.
- **Hospital Payments.** The Governor's FY 2012 budget does not continue to include the community hospital's outpatient upper payment limit reimbursement.
- **Hospital Rates in Managed Care.** The Governor's budget limits any increases in rates paid to the community hospitals for inpatient and outpatient services through the state's managed care plans, beginning January 1, 2012, to indexes published by the Centers for Medicare and Medicaid Services.
- **Nursing Home Rate Reduction.** The Governor's budget includes a five percent reduction to the rate paid to nursing homes beginning October 1, 2011 for savings of \$12.8 million, including \$6.1 million from general revenues. He also revises the nursing home principles of reimbursement.
- **Pharmaceutical Assistance.** The Governor recommends eliminating the Pharmaceutical Assistance to the Elderly program, which provides assistance to Medicare Part D recipients who have reached the "donut hole" and social security disability insurance recipients prior to Medicare Part D eligibility. Federal healthcare reform eliminates the "donut hole" by 2020. The Governor includes \$0.3 million from federal Older Americans Act funds to remodel the state program and provide assistance to certain needy elders.
- **Older Americans Act Grant.** The Governor's budget includes general revenue savings of \$0.7 million from shifting eligible expenses to available federal funds.
- **Money Follows the Person Federal Grant.** The Governor's budget shifts \$2.5 million of general revenue home and community care expenses to the new federally funded money follows the person grant in the Department of Human Services' budget. The five-year, \$24.6 million grant allows the state to avoid having individuals remain in long term facilities by using community based services instead.
- **Non-emergency Medical Transportation.** The Governor's budget includes general revenue savings of \$0.7 million in FY 2011 and \$2.2 million in FY 2012 by reducing the mileage paid for wheelchair van transportation from \$1.75 to \$0.51 per mile, implementing a flat rate of \$22 per trip for non-

wheelchair van transportation, and recognizing mileage for non-wheelchair van transportation for out-of-state trips only. The changes went into effect February 1, 2011.

- **Community Health Centers.** The Governor's budget does not provide the \$1.2 million payment to support the community health centers that was included in the enacted budget.
- **Children's Health Account.** The Governor's budget increases the annual assessment on insurers for certain home and community based treatment services from \$6,000 to \$7,500 and further defines the services to be assessed for general revenue savings of \$4.2 million.
- **Selective Contracting for Home Health Services.** The Governor's budget utilizes selective contracting for personal care attendant and homemaker services and assumes savings of \$0.4 million, including \$0.2 million from general revenues.
- **State Only Acute Care Hospital Payments.** The Governor's budget does not provide any state only funding to the community hospitals in FY 2012.
- **Early Intervention.** The Governor's budget shifts early intervention program costs to available federal funds for general revenues savings of \$0.7 million in FY 2011 and \$0.5 million in FY 2012.
- **Rhode Island Works Grant and Administration Funding.** The Governor's budget shifts Rhode Island Works program expenses to available federal temporary assistance to needy families block grant funds for savings of \$1.6 million in FY 2012.
- **Department of Veterans' Affairs.** The Governor's budget includes a new Department of Veterans' Affairs under the umbrella of the Executive Office of Health and Human Services.
- **Veterans' Home Resident Assessment.** The Governor's budget adds \$0.2 million from restricted receipts from increasing the monthly fee assessed to veterans residing in the Veterans' Home from 80 percent to 100 percent of their countable income. The resident will continue to retain a portion of any monthly payments received up to \$150. The state will retain the balance and deposit 20 percent into the Department of Veterans' Affairs restricted receipt account to be used for activities and operations at the Home.
- **Veterans' Home Census.** The Governor proposes to increase the census to 245 residents to either reduce or eliminate the waiting list in FY 2013. He adds 35.0 new positions in the last four months of FY 2012 in anticipation of the increased census.
- **Medical Examiner's Office.** The Governor's budget proposes to restrict circumstances under which an autopsy must be performed by the Medical Examiner's Office and includes general revenue savings of \$0.4 million.
- **HIV/AIDS.** The Governor's budget includes \$1.2 million more than enacted from general revenues to provide total funding of \$9.2 million for HIV/AIDS drugs and supportive services.
- **Health Services Council.** The Governor's budget eliminates the Health Services Council in the Department of Health that, for a fee, reviews and approves initial health care facility licensure, new medical services and equipment and any changes in ownership or control of any health care facility. He includes savings of \$0.4 million; there is also a corresponding loss of revenue.

