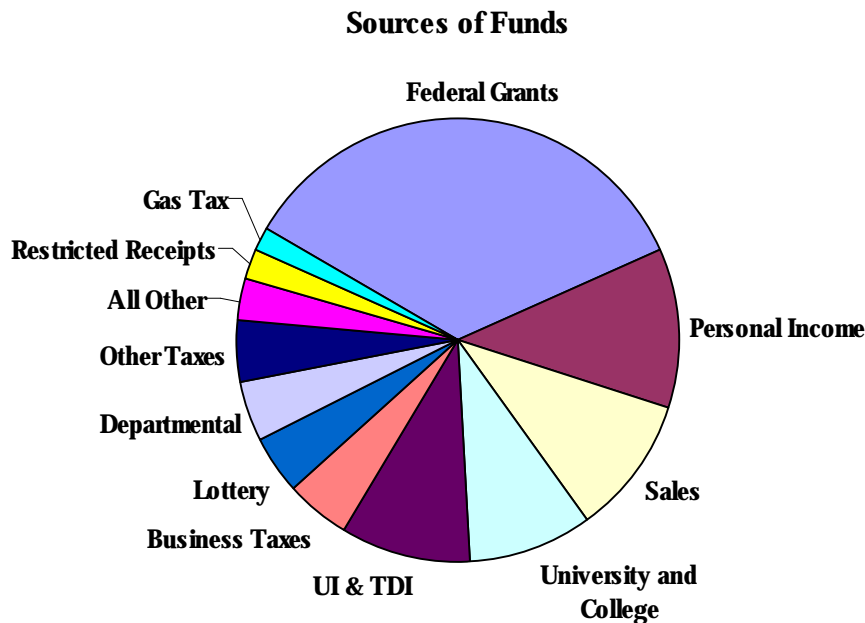


## FY 2011 Budget at a Glance

The Assembly adopted a FY 2011 budget with total expenditures of \$7,864.1 million. It contains \$2,942.1 million of expenditures funded from general revenues, \$58.2 million, or 1.9 percent less than the enacted general revenue funded budget. They are also \$93.1 million more than the Governor's recommendations.



### Budget Issues

- **Rainy Day Fund.** The Assembly provides \$22.0 million to pay back the Budget Stabilization and Cash Reserve Account for funds borrowed in FY 2009. The Governor proposed legislation delaying the repayment until FY 2012. The Budget as enacted uses no funds from the Rainy Day Fund, which would have a balance of \$126.9 million.
- **Structural Issues.** Consistent with the Governor's original assumptions, the budget includes significant savings from the American Recovery and Reinvestment Act of 2009. Total general revenue budget relief is \$233.8 million, which includes \$107.6 million assuming an extension of enhanced Medicaid reimbursements set to expire on December 31, 2010 absent Congressional action. Both the FY 2010 and FY 2011 budget recommendations rely on non-recurring employee concessions. The out-year budget gaps, largely due to the end of stimulus and the one time expenditure savings, are not resolved.
- **Revenue-Expenditure Gap.** House Fiscal Staff estimates that in preparing the FY 2011 budget, the Governor faced a projected revenue-expenditure gap of \$400 million, which would grow to \$750 million by FY 2015. This was \$222.7 million more than Staff's FY 2011 forecast in the enacted FY 2010 budget of \$177.3 million due mainly to significant downward revision in revenues at the November 2009 Revenue Estimating Conference and unachieved structural changes in FY 2010.

The results of the May Revenue Estimating Conference provided approximately \$34.5 million in additional resources not previously accounted for to help close the budget gap. The Governor's deficit resolution assumed that the enhanced Medicaid rate that is scheduled to end on December 31, 2010 will be extended for six months to June 30, 2011. The Assembly also assumed this extension and the associated savings of \$107.6 million. It had not yet received congressional approval, however. As a contingency plan, the Assembly enacted Section 16 of Article 1, which authorizes the Governor to institute across the board reductions in the event that assistance or an alternate plan is not approved.

#### **Taxes and Revenues (See Section VI, Special Reports: Revenue Changes)**

- **Personal Income Tax Structure Change.** The Assembly enacted legislation to change the personal income tax structure. The changes are effective in tax year 2011. Under the new structure, there are three taxable income brackets with a top rate of 5.99 percent; it allows for a standard deduction and a personal and dependent exemption of \$3,500, which will grow with inflation. It maintains eight tax credits: Earned Income, Property Tax Relief, Lead Paint Abatement, Credit for Income Taxes Paid to Other States, Historic Structures, Motion Picture Production, Contributions to Scholarship Organizations, and the Child and Dependent Care tax credits. It eliminates the alternative flat tax and the alternative minimum tax and continues to treat capital gains as ordinary income.
- **Enterprise Zone Tax Credit Elimination.** The Assembly did not concur with the Governor's proposal to eliminate the Enterprise Zone Tax Credit. Under current law, a qualified business in an enterprise zone is allowed a credit against personal income taxes for pass through entities or business corporations' taxes for wages paid to employees that are part of the new employees hired to meet the 12 month, 5.0 percent jobs growth requirement. The business is eligible for a credit equal to 50.0 percent of the wages for the new jobs, up to \$2,500 per job. If the new employee lives in the enterprise zone, the credit increases to 75.0 percent, up to \$5,000 per employee.
- **Small Business Jobs Growth Tax Credit.** The Assembly did not concur with the Governor's proposal to create a Small Business Jobs Growth Tax Credit. Under the proposal, an eligible company would receive a \$2,000 tax credit against the personal income tax and the corporation income tax for every new employee it adds between July 1, 2010 through December 31, 2011. The business must have at least five but no more than 100 employees working in the state. He included a revenue loss of \$10.0 million.
- **Corporate and Franchise Minimum Tax Reduction.** The Assembly did not concur with the Governor proposal's to reduce the corporate and franchise minimum tax from \$500 to \$250. For businesses filing corporate income tax returns, the franchise tax rate is \$500 per million of authorized capital stock or \$500, whichever is greater. Franchise tax liability is offset by the amount of corporate income tax paid. The corporate minimum tax has been \$500 since January 2004.
- **Tax Credit for K-12 Scholarship Organization Contributions.** The Assembly maintained funding for the tax credit allowed for business entities making contributions to scholarship organizations at \$1.0 million. The Governor proposed increasing the cap to \$2.0 million.
- **Motion Picture Tax Credit Elimination.** The Assembly maintained the Motion Picture Tax Credit program, which is capped at \$15.0 million annually.

