



**SENATE FISCAL OFFICE
REPORT**

FY2018 BUDGET: CHANGES TO THE GOVERNOR

**2017-H-5175 SUBSTITUTE A
AS PASSED BY THE HOUSE FINANCE COMMITTEE**

JUNE 20, 2017

Senate Committee on Finance

William J. Conley, Jr.

Chairperson

Louis P. DiPalma

1st Vice Chairperson

Walter S. Felag, Jr.

2nd Vice Chairperson

Ryan W. Pearson

Secretary

Frank A. Ciccone, III

Daniel DaPonte

James E. Doyle II

Nicholas D. Kettle

James A. Seveney

V. Susan Sosnowski

Dominick J. Ruggiero

President of the Senate (ex officio)

Michael J. McCaffrey

Majority Leader (ex officio)

Dennis L. Algieri

Minority Leader (ex officio)

Maryellen Goodwin

Majority Whip (ex officio)

Jamie Plume

Committee Clerk

Kelly A. McElroy, Esq.

Legal Counsel

Table of Contents

Executive Summary

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

FY2018 Budget

Revenue Changes	11
Expenditure Changes by Agency	15

FY2017 Supplemental Budget

Revenue Changes	43
Expenditure Changes by Agency	45

Special Reports

Proposed FTE Position Authorization	67
Municipal Aid	71
Education Aid	85

Articles

Articles	95
----------	----



EXECUTIVE SUMMARY

Executive Summary

The Budget represents the \$9.2 billion spending plan for the State for the fiscal year ending June 30, 2018 (FY2018). Also included is the revised spending plan for the current fiscal year (FY2017). The State is estimated to end FY2018 with a general revenue balance of \$1.5 million. The Budget Reserve and Cash Stabilization Account (aka Rainy Day Fund) would be fully-funded at \$193.6 million. The following document summarizes key budget initiatives and changes.

Expenditures by Source	FY2017 Enacted	FY2017 Governor FY2017 Budget	Change to Governor	FY2018 Governor	FY2018 Budget	Change to Governor	
General Revenue	\$3,683.7	\$3,700.4	\$3,688.4	(\$12.0)	\$3,792.7	\$3,755.2	(\$37.5)
Federal Funds	2,957.1	3,098.1	3,184.6	86.5	3,081.8	3,101.1	19.2
Restricted Receipts	257.0	306.8	276.3	(30.5)	273.8	261.8	(11.9)
Other Funds	2,040.9	2,095.3	2,054.1	(41.2)	2,099.7	2,079.2	(20.5)
Total	\$8,938.7	\$9,200.5	\$9,203.4	\$2.8	\$9,248.1	\$9,197.4	(\$50.7)
FTE Authorization	14,952.6	15,035.9	14,959.0	(76.9)	15,067.4	14,999.2	(68.2)

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

STATEWIDE CHANGES:

- **Personnel/Operating Savings:** Includes an unspecified statewide savings of \$25.0 million in general revenue to be distributed amongst state agencies for personnel, contract services, or operating savings.
- **FTE Authorization:** Authorizes 14,999.2 FTE positions, 46.6 FTE positions more than authorized in the FY2017 Budget as Enacted.

GENERAL GOVERNMENT:

- **Debt Service:** Includes \$5.5 million in reduced general revenue debt service. This includes a \$2.0 million reduction associated with a refunding of Rhode Island Convention Center Authority bonds, an additional \$1.5 million in savings related to the issuance of general obligation bond debt in FY2018, and shifts payment of \$1.6 million in general revenue debt service for the Rhode Island Public Transit Authority from general revenue to other funds.
- **Pay-for-Success project:** Eliminates \$400,000 in general revenue to fund the pay-for-success project in the Department of Corrections (DOC).
- **Public Utility Commission New Positions:** Reduces restricted receipts by \$597,034 by eliminating the funding and FTE authorization for 6.0 new FTE positions that were proposed by the Governor.
- **State Studies:** Eliminates \$250,000 in general revenue for the implementation services required for the Employee Compensation and Classification Study and eliminates \$100,000 to fund a disparity study for the Office of Diversity, Equity, and Opportunity.

TAXES/FEES:

- **Transfers from Quasi-Public Agencies:** Transfers a \$29.0 million in reserves from seven quasi-public agencies and the Rhode Island Renewable Energy Fund.
- **Tax Amnesty:** Provides for a 75-day period tax amnesty program that is estimated to increase revenue by \$12.5 million.
- **Motor Vehicle Fund:** Adjusts the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the State Highway Maintenance Account (HMA). The new

schedule retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of funds is delayed until FY2019. These adjustments result in \$13.0 million more in general revenue in FY2017, and \$9.4 million in FY2018.

- **Manufacturing Tax Credits:** Eliminates the Governor's proposed Manufacturing Investment and Manufacturing Jobs Training Tax Credits, increasing revenues by \$5.3 million.
- **Commercial Truck Registrations:** Reverses the new registration fee schedule for commercial trucks that was enacted by the 2016 General Assembly and was to take effect July 1, 2017. Revenues are increased by \$840,000.

ECONOMIC DEVELOPMENT:

- **Commerce:** Eliminates \$225,000 general revenue funding for the Deputy Secretary of Commerce position.
- **Rebuild RI:** Includes \$12.5 million for the Rebuild RI Tax Credit program, a reduction of \$7.5 million from the Governor's request for \$20.0 million.
- **Other Incentives:** Funds several Economic Development Initiatives under the Executive Office of Commerce/Commerce Corp, including:
 - \$3.4 million for the First Wave Closing Fund to catalyze development
 - \$1.8 million for the I-195 Redevelopment Fund.
 - \$1.0 million for the Innovation Vouchers Program
 - \$750,000 for the Main Street RI Streetscape Program
 - Eliminates \$1.2 million for the P-Tech Program
 - \$800,000 to support the RI Wavemaker Fund to provide tax credits against the taxpayers' tax liability to cover educational loan expenses
 - \$500,000 to support the Air Service Development Fund, which provides loss protection to an airline for new routes while minimizing downside risk for the airline and giving Rhode Island a competitive edge against other airports

EDUCATION:

- **Funding Formula:** Increases FY2018 general revenue funding by \$1.5 million to adjust the seventh-year formula calculation based March 2017 student enrollment and free and reduced price lunch data. This adjustment brings the total increase for the seventh year of the funding formula to \$41.5 million.
- **Turnover:** Reduces funding for personnel costs by \$375,000 to reflect the turnover to be achieved by keeping staffing at the May 2017 levels.
- **Kindergarten Entry Profile:** Eliminates \$200,000 in general revenue funding for the new Kindergarten Entry Profile (KEP) due to budget constraints.
- **Rhode Island Promise Scholarship Program:** Eliminates \$4.5 million in general revenue for this program, leaving a balance of \$5.5 million, providing \$2.8 million for scholarships at CCRI and \$2.8 million for increased operating costs at the institutions, including \$1.5 million for the University of Rhode Island, \$750,000 for Rhode Island College, and \$500,000 for CCRI.

- **OPC Dual/Concurrent Enrollment:** Eliminates \$500,000 in general revenue funding, leaving \$1.8 million in total funding for the dual/concurrent enrollment program in FY2018. Article 12 limits payments to the public institutions of higher education for dual and concurrent enrollment to the amount appropriated and requires the Council on Postsecondary Education to promulgate rules and regulations enforcing the limit on program costs.
- **Small Business Development Center:** Increases funding for the Rhode Island Small Business Development Center (RISBDC) by \$100,000 to leverage additional federal funding.

LOCAL/MUNICIPAL ISSUES AND AID:

- **Motor Vehicle Excise Tax:** Decreases the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024. In FY2018, municipalities will lose an estimated \$25.2 million in forgone tax levy; therefore, the Budget is increased by \$26.0 million in general revenue to reimburse municipalities for the lost tax revenue.
- **PILOT:** Increases the payments in lieu of taxes (PILOT) by \$3.2 million over last year, resulting in \$45.2 million in total funding. This new reimbursement level is at the required level of 27.0 percent of forgone tax revenue.
- **Distressed Community Relief:** Maintains FY2017 funding at \$12.4 million. The City of Johnston is newly qualified as a distressed community in FY2018 and the City of Cranston will exit the program.
- **Libraries:** Includes \$59,822 less than the FY2017 Budget due to a construction project delay in Barrington.

HEALTH AND HUMAN SERVICES:

- **Nursing Facilities:** Includes \$5.2 million in general revenue (\$10.7 million all funds) to restore acuity-based payments to nursing facilities in FY2018.
- **Graduate Medical Education:** Increases the Graduate Medical Education (GME) Program by \$4.0 million above the Governor's Budget in FY2018.
- **Hospital Payments:** Includes \$5.5 million in general revenue (\$16.2 million all funds) for inflationary-based payments to hospitals.
- **Eliminates Upper Payment Limits (UPL):** Saves \$4.7 million in general revenue (\$11.5 million all funds) by eliminating the UPL payments hospitals receive in FY2018.
- **Integrated Care Initiative (ICI):** Includes \$4.6 million in general revenue (\$9.4 million all funds) to the ICI initiative. These expenditures will partially restore administrative rate cuts to Neighborhood Health Plan of Rhode Island that were in the Governor's Budget.
- **Eleanor Slater Hospital:** Increases expenditures by \$500,000 in general revenue (\$1.0 million all funds) for laboratory services at the Eleanor Slater hospital and assumes \$1.6 million in general revenue savings for third party billing collections.
- **Enhanced Medicaid Claiming at DCYF:** Includes \$4.0 million general revenue savings: \$2.0 million in FY2018 through improved Medicaid claiming, and \$2.0 million for improved claiming for two previous fiscal years.
- **Smoking Prevention:** Saves \$500,000 in general revenue by eliminating the Governor's tobacco cessation and prevention initiatives in FY2018.

- **Child Care Costs to TANF:** Reduces general revenue expenditures by \$2.8 million by shifting Child Care Assistance Program (CCAP) expenditures to the federal Temporary Assistance to Needy Families (TANF) Block Grant.
- **Child Care Tiered Reimbursement:** Eliminates \$1.0 million in general revenue funding for the Governor's initiative to enhance reimbursement rates to CCAP child care providers.

PUBLIC SAFETY:

- **Public Safety Commissioner:** Eliminates the Governor's proposed Commissioner of Public Safety. The proposal included a civilian Commissioner position, and several support staff and operating funds totaling \$517,154.
- **EMA:** Shifts \$1.7 million in general revenue from the Department of Public Safety back to the Rhode Island Emergency Management Agency, reflecting current government structure.
- **New Cybersecurity Positions:** Eliminates \$256,831 in general revenue funding for 2.0 new FTE positions within the State Police to augment the Department's cybersecurity and crime fighting capacity.