- ***Developmental Disabilities Services.*** The Governor's budget assumes a continued restructuring of rates paid for community based services provided to adults with developmental disabilities and that the services provided meet the individual's needs. He assumes savings of \$4.6 million, including \$2.2 million from general revenues.
- ***Developmental Disabilities Group Home Consolidation.*** The Governor's budget consolidates six state-run group homes affecting approximately 30 individuals for savings of \$3.1 million, \$1.5 million from general revenues. The homes have not yet been identified.
- ***Health Care Reform: Community Mental Health Treatment Services.*** The Governor's budget takes advantage of opportunities under federal health care reform and includes general revenue savings of \$12.7 million from providing mental health treatment services through a new health home model. The federal government will pay 90 percent of the costs of Medicaid funded services for two years.
- ***Health Care Reform: CEDARR Services.*** The Governor's budget includes general revenue savings of \$1.3 million in the Department of Human Services' budget from the state taking advantage of opportunities under federal health care reform. He proposes to provide home and community based treatment services to disabled children through a new health home model with the federal government paying 90 percent of the costs of Medicaid funded services for two years.
- ***Community Medical Assistance Program.*** The Governor's budget limits access to the community medical assistance program that provides medications to behavioral health clients assuming savings of \$1.2 million, including \$0.6 million from general revenues. He includes updated eligibility criteria for new clients, redefines eligibility for existing clients and institutes a prior authorization process and other pharmaceutical restrictions.
- ***Substance Abuse Detoxification Services.*** The Governor's budget reduces the state's contract with Stanley Street Treatment and Resources (SSTAR) to provide substance abuse treatment services to the uninsured by \$1.0 million.
- ***Adolescent Substance Abuse Treatment Services.*** The Governor's budget includes general revenue savings of \$0.9 million from the state being the payor of last resort for adolescent substance abuse treatment services and requiring providers to first bill third party payors. He includes \$0.2 million to continue to provide services to uninsured or underinsured individuals through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.
- ***DCYF Caseload.*** The Governor's budget includes general revenue savings of \$14.6 million in the child welfare and behavioral health programs by reducing residential placements. Initiatives include moving children from residential placements within 60 days, increasing community based supports, and implementing Phase II of the System of Care Transformation.
- ***Training School - Girls Facility.*** The Governor's budget includes general revenue savings of \$1.5 million from the consolidation of the girl's training school into the existing boy's facility. The savings are based on the elimination of 15.0 full-time equivalent positions and reduced overtime expenses.
- ***National Standards for Child Abuse.*** The Governor's budget includes general savings of \$0.6 million from aligning the state standards for child removals with the national definition of child abuse and neglect as codified in the Child Abuse and Prevention Act. This will reduce the number of children removed from the home, as well as the number of investigations.

- **Case Referrals.** The Governor's budget includes general revenue savings of \$0.5 million from eliminating court ordered visitation for domestic cases, court ordered transportation, and off hour domestic court case testimony by social workers. It also eliminates cases referred from the Family and Truancy Courts when there is no evidence of abuse, neglect, or other child welfare issues.
- **Contract and Rate Reductions.** The Governor's budget reduces various contracts and provider rates for general revenue savings of \$3.0 million. This includes contracts with agencies that provide program evaluations and outcomes for youth in residential care and the juvenile justice program, agencies that provide services to youth over age 18, and agencies whose residential rates are higher than the average.
- **Education Costs for Adjudicated Youth.** The Governor's budget shifts \$2.1 million of general revenue expenditures to local cities and towns by requiring them to pay for the education of juveniles at the training school, Camp E-Hun-Tee, and Ocean Tides.
- **State Crime Lab.** The Governor recommends the enacted level of \$775,000 in general revenue support for the State Crime Lab but transfers funding control from the Department of Health to the University of Rhode Island.