- ***Motor Vehicles New Road Test Fee.*** The Budget includes \$625,000 in revenues from the implementation of a new road test fee of \$25. The Division of Motor Vehicles administers 25,000 road tests annually.
- ***Motor Vehicles State Identification Card Fee.*** The Budget includes \$130,000 in additional revenues from increasing the fee charged for obtaining a state identification card from \$15 to \$25. The Division of Motor Vehicles issues 13,000 state identification cards annually.
- ***Motor Vehicles Dealers License Fees.*** The Budget includes \$116,000 in additional revenues from increasing the business license fee charged to motor vehicle dealers from \$100 to \$300. This fee is charged on an annual basis to the 580 motor vehicle dealers in the state.
- ***Motor Vehicles Manufacturers, Distributors and Factory Representatives Fees.*** The Budget includes \$34,500 in additional revenues from increasing the business license fee charged to 150 motor vehicle manufacturers and distributors from \$200 to \$300, and from increasing the fee charged to 325 motor vehicle factory representatives from \$40 to \$100. These fees are charged on an annual basis.
- ***Motor Vehicles Flashing Light Permit Fee.*** The Budget establishes a \$25 flashing light permit fee. Information provided indicates that a fee of \$5 is currently being charged; however, there is no current law provision that allows the charge. The Budget assumes \$44,000 in revenue from this fee.
- ***Motor Vehicles School Bus Registration Fee Increase.*** The Budget includes \$37,400 in additional revenues from increasing the school bus registration fee from \$3 to \$25. The Division of Motor Vehicles registers 1,700 school buses annually.
- ***State Police Accident Report Fee.*** The Budget includes \$26,910 of additional revenues from increasing the fee for obtaining a copy of a State Police accident report from \$10 to \$15 in FY 2011.
- ***Prepaid Wireless E-911 Surcharge.*** The Budget includes \$350,000 of revenues from assessing a 2.5 percent E-911 charge at the time of retail transaction for a prepaid wireless device. This charge will be based upon the cost of the prepaid wireless communication device and minutes.
- ***Underground Storage Tank Fund.*** The Assembly did not concur with the Governor's proposal to exempt the Underground Storage Tank Fund from the state's 10.0 percent indirect cost recovery charge and assumed \$0.2 million in additional revenues for FY 2010 and FY 2011.
- ***Surplus Lines of Insurance.*** The Assembly increased the tax charged to the insured by the insurer from 3.0 percent to 4.0 percent on surplus lines of insurance and included \$1.1 million in additional revenue from increasing the tax. This is consistent with rates charged in Massachusetts.
- ***Joint Underwriters Association.*** The Assembly enacted legislation to apply the 2.0 percent gross premiums tax on the Medical Malpractice Joint Underwriters Association which had previously been exempt. The Assembly included \$150,000 in additional revenues from the application of the tax to the association's premiums.
- ***Telecommunications Education Access Fund.*** The budget includes \$350,000 from general revenues to support the Telecommunications Education Access Fund. The Governor had proposed legislation to reduce the assessment for the Telecommunications Education Access Fund from \$0.26 to \$0.15 per line effective February 1, 2010 and expand it to include wireless lines. The Assembly did not enact the proposed legislation.

- ***Rhode Island Health and Educational Building Corporation Transfer.*** The Budget includes a transfer of \$1.0 million from the Rhode Island Health and Educational Building Corporation to the general fund in FY 2011.

- ***Hospital License Fee.*** The Governor recommended Article 16 to extend the licensing fee for FY 2011 at the current rate of 5.237 percent of net patient services revenue. His budget includes the enacted level of \$128.8 million in revenue, which includes \$123.1 million from the community hospitals and \$5.8 million from Eleanor Slater Hospital.

The Assembly passed Section 9 of Article 9 to include an FY 2010 licensing fee set at 5.314 percent of hospitals' net patient services revenue for a base year of 2008 with revenue of \$130.7 million, \$124.9 million from the community hospitals and \$5.8 million from Eleanor Slater Hospital. It also includes an FY 2011 licensing fee at 5.465 percent of revenues for an updated base year of 2009 with revenue of \$141.8 million, \$135.8 million from the community hospitals and \$6.0 million from Eleanor Slater Hospital.

- ***Elimination of Dog Racing.*** The Assembly decreased pari-mutuel revenues by \$0.3 million in FY 2011 based upon the passage of legislation to prohibit dog racing and the operation of a dog track in the town of Lincoln.

- ***Twin River Bankruptcy.*** Subsequent to his budget submission, the Governor requested an amendment to change the state's current contract with owner and operator of Twin River to conform with provisions of the bankruptcy plan. The legislation required state support for a portion of the marketing costs, prohibits dog racing, and allows for establishment of a promotional points program. It also changes the jobs requirement for five year renewal to 650.0 full-time positions, a decrease from 1,300.0 positions in current law. The Assembly reduced revenues by \$3.7 million in FY 2011 to reflect an annual pro rata share for marketing fees.

- ***Newport Grand Rate Parity.*** Subsequent to his budget submission, the Governor requested an amendment to change the state's current contract with the owner and operator of Twin River to conform with provisions of the bankruptcy plan. This legislation amends the state's current contract with the owner and operator of Twin River to conform with provisions of the bankruptcy plan. The Assembly adopted legislation revising it to extend marketing cost participation to Newport Grand if earnings thresholds are met and it further provides for Newport's share of income to be consistent with Twin River. The Assembly included a revenue loss of \$985,000.

#### ***Local Aid (See Section VI, Special Reports: State Aid to Local Government)***

- ***Motor Vehicles Excise Tax Elimination.*** The Governor's FY 2011 budget eliminated funding for the Motor Vehicles Excise Tax program. The Assembly passed legislation that mandates 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, any such additional exemption will not be subject to reimbursement. The Assembly also removed the provision, which restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year. The Assembly provided \$10.0 million in FY 2011 to fund the program.

- ***Fire Districts.*** The Assembly ended the car tax reimbursement to fire districts, but restored their authority to levy a motor vehicle excise tax, effective for FY 2011.