NATURAL RESOURCES:

- **Outdoor Recreation Investments:** Eliminates \$2.5 million to fund the strategic plan that was developed by the Outdoor Recreation Council (Council).
- **Clean Diesel Program:** Shifts \$1.0 million of the funding to establish the Rhode Island Clean Diesel Program into FY2019, leaving \$1.0 million in FY2018 for the purpose of reducing emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency.
- **Volvo Ocean Race to Commerce Tourism Funds:** Shifts \$775,000 in general revenue for security, waste disposal, and program supply costs for the Volvo Ocean Race in May 2018 from general revenue to Commerce Corporation Tourism funds.
- **Local Agriculture and Seafood Act:** Eliminates all the general revenue funding for this program (\$200,000 total).
- **Environmental Scientists (2.0 FTEs):** Eliminates \$162,386 in general revenue for the salary and benefits of 2.0 new FTE Environmental Scientist positions to work on storm water compliance and permitting in DEM.
- **Ocean Engineer:** Eliminates the \$70,754 increase in general revenue funding, including \$55,754 for an Ocean Engineer (six months of salary and benefits) and \$15,000 for shoreline monitoring and data collection.

TRANSPORTATION/TRANSIT:

- **Federal Highway Improvement Program:** Adds \$12.0 million in federal funds in FY2018 to finance projects under the Federal Highway Improvement Program (HIP). HIP projects include bridge, pavement, transit, and transportation alternatives.
- **Restoration of Free Fare Program:** Provides the Rhode Island Public Transit Authority (RIPTA) with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income senior and disabled persons. A coordinating council is established to develop recommendations for the sustainable funding of the program going forward.



FY2018 BUDGET

FY2018 Revenue Changes

The FY2018 Budget includes \$3,755.2 million in total general revenue, a \$37.5 million decrease below the Governor's proposal. In addition to the \$58.3 million revenue reduction identified by the May 2017 Revenue Estimating Conference, major revenue changes include an additional \$29.3 million in transfers from quasi-public agencies and other sources; an additional \$12.5 million from a tax amnesty initiative; and an additional \$9.4 million by delaying the transfer of license and registration fees from the general fund to the State Highway Maintenance Fund. The following section highlights changes to the Governor's recommended revenue proposals:

May Conference

(\$58.3 million)

The May 2017 Revenue Estimating Conference (REC) decreased FY2018 net available general revenues by \$58.3 million below the Governor's proposal. The Conference significantly revised down its November consensus estimates for several of the major tax categories. FY2018 personal income tax collections were down by \$18.9 million from November. FY2018 business taxes were revised down by \$23.8 million and sales and use taxes were reduced by \$3.1 million. These reductions were offset by other reductions and minor increases in other revenue sources (i.e. excise taxes, departmental receipts) that net to the overall \$58.2 million revenue reduction.

Transfers from Quasi-Public Agencies

\$15.7 million

The Governor's budget transferred \$13.3 million in reserves from several quasi-public agencies to the general fund. The Budget includes a net \$15.7 million increase in total transfers above the Governor's recommendation. The Budget does not include the \$6.0 million proposed transfer of the Rhode Island Resource Recovery Corporation's reserves. It also does not include the Rhode Island Bridge and Turnpike Authority's proposed reserve transfer of \$2.6 million. The Budget reserve transfer changes relative to the Governor's proposed Budget are outlined here:

Agency	Governor	HFC	Change
Electric and Gas Distribution	\$0.0	\$12.5	\$12.5
Resource Recovery Corporation	6.0	-	(6.0)
Health and Educational Building Corporation	1.2	6.0	4.8
Bridge and Turnpike Authority	2.6	-	(2.6)
Infrastructure Bank	1.0	3.5	2.5
Narragansett Bay Commission	2.5	5.0	2.5
Quonset Development Corporation	-	1.0	1.0
RI Housing	-	1.0	1.0
Total	\$13.3	\$29.0	\$15.7

\$ in millions

Analyst Note: While NBC staff testified before the Senate Finance Committee that a fund reserve transfer would violate bond covenants and require rate increases, the Commission has since indicated that the transfer can be accomplished without these impacts.

Tax Amnesty

\$12.5 million

The Budget includes a tax amnesty program for a 75-day period ending February 15, 2018. Under the program, civil, and criminal penalties for non-compliance with state tax laws would be forgiven, and interest owed will be reduced by 25.0 percent. It is estimated that \$12.5 million in additional one-time revenue collections from the amnesty period.

Motor Vehicle Fund**\$9.4 million**

The Budget adjusts the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the State Highway Maintenance Account (HMA). The transfer of these fees to the HMA is part of the sustainable transportation funding reforms adopted by the General Assembly in the FY2015 Budget as Enacted. The original schedule called for 25.0 percent of the fees to be transferred during FY2016, 75.0 percent during FY2017, and all fees in FY2018 and beyond. Article 4 retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of funds is delayed until FY2019. These adjustments result in \$13.0 million more in general revenue in FY2017, and \$9.4 million in FY2018.

Hospital License Fee**\$4.2 million**

The calculation of the fee hospitals must pay to operate in Rhode Island is amended by this article. This fee is determined by applying a statutorily-prescribed percentage to hospital revenues derived from patient services. The FY2017 rate of 5.625 percent is reduced to 5.570 percent. The change, because it is applied to a higher patient revenue base, results in a \$4.2 million increase in general revenues in the Budget.

Manufacturing Investment Tax Credit**\$3.3 million**

The Budget does not include the Governor's proposed Manufacturers Refundable Investment Tax Credit program. The program would have provided for a refundable tax credit up to \$200,000 that manufacturers could use against costs associated with financing manufacturing capital assets such as plant and equipment. Under the program, a manufacturer would only have been able to redeem the credit if its value exceeded the tax liability in the year the credit is available. The proposal was estimated to reduce FY2018 revenues by \$3.3 million.

Remote Sellers – Catalog Sales Amendment**\$2.6 million**

The Budget includes an additional \$2.6 million in general revenue from the increased collection of sales tax associated with remote mail house/catalog retailer sales. The Governor's proposed budget includes a new statutory framework designed to incentivize the collection and remittance of sales taxes on purchases made by in-state individuals from remote retailers. The original estimated revenue impact did not consider the non-electronic commerce (i.e. mail catalogs) that would be effected by this new framework. The Budget applies the proposed framework more broadly to include this class of retailer.

Manufacturers' Job Training Tax Credit**\$2.0 million**

The Budget does not include the Governor's proposed Manufacturers Refundable Job Training Tax Credit program. The program would have provided for a refundable tax credit up to \$200,000 that manufacturers could use against costs associated with financing the training of qualifying employees and for expenses paid to either public or private educational institutions for training services, or paid directly to instructors who conduct training. Under the program, a manufacturer would only have been able to redeem the credit if its value exceeded the tax liability in the year the credit is available. The proposal was estimated to reduce FY2018 revenues by \$2.0 million.

License Plate Reissuance**(\$1.8 million)**

The Budget shifts license plate reissuance from April 1, 2017, to January 1, 2019. The license plate reissuance delay saves \$3.0 million in expenditures in the FY2017 and FY2018 Budget. Under current law, individuals are charged \$6.00 above the regular registration fee per license plate. Delaying the reissuance results in a loss of \$935,975 in revenue in FY2017 and \$1.8 million in FY2018.

Sales and Use Tax on Documentation Fees for Vehicles**\$1.8 million**

There is a revenue increase of \$1.8 million due to document and title preparation fees associated with motor vehicle sales being newly included as part of the sales price and therefore subject to sales tax. Currently, these fees are not included in the sales price and are not subject to tax. According to the Department, other states that treat document and title preparation fees as taxable include: MA, CT, VT, and FL.

Commercial Truck Registrations **\$840,000**

The Budget adds \$840,000 of general revenue by reversing the reductions to annual registration fees for commercial trucks, truck tractors, and truck trailers that were to take effect on July 1, 2017. The FY2017 Budget as Enacted provided a new sliding scale fee schedule for commercial truck vehicles beginning in FY2018. Owners of vehicles at the lowest weights were to receive a 30.6 percent reduction of registration fees. Registration savings increased with the weight of the vehicle, topping out between 50.6 to 52.4 percent for those trucks above 26,000 pounds. The Budget maintains the fee schedule currently in effect for FY2017. The change also generate \$4.2 million in additional State Highway Maintenance funds.

Attorney General Settlement **\$580,000**

The Attorney General has received a total award of \$580,000 related to two national settlements with Target Corp., and Johnson and Johnson Consumer, Inc. Rhode Island will receive \$180,000 from the Target settlement for a data breach and \$400,000 from Johnson and Johnson related to quality-control failures.

Corporate Tax Payment Schedule **(\$200,000)**

The Budget changes the current corporate tax estimate payment schedule to allow for a more equal and ratable payment schedule that will negate the need to defer half of the estimated payments received to the following fiscal year. The purpose is to account for carryforward balances in the State's overall financial reporting process. Carry forward balances result when taxpayers have an overpayment relative to their tax liability but elect to apply the balance to future tax liabilities rather than request a refund. Because 100.0 percent of estimated payments are made in the first 6 months of the tax year, 50.0 percent of those payments are deferred for financial reporting purposes since they apply to a full calendar year. If the new article is implemented it is estimated that there will be a \$200,000 in revenue in FY2018 and a \$2.2 million reduction in revenue in FY2019. Although there is a reduction in revenue this article allows carryforwards to be recognized in the revenue financial reporting process and avoids the negative revenue recognition impact that is associated with deferring half of the received estimated tax payments to the following fiscal year.

Historic Homeowner Tax Credit **(\$160,276)**

The Budget reduces general revenue by \$160,276 to accommodate outstanding tax credits that were issued under the Historic Homeowner Assistance Tax Credit Program prior to the personal income tax reform that began January 1, 2011. The Historic Homeowner Tax Credit program was designed to encourage homeowners to invest in preserving the historic elements of their property. At the time the program was terminated in 2010, 115 taxpayers had \$797,911 in unused carryforward tax credit amounts. The outstanding credit amounts range from \$20 to \$70,397. Credits of \$10,000 or less represent 80.0 percent of the total remaining. Revenue losses are estimated to diminish by an average of 23.0 percent each year.

E-Procurement Indirect Cost Recovery **\$60,000**

The Budget authorizes the State's Chief Purchasing Officer to establish and collect from contractors listed on the master price agreement (MPA), an administrative fee not to exceed 1.0 percent of the total value of the annual expense against a contract awarded to a state contractor. Proceeds of the fee shall be deposited into a restricted receipt account and shall be used to implement and support a new online e-procurement system.

Based on a projected annual MPA contract awards of \$60.0 million in FY2018, the State's will receive \$60,000 in general revenue from the assessment of 10.0 percent indirect cost recovery fee on all accounts.

FY2018 Expenditure Changes by Agency

DEPARTMENT OF ADMINISTRATION

RICCA Refunding ***(\$2.0 million)***

The Budget reduces general revenue \$2.0 million in debt service costs associated with the Rhode Island Convention Center Authority bonds. The Authority has received unsolicited refunding proposals, but has not yet acted upon any proposal due to market fluctuations. The Authority's financial advisor believes there is an opportunity for savings in FY2018; estimated in the \$2.0 million to \$3.0 million range.