## Education

- **Public Higher Education.** The Governor's budget includes \$995.0 million for Public Higher Education including debt service. This includes \$173.4 million from general revenues, which is \$10.0 million above the enacted FY 2011 level. The Board's request includes \$28.9 million more than the enacted general revenues, but \$18.9 million less than the Board requested. The Governor's intent is that the Community College not raise tuition; the University and College will either have marginal tuition and fee increases or expenditure reductions.
- **Higher Education Staffing.** The Governor recommends 65.0 new full-time positions at the Community College, including 3.0 positions for workforce development coordination and 62.0 positions for teaching and student support. The Governor recommends 17.5 new faculty positions at Rhode Island College.
- **College Access Challenge Grant.** The Governor recommends \$1.5 million over two fiscal years from federal funds for the college access challenge grant that is aimed at increasing the number of low-income students who are prepared to enter post-secondary education.
- **College Crusade.** The Budget continues the \$0.5 million of state support for the College Crusade of Rhode Island.
- **State Crime Lab.** The Governor recommends the enacted level of \$775,000 in general revenue support for the State Crime Lab but transfers funding control from the Department of Health to the University of Rhode Island.
- **Race to the Top.** The Governor's recommended budget includes \$35.6 million over FY 2011 and FY 2012 from federal Race to the Top funds. The Budget also includes 22.0 new full-time equivalent positions to work on this grant. This funding is awarded to states to work on education reform efforts including building state and local capacity, standards and curriculum, instructional improvement and educator effectiveness.



- ***Need Based Scholarships and Grants.*** The Governor's FY 2011 revised budget includes an additional \$0.6 million from general revenues for need based grants and scholarships to provide maintenance of effort for the federal college access challenge grant in the Office of Higher Education's budget. For FY 2012, he recommends \$5.3 million from general revenues, which is \$1.2 million less than his FY 2011 revised recommendation and \$0.6 million less than enacted.

## **Public Safety**

- ***RIBCO Base Increase.*** The Budget adds \$3.3 million for FY 2011 and \$3.5 million for FY 2012 above enacted general revenues to adjust wage base expenditures for uniformed correctional officers based on a recent arbitration award, the effect of which was underestimated in the enacted budget.
- ***Prison Population.*** The Budget assumes a population of 3,416, which is 34 fewer than the FY 2011 enacted budget.
- ***Indigent Defense Program.*** The Budget includes \$3.5 million from general revenues for the Judiciary's indigent defense program, which is consistent with FY 2010 expenses.
- ***Tobacco Enforcement Litigation.*** The Budget adds \$1.0 million from general revenues for FY 2011 and FY 2012 to secure the services of outside counsel for an enforcement litigation case brought by the leading United States tobacco product manufacturers against the states. It alleged the states' lack of efforts in enforcing the "Master Settlement Agreement" for non-participating manufacturers.
- ***Correctional Officer Training Class.*** The Budget includes \$0.7 million from general revenues for recruitment and training for one new officer class for FY 2012. This class is anticipated to start in the fall of 2011 with graduation in January 2012.
- ***Sheriffs to Department of Public Safety.*** The Budget reflects the transfer of \$16.7 million and staffing of 180.0 full-time positions for the Sheriffs program from the Department of Administration to the Department of Public Safety.
- ***Trooper Training Academy.*** The Budget includes general revenue expenses of \$2.7 million for the 54<sup>th</sup> Trooper Training Academy and the salary and benefit expenses of 30.0 recruits expected to graduate in December 2011.
- ***Dispatch Unit and Port Security.*** The Budget does not include the transfer of the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety. The 2010 Assembly included legislation that required the unit be transferred by January 1, 2011.
- ***Indirect Cost Recovery.*** The Governor restores the \$0.5 million from general revenues for indirect cost savings included in the Military's enacted budget.
- ***Emergency Management Flood Relief.*** The Governor recommends \$24.0 million over the two year period for expenditures incurred from the March 2011 floods. This includes \$23.4 million from federal funds and \$0.6 million from general revenues to be used as the state match.