- ***Distressed Communities Relief Fund.*** The Assembly provides \$10.4 million for the Distressed Communities Relief Fund for FY 2011. Communities' aid distribution is based on updated qualifying tax levies. Current law mandates that when a new community qualifies, that community receives 50.0 percent of current law requirements the first year it qualifies. The remaining 50.0 percent is distributed to the other distressed communities proportionately. When a community falls out of the program, it receives a one-time transition payment of 50.0 percent of the prior year requirement exclusive of any reduction for first year qualification. For FY 2011, East Providence is qualified for distressed aid and North Providence is disqualified.
- ***Library Resource Sharing Aid.*** The Budget provides \$8.8 million for FY 2011 library operating aid, \$1.1 million or 12.4 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 Budget provides \$2.5 million for library construction aid. 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.
- ***Payment in Lieu of Taxes Program.*** The Budget includes \$27.6 million to level fund the Payment in Lieu of Taxes program at the FY 2010 level, which represents a reimbursement of 20.9 percent. Distributions to communities reflect updated data and a ratable reduction to the appropriation.
- ***Property Valuation Reimbursement.*** The Budget provides full funding of \$1.0 million to reimburse communities conducting property valuation updates.
- ***Airport Impact Aid.*** The Budget provides \$1.0 million 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.
- ***Municipal Tipping Fee.*** The Budget extends the municipal tipping fees set for FY 2010 for an additional year. This includes \$32.00 per ton for municipalities that recycle less than 24 percent of their solid waste. Municipalities that recycle between 24 and 29 percent would pay \$31.00 per ton, those recycling between 29 and 35 percent would pay \$30.00 per ton and municipalities recycling 35 percent of their solid waste would pay \$29.00 per ton.

**Education Aid (See Section VI, Special Reports: Education Aid)**

- ***Education Aid.*** The Budget includes a 3.8 percent reduction to enacted general education aid to local districts and charter schools in addition to adjustments to capture savings to local districts from pension changes and use of \$18.6 million from federal stabilization funds.
- ***Pension Changes.*** The Assembly adopted pension changes that limit the cost-of-living adjustment to the first \$35,000 of a pension, indexed to inflation but capped at 3.0 percent, beginning on the third anniversary of retirement or age 65, whichever is later. This is estimated to save \$10.3 million for the employer share of teacher retirement costs for FY 2011. This includes \$4.2 million for the state's 40.0 percent share and \$6.1 million for the local share.

- ***Metropolitan Career and Technical School.*** The Budget includes \$13.0 million from general revenues and federal fiscal stabilization funds for Met School operations for FY 2011. This is \$0.3 million more than the enacted budget. This reflects freezing enrollment at the East Bay Campus at 90 students for the second year.
- ***School Construction Aid.*** The Budget includes \$70.8 million to fund projected costs of school housing aid to local districts for FY 2011, which is \$12.5 million more than the FY 2010 entitlement. Aid is based on wealth with a 30.0 percent minimum reimbursement of approved costs.
- ***School Construction Aid Legislation.*** The Budget includes legislation that allows the state to spread reimbursement of debt service costs accumulated prior to project completion over three years if necessitated by appropriation level rather than paying it all in the first year of reimbursement, which is the current practice. The Budget includes \$4.5 million less than the estimated cost for full funding based on this proposal.
- ***Charter School Expansion.*** The Budget includes \$1.0 million for the opening of two new charter schools during the 2010–2011 school year.
- ***Group Home Aid.*** The Budget reflects group home aid consistent with current law that requires that aid be paid for all beds opened as of December 31, 2009. The FY 2011 budget is \$0.6 million less than the FY 2010 enacted budget.
- ***Funding Formula.*** The Assembly enacted legislation establishing a new education aid funding formula beginning with the FY 2012 budget.

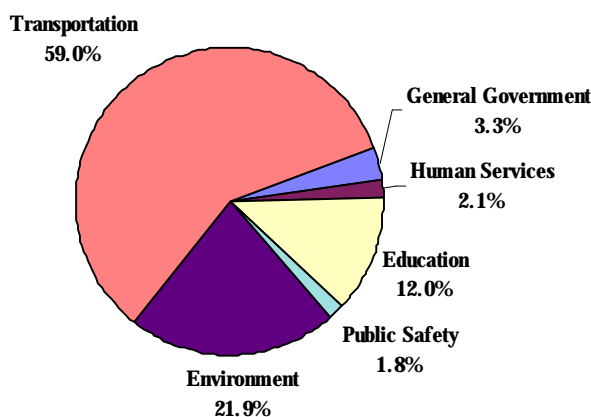
#### Economic Development

- ***Job Creation Loan Guaranty Program.*** The Assembly enacted legislation authorizing the Economic Development Corporation to guarantee debt in an amount not to exceed \$125.0 million for a Job Creation Guaranty Program. Debt service payments would be paid by revenues from financed projects. The legislation requires performance standards and annual reports detailing the list of guarantee issued, description of the borrowers, the number and type of jobs created. It requires that jobs created meet the 30 hours per week standard and pay at least 250.0 percent of minimum wage. The Assembly also established an enhanced Procurement Assistance Program within the Corporation.
- ***RI Industrial Recreational Building Authority.*** The Assembly restored \$60.0 million in authority granted to the Rhode Island Industrial Recreational Building Authority to insure mortgage payments required by a mortgage on any industrial and/or recreational project.
- ***Economic Development Corporation - Operations.*** The Budget includes \$4.8 million from general revenues to support general operations of the Economic Development Corporation, consistent with the enacted budget.
- ***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.*** The Assembly provided \$1.5 million for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research.

- **Richmond Welcome Center.** The Budget provides \$0.4 million from gasoline tax proceeds to fund the Richmond Welcome Center. The Economic Development Corporation manages the welcome center.
- **Quick Start Program.** The Budget includes \$250,000 from general revenues for the Quick Start Small Business Initiative within the Office of the Secretary of State. Funding is for an online master application where applicants can enter their contact and business information just once and the information will be automatically entered on all forms the applicant needs to submit. In addition, those who wish to open a business in Rhode Island will find all the relevant forms, fee and other information needed to open a business in a single place.