Additional GO and COPs Debt Service Savings ***(\$1.9 million)***

The Budget assumed a \$1.5 million in savings related to the issuance of general obligation bond debt. However the Budget Office projects a savings estimates closer to \$3.0 million. This will result in additional general revenue savings of \$1.5 million in FY2018. In addition, the State is restructuring some of the debt related to the issuance of Certificates of Participation (COPs). This includes the COPs for the Central Power Plant at Pastore Complex in Cranston and for the School for the Deaf located in Providence. The Budget includes \$2.0 million in the budget for a COPS refunding. However the Budget Office projects a savings estimates closer to \$2.5 million. This will result in additional general revenue savings of \$436,480.

RIPTA Debt Service ***(\$1.6 million)***

The Budget shifts payment of \$1.6 million in general revenue debt service for the Rhode Island Public Transit Authority from general revenue to other funds. There is a corresponding increase of \$1.6 million in other funds.

Office of Management and Budget – Fraud Detection System ***\$1.4 million***

The Budget shifts \$1.4 million in unspent general revenue from FY2017 to FY2018 reflecting a delay in implementing the program. The appropriation in FY2017 was to implement a new fraud and waste detection system combining data across State agencies including the Department of Revenue, Department of Labor and Training, and the various human services agencies.

However, the Department recently cancelled the initial request for proposal (RFP) for the fraud data warehouse and system after discovering that much of the data required to deploy an enterprise wide fraud system currently exists in the Division of Taxation's new data warehouse. The Department will leverage the existing data and case management software and a new RFP is under development for data modeling, mining, and algorithm creation that will be used to explore fraud, waste, and abuse of state and federal program funds.

Eliminate New Positions - Construction Permitting, Approvals, and Licensing ***(\$661,686)***

The Budget eliminates \$661,686 in general revenue for personnel expenses for the Division of Capital Asset Management and Maintenance. This includes salary and benefits for 3.0 FTE positions that were hired during FY2017. However, funding for the three positions was not included in the FY2017 Budget as Enacted. The request adds funds for salary and benefits in the FY2018 Budget. The three positions are: 1.0 Chief Engineer; 1.0 Chief of Integrated Facilities Management; and, 1.0 Chief of Strategic Planning, Monitoring, and Evaluation. In addition, funds are added to reflect unachieved turnover savings projected in the enacted budget.

Eliminate New Positions – Human Resources ***(\$545,385)***

The Budget eliminates personnel costs by \$545,385 in general revenue to fund four new FTE positions, including a 1.0 Coordinator of Employee Training, 1.0 Administrative Staff, 1.0 Chief of Strategic Planning (Innovation Cohort), and a 1.0 Human Resource Analyst. In addition, the elimination of the latter two positions reduce federal funds by \$53,789, restricted receipts by \$26,894, and other funds by \$26,894.

	General Revenues	All Other Funds	Total
Executive Director HR	\$228,697	\$0	\$228,697
Administrative Officer	86,902	-	86,902
Subtotal	\$315,599	\$0	\$315,599
HR Analyst	67,181	36,175	103,356
Director of Recruiting	132,605	71,402	204,007
Total	\$515,385	\$107,577	\$622,962
Training Exp - Ops	30,000	-	30,000
Grand Total	\$545,385	\$107,577	\$652,962

Pay-for-Success Pilot Project ***(\$400,000)***

The Budget eliminates \$400,000 in general revenue to fund the Pay-for-Success project in the Department of Corrections (DOC). The Department of Corrections worked with the Harvard Kennedy School's Government Performance Lab to develop a proposal to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals.

Eliminate New Positions - Construction Permitting, Approvals, and Licensing ***(\$364,728)***

The Budget eliminates \$364,728 in general revenue reflecting the full-year cost of three new positions within the State Building Code Commission. The new positions were 1.0 Chief State Building Code Official (Plumbing and Mechanical), 1.0 Principal State Building Code Official (Building), and 1.0 Principal State Building Code Official (Electrical). The request was predicated on increased activity at the Quonset Business Park and with Higher Education facilities.

Office of Regulatory Reform - Personnel and Operating Adjustment ***(\$307,999)***

The Budget reduces \$307,999 in general revenue for personnel and operating costs. Funding for the Senior Management and Methods Analyst position was not included in the FY2017 Budget as Enacted, but the Department filled the position, also removes funding to convert an implementation aide to a senior economist, personnel upgrades for remaining positions and licensing software costs.

Office of Energy Resources - Electric Vehicle Rebate Program ***(\$250,000)***

The Budget eliminates \$250,000 in general revenue for a State-funded Electric Vehicle Rebate Program to be administered by the Office of Energy Resources, for the purpose of providing rebates to eligible applicants in connection with the purchase or lease of an electric vehicle purchased or leased within the State.

Personnel and Classification Study Implementation ***(\$250,000)***

The Budget eliminates \$250,000 in general revenue for the implementation services required for the Employee Compensation and Classification Study. The classification study was one of the recommendations received from the personnel study performed by the Segal Company.

Office of Management and Budget – Senior Economic and Policy Analysts ***(\$235,886)***

The Budget eliminates \$235,886 in general revenue for salary and benefit costs associated with the Senior Economic and Policy Analyst positions within the Office of Management and Budget. Funding for the positions was not included in the FY2017 Budget as Enacted, but the Department filled the positions.

State Library Construction Aid ***(\$158,661)***

The Budget reduces the State Library Construction Aid by \$158,661 in general revenue. The Office of Library and Information Services makes awards to municipalities and free public libraries for construction

or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis for a period of up to 20 years. For FY2018, the Budget decreases funding from \$2.3 million to \$2.1 million, to reflect actual reimbursement costs.

Legal Services - Legal and Clerical Contract Services **(\$130,000)**

The Budget eliminates \$130,000 in general revenue for contracted professional services. In FY2017, contracts will expire for several of the State's collective bargaining units. The Budget includes an additional \$100,000 for outside attorneys to handle the contract negotiations with these units. In addition, the Budget includes \$30,000 for temporary clerical services to fill the absence of an administrative aide. Upon the return of the aide from leave, the contract service will be terminated.

Office of Diversity, Equity, and Opportunity - Disparity Study **(\$100,000)**

The Budget eliminates \$100,000 to fund a disparity study for the Office of Diversity, Equity, and Opportunity. The purpose of the study is to provide the State with reliable and accurate data that will assist the State in determining to what extent the State's procurement of construction, and construction-related services, and the procurement of goods/supplies and services should be subject to a race and/or gender conscious remedial program supported by Rhode Island law.

Purchasing Administrator **(\$91,946)**

The Budget eliminates \$91,946 in general revenue to fund a 1.0 Administrator Officer position. Funding for this position was originally eliminated in the FY2017 Budget as Enacted but was reinstated as part of the Governor's FY2018 budget recommendation.

City Year **\$50,000**

The Budget adds \$50,000 in general revenue to fund to City Year for the Whole School Whole Child Program that provides services to at risk students. The grant item is identified within Article 1 of the Appropriations Act.

Restricted Receipt Fund Changes **\$157,462**

The Budget includes a net increase of \$157,462 in restricted receipts, including the following:

- **E-procurement On-line System:** The Budget authorizes the state Chief Purchasing Officer to establish and collect from contractors listed on the master price agreement (MPA), an administrative fee not to exceed 1.0 percent of the total value of the annual expense against a contract awarded to a state contractor. Based on projected annual MPA contract awards of \$60.0 million in FY2018, the Budget Office conservatively projects restricted receipt revenues from this fee to generate \$540,000 in FY2018. Proceeds of the fee shall be deposited into a restricted receipt account and shall be used to implement and support a new online e-procurement system.
- **Contractors' Registration Board – Personnel:** The Budget eliminates \$250,000 in restricted receipts for personnel turnover and operating savings in the Contractors' Registration Board.
- **Office of Energy Resources – Personnel:** The Budget eliminates \$132,538 in restricted receipts for personnel expenses in the Office of Energy Resources. The Governor increased personnel expenses as part of the Governor's FY2018 budget recommendation.

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

The Budget includes a net decrease of \$1.7 million in Rhode Island Capital Plan (RICAP) funding in FY2018 based on current expenditures and projections on various projects.

- **Chapin Health Laboratory:** Decreases \$2.5 million for the Chapin Health Laboratory RICAP project to reflect the Department of Administration's revised project timeline. This action shifts \$2.0 million for the project into FY2019 and \$500,000 into FY2020.

- **Dunkin Donuts Center:** Increase funding by \$500,000 for the Dunkin Donuts Center RICAP project to reflect the Department of Administration's revised project timeline.
- **Rhode Island Convention Center:** Increases funding \$250,000 for the Rhode Island Convention Center reflecting a shift from FY2017 to FY2018.
- **Pastore Power Plant:** Shifts \$150,000 from FY2017 to FY2018 for the Pastore Power Plant Project.
- **McCoy Stadium:** The Budget shifts the planned funding of \$101,761 to complete the McCoy Stadium condition assessment and master plan for capital repairs from FY2018 to FY2017, due to the completion of the plan and the need to pay the final invoices.

DEPARTMENT OF BUSINESS REGULATION

Turnover and New Positions **(\$300,000)**

The Budget includes \$300,000 in general revenue personnel savings based upon anticipated turnover within the Department of Business Regulation.

OHIC Replacement Funds **(\$147,000)**

The Budget includes \$147,000 in general revenue personnel savings within the Office of the Health Insurance Commissioner. The savings is the amount estimated above the current service level to fund existing full-time equivalent positions that previously funded from federal grant funds. In FY2017, the General Assembly provided an additional \$300,000 from general revenues to support staff previously funded from federal funds. The federal grant ended September 2016.

DEPARTMENT OF LABOR AND TRAINING

General Revenue Shift to Restricted Receipts **(\$400,000)**

The Budget reverses an increase of \$400,000 in general revenue to the Workforce Regulation and Safety (WRS) program. This funding was added to support personnel costs within the program. According to the Administration, the proposed general revenue increase was in lieu of Tardy and Interest restricted receipt funds. Historically, the Department has used Tardy and Interest funds, appropriated to the Income Support Program, to offset costs within the Workforce Regulation and Safety Program. The Tardy and Interest restricted receipt account is funded via penalties and interest on employers' taxes (i.e. Unemployment Insurance, Temporary Disability Insurance, and Job Development Fund) when paid late.

Eliminate New Workforce Regulation and Safety Positions **(\$245,729)**

The Budget is reduced by \$245,729 in general revenue and \$155,008 in restricted receipt funds by eliminating 4.0 proposed positions within Workforce Regulation and Safety. The positions were proposed to assist with workplace fraud caseloads.

Eliminate Public Relations Position **(\$11,521)**

The Budget is reduced by \$11,521 in general revenue (\$69,127 in federal funds, \$23,042 in other funds, and \$11,521 in restricted receipt funds) by eliminating 1.0 Chief Information and Public Relations position. The position was proposed to work on Department-wide marketing and communication.

Federal Fund Changes **\$1.5 million**

- **America's Promise Grant:** The Department received an America's Promise grant, increasing the FY2018 Budget by \$1.5 million in federal funds within the Workforce Development Services Program. The purpose of this grant is to accelerate the development and expansion of regional workforce partnerships. These partnerships provide a pipeline of skilled workers to specific in-demand industries.