## Environment

- **Beach Parking Fees.** The Governor recommends increasing the daily and annual parking fees at state beaches and includes an additional \$1.9 million from doing so. The Department collects fees for daily and seasonal parking at seven facilities across the state and reimburses the four host communities of Charlestown, Westerly, Narragansett and South Kingstown 27.0 percent of all daily parking fees collected from Memorial Day to Labor Day. The proposal would also lower the reimbursement rate to 16.0 percent in order for the municipalities to continue to receive the same amount, with the additional revenues deposited as general revenues.
- **Fort Adams Improvements.** The Governor recommends an additional \$0.2 million from Rhode Island Capital Plan funds for improvements at Forts Adams state park in Newport during FY 2011.

## Transportation

- **Winter Maintenance.** The Department of Transportation's FY 2011 budget includes an additional \$12.6 million of gasoline tax proceeds that would be made available by lowering debt service payments on its general obligation bonds, which are paid from the same source. The Department incurred higher than budgeted winter maintenance expenses during FY 2011, and the proposal would alleviate a projected shortfall in gasoline tax proceeds of \$12.6 million.
- **Fees for Transportation.** The FY 2012 Budget includes an additional \$12.0 million for transportation expenses by transferring 20.0 percent of certain transportation related fees previously deposited as general revenues to the Department of Transportation for use as the state match for general obligation bonds. The Governor's proposal increases the transfer of these fees by 20.0 percent each year until FY 2016, when 100.0 percent of the fees will be dedicated to the Department. The purpose of the proposal is to eventually lower the amount of debt service paid by the Department with gasoline tax proceeds, which will then allow these proceeds to be used for other purposes.

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RI Airport Corporation



**SALES TAX MODERNIZATION PROPOSAL AT 6.0% RATE**

**Revenue Impacts of All Elements**

(FY 2012 through FY 2016)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>General Revenues</b>					
Sales Tax Rate Reduced to from 7.0% to 6.0%	\$ (117,714,286)	\$ (120,734,637)	\$ (121,584,056)	\$ (122,431,472)	\$ (123,280,080)
Sales Tax Base Modernization at 6.0% Rate	\$ 195,908,719	\$ 200,935,408	\$ 202,349,074	\$ 203,759,406	\$ 205,171,721
Tax Retail Sale of Medical Marijuana at 6.0% Rate	802,659	1,333,365	1,342,971	1,352,577	1,362,183
Disallow Insurance Proceeds Trade-In Allowance at 6.0% Rate	882,857	905,852	912,378	918,904	925,430
<b>Subtotal of Base Modernization at 6.0% Rate</b>	<b>\$ 197,594,235</b>	<b>\$ 203,174,625</b>	<b>\$ 204,604,423</b>	<b>\$ 206,030,887</b>	<b>\$ 207,459,334</b>
Sales Tax Base Expansion Tax Certain Exempt Items at 1.0%	\$ 86,840,462	\$ 89,102,305	\$ 89,744,226	\$ 90,386,148	\$ 91,028,069
Lost Revenue from Streamlined Sales and Use Tax Agreement	(1,840,011)	(1,863,398)	(1,878,916)	(1,873,824)	(1,876,279)
<b>Net Revenue from 1.0% Tax on Certain Exempt Items</b>	<b>\$ 85,000,451</b>	<b>\$ 87,238,907</b>	<b>\$ 87,865,310</b>	<b>\$ 88,512,324</b>	<b>\$ 89,151,790</b>
<b>General Revenues Subtotal</b>	<b>\$ 164,880,400</b>	<b>\$ 169,678,895</b>	<b>\$ 170,885,677</b>	<b>\$ 172,111,739</b>	<b>\$ 173,331,044</b>
<b>Non-General Revenues</b>					
Maintain Meals & Beverage Tax at 8.0% Rate for MAST Fund	\$ 19,330,231	\$ 19,833,706	\$ 19,976,594	\$ 20,119,482	\$ 20,262,370
Retain Tax on Rooms & Lodging at 8.0% Rate for TAP Fund	2,620,180	2,688,425	2,707,793	2,727,162	2,746,530
<b>Non-General Revenues Subtotal</b>	<b>\$ 21,950,411</b>	<b>\$ 22,522,131</b>	<b>\$ 22,684,387</b>	<b>\$ 22,846,644</b>	<b>\$ 23,008,900</b>
<b>Total Revenues Sales Tax Modernization Proposal</b>	<b>\$ 186,830,811</b>	<b>\$ 192,201,026</b>	<b>\$ 193,570,064</b>	<b>\$ 194,958,383</b>	<b>\$ 196,339,944</b>

**Attachment 1: Budget at First Glance**

Items affected by Governor's sales tax proposal as provided by the Department of Revenue.