**Capital Budget (See Section IV: Capital Budget)**

**FY 2011 - FY 2015 Capital Projects by Function**

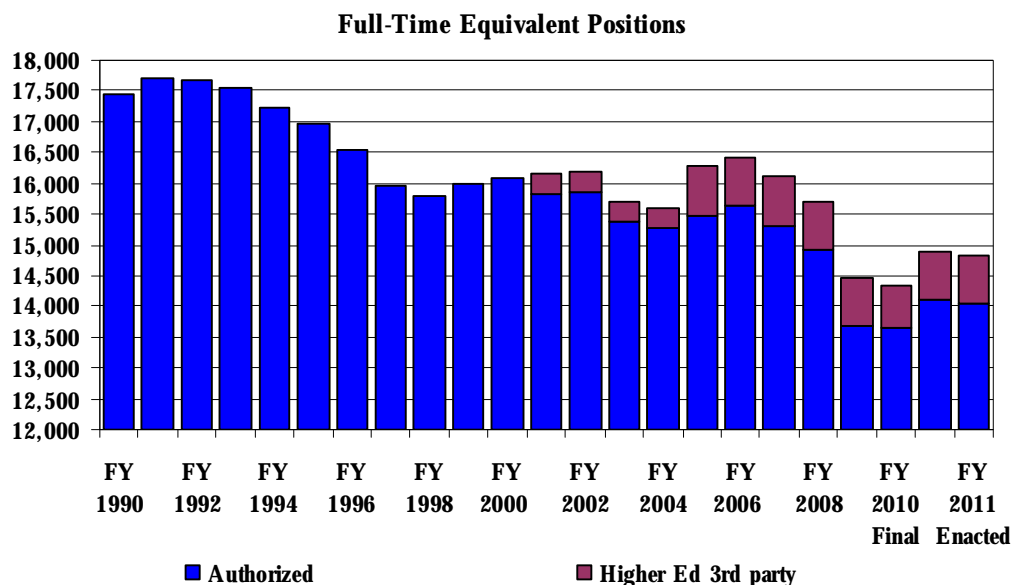


- **Higher Education Bond Referenda.** The Budget includes \$78.0 million in proposed general obligation bond projects to go before the voters on the November 2010 ballot. This includes \$61.0 million for a new chemistry building at the University and \$17.0 million for the art center at the College.
- **Transportation Bond Referenda.** The Budget includes \$84.7 million of new general obligation bonds to be submitted to the voters on the November 2010 ballot for the Department of Transportation and Rhode Island Public Transit Authority. Of this amount, \$80.0 million will provide state-matching funds for the federal highway improvement program as well as state only funded projects, and \$4.7 million will be used by the Authority to purchase new buses or rehabilitate its existing bus fleet. The voters approved \$83.6 million for this purpose on the November 2008 ballot.
- **Open Space and Recreation Bond Referenda.** The Budget includes \$14.7 million of new general obligation bonds to be submitted to the voters on the November 2010 ballot. Of this amount, \$10.0 million would be available for the purchase of all or a portion of the former Rocky Point Park, \$3.2 million would be used to transfer the title of 25 India Street in Providence from the Department of Transportation to the Department of Environmental Management for open space and recreation, and up to \$1.5 million for improvements and renovations to Fort Adams State Park in Newport.

- **Other Debt Approvals.** The Assembly authorized \$100.3 million under the Public Debt Management Act, including \$68.1 million from Rhode Island Bridge and Turnpike Authority revenue bonds supported by toll revenue and \$32.2 million for energy conservation projects at the University and Community College.

**State Government (See Section VI, Special Reports: State Government Personnel and Staffing)**

- **Staffing.** The Budget includes 14,827.6 full-time equivalent positions, including 785.0 higher education positions supported by research or other third-party funds. The recommendation is 35.4 positions less than enacted, primarily from a reduction equivalent to 10.0 percent reduction of vacancies on agencies with more than 10.0 full-time equivalent positions, which is offset by additional unemployment workers in the general government agencies. As of May 22, 2010 there was an average of 13,585.2 positions filled. In FY 2009, the state averaged 13,565.7 filled positions reflecting an average of 683.4 non-research vacancies.



- **Pension Changes.** The Budget assumes \$8.2 million in savings, \$5.7 million from general revenues for the state’s share of retirement costs for state employees and judges from reductions to pension benefits. Combined with the saving applicable to teachers, the total savings in FY 2011 is \$18.5 million from all sources, \$16.0 million from general revenues. The Assembly limited the cost-of living adjustments to the first \$35,000 of retirement allowance indexed to inflation, but capped at 3.0 percent, beginning on the third anniversary of retirement or age 65, which ever is later. This applies to all retirees that were not eligible to retire before the date of passage, June 12, 2010. The FY 2010 budget includes similar savings. The Governor had proposed eliminating the cost-of-living adjustment.

- **State Employee Pay Reductions.** The Budget assumes savings of approximately \$29.5 million from all sources, including \$17.5 million from general revenues from the agreement reached with state employees for four unpaid days in FY 2011 in exchange for future time off and the delay of a scheduled pay raise from July 1, 2010 to January 2, 2011. The agreement includes the promise of no layoffs.

- **Medical Benefits.** The Budget assumes \$8.4 million in savings from original estimates for employee medical benefit costs. This is based on updated information from FY 2009 and FY 2010 that suggests a continued downward trend in claims.



- ***Statewide Assessed Fringe Savings.*** The Assembly reduced the rate used to calculate the amount assessed to each agency for the payout of employee benefits, such as unused leave, unemployment, and worker's compensation for savings of \$1.5 million from general revenues.
- ***Retiree Health Benefits.*** The Budget assumes funding the retiree health benefit costs on an actuarial basis, consistent with legislation first adopted by the 2008 Assembly to begin in FY 2009 then delayed in the FY 2009 revised budget for two years. The Assembly included \$7.9 million from general revenues to transition from pay-as-you-go to an actuarial basis.
- ***Police and Fire Benefits.*** The Budget does not include the Governor's proposed changes to the Police and Fire Relief Fund. He proposed eliminating the police and fire benefits program administered by the Department of Labor and Training except to grandfather benefits to those eligible for both pensions and/or education benefits prior to July 1, 2010.
- ***Unemployment Insurance Benefits.*** The Budget includes \$567.4 million for the payment of unemployment insurance benefits in FY 2011, including \$128.3 million from federal stimulus funds and \$438.9 million from the Employment Security Fund. It also includes \$0.2 million from federal disaster unemployment compensation grants to provide unemployment insurance benefits to workers whose place of employment was affected by the March 2010 floods and who are not otherwise eligible for regular unemployment insurance benefits.
- ***Unemployment Insurance Modernization.*** The Budget includes legislation contained in Article 22 to expand benefits and eligibility to allow the state to capture \$15.6 million from federal Unemployment Insurance Modernization funds made available through the American Recovery and Reinvestment Act. The article increases the dependents' allowance from \$10 to \$15 per dependent, creates a maximum dependents' allowance of \$50 or 25 percent of the individual's weekly benefit and pro-rates dependents' allowances when an individual receives partial benefits. It also adds conditions under which someone may voluntarily leave their place of employment and still be eligible for benefits.
- ***Employer Surtax and Job Development Fund.*** The Budget includes an amendment requested by the Governor that converted the 0.3 percent surtax that employers will have to pay beginning January 1, 2011 to an increase in the Job Development Fund assessment from 0.21 percent to 0.51 percent. The current surtax can only be used to repay the principal, but the job development assessment can be used towards repaying the interest and the principal on federal unemployment insurance loans. The article stipulates that 0.3 percent of the assessment must be used to pay the principal and interest on the loans and includes language to exempt the 0.3 percent portion of the assessment from the standard 10.0 percent indirect cost recovery charge.
- ***Neighborhood Opportunities Program.*** The Assembly provided \$1.5 million from Rhode Island Capital Plan funds for the Neighborhood Opportunities Program to address the housing and revitalization needs of deteriorating neighborhoods. The Governor's budget did not fund this.
- ***Convention Center Authority.*** The Budget includes \$23.1 million for the Convention Center Authority to cover debt service requirements and operational shortfalls at the Dunkin Donuts Center, Convention Center and the Veterans' Memorial Auditorium.
- ***Veterans Memorial Auditorium.*** The Governor had proposed selling the Veterans Memorial Auditorium to the Convention Center Authority to rehabilitate it through issuance of debt totaling \$29.8 million of which \$10.8 million would be deposited as new revenues WITH annual debt service of \$2.8 million. The state currently owns the Veterans Auditorium, which the Authority took