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

- **RICAP – Center General Asset Protection:** There is a decrease of \$1.2 million in Rhode Island Capital Plan (RICAP) spending in FY2017 due to funds being shifted to out years, leading to an increase of \$500,000 in FY2018. The Center General Asset Protection appropriation is not specific to any single asset protection project, thereby providing the Department with its own discretion as to which projects are worked on in a particular fiscal year. Examples of asset protection projects the Department plans to work on include carpet replacement, partial roof replacement, walkway repairs, HVAC replacement, painting, fire alarms, drainage repairs, and building “envelope” repairs.

DEPARTMENT OF REVENUE**Motor Vehicle Excise Tax****\$26.0 million**

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

In FY2018, municipalities will lose an estimated \$25.2 million in forgone motor vehicle excise tax levy; therefore, the Budget is increased by \$26.0 million in general revenue to reimburse municipalities for the lost tax revenue. By FY2024, the estimated cost of eliminating the motor vehicle tax is \$220.6 million in general revenue.

Fiscal Year	Assessment		Exemption Floor	Drop After Age	Total Levy	Forgone Levy	Cars	
	Ratio	Rate Cap					Taxed Car Count	"Dropped" From Tax Roll
FY2017	100%	N/A	\$500	25	\$220,611,139	\$0	746,965	-
FY2018	95%	\$60	1,000	15	195,441,325	(25,169,814)	594,445	152,520
FY2019	90%	50	2,000	15	170,426,882	(50,184,257)	581,512	165,454
FY2020	85%	35	3,000	15	136,701,951	(83,909,188)	543,391	203,574
FY2021	80%	35	4,000	15	104,600,455	(116,010,684)	483,393	263,573
FY2022	75%	30	5,000	15	75,327,058	(145,284,081)	409,317	337,649
FY2023	70%	20	6,000	15	43,407,790	(177,203,349)	339,844	407,121
FY2024	N/A	N/A	N/A	N/A	-	(220,611,139)	N/A	N/A

Source: Department of Revenue

License Plate Reissuance**(\$3.0 million)**

Article 4 shifts the license plate reissuance from April 1, 2017, to January 1, 2019. The license plate reissuance delay saves \$3.0 million in FY2018. Under current law, individuals are charged \$6.00 above the regular registration fee per license plate. Delaying the reissuance results in a loss of \$1.8 million in revenue in FY2018.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed four times previously: in the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted changed the reissuance until September 2015; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; and the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017.

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

The Budget is increased by \$600,000 in general revenue to fund undefined “operating” expenses in the City of Central Falls. The City’s FY2018 proposed budget adds a \$2.0 million “rainy-day” fund.

Tax Amnesty Administration **\$500,000**

The Budget adds \$500,000 in general revenue to support the administration of the tax amnesty initiative, which is estimated to bring in \$12.5 million in additional revenue in FY2018. This funding will support adding functionality to the new State Tax Administration and Revenue System (STAARS), advertising and promotion of the initiative, personnel, and printing/mailing costs.

Rhode Island Modernization System (RIMS) Staffing **\$130,455**

The Governor’s Budget originally included \$321,620 to fund 8.0 new FTE positions related the Division of Motor Vehicle (DMV) Rhode Island Modernization System (RIMS). According to the Department, the DMV request failed to include benefits; consequently, the actual fiscal impact of adding 8.0 FTE positions was updated to \$549,350. The Budget removes 2.0 of the Governor’s proposed FTE positions, adding a total of 6.0 FTE positions in FY2018, which increases general revenue by \$130,455 above the Governor’s Budget.

LEGISLATURE**Personnel and Operating** **(\$2.0 million)**

The Budget reduces personnel and operations spending at the Legislature by \$2.0 million in FY2018.

OFFICE OF THE GENERAL TREASURER**Federal Fund Changes** **\$200,000**

- **Crime Victims Compensation Program:** The Budget increases the federal expenditure ceiling for claims from the federal Department of Justice grant reflecting year-to-date expenditure activity to reimburse victims of crime.

Restricted Receipt Fund Changes **\$2.5 million**

The Budget includes an increase of \$2.15million in restricted receipts, including the following:

- **Revenue Estimating Conference Adjustments:** Based on Treasury’s testimony received during Revenue Estimating Conferences conducted in May 2017, the Conference adjusted the projected revenue collections and expenditures to the Unclaimed Property Program impacting claim payments, change in liability, and the surplus transfer to the General Fund. Based on Conference projections, the transfer to the General Fund increases \$1.3 million, claim payouts increase \$800,000, and the change in liability (the amount required by general accounting rules that the fund must carry forward to the next fiscal year for claim payouts) increases \$276,089, resulting in a net increase of \$2.4 million. [$\$800,000 + \$276,089 + \$1,344,745 = \$2,420,834$].
- **Personnel and Operating - Retirement System:** The Budget adds \$118,170 in restricted receipt expenses for personnel and operating costs associated with the increase of 3.0 new FTE positions. The positions are 2.0 Retirement Counselors at pay grade 325 and a 1.0 Operations Assistant at pay grade 318. The added funding includes \$277, 936 for FY2018 planning value based salaries and benefits, and \$11,500 for new computers and workspace items. The increase is offset by \$171,266 in vacancy savings projected to occur until these three positions are filled, resulting in a net increase of \$118,170.

Other Fund Changes **(\$8.0 million)**

- **CollegeBoundSaver Investment Earnings Transfer:** This item corrects the double counting of the transfer of annual investment earnings from Acensus, the plan administrator of the State’s 529 Plan known as the CollegeBoundSaver program, to the Division of Higher Education Assistance (DHEA).

In 2016, State administration of the CollegeBoundSaver program was transferred to Treasury upon the abolishment of the Higher Education Assistance Authority (HEAA). In the first year, Treasury transferred the investment earnings to DHEA as a “contra-revenue”, i.e. a subtraction from the revenue receipt account from Ascensus. The State Auditor General issued a finding that standards under the Governmental Accounting Standards Board (GASB) requires the transfer to be matched by an equal expenditure. For the FY2018 Budget, a new operating transfer account is established under Treasury, where, for the first time, the transfer shows on the State budget.

PUBLIC UTILITIES COMMISSION

Restricted Receipt Fund Changes **(\$597,034)**

- **Personnel – New FTE Positions:** The Budget removes restricted receipt funding for 6.0 new FTE positions that were proposed by the Governor. This includes 2.0 Administrative Assistants, one for the Division and one for the Commission, and a 1.0 Chief of Program Development position. The Administrative Assistants were proposed to assist Commission and Division staff with energy policies. The Chief of Program Development position was requested to meet the increased demand in Energy Facilities Siting Board filings, rate modernization, and the changes to evolving energy policy.

In addition, the Budget removes 1.0 Deputy Chief of Legal position, 1.0 Fiscal Management Officer, and a 1.0 Regulatory Research Specialist. These three positions were proposed to handle the increase work involving regulatory research and analysis, increased fiscal and financial reporting requirements, and to handle a projected increase in administrative proceedings. This action eliminates six new positions and \$597,034 in restricted receipts.

Personnel - New FTE Positions	Cost
Administrative Assistant	\$86,269
Administrative Assistant	85,516
Chief of Program Development	119,192
Deputy Chief of Legal	129,669
Fiscal Management Officer	89,183
Regulatory Research Specialist	87,205
Total	\$597,034

EXECUTIVE OFFICE OF COMMERCE

Eliminate I-195 Redevelopment Fund **(\$8.1 million)**

The Budget eliminates \$8.1 million of general revenue funding for the I-195 Redevelopment Fund in FY2018. The I-195 Redevelopment Fund received a \$25.0 million appropriation in FY2016 that was intended to be a one-time capitalization of the fund to serve as a catalyst for real estate development on the former highway land. As of May 15, 2017, no expenditures have been made, but \$22.5 million is encumbered on five projects.

Rebuild RI Tax Credit **(\$7.5 million)**

The Budget reduces general revenue funding for the Rebuild RI Tax Credit program by \$7.5 million. Current appropriations since the fund was established in FY2016 total \$26.0 million. Obligations through FY2025 total \$80.7 million. The tax credit program is intended to promote investment in real estate development for commercial and/or residential use. Credit are issued up to \$15.0 million per project, and are based on the amount needed to close demonstrated financing gaps.

First Wave Closing Fund**\$1.8 million**

The Budget increases general revenue funding for the First Wave Closing Fund by \$1.8 million. Current appropriations since the fund was established in FY2016 total \$12.5 million. Obligations through FY2019 total \$1.9 million, leaving an unobligated balance of \$10.0 million.

This fund is intended to support economic development by providing “gap financing” for certain types of projects. Gap financing is that portion of a project’s cost that remains to be financed after all other sources of capital have been considered or the amount that the State may invest in a project to gain a competitive advantage over another state.

Innovation Voucher Program**(\$1.5 million)**

The Budget reduces general revenue funding for the Innovation Voucher program by \$1.5 million. Current appropriations since the program was established in FY2016 total \$2.0 million. Awards to date total \$1.5 million. The program provides financial assistance to small businesses (under 500 employees) for research and development technical assistance. Awards can range from \$5,000 to \$50,000. Vouchers may be used to pay for: research and technological development; product development; commercialization; market development; technology exploration; and improved business practices/strategies that grow business and create operational efficiencies.

P-TECH**(\$1.2 million)**

The Budget eliminates funding for the P-TECH training program. The program works to facilitate partnerships across high schools, colleges, and employers to offer industry designed coursework and internships in the technology fields. The program currently is working in Newport, Providence, Westerly, North Providence, and Woonsocket.

Wavemaker Fellowship**(\$800,000)**

The Budget reduces general revenue funding by \$800,000 for the Wavemaker Fellowship Program in FY2018. The Wavemaker Fellowship is a competitive student loan reimbursement for college and university graduates who take employment in science, technology, engineering, and mathematics (STEM) fields in Rhode Island. The program provides Wavemaker Fellows with refundable personal income tax credits that can be used to offset their annual student loan payments for up to 4 years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate degree up to \$6,000 for a graduate or post-graduate degree. Since the program was established in FY2016, the Wavemaker Fellowship Program has received \$3.8 million in general revenue appropriations and has obligated \$1.6 million to date.

Main Street RI Streetscape Program**(\$500,000)**

The Budget decreases FY2018 general revenue funding for Commerce Corporation’s Main Street RI Streetscape Program by \$500,000. The program provides loans, matching grants, and other forms of financing upgrade streetscapes in local business districts. Of the \$2.0 million appropriated to the program since FY2016, approximately half has been awarded. General program funding is reduced by \$500,000 in FY2018.

Municipal Technical Assistance Fund**(\$250,000)**

The Budget eliminates \$250,000 in new general revenue funding that the Governor proposed to be used for the provision of technical assistance to municipalities aimed at improving the local regulatory environment in a manner that supports sustained economic development at the local-level.