**SALES TAX MODERNIZATION PROPOSAL AT 6.0% RATE**  
**Estimated Revenue by Base Modernization Component**  
**(FY 2012)**

<b>Sales Tax Base Modernization at 6.0% Rate</b>	<b>Estimated Revenue Raise</b>
<b><i>Goods Currently Exempt from Sales and Use Tax</i></b>	
Prewritten computer software delivered electronically	7,578,07
Corrective eyeglasses and contact lenses	2,855,26
Nonprescription drugs including medical marijuana	9,314,22
Newspapers	1,371,61
Insurance proceeds from destroyed or stolen passenger car as trade-in allowance	882,85
Property or supplies used in the processing or preparation of floral products and arrangements	Unknown
<b>Subtotal Goods Currently Exempt from Sales and Use Tax</b>	<b>\$ 22,002,03</b>
<b><i>Services Currently Not Subject to Sales and Use Tax</i></b>	
Garbage and trash collection including certain waste management and remediation services	6,729,74
Taxicabs and other road transportation services	2,507,24
Scenic and sightseeing transportation and support activities and package tours	6,769,43
Couriers and messengers	7,277,05
Moving, storage, including warehousing, and freight services	8,247,24
Photo studios including photographic and portrait photography services	1,052,35
Pet services except veterinary services including testing laboratories	960,50
Data processing, hosting, and related services	5,884,82
Facilities support services	1,010,15
Business support services	8,524,37
Investigation and security services including locksmiths	9,473,32
Services to building and dwellings including domestic services, extermination and pest controls services, landscaping services and other support services from commercial providers	23,336,75
Employment agency services	19,083,40
Personal care services including hairdressing salons and personal grooming establishments, diet and weight reducing centers and other personal services	18,595,28
Laundry and dry cleaning services	3,117,43
<b>Subtotal Services Currently Not Subject to Sales and Use Tax</b>	<b>\$ 122,569,14</b>
<b><i>Recreation and Entertainment to be Subjected to Sales and Use Tax</i></b>	
Membership clubs and participant sports centers including bowling centers but excluding aircraft rental and leasing without pilots and marinas and boat storage	4,388,15
Amusement parks, campgrounds, and related recreational services including fitness and recreational sports centers but excluding sales by elementary and secondary schools, tuitions and fees paid to fine arts schools and promoters of performing arts, sports and similar events	9,965,76
Motion picture theaters including those of post secondary educational institutions	1,705,01
Live entertainment excluding sports and promoters of performing arts, sports and similar events and independent artists, writers, and performers	2,023,58
Spectator sports except elementary and secondary schools and promoters of performing arts, sports and similar events	1,623,40
Museums, historical sites, zoos, parks, art galleries and libraries	1,093,64
<b>Subtotal Recreation and Entertainment to be Subjected to Sales and Use Tax</b>	<b>\$ 20,799,56</b>