management of on July 1, 2008. Under the terms of the agreement between the state and the Authority, in the event that the Authority is running an operating deficit, the state would be responsible for covering this shortfall. The Assembly did not concur with the financing proposal and included \$14.8 million from Rhode Island Capital Plan funds over five years, including \$1.0 million in FY 2010 to begin renovations with pay-go sources.

- ***Historic Tax Credit Trust Fund Debt Service.*** The Budget includes \$23.8 million from general revenues to fund debt service for historic tax credits.
- ***Transition Costs for Elected Officials.*** The Budget includes \$0.1 million from general revenues for transition expenses for elected officials. Rhode Island General Law 36-1-2.1 requires that all newly elected general officers, prior to their engagement of office, shall be entitled to space for transition staff, adequate funds from the outgoing general officer from the budget of that department for use to hire transition staff, obtain office supplies and equipment.
- ***Sheriffs.*** The Budget maintains the Sheriffs Division in the Department of Administration.
- ***Rhode Island Financial Accounting Network System.*** The Budget includes operational expenditures of \$0.9 million from general revenues to fund contracts for license and maintenance costs for the Rhode Island Financial Accounting Network System.
- ***Registry of Motor Vehicles.*** The Capital Budget includes \$17.7 million from Rhode Island Capital Plan funds of which \$4.1 million will be used in FY 2011 to renovate the Forand Building to be the new home of the Registry of Motor Vehicles. Construction started early September 2009, and is slated to be completed next summer. The Division of Motor Vehicles anticipates moving in August 2010.
- ***Registry Branch Consolidation.*** The Budget includes savings of \$0.8 million from general revenues from the closure of the Pawtucket branch and the Rhode Island Mall branch. The Division of Motor Vehicles is scheduled to move to its new headquarters on the Pastore Center in August 2010. The Division indicated that the Rhode Island Mall branch will be too close to the Pastore Center and costly to retrofit.
- ***Tax Data Warehouse.*** The Budget includes \$0.5 million from Rhode Island Capital Plan funds for the expansion of the tax data warehouse project to include automated compliance, collection improvements, data-driven audit selection process and risk-based sales tax audit.
- ***Commission on Women.*** The Budget discontinues paid support staff for the volunteer commission and eliminates general revenue funds.
- ***Matching Public Funds for Elections.*** The Budget includes \$2.0 million from general revenues from Matching Public Funds for the November 2010 election. Funding is available to candidates for Governor, Lieutenant Governor, Secretary of State, General Treasurer and Attorney General.
- ***Office of the Health Insurance Commissioner.*** The Budget maintains general revenue funding for the Office of the Health Insurance Commissioner. The Governor proposed assessing health insurers and self insured plans to fund the operations of the Office.
- ***Public Utilities Commission Energy Initiatives.*** The Budget includes 2.0 new positions and \$0.2 million from American Recovery and Reinvestment Act funds to address various electricity initiatives consistent with the Governor's recommendation.

- **Public Utilities Commissioners.** The Budget reduces the Commissioner membership from five to three. The 2002 Assembly raised the number of commissioners in the Public Utilities Commission from three to five, effective January 31, 2004. The Governor never appointed the new Commissioners.
- **Federal Funds – Indirect Rate Recovery.** The Budget includes general revenue savings of \$2.3 million from seven state agencies, the Department of Mental Health, Retardation and Hospitals, Elderly Affairs, Children, Youth and Families, Public Safety, Corrections, the Military and Judiciary, complying with state law and applying for an indirect cost rate that most federal grants allow for recovery of overhead costs.

### Elderly

- **Case Management Services.** The Budget includes a shift of \$0.3 million from general revenues to federal funds to leverage Medicaid available through the Rhode Island Consumer Choice Global Waiver for previously state only case management services.
- **Pharmaceutical Assistance.** The Budget includes \$1.6 million from all sources for the pharmaceutical assistance program to the elderly, including \$1.3 million from general revenues and \$0.3 million from drug rebates.
- **Home and Community Care Program.** The Budget includes \$8.3 million, including \$3.2 million from general revenues primarily for assisted living expenditures provided through the Department of Elderly Affairs' home and community care program. This is \$0.8 million more than enacted from an increase in the number of residents in assisted living facilities funded through this program.
- **Adult Day Care Services.** The Budget includes \$2.1 million from all sources, including \$1.0 million from general revenues for the adult day care program.
- **Home Care Services.** The Budget includes \$2.5 million from all sources, including \$1.2 million from general revenues for home care services.

### Health and Human Services

- **Enhanced Medicaid Rate Extension.** The FY 2011 Budget assumes that the enhanced Medicaid rate that is scheduled to end on December 31, 2010 will be extended for six months to June 30, 2011. The Budget includes general revenue savings of \$107.6 million based on the extension, which is included in President Obama's budget submission but still requires congressional approval.