Pass-Through - Polaris Manufacturing Training**(\$300,000)**

The Budget reduces general revenue funding for Polaris Manufacturing Training program by \$300,000 from the Governor’s recommended \$550,000. Polaris is the State’s official Manufacturing Extension Partnership. This program supports Rhode Island manufacturers by expanding the technical assistance

capacity of Polaris. Polaris provides group and individual trainings in manufacturing and promotes manufacturing state-wide. Polaris is also an officially designated Real Jobs Partnership by the Governor's Workforce Board, a role that allows the organization to leverage multiple funding streams to address the workforce needs of manufacturers.

Deputy Secretary of Commerce **(\$225,000)**

The Budget eliminates \$225,000 general revenue funding for the personnel costs for the Deputy Secretary of Commerce FTE position within the Executive Office of Commerce. This position has been vacant for since December 2016.

National Security Infrastructure Fund **(\$200,000)**

The Budget does not include the \$200,000 general revenue to capitalize the National Security Infrastructure Support Fund (NSISF). The NSISF was established by the General Assembly in 2005 to leverage and secure funding from multiple sources, including federal dollars for the purposes of advancing the State's existing military infrastructure and related economy.

University Research Collaborative **(\$150,000)**

The Budget eliminates the additional \$150,000 in general revenue spending for The Collaborative. The Collaborative is a consortium of the local colleges and universities through which the schools provide support to the state in various ways such as increasing the use of non-partisan academic research in policymaking and providing evidence-based foundation for government decision making. The Collaborative has developed a Resource Network of experts from Rhode Island's 11 colleges and universities, creating a public/private partnership.

Urban Ventures **\$140,000**

The Budget provides \$140,000 in general revenue funding for Urban Ventures. Urban Ventures is a statutorily-established organization charged with supporting and advancing micro-business economic development, particularly within the State's urban communities, through training, management development and other services. Funding for Urban Ventures in past fiscal years had been provided through General Assembly Community Service Grants. Urban Ventures will submit program audit results to the General Assembly.

Restricted Receipt Fund Changes **\$590,618**

- **Housing Resources Commission:** The Budget does not include the Governor's recommendation to transfer the responsibility for state-wide coordination of lead mitigation from the Housing Resources Commission (HRC) within the Office of Housing and Community Development to the Department of Health. The Housing Resource Commission maintains a restricted receipt account that receives \$0.30 of Real Estate Conveyance Tax collections; the Governor recommended that \$0.05 of the HRC's \$0.30 collection be shifted to the Department of Health's lead screening restricted receipt account. It is estimated that this restricted receipt transfer will total \$590,618 in FY2018.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES

May Caseload Estimating Conference **\$10.0 million**

The May 2017 Caseload Estimating Conference (CEC) increased general revenue expenditures by \$10.0 million, decreased federal fund expenditures by \$17.0 million, and decreased restricted receipt expenditures by \$1.9 million compared to the Governor's Budget. Increased expenditures are primarily related to inflationary costs and increased enrollment. Increased costs are offset by reduction in Rhody Health Partners (RHP), hospitals, and other medical services.

Eliminates Hospital Rate Freeze ***\$5.5 million***

The Budget restores payments to hospitals from Managed Care Organizations (MCOs) and Medicaid increasing general revenues by \$5.5 million (\$16.2 million all funds) in FY2018. The Governor's Budget included a rate freeze to hospital payments.

Eliminates Nursing Home Acuity-Based Payment Reductions ***\$5.2 million***

The Budget restores \$5.2 million in general revenue (\$10.7 million all funds) savings proposed by the Governor for acuity-based payment to nursing facilities. This initiative proposed to rebase the acuity-based component of the nursing facility rate that are established by an assessed measurement of the intensity of nursing care for a patient. For example, a patient who is ambulatory (able to walk) would be assessed at a lower acuity level than a patient who is unable to walk. Re-basing the acuity base was essentially cutting the rate at which nursing facilities are compensated for an individual's level of care needs.

Eliminates Upper Payment Limits (UPL) ***(\$4.7 million)***

The Budget eliminate the Upper Payment Limit (UPL) to hospitals saving \$4.7 million in general revenue (\$11.5 million all funds) in FY2018. UPL payments compensate hospitals for the gap between what hospitals receive for Medicaid outpatient and inpatient services and what they would have been paid for those services under Medicare reimbursement principles. In past fiscal years, the State has made UPL payments to hospitals, matched by the federal government, to bring its total Medicaid expenditures up to 100.0 percent of the Medicare upper payment limit, maximizing available federal funds.

Restores Integrated Care Initiative (ICI) Savings ***\$4.6 million***

The Budget restores \$4.6 million (\$9.4 million all funds) in savings related to the Integrated Care Initiative (ICI) in FY2018. Additionally, the Budget does not include the Governor's budget request for authority to change ICI program. The ICI aligns the financing of Medicare and Medicaid and integrates primary, acute, behavioral health, and LTSS for Medicare-Medicaid enrollees.

Graduate Medical Education Program (GME) ***\$4.0 million***

The Budget increases expenditures for the GME program, increasing general revenues by \$4.0 million in FY2018. This program is entirely funded through general revenues and only available to Rhode Island's academic Level I trauma center hospitals that have a minimum of 25,000 discharges per year and employ at least 250 interns and residents per year. Currently, Rhode Island Hospital is the only hospital that meets these criteria and qualifies for this funding.

Enhanced CHIP Claiming ***(\$3.6 million)***

The Executive Office of Health and Human Services (EOHHS) estimates a general revenue reduction of \$3.6 million in FY2018 related improved Children's Health Insurance Program (CHIP) claiming. The reduced general revenue expenditures are related to the ability to back claim enhance Federal Matching Assistance Percentage (FMAP) for children and pregnant women who were not identified appropriately through the claiming process.

In FY2018 the CHIP FMAP is 88.9 percent federal as compared to the traditional FMAP of 51.3 percent resulting in 37.6 percent increase in federal matching funds. EOHHS assumes approximately 3,563 Medicaid eligible persons are potentially eligible for the enhanced match.

Managed Care Organizations Administrative Rate Reductions ***(\$2.7 million)***

The Budget increases savings related to MCO administrative rates reducing general revenues by \$2.7 million (\$7.1 million all funds) in FY2018. This initiative will allow the Executive Office of Health and Human Services (EOHHS) to reduce administrative rates paid to MCOs.

Excess Spending in Contracted Services ***(\$1.9 million)***

The Budget reduces general revenue for contracted services by \$1.9 million (\$3.9 million all funds) in FY2018. The Governor included \$19.5 million in general revenue for contracted services at the Executive

Office of Health and Human Services (EOHHS). EOHHS contracts project management services to support with strategic planning, design, development and implementation of financial management of projects. An example of its support is in the development and contracting with Accountable Entities (AEs).

Delayed Home Health Worker Wage Increase ***(\$626,512)***

The Budget delays the implementation of the increase to the base-payment rates paid to home and community-based providers. The increase to the base rate is intended to increase wages to home health workers providing care to long-term care beneficiaries living in the community. By delaying implementation to October 1, 2017, it will save \$626,512 in general revenue (\$1.2 million all funds) in FY2018. Additionally, Article 9 does not include reporting requirements or specific language requiring providers to increase wages for home health workers.

Turnover Savings ***(\$600,000)***

The Budget increases savings related to turnover by \$600,000 in FY2018. The average FTE cost at EOHHS is \$132,118. This savings assumes approximately 4.0 FTE positions will not be filled in FY2018.

Emergency Medical Transportation Funding ***(\$371,364)***

The Budget includes a \$371,364 general revenue (\$900,000 all funds) savings in FY2018. In May of 2014, the Medicaid program entered into a three year risk-based contract with Logisticare, a centralized transportation broker. The contract was renegotiated with Logisticare resulting in a contract amendment, beginning July 1, 2018, and will reduce monthly costs. The contract was extended by 18 months.

Health Policy and Analytics ***(\$250,000)***

The Budget reduces general revenues by \$250,000 for contracted services included in the Governor's Budget related to cost trend hearings. Cost trend hearings are a public hearing process that would release the findings of analysis of data collected from the all-payers claims database. This initiative is related to a strategic goal to contain healthcare costs and develop strategic priorities with healthcare stakeholders that will be effective at containing costs in Rhode Island.

Contracted Services for Medicaid Claiming ***\$250,000***

The Budget includes \$250,000 in general revenue (\$500,000 all funds) for technical services to improve Medicaid claiming throughout Health and Human Services (HHS) departments. Several areas within the FY2018 budget include savings related to improving federal funds collection for Medicaid eligible services. This initiative is intended to provide EOHHS with the needed resources to ensure improved federal fund collection for Medicaid eligible services.

Home Modifications ***\$250,000***

The Budget allocates \$250,000 to fund a home modification grant program within EOHHS. This program is meant to support disabled or elderly individuals living within the community and prevent individuals from moving to higher levels of care. Examples of home modifications include adding wheelchair ramps, shower replacements, raised toilet seats, and other improvements to address physical barriers within the home.

Oasis Wellness and Recovery Center ***Informational***

The Budget includes a line item of \$250,000 in federal funds for the Oasis Wellness and Recovery Center. It does not include additional expenditures specific to this line item; however, it requires \$250,000 must be used in federal funds from the Substance Abuse Block grant to fund programs and services provided by Oasis.

Federal Fund Changes**\$25.7 million**

The Budget includes an increase of \$25.7 million in other fund changes, including the following:

- **Health System Transformation Project (HSTP):** The HSTP is intended to advance the ongoing Medicaid healthcare delivery reforms underway in Rhode Island. Specific to year one of the agreement, the expenditures for this program are targeted exclusively to incentive payments to hospitals and nursing homes. Hospitals will receive \$13.5 million related to performance-based incentive payments and Accountable Entities (AEs) will receive \$10.0 million to further advance performance-based contracting with provider networks.
- **Health System Transformation Project (HSTP):** The HSTP is intended to advance the ongoing Medicaid healthcare delivery reforms underway in Rhode Island. Higher Education facilities will receive \$2.2 million for workforce training to support the delivery reforms.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES**Enhanced Medicaid Claiming****(\$4.0 million)**

The Budget includes \$4.0 million in general revenue savings in FY2018 related to improve Medicaid claiming for services provided by Department of Children, Youth, and Families (DCYF). This proposal assumes the opportunity to save \$2.0 million in FY2018 through improved claiming and \$2.0 million for improved claiming for two previous fiscal years. The Center for Medicaid and Medicare Services (CMS) allows states to back claim for Medicaid covered services for up to two years.

This saving initiative assumes improved Medicaid claiming process at the Department will increase the collection of federal matching funds, offsetting general revenue expenditures. The Budget includes \$500,000 for contracted services to assist in the effort to improve claiming at DCYF and other health and human service agencies.

Restricted Receipt Fund Changes**\$29,776**

- **Casey Foundation Grant:** The Department seeks to create a restricted receipt account for the appropriation of the \$29,776 grant received by the Casey Family Foundation. Previous practice at the Department did not record or appropriate the grant funds for the intended purpose. The Governor requested a budget amendment on May 4, 2017 to authorize the establishment of a restricted receipt account for donations and grants the Department receives from non-for profit organizations.