**SALES TAX MODERNIZATION PROPOSAL AT 6.0% RATE**  
**Estimated Revenue by Base Modernization Component**  
(FY 2012)

<b>Sales Tax Base Modernization at 6.0% Rate</b>	<b>Estimated Revenue Raised</b>
<i>Maintenance and Repair, Labor Separately Stated to be Subject to the Sales and Use Tax</i>	
Motor vehicle including car washes	18,231,874
Audio-visual, photographic and information processing equipment	729,049
Electronic and precision equipment	1,214,107
Commercial and industrial equipment except for manufacturers	2,383,023
Recreational and sports equipment except for boats	463,402
Furniture, furnishings, and floor coverings	152,007
Household appliances	891,849
Clothing and footwear repair, rental and alterations	2,270,567
Watch, clock and jewelry repair	780,159
<b>Subtotal Maintenance and Repair, Labor Separately Stated to be Subject to the Sales and Use Tax</b>	<b>\$ 27,116,040</b>
<i>Other Items Subject to the Sales and Use Tax</i>	
Professional association dues except for alumni associations, parent-teacher organizations, booster clubs, scouting organizations, veterans membership organizations, political organizations, athletic associations, regulatory or administrative associations, property owners' associations, condominium and homeowners' associations, tenant associations, and cooperative owners' associations	5,107,454
<b>Subtotal Other Items Subject to the Sales and Use Tax</b>	<b>\$ 5,107,454</b>
<b>Grand Total of Sales Tax Base Modernization at 6.0% Rate*</b>	<b>\$ 197,594,235</b>

\* Includes the value of medical marijuana and disallowance of insurance proceeds as trade-in allowance for passenger cars.

**SALES TAX MODERNIZATION PROPOSAL AT 6.0% RATE**  
**Estimated Revenue From Taxation of Certain Exempt Items at 1.0 Percent Rate**  
**(FY 2012)**

<b>Sales Tax Base Expansion at 1.0% Rate</b>	<b>Estimated Revenue Raised</b>
Agricultural products for human consumption	\$ 2,593,582
Air and water pollution control facilities	Unknown
Aircraft, including aircraft rental and leasing without pilots, and aircraft parts	229,118
Banks and Regulated Investment Companies interstate toll-free calls	Unknown
Boats or vessels brought in exclusively for winter storage, maintenance, repair or sale	*
Boats or vessels generally	848,883
Boats to nonresidents	Unknown
Building materials used to rebuild after a disaster	Unknown
Casual sales	Unknown
Clothing and footwear	6,656,864
Coffins, caskets and burial garments	204,387
Coins	Unknown
Commercial fishing vessels in excess of five net tons	*
Commercial vessels of more than 50 tons burden	*
Compressed air	Unknown
Containers	1,296,018
Dietary supplements	Unknown
Educational institutions rental charges	601,567
Electricity, steam and thermal energy from the Rhode Island Economic Development Corp.	Unknown
Equipment for research and development	102,888
Farm equipment	57,309
Farm structure construction materials	Unknown
Flags	Unknown
Heating fuels used in the heating of homes and residential premises	2,168,789
Horse food products	Unknown
Jewelry display product	Unknown
Manufacturers' machinery and equipment	2,769,835
Precious metal bullion	3,304,052
Promotional and product literature of boat manufacturers	-
Purchases used for manufacturing purposes	38,882,322
Renewable energy products	Unknown
Rhode Island Economic Development Corporation project status designees	560,426
Rhode Island Industrial Facilities Corporation Lessees	53,872
Sales by writers, composers and artists	Unknown
Sales in municipal economic development zones	Unknown
Sales to charitable, educational or religious organizations	10,600,111
Sales of trailers ordinarily used for residential purposes	Unknown
Supplies used in on-site hazardous waste recycling, reuse or treatment	Unknown
Textbooks	303,734
Total loss or destruction of a motor vehicle within 120 days of tax payment	Unknown
Trade-in value of boats and private passenger automobiles	2,496,123 ^
Transfers or sales made to immediate family members	Unknown
Transfers or sales related to a business dissolution or partial liquidation	Unknown
Water for residential use	1,043,874
<b>Total for Exempt Items with Known Estimated Revenue Raised</b>	<b>\$ 74,773,753</b>
<b>Total For Exempt Items with Unknown Estimated Revenue Raised</b>	<b>12,066,709</b>
<b>Grand Total of Known Exempt Items Taxed at 1.0% Rate</b>	<b>\$ 86,840,462</b>
<b>Revenue Foregone from Noncompliance with SSUTA</b>	<b>(1,840,011)</b>
<b>Total Net Revenue from 1.0% Tax on Certain Exempt Items</b>	<b>\$ 85,000,451</b>

\* The value of these items is generally unknown but may be captured under "boats and vessels generally".

^ Figure includes only the values of a 1.0 percent tax on the trade-in value of automobiles.