If that extension is not granted, Section 16 of Article 1 authorizes the Governor to institute across the board reductions for agencies with general revenue appropriations that are the same as the loss of federal funds, excluding any debt-related obligations that require the full faith and credit of the state. The Assembly also reserves the authority to alter the appropriations to achieve similar reductions.

- **Uncompensated Care Payments.** The Budget includes total funding of \$117.8 million to reimburse community hospitals for the uncompensated care payments in FY 2011, \$3.2 million more than included in the enacted budget. It also includes \$125.4 million in payments for FY 2012.

- ***Community Hospital Payments.*** The Budget restores \$49.2 million in funding to the state's community hospitals, including \$17.8 million from general revenues, compared to the Governor's recommended budget. This includes an outpatient upper payment limit reimbursement and acute care payments to certain hospitals. The budget does include savings of \$7.9 million from the community hospitals based on accepting a 9.9 percent reduction in current payment rates from managed care plans beginning January 1, 2011.
- ***Community Hospital Payments – FY 2010 Acute Care.*** The Budget includes making the FY 2010 \$3.65 million state only acute care payment to four community hospitals by September 1, 2010, which is within the community hospitals' fiscal year 2010. The Governor had proposed eliminating this in his revised budget.
- ***Managed Long-term Care Program.*** The Budget includes savings of \$4.3 million from general revenues by establishing a contracted entity to manage primary, acute, and long-term care services for Medicaid clients.
- ***State Maximum Allowable Cost.*** The Budget includes savings of \$358,150 from general revenues from the creation of a state maximum allowable cost program for generic drugs. This would allow the state to set a reimbursement rate closer to the state's cost instead of using the current federal upper limit, which represents a national average cost and is higher than the state's cost for certain drugs.
- ***Department of Veterans' Affairs.*** The Budget delays the creation of a new Department of Veterans' Affairs within the Office of Health and Human Services by one year, from July 1, 2010 to July 1, 2011. The 2009 Assembly passed 2009-H 5082, Substitute A, as amended and the Governor signed it into law on November 9, 2009 which created a separate Department of Veterans' Affairs, effective July 1, 2010. The Division of Veterans' Affairs is currently a program within the Department of Human Services.
- ***Estate Recoveries.*** The Budget includes savings of \$2.8 million, including \$1.3 million from general revenues from the Department of Human Services' ability to conduct estate recoveries allowed under current law, and includes 3.0 additional positions to assist the recovery unit. It also requires the Department of Human Services to report its long term care recovery activities monthly. The Budget does not include the expanded definition of estate recoveries that was included in the Governor's budget.
- ***Child Care Rate Reduction.*** The Budget does not include the Governor's initiative to impose a 5.0 percent rate reduction for child care services the state purchases from all licensed and certified child care providers.
- ***Children's Health Account.*** The Budget increases the annual assessment ceiling applied to all insurers for home health services, child and adolescent intensive treatment services and comprehensive evaluation, diagnosis, assessment, referral and re-evaluation services from \$5,000 to \$6,000 per child for each service. The Budget assumes \$0.9 million in general revenue savings.
- ***SSI Transaction Fee.*** The Budget contains language in Article 3 that requires the Department of Human Services to make the state's portion of the federal/state supplemental security income payment directly to a recipient instead of paying a monthly transaction fee to have the payment federally administered.

- ***TANF Emergency Funding.*** The state is eligible to receive up to \$47.5 million in new federal Temporary Assistance to Needy Families Contingency funds to implement a new subsidized employment program. The Budget includes \$36.0 million in the Departments of Human Services, Labor and Training, and Revenue in FY 2011 for employment and other eligible activities, including \$34.9 million in the Department of Human Services for the disbursement of subsidized wages to participating employers and other short term activities and a total of \$0.5 million in all three departments for 24.0 time-limited positions.
- ***Supplemental Nutrition Assistance Program Benefits.*** The Budget includes \$276.5 million from federal funds for these benefits, formerly known as food stamps, based on current caseloads.
- ***State Crime Lab.*** The Budget includes \$775,000 from general revenues, which is \$0.1 million more than enacted to support operations at the Rhode Island State Crime Lab. The budget also includes Section 11 of Article 7 2010-H 7397 Substitute A, as amended that requires the Department of Administration to conduct a feasibility study on integrating all state lab functions. The study will include specific recommendations regarding allocation of staffing, use of facilities and identifying any additional needs and will be completed and submitted on or before December 1, 2010.
- ***Women, Infants and Children Transfer.*** The Budget transfers the Women, Infants and Children program effective October 1, 2010 from the Department of Health to the Department of Human Services. This includes 12.0 positions and \$19.8 million from federal funds. The 2009 Assembly passed legislation to transfer food and nutrition services to the Office of Health and Human Services on March 1, 2010.
- ***HIV/AIDS.*** The budget restored \$1.5 million, including \$0.7 million from general revenues that will be matched by \$0.8 million of Medicaid funds for supportive services. The Governor included savings of \$1.2 million from restructuring the HIV/AIDS program which assumes savings from case management services.
- ***Cardiovascular Screening.*** The Assembly added \$60,000 for the Department of Health to develop a Women's Cardiovascular Screening and Risk Reduction Pilot Program. The program will be implemented in the six lower income core cities and will provide cardiovascular screening and lifestyle intervention services for uninsured and underinsured women between the ages of 40 and 64.
- ***Women's Cancer Screening.*** The Budget includes \$2.6 million primarily from federal funds for cancer screening activities, outreach programs and administrative costs. The Department of Health suspended screening services as of March 2010 but received two donations totaling \$110,000 that allowed the program to begin again in May. The added funding is spread over FY 2010 and FY 2011 and may be matched by Medicaid and will allow the Department of Health to continue its screening program through FY 2011.
- ***Maximizing Program Savings.*** The Budget includes savings of \$0.4 million from general revenues in the Department of Human Services' budget from efforts to maximize program savings by having direct access and use of the Registry of Motor Vehicles' data system. This will allow the Department of Human Services to verify vital information about clients applying for assistance programs, which is intended to reduce instances of fraud or abuse and improve eligibility monitoring.
- ***Developmental Disabilities Services.*** The Budget includes savings of \$7.0 million, \$2.5 million from general revenues from establishing one or two lead community agencies to take control of the residential and community system of care provided to adults with developmental disabilities. The

proposal allows the lead agencies to do a needs and utilization review of the individuals assigned to it. The savings represent a four percent reduction in costs associated with the \$175.0 million privately operated system.