Rhode Island Capital Plan (RICAP) Fund Changes**(\$50,000)**

The Budget includes a net decrease of \$50,000 in RICAP changes, including the following:

- **Training School Repairs & Improvements:** The Budget shifts the remaining \$100,000 in capital funds for this project from FY2017 to FY2018 to repair defects at the Rhode Island Training School.
- **Training School Maintenance Building:** The Budget eliminates capital funds by \$150,000 in FY2018 to fund improvements for the training school maintenance building. This project intended to renovate two existing, vacant buildings at the Pastore Complex to house maintenance operations for the RITS. Upon construction of the new RITS and closure of the old training school facility, maintenance operations were moved to a separate building at the Pastore Complex as the new RITS did not have space for these operations.

DEPARTMENT OF HEALTH**Smoking Prevention/Cessation****(\$500,000)**

The Budget is reduced by \$500,000 in general revenue, eliminating the Governor's tobacco cessation and prevention initiative. The proposed initiative included the promotion of the smoker's helpline through media campaigns to increase call volume, and the restoration of funding to the Tobacco Free Youth grant.

Shift to Indirect Cost Recoveries **(\$500,000)**

The Budget shifts \$500,000 in general revenue costs to restricted receipts under the assumption that the Department will be able to reallocate some administrative costs associated with federal grant administration to restricted receipts. According to federal law, the State is permitted to assess the federal government for direct and indirect costs of administering federal grant programs. Costs of grant administration are regularly recovered by DOH.

Center for Legislative and Regulatory Affairs New Position **(\$124,470)**

The Budget is reduced by \$124,470 in general revenue, eliminating the Governor's proposal to add 1.0 Health Program Administrator within the Center for Legislative and Regulatory Affairs (CLRA). This subprogram promotes public health through a "health in all policies" approach. Overall CLRA is responsible for a total of 130 regulations, many of which need updating. Some of CLRA's work involves regulations based on federal mandates, which are therefore tied to federal funding. Currently, CLRA has one 0.6 FTE position dedicated to developing and implementing regulations and, due to lack of staff, is not meeting statutory requirements for regulations.

Scene Investigator **(\$105,592)**

In FY2018, the Budget is reduced by \$105,592 due to the elimination of 1.0 Scene Investigator position within the Office of the Medical Examiner. In April 2015, the National Association of Medical Examiners (NAME) indicated that the work of the Office is compromised by the lack of a sufficient number of investigators. Despite the lack of investigators, the Office has maintained accreditation. DOH requested to add a Scene Investigator in FY2017, which was not authorized in the FY2017 Enacted Budget. DOH added an unauthorized Scene Investigator position in FY2017. The position that was hired in FY2017 was filled briefly and is now vacant. This position is removed in the FY2018 Budget.

Facilities Hospital Inspector **(\$102,272)**

The Governor's proposal to add an additional 1.0 Facilities Hospital Inspector in the Center of Health Facilities Regulation is eliminated, reducing the Budget by \$102,272. The Center manages the licensing of healthcare facilities and enforces state and federal licensing standards. The position conducts onsite inspections of healthcare facilities to determine if facilities are in compliance with state regulations and standards of care, the position also addresses complaints related to noncompliant healthcare facilities.

Boards and Commission Investigator **(\$99,792)**

The Budget is reduced by \$99,792 in general revenue, eliminating the Governor's proposal to add an additional Boards and Commission Investigator position; currently the Department employs two Investigators. The role of this position is to investigate complaints against health professionals and present findings to the Center of Professional Boards and Commissions. The Department reports a 20.0 percent increase in complaints over the past two consecutive years. According to the Department, due to a lack of staff, onsite investigations are rarely performed and investigative summaries are not prepared for the Boards.

Restricted Receipt Fund Changes **(\$590,529)**

- **Lead Poisoning Prevention Program:** The Budget is reduced by \$590,529 in restricted receipts due to the removal of the Governor's proposed funding transfer from the Housing Resource Commission (HRC) to the Department of Health. The eliminated proposal established DOH as the lead state agency on lead poisoning prevention efforts.

DEPARTMENT OF HUMAN SERVICES**Child Care Costs to TANF** **(\$2.8 million)**

The Budget includes a savings of \$2.8 million due to shift of Child Care Assistance Program (CCAP) general revenue expenditures to the federal Temporary Assistance to Needy Families (TANF) Block Grant.

TANF is the primary funding source for Rhode Island Works. To access these funds each fiscal year, the State is required to maintain expenditures of at least 80.0 percent of historic “qualified” state expenditures under the former Aid to Families with Dependent Children (AFDC) Program, referred to as maintenance of effort (MOE). In Rhode Island, 80.0 percent MOE is approximately \$64.0 million. Under federal law, six types of expenditures can be counted toward MOE requirements, including child care. According to the Department’s May 2017 Caseload Estimating Conference testimony, the Department is projecting TANF MOE expenditures of \$102.2 million, well above the minimum MOE expenditure requirement of \$64.0 million, for federal fiscal year 2017. The total amount Rhode Island receives in TANF Block Grant funding is approximately \$95.0 million.

Child Care Tiered Reimbursement ***(\$1.0 million)***

The Budget is reduced by \$1.0 million in general revenue, removing the Governor’s initiative to enhance reimbursement rates to incentivize CCAP child care providers to offer higher quality care. Currently, all providers approved to participate in the DHS Child Care Assistance Program receive the same payment rates, regardless of the quality of the care delivered. The Governor did not have a clear plan identified for the increased funding.

Transportation Medicaid Match ***(\$500,000)***

There is a shift of \$500,000 of transportation costs from general revenue to available Medicaid match federal dollars in FY2018.

Bus Passes for the Elderly ***(\$300,000)***

The Budget removes \$300,000 in general revenue from the Governor’s proposed budget meant to fund free bus fares to high-need elderly individuals at risk of institutionalization, disabled individuals, and elderly or disabled veterans. According to the Division, this program was intended to mitigate the impact of the elimination of the free bus pass program upon RI’s vulnerable seniors, but does not replace the free pass program. The budget fully-funds the free fare program at RIPTA for FY2018 and FY2019.

May Caseload Estimating Conference ***\$4,942***

The May 2107 Caseload Estimating Conference led to a general revenue increase of \$4,942 (federal funds increase of \$2.0 million) above the November 2016 Caseload Estimating Conference. This increase is due to a \$94,079 increase in the Supplemental Security Income (SSI) program, offset by an \$89,137 decrease in the General Public Assistance (GPA) program. The increase in the SSI program is primarily due to an estimated \$0.35 increase in monthly cost per persons. The decrease in GPA is primarily due to an estimated decrease of 36 people utilizing the program in FY2018.

Federal Fund Changes ***(\$39.9 million)***

The Budget includes a net decrease of \$39.9 million in federal fund changes, including the following:

- **Veterans Home Shift to FY2017:** There is a decrease of \$40.0 million in federal funds, related to the Veterans Home Project, in FY2018 due to spending occurring in FY2017 instead of FY2018 as originally anticipated. The Veterans Home is expected to be completed in August 2017.
- **CNOM Federal Match:** There is an increase of \$112,175 in federal funds due to a 50/50 general revenue/federal funds match in two cost not otherwise matchable (CNOM) programs, the Home Modification and the Personal Care Attendant programs within the Office of Rehabilitation Services.

Restricted Receipt Fund Changes ***\$120,693***

- **Rhode Island Pharmaceutical Assistance to the Elderly (RIPAE):** There is an increase of \$120,693 in restricted receipt funding within the RIPAE program. This program pays for a portion of the cost for approved medications purchased through Medicare Part D plans.

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS***Medication Assistance DOC Shift******(\$2.0 million)***

The Governor included a transfer of \$2.0 million in general revenue for the Medication Assistance program from the Department of Corrections (DOC) to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) in FY2018. This transfer was intended to meet the maintenance-of-effort (MOE) requirements of the federal grant awarded by the Substance Abuse and Mental Health Service Administration (SAMHSA) that funds substance abuse programming. Article 9 includes authority to remedy MOE requirements by SAMHSA therefore the transfer of funds to BHDDH is no longer necessary.

This Medication Assistance program, which is an initiative of the Governor's Overdose Prevention and Intervention Task Force, will utilize contracted staff and services to screen for opioid disorders and conduct assessments of new inmates to determine treatment options. According to the Administration, opioid use disorder affects up to 20.0 percent of the 16,000 individuals committed to the Adult Correctional Institution (ACI) annually.

Third-party Billing to Enacted Level (Eleanor Slater)***(\$1.6 million)***

The Budget reduces general revenue expenditure by \$1.6 million and increases restricted receipts by \$1.6 million in FY2018. The reduction in expenditures are assumed through the anticipated collection of third party billing payers. Eleanor Slater Hospital (ES) can bill for non-Medicaid insurance coverage such as social security disability insurance, Medicare, and commercial insurance. Some patients at ES have multiple types of coverage; this is considered "third party" payers.

The historical collection of the third party billing has reduced over the last two fiscal years due to declining census at the hospital. It is expected that the Department would intensify billing efforts in order to ensure full collection of third party billing sources and therefore increase restricted receipts by \$1.6 million; however, it is unclear if this opportunity exists.

Restores Hospital Lab (Eleanor Slater)***\$500,000***

The Budget increases general revenues by \$500,000 (\$1.0 million all funds) in FY2018. This initiative restores savings proposed by the Governor to downsize laboratory services provided at Eleanor Slater Hospital.

Administrative Match Correction***(\$208,000)***

The Budget reduces general revenue by \$208,000 with a corresponding increase in federal funds in FY2018 related to increased collections of federal matching funds for administrative functions at the Department.

Hospital License Fee***(\$51,661)***

The Budget reduces general revenues by \$51,661 (\$174,699 all funds) in FY2018 related to the reduction in the hospital license fee Eleanor Slater (ES) is assessed annually. The Budget reduces the fee from 5.652 percent to 5.57 percent thereby reducing the fee assessment that ES pays annually.

Federal Fund Changes***\$2.8 million***

The Budget includes a net increase of \$2.8 million in federal fund changes, including the following:

- **State Targeted Response (SRT) Grant:** The Department has received State Targeted Response (SRT) grant from the Substance Abuse and Mental Health Services Administration (SAMHSA). The grant is intended to address the priorities in the Overdose Prevention and Intervention Action Plan to address the opioid crisis in Rhode Island. The grant will support efforts to increase access to treatment, recovery supports, and prevention with an allocation of \$2.2 million in FY2018.
- **State Youth Treatment Implementation Grant:** The Department of BHDDH has been awarded a four-year State Youth Treatment Implementation grant to improve treatment of adolescent youth with

substance abuse disorders and/or co-occurring mental health disorders. The FY2018 allocation for this grant is \$600,000.

Rhode Island Capital Plan (RICAP) Fund Changes **\$800,000**

The Budget includes a net increase of \$800,000 in RICAP changes, including the following:

- **Hospital Reorganization:** Increases RICAP funding by \$1.0 million in FY2018 for the Eleanor Slater Hospital reorganization project.
- **Regional Center Repairs:** Reduces RICAP expenditures by \$200,000 for upgrades to Regional Centers in FY2018 through FY2022.

OFFICE OF THE CHILD ADVOCATE

Enhanced Staffing **\$111,791**

The Budget increases personnel funding for the Office of the Child Advocate by \$111,791 to fund 1.0 additional FTE. The Child Advocate requested three positions in addition to the Governor's Budget, including 1.0 intake coordinator, 1.0 policy and data analyst, and 1.0 social worker.

ELEMENTARY AND SECONDARY EDUCATION

Education Aid Funding Formula Data Update **\$1.5 million**

Pursuant to statute, the enrollment data used to calculate the funding formula must be from the year prior to the year in which the aid is paid. The Budget increases FY2018 general revenue funding by \$1.5 million to adjust the seventh-year formula calculation for March 2017 student enrollment, and free and reduced price lunch data.

Teacher Retirement **\$1.2 million**

The State pays 40.0 percent of the employer's share of the teacher retirement contribution each year. The Budget adds \$1.2 million in general revenue for a projected deficit in FY2018, relative to the Governor's Budget, due to updated wage growth projections based on actual wage data in FY2017.

Turnover **(\$375,000)**

The Budget reduces funding for personnel costs by \$375,000 to reflect the turnover to be achieved by keeping staffing at the May 2017 levels. As of the May 27, 2017, FTE report, the Department, not including Davies or the School for the Deaf, had 12.1 vacancies.

Kindergarten Entry Profile **(\$200,000)**

The Budget eliminates \$200,000 in general revenue funding for the new Kindergarten Entry Profile (KEP) due to budget constraints. The KEP would have assessed the status of incoming kindergarten students through a series of observations while students are engaged in the "work" of kindergarten. The information collected was intended to help teachers understand the developmental needs of the students in order to better tailor instruction, to share with parents, and to contribute toward a statewide measure of how Rhode Island children are doing when they enter kindergarten.

Stabilization Fund **\$137,577**

As a result of the March 2017 data update to the education funding formula, the Budget adds \$137,577 in general revenue to keep Davies (\$135,365) and the Met (\$2,212) level funded with the Governor's Budget. The stabilization funds provide additional support to Davies and Met for costs associated with a stand-alone high school offering both academic and career and technical coursework.

Shift Personnel Costs to Indirect Cost Recovery ***(\$100,000)***

Certain federal grants permit the Department to set aside a portion of the grant funds for personnel and/or operating costs related to managing the grants. Based on revenue and expenditure projections for the indirect cost recovery fund, the Department is projected to have a balance of approximately \$200,000 in FY2018. The Budget reduces general revenue funding to reflect a shift of \$100,000 to indirect cost recovery restricted receipts.

English Learners Regulation Implementation ***(\$60,000)***

Due to a delay in the implementation of the new English Learner regulations, the Budget removes \$60,000 in general revenue intended to secure a vendor to provide training and coaching on the implementation of the new federal guidelines and proposed State regulations for English learners.

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

The Governor's recommendation included \$260,000 in general revenue to increase access to computer science courses across the State. The Budget reduces funding by \$50,000 to reflect program spending experience from FY2017. This program, enacted in FY2017, is being run through the Innovation Office at RIC. As of May 15, 2017, RIC had received \$208,000 in donations for a total of \$468,000 in funding, and had spent \$310,382, including \$201,382 in general revenue.

Restricted Receipt Fund Changes ***\$865,728***

The Budget includes a net increase of \$865,728 in new restricted receipt grant funding, including the following:

- **Council of Chief State School Officers Grant:** The Budget provides \$2.0 million in restricted receipts over three years for a new grant to improve career readiness and postsecondary attainment for all Rhode Island youth, including \$100,000 in FY2017 and \$800,000 in FY2018. Rhode Island is one of only ten states nationally to receive a Phase Two New Skills for Youth (NSFY) grant. The grant, part of the \$75.0 million New Skills for Youth initiative, is aimed at strengthening career-focused education starting in high school and ending with postsecondary degrees or credentials aligned with high-skill jobs. Receipt of the grant is a commitment by the State of Rhode Island to improve the career readiness and postsecondary attainment of all Rhode Island youth to prepare them with the skills they need to get jobs.
- **Nellie Mae Grant:** The Budget adds \$65,728 in new restricted receipt grant funds from Nellie Mae to support high quality, proficiency-based learning and ensure the successful implementation of the new Secondary School Regulations. The \$131,455 grant runs from January 1, 2017, to December 31, 2017, and will be used primarily to support the development of 100 key educators into Rhode Island Learning (RIL) Champions. The RIL Champions will develop exemplar graduation proficiencies and performance indicators, sample scoring criteria, and assessment task models. Each RIL Champion will receive \$500 for their efforts and RIDE will cover substitute costs, up to \$500, for the school districts impacted. The grant will also cover mileage reimbursement for RIDE staff and other expenses such as meeting supplies and printing costs.

Rhode Island Capital Plan (RICAP) Fund Changes ***(\$674,000)***

The Budget includes a net decrease of \$674,000 in RICAP changes, including the following:

- **Davies Career and Technical School - HVAC:** The Budget shifts \$1.5 million in RICAP funds into out-years to reflect the current project schedule. Davies is in the process of completing a Master Plan that will inform the scope and schedule of this project. This project replaces and repairs the HVAC system

at the Davies Career and Technical Center. The existing equipment is over 30 years old, is inefficient, and is contributing to air quality issues in a number of areas in the building.

- **Metropolitan Regional Career and Technical Center - HVAC:** The Budget shifts \$2.2 million in RICAP funds from FY2017 into FY2018 to reflect the updated project schedule. This project replaces and repairs the HVAC systems for five buildings at the MET School's Peace Street and Public Street campuses.

PUBLIC HIGHER EDUCATION

Rhode Island Promise Scholarship Program ***(\$4.5 million)***

The Governor's Budget proposed the Rhode Island Promise Scholarship program to provide students with two years of tuition and mandatory fees while attending one of the State's three public institutions of higher education with no income or merit restrictions. The Budget limits the scholarship to students attending the Community College of Rhode Island (CCRI) and requires students to maintain an average cumulative grade point average (GPA) of 2.5 or greater and commit to live, work, or continue their education in Rhode Island after graduation. The program begins with enrollment in the Fall of 2017 and ends with enrollment in the Fall of 2020.

The Budget eliminates the \$4.5 million in general revenue for this program, leaving a balance of \$5.5 million, providing \$2.8 million for scholarships and \$2.8 million for increased operating costs at the institutions, including \$1.5 million for the University of Rhode Island, \$750,000 for Rhode Island College, and \$500,000 for CCRI.

OPC Dual/Concurrent Enrollment ***(\$500,000)***

The Governor's recommendation provided \$500,000 in new general revenue funding to slow the depletion of Division of Higher Education Assistance (DHEA) funds to fund the dual/concurrent enrollment program. The Budget shifts this general revenue funding to DHEA, or other funds. The Dual/Concurrent Enrollment program, also known as Prepare RI, allows high school students to earn credits at their high school and credits at state public colleges and universities (URI, CCRI, and RIC) at no cost to the student.

The Budget provides \$1.8 million in total funding for the dual/concurrent enrollment program in FY2018; however, the total costs in FY2017 are expected to reach \$2.3 million. The increased costs are due to the popularity of the program, but also due to the lack of policy to control program costs. While the program was intended to give students a boost toward their college degree, it was not envisioned to provide years of free college; students are using the program to earn a full year, or more, of college credit. Consequently, Article 12 limits payments to the public institutions of higher education for dual and concurrent enrollment to the amount appropriated and requires the Council on Postsecondary Education to promulgate rules and regulations enforcing the limit on program costs. One such control may involve imposing a limit on the number of courses per student per semester that will be paid for through the state program. The Advanced coursework network at the Department of Elementary and Secondary Education limits students to two courses per semester.

Small Business Development Center ***\$100,000***

The Rhode Island Small Business Development Center (RISBDC) has been housed at URI since 2014. For the last three years, the center has received \$250,000 annually in state support, which has then been used to leverage additional federal funding. In order to fully meet the current matching requirements, the RISBDC needs an additional \$100,000, bringing the total state support to \$350,000. According to the RISBDC, every \$1 of state investment generates \$3 in state return.

Rhode Island Capital Plan (RICAP) Fund Changes ***(\$3.0 million)***

- **RIC Residence Hall:** The Budget eliminates \$3.0 million in RICAP funds for the construction of a new residence hall, pending a comprehensive review of the project to determine the amount of the state

subsidy and a plan for self-sufficiency. Residence Halls are auxiliary organizations and, while state subsidies have been granted to auxiliaries in the past, they are generally required to be self-supporting.

DEPARTMENT OF CORRECTIONS

Medication/Mediation Assisted Treatment Program Shift **\$2.0 million**

The Budget reverses the Governor's transfer of \$2.0 million in general revenue, related to the Medication/Mediation Assisted treatment (MMAT) program, from the DOC to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The expenditures in the DOC budget will meet the maintenance of effort (MOE) requirements of the federal grant that funds the program. Previously, there had been a concern that the funds had to be in the BHDDH budget to meet the MOE.

This program, which is an initiative of the Governor's Overdose Prevention and Intervention Task Force, will utilize contracted staff and services to screen for opioid disorders and conduct assessments of new inmates to determine treatment options. According to the Administration, opioid use disorder affects up to 20.0 percent of the 16,000 individuals committed to the Adult Correctional Institution (ACI) annually.

Discharge Planning **\$800,000**

The Budget is increased by \$800,000 in general revenue to fund sex offender discharge planning provided by Crossroads Rhode Island. This increase is in addition to \$250,000 provided to Crossroads Rhode Island in the Governor's Budget. Crossroads Rhode Island is the largest homeless services organization in Rhode Island and their mission is to "help homeless or at-risk individuals and families secure stable homes."

Population Per Diem Adjustment **(\$787,260)**

There is a savings of \$787,260 in general revenue per-diem operating expenses in FY2018 due to a smaller than projected population within the Department of Corrections (DOC) in FY2017. The Department reported 2,966 individuals in their May 2017 population report. The FY2017 revised Budget projected a population of 3,058 and 3,059 in FY2018.

Mental Health Initiative **(\$410,735)**

There is a decrease of \$410,735 in general revenue related to personnel within Healthcare Services. This decrease is comprised of the elimination of 3.0 mental health related FTE positions. These proposed positions included, 2.0 Clinical Social Workers and 1.0 Behavioral Health Administrative Assistant. The Department is required to accept mentally ill offenders who do not otherwise qualify for admission into a mental health facility. The Department reports that more mental health resources are needed with 15,000 admissions per year and eight clinicians on staff.

Federal Fund Changes **\$35,000**

- **Conversion of Asset Forfeiture Account:** Existing asset forfeiture restricted receipt funding of \$35,000 is converted to a federal account.

JUDICIARY

Federal Fund Changes **\$18,000**

- **Case Management System:** The Budget includes a federal fund increase of \$18,000 annually in FY2017 and FY2018 to reflect a new federal grant from the State Justice Institute. The grant will be used to identify best practices and effective strategies for the transition and implementation of the new case management system. The new system will integrate information throughout the justice system

and diminish the requirement for paper storage of case materials as all the information will be stored electronically.