- ***Developmental Disabilities Group Home Closure.*** The Budget includes the closure of two state-run group homes and consolidation of clients for savings of \$0.8 million, \$0.2 million from general revenues. The homes to be closed are located on Nichols Lane in Westerly and Kenyon School Road in Hope Valley.
- ***Developmental Disabilities Day Programming Sites.*** The Budget assumes savings of \$20,000 from closing the state run Highview day programming site in Hope Valley and Lafayette site in North Kingstown and consolidating them into a single new site.
- ***Community Mental Health Treatment Services.*** The Budget includes savings of \$4.0 million, \$1.4 million from general revenues, from implementing a new contract that would establish an average annual treatment rate for each client. If any of the ten community providers did not accept a new contract, it would be subject to an across-the-board rate reduction to meet the proposed savings.
- ***Mental Health Supportive Employment and Day Programs.*** The Budget does not limit the activities provided to individuals with mental health issues and continues to fund group activities like day trips to the library, the movies and to go bowling.
- ***Mental Health Treatment Teams.*** The Budget assumes savings of \$0.4 million from either no longer paying a clinician to write an individual's treatment plan for community based services received through the state's mental health centers or reducing the rate paid for this activity.
- ***Methadone Maintenance Treatment Services.*** The Budget includes general revenue savings of \$0.4 million from leveraging Medicaid for methadone maintenance treatment services through the Medicaid global waiver.
- ***Treatment and Accountability for Safer Communities Program.*** The Budget eliminates the Treatment and Accountability for Safer Communities program for savings of \$0.3 million from general revenues and 3.0 positions. The program provides initial assessment, referral and case management services to individuals with a second drunk driving conviction as required by law.
- ***Regional Office Expenses.*** The Budget includes general revenue savings of \$513,708 from reduced lease expenditures at the Pawtucket and North Kingstown Department of Children, Youth and Families regional offices. The Pawtucket office will be relocated to the main building in Providence and the North Kingstown office will be relocated to the Stedman Government Center in Wakefield. Both offices will be moved before July 1, 2010.
- ***Bradley and Day Care Expenditures.*** The Budget includes \$10.6 million from all funds, \$5.5 million from general revenues for expenditures the Department of Children, Youth and Families neglected to include in its FY 2011 budget request due to an oversight. This includes \$2.0 million for Bradley group homes and \$3.5 million for child care. Combined expenditures for these services were \$5.5 million in FY 2009.
- ***System of Care Transformation.*** The Budget includes savings of \$10.0 million from all sources, \$6.7 million from general revenues from the implementation of Phase Two of the system of care transformation. This involves building a network of community based providers that will strengthen

supports provided to children and families with the goal of reducing the length of time that children are in out-of-home placements.

- ***Training School - Girls Facility.*** The Budget includes \$6.7 million from Rhode Island Capital Plan funds for the renovation of the Adolph Meyer building at the Pastore Center. This facility will house detained and adjudicated female residents of the Rhode Island Training School. The 2008 Assembly enacted legislation to cap this population at 12 females.
- ***Eighteen to Twenty-One Year Olds.*** The Budget includes \$13.3 million from all sources, including \$9.1 million from general revenues for services provided to youth between the ages of 18 and 21 qualifying for Child Welfare services.
- ***Residential Placements.*** The Budget includes \$107.8 million from all sources, including \$65.6 million from general revenues for residential placements in both the Child Welfare and Behavioral Health programs of the Department of Children, Youth and Families. These services include residential placements for children in both in-state and out-of-state placements, as well as specialized foster care.

## Education

- ***Higher Education.*** The Budget includes \$937.8 million for Public Higher Education including debt service. This includes \$163.6 million from general revenues and assumes in-state undergraduate tuition increases of 9.9 percent at the University, 9.0 percent at the College and 8.2 percent at the Community College. These rates are consistent with those approved by the Board of Governors. The Budget also includes \$11.2 million from federal fiscal stabilization funds for fire safety projects.
- ***Need Based Scholarships and Grants.*** The Budget includes the enacted level of \$12.2 million from all sources for need based grants and scholarships administered by the Higher Education Assistance Authority consistent with the enacted level.
- ***Asset Protection.*** The Assembly added \$1.4 million from Rhode Island Capital Plan funds for each FY 2011 through FY 2015 for asset protection projects at the institutions of higher education. Total funding for the five-year period is \$51.0 million.
- ***Arts Discretionary Grants.*** The Budget includes \$0.6 million from general revenues for discretionary grants, which are awarded to individuals and organizations to help support the arts and encourage artists to continue to make the arts visible in the community. The Governor had proposed eliminating this support.
- ***Percent for Public Art Program.*** The Budget continues to provide funding for the Percent for Public Art Program, which requires all state agencies to expend 1.0 percent of all construction, remodeling, and renovation projects on works of art.

## Public Safety

- ***Prison Population.*** The Budget assumes a population of 3,450 for FY 2011, which is 193 fewer inmates than assumed in the Governor's recommendation. His budget was based on projections

prepared in the fall of 2009; however, more recent reports show downward trends. The Budget includes savings of \$1.9 million to reflect the reduction.

- ***Correctional Officer Training Class.*** The Budget includes \$0.7 million from general revenues for recruitment and training for one new officer class for FY 2011. This class was postponed from FY 2010 to FY 2011 because there were graduates from the previous class who were waiting to be hired.
- ***Child Support Enforcement.*** The Budget includes general revenue savings of \$1.2 million to reflect shifting expenses to anticipated federal reimbursement for services provided by the Family Court's Child Support Enforcement Unit. This is based on estimates developed by the Judiciary with the assistance of a contracted professional consulting firm.
- ***Probation and Parole Database Upgrade.*** The Budget includes \$0.2 million from federal funds for the Department of Corrections to hire private contractors to rewrite their probation and parole database software.
- ***Sheriffs.*** The Budget maintains the Sheriffs in the Department of Administration's budget.
- ***Fugitive Task Force.*** The FY 2011 budget includes general revenue savings of \$0.7 million from the elimination of the State Police's Violent Fugitive Task Force and creation of a new statewide Worker's Compensation Investigations Unit funded from available internal service funds.
- ***Trooper Recruitment.*** The Budget includes \$137,750 for the recruitment of the 54<sup>th</sup> Trooper Training Academy in FY 2011.
- ***Dispatch Unit and Port Security.*** The Budget includes legislation to transfer the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety no later than January 1, 2011. The Budget does not include the transfer of positions or funding for these activities.
- ***Inaugural Expenses.*** The Budget includes \$72,775 from general revenues for non-recurring inaugural activities to occur in FY 2011. Inauguration ceremonies will be held on January 2, 2011. This event is held every four years. Costs assigned to the Military Staff vary from year to year, but have included salary expenses for guard activations, convention center rental, chair and table rental, tent rental, catering services, transportation of state officers, state police detail and other various items.

## Environment

- ***Open Space and Recreation.*** The Budget includes \$14.7 million of new general obligation bonds to be submitted to the voters on the November 2010 ballot. Of this amount, \$10.0 million would be available for the purchase of all or a portion of the former Rocky Point Park, \$3.2 million would be used to transfer the title of 25 India Street in Providence from the Department of Transportation to the Department of Environmental Management for open space and recreation, and up to \$1.5 million for improvements and renovations to Fort Adams State Park in Newport.
- ***Dispatch Unit and Port Security Transfer.*** The Budget includes legislation to transfer the dispatch and port security surveillance units from the Department of Environmental Management to the Department of Public Safety no later than January 1, 2011. The Budget does not include the transfer of positions or funding for these activities.



- ***Coastal and Estuary Habitat Restoration Program and Trust Fund.*** The Budget includes \$250,000 from restricted receipts for the Coastal Resources Management Council's Coastal and Estuary Habitat Restoration Program and Trust Fund for projects that restore degraded habitats along the state's coastal and estuarine environments.
- ***Bays, Rivers and Watersheds.*** The Budget includes \$250,000 from the Oil Spill Prevention, Administration and Response Fund for the Bays, Rivers and Watersheds Coordination Team. The Team is responsible for coordinating the efforts of all of the environmental agencies in the state to restore and develop both freshwater and marine waters and watersheds.
- ***Statewide Emergency Water Interconnect Study.*** The Capital Budget includes \$0.6 million for FY 2011 from previously approved general obligation bonds to establish statewide emergency water interconnections between the state's 30 largest water supply systems.
- ***Groundwater Protection/Acquisition Program.*** The Capital Budget includes \$2.9 million for FY 2011 from previously authorized general obligation bonds to purchase water development rights from private landowners for well sites identified as high capacity.
- ***Bristol County Water Treatment.*** The Capital Budget includes \$15.6 million from authorized general obligation bonds for facilities upgrades including the Shad Factory Pipeline to ensure adequate water for the Authority's water users and maintain Rhode Island rights to water from the connected Massachusetts reservoirs.
- ***Fort Adams Rehabilitation.*** The five-year capital plan includes \$3.0 million from Rhode Island Capital Plan funds for rehabilitation projects at Fort Adams state park in Newport. Projects include the rehabilitation of the historic soldier's quarters as well as the restoration of the prison area.
- ***Pier Upgrades.*** The Budget includes \$5.1 million from Rhode Island Capital Plan funds through FY 2015 for repairs to the state's piers in Galilee and Newport. Funding is used for replacement of bulkheads and the surrounding structures as well as repairs to the walkways and decks.
- ***Recreational Facilities Improvements.*** The Budget includes \$6.7 million from Rhode Island Capital Plan funds from FY 2011 through FY 2015 for repairs to the state's recreational facilities. Improvements include the maintenance and upkeep of existing facilities as well as construction projects such as new bathroom facilities, roof replacements and roadway repairs.
- ***Blackstone Valley Bike Path/State Park.*** The Budget includes \$1.5 million from Rhode Island Capital Plan funds through FY 2013 for the construction of the Blackstone Valley Bike Path and State Park. The Blackstone Valley Bike Path is scheduled to be a 17.1 mile by 12-foot wide scenic bike-path that will connect to the East Bay Bike Path, eventually making a continuous 31.9 mile route for alternative transportation.

## Transportation

- ***Highway, Road and Bridge Improvements.*** The Budget includes \$80.0 million of new general obligation bonds to be submitted to the voters on the November 2010 ballot for improvements to the state's highways, roads and bridges. The voters approved \$80.0 million for this purpose on the November 2008 ballot.

- ***RIPTA Bus Purchases.*** The Budget includes \$4.7 million of new general obligation bonds to be submitted to the voters on the November 2010 ballot to provide funds for the Rhode Island Public Transit Authority to purchase new buses or rehabilitate its existing bus fleet. The voters approved \$3.6 million for this purpose on the November 2008 ballot.
- ***Rhode Island Turnpike and Bridge Authority Revenue Bonds.*** The Budget includes an authorization for the Rhode Island Turnpike and Bridge Authority to issue up to \$68.1 million of revenue bonds for steel repair and corrosion protection paint projects on the Newport Pell and Mount Hope bridges. The Authority will secure the bonds with toll revenue.
- ***Salt Storage Facilities.*** The Budget includes \$9.0 million from Rhode Island Capital Plan funds from FY 2011 through FY 2015 for the construction of salt storage facilities at Department of Transportation maintenance facilities where salt is currently being stored uncovered.
- ***Maintenance Facilities.*** The Budget includes \$1.9 million from Rhode Island Capital Plan funds through FY 2015 for various improvement projects at Department of Transportation maintenance facilities throughout the state.
- ***Winter Maintenance.*** The Budget includes \$9.6 million for winter maintenance operations at the Department of Transportation.
- ***Gasoline Tax.*** The Budget includes an estimate of \$4.2 million per penny for the gasoline tax yield for FY 2011, which is \$0.2 million less than enacted based on an updated estimate. Gasoline tax funding is used to support personnel and operating costs at the Department of Transportation. The Budget assumes reductions for general maintenance and winter maintenance activities, as well as the delay of equipment and vehicle purchases during FY 2011 to account for the reduction in proceeds.
- ***Rhode Island Public Transit Authority.*** The Budget includes a gasoline tax transfer of \$41.0 million to the Authority for FY 2011. This is \$1.9 million less than included in the enacted budget and is based on the Administration's estimate of the per penny gasoline tax yield. Funding is used for personnel and operating expenses at the Authority, which would need to be reduced to account for the reduction in proceeds.
- ***Amtrak Indemnification.*** The 2009 Assembly authorized the Rhode Island Public Rail Corporation to fully indemnify the National Railroad Passenger Corporation, Amtrak, for any liabilities arising from the extension of commuter rail service south of Warwick to Wickford Junction, which is known as the South County Commuter Rail Project. The 2010 Assembly extended this indemnification to 72 additional roads and bridges throughout the state, which will allow the state and municipalities to perform work on structures located on, above, under and within any property owned or controlled by Amtrak.