MILITARY STAFF

Federal Fund Changes

\$29,500

- **Counter Drug Asset Forfeiture Shift:** The Budget converts the existing Counter Drug Asset Forfeiture (Google) restricted receipt account to a federal account per the request of the U. S. Department of Justice. The result is an increase of \$29,500 in federal fund expenditures and a corresponding decrease of \$29,500 in restricted receipts.

EMERGENCY MANAGEMENT AGENCY

EMA Remains Stand-Alone Agency

\$1.7 million

The Budget shifts \$1.7 million in general revenue from the Department of Public Safety back to the Rhode Island Emergency Management Agency, reflecting current government structure. The shift also entails a reduction of \$14.8 million in federal funds; \$450,095 in restricted receipts; and \$1.5 million in other funds. The Governor had proposed moving the Emergency Management Agency into the Department of Public Safety, however, the Budget does not make the changes.

DEPARTMENT OF PUBLIC SAFETY

EMA Remain Stand Alone Agency

(\$1.7 million)

The Budget shifts \$1.7 million in general revenue from the Department of Public Safety back to the Rhode Island Emergency Management Agency, reflecting current government structure. The shift also entails a reduction of \$14.8 million in federal funds; \$450,095 in restricted receipts; and \$1.5 million in other funds. The Governor had proposed moving the Emergency Management Agency into the Department of Public Safety, however, the Budget does not make the changes.

Public Safety Commissioner – FY2018 Expenditures (commissioner and support staff)

(\$517,154)

The Budget reduces general revenue expenditures by \$517,154 in FY2018 by eliminating the Governor's proposal to establish a Commissioner of Public Safety. The proposal included a civilian Commissioner position, and several support staff and operating funds.

Capitol Police - Screeners

(\$366,470)

The Budget eliminates a net \$366,470 in personnel expenditures associated with the Capitol Police. Changes include \$366,470 for 5.0 FTE Screener positions to assist Capitol Police Officers with security at state buildings.

New Cybersecurity Positions

(\$256,831)

The Budget eliminates \$256,831 in general revenue to fund 2.0 new FTE positions within the State Police to augment the Department's cybersecurity and crime fighting capacity. A Computer and Cyber Forensic Analyst and a Cyber Analyst were proposed to be hired in FY2018 and be detailed to the Rhode Island Joint Cyber Task Force, the Fusion Center, and the State Police Cyber Crimes Unit.

Motor Pool staff – project manager & chief of motor pool/maintenance

(\$236,675)

The Budget reduces general revenue expenditures by \$236,675 in FY2018 by eliminating the proposed increase in staff to manage the fleet maintenance and projects. The two civilian FTE positions consist of a Chief of Motor Pool and Maintenance and a Project Manager I.

Sworn Member Training **(\$200,000)**

The Budget reduces general revenue expenditures by \$200,000 by eliminating the Governor's proposal to pay for elective training for existing State Troopers. The proposed training involved recertifications, external training opportunities, and new training that officers would bid into to participate. The Department may choose to use Google forfeiture funds to pay for the additional proposed training.

New Civilian Support Positions **(\$199,788)**

The Budget eliminates \$199,788 to provide for 2.0 Senior Planning and Program Development FTE positions within the State Police's Administrative Bureau. The Planning, Research and Accreditation Unit within the bureau provides support for strategies to improve highway safety, compiles and posts data for the State Police's annual report, and yearly crime analysis. The unit is currently staffed with entirely uniformed Troopers (4.0 FTE positions). The addition of the new civilian support staff will free up the Troopers to perform those activities that only sworn officers are permitted to undertake.

Public Information Officer (1.0 FTE) **(\$151,742)**

The Budget eliminates \$151,742 in FY2018 general revenue earmarked to fund a Director of Public Information FTE position within the Central Management Division of DPS.

Fingerprint Equipment **(\$100,000)**

The Budget eliminates \$100,000 in general revenue expenditures associated with the Governor's proposed purchase of four new Livescan fingerprint machines, one each for the State Police headquarters and the Lincoln, Hope Valley, and Wickford barracks. The Department may choose to use Google forfeiture funds to pay for the additional equipment.

Fire Marshal – new bomb squad tech **(\$77,481)**

The Budget eliminates \$77,481 in general revenue in FY2018 by eliminating the proposed addition to the Rhode Island Bomb Squad of one new Assistant Explosives and Flammable Liquids Technician FTE position.

Municipal Police Training Academy – new truck **(\$30,000)**

The Budget eliminates \$30,000 in general revenue to finance the purchase of a new SUV or pickup truck to be used by the staff of the Municipal Police Training Academy to transport equipment associated with the Academy's activities. The Department may choose to use Google forfeiture funds to pay for the additional equipment.

Batterer's Intervention Program **(\$100,000)**

The Budget eliminates \$100,000 in general revenue to expand domestic violence intervention programs. DPS was to make the funds available to its network of Batterers Intervention Program providers for purposes of training provider staff on the use of evidence-based treatment that reduces instances of domestic violence and to subsidize participation costs for indigent participants.

Federal Fund Changes **\$405,900**

- **State Police Federal Forfeiture Funds Adjustment:** The Budget reflects the conversion of the existing Counter Drug Asset Forfeiture (Google funds) restricted receipt account to a federal account per the request of the U. S. Department of Justice. This change results in a shift of \$405,900 from restricted receipts to federal funds.

Restricted Receipt Fund Changes **\$103,212**

- **State Police Taskforce Reimbursement:** The Budget adds \$103,212 in restricted receipts funds resulting from reimbursements to the State Police from non-state entities for which the State Police have provided support. The Budget creates a new account into which these funds are to be deposited and will help better reflect the cost to the State Police that providing service to the entities entail.

Previously, these reimbursements were reflected as expenditures credits as opposed to revenue to the Division.

OFFICE OF THE PUBLIC DEFENDER

Justice Reinvestment Initiative **(\$185,000)**

The FY2018 Budget is reduced by \$185,000 in general revenue by eliminating the Governor's proposal to establish a mental health program to allow pre-arraignment diversion to mental health services and thereby reduce the strain on the health care system, first responders, the Department of Corrections, and the courts. The proposed service would have been provided through an independent contractor who would assess and evaluate clients with mental health conditions, assist in accessing community support programs, and avoid or reduce prison time.

Public Defender IV Position **(\$112,229)**

The Budget removes \$112,229 in general revenue due to the elimination of 1.0 new FTE Public Defender IV position. The position was proposed to handle increasing caseloads and to reduce the per-employee workloads. According to the Office, national caseload standards suggest an average of 150 felonies and 400 misdemeanor cases per attorney; however, the Office consistently exceed the standards with 213 felonies per attorney, 142.0 percent over the standard, and 616 misdemeanors per attorney, 154.0 percent over the standard.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

Outdoor Recreation Investments **(\$2.5 million)**

The Governor recommended \$2.5 million to fund the strategic plan that was developed by the Outdoor Recreation Council (Council). The Budget eliminates this funding. The Council, created through executive order in January 2016, was charged with developing a strategic plan to grow and promote recreation in Rhode Island.

Clean Diesel Program **(\$1.0 million)**

The FY2017 Budget as Enacted included \$2.0 million for the new Rhode Island Clean Diesel Fund established within DEM; however, due to implementation delays, the Governor recommended shifting the funding into FY2018. The Budget shifts \$1.0 million of this funding into FY2019.

The program is intended to reduce emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program. Grants for up to 50.0 percent of project costs will be awarded by DEM pursuant to rules and regulations promulgated by the Department. To be eligible for funding, equipment must be registered with the Rhode Island Division of Motor Vehicles, be garaged in Rhode Island, and certified by DEM that 50.0 percent of more of the vehicle miles traveled or hours operated are in Rhode Island for at least five years following the grant award. Administrative and outreach costs for the program are capped at \$200,000 annually or 10.0 percent of the fund appropriation, whichever is greater.

Volvo Ocean Race to Commerce Tourism Funds **(\$775,000)**

The Governor recommended \$775,000 in general revenue for security, waste disposal, and program supply costs for the Volvo Ocean Race in May 2018. The Budget shifts the funding sources from general revenue to Commerce Corporation Tourism funds, thereby reducing general revenue expenditures by \$775,000. The Volvo Ocean Race is a yacht race around the world that generally begins in Europe in October. The race is held every three years and was last in Rhode Island in 2015.

Local Agriculture and Seafood Act **(\$200,000)**

The Governor recommended an increase of \$100,000 in general revenue relative to the FY2017 Budget as Enacted (\$200,000 total general revenues) to provide additional grants through the Local Agriculture and

Seafood Act Grant program. The Budget eliminates all the general revenue funding for this program. The Local Agriculture and Seafood Grant program was established to support the growth, development, and marketing of local food and seafood within Rhode Island. The program was launched in FY2014 and is co-administered by the Division of Agriculture, within the Rhode Island Department of Environmental Management, and the Rhode Island Food Policy Council. Grants are awarded through a competitive process open to farmers, fishermen/women, non-profits, and producer groups based in Rhode Island. The Department indicates that applications for grants far exceed available funding.

Environmental Scientists (2.0 FTEs) ***(\$162,386)***

The Budget eliminates \$162,386 in general revenue for the salary and benefits of 2.0 new FTE Environmental Scientist positions to work on storm water compliance and permitting. In order to reduce pollution, DEM is working to enhance state programs and build municipal capacity to manage storm water runoff. The positions would have been assisting municipalities with their obligations under Federal and State storm water regulations, responding to citizen complaints on alleged violations of water pollution requirements, and using outreach and other tools to correct problems.

Eisenhower House ***(\$100,000)***

The Governor recommended transferring management of the Eisenhower House from the Historical Preservation and Heritage Commission to the Department of Environmental Management (DEM). The transfer includes 1.0 FTE Site Manager position, \$150,000 in general revenue, and \$138,150 in restricted receipts. The Budget eliminates \$100,000 of the general revenue bringing total funding in line with FY2016 actual expenditures.

Minimum Wage Workers ***(\$54,230)***

The Governor recommended increasing the minimum wage by \$0.90, from \$9.60 to \$10.50 per hour, effective October 1, 2017; and provided \$122,000 in general revenue to cover the cost of the wage increase for seasonal workers in DEM for March through June of 2018. The Budget reduces the minimum wage increase to \$0.50 per hour and includes a corresponding decrease in general revenue expenditures of \$54,230. The minimum wage was last increase on January 1, 2016, from \$9.00 to \$9.60 per hour.

Rhode Island Capital Plan (RICAP) Fund Changes ***(\$4.5 million)***

- **Natural Resources Offices/Visitors Center:** The Budget shifts \$4.5 million in RICAP funding into FY2019 to reflect the current project schedule. This project involves the construction of a new Natural Resources Offices/Visitor's Center to coordinate staff programming by providing office space, laboratories, storage, and workshop areas for mosquito abatement testing, the state veterinarian, and the administrative office, including the Freshwater Fisheries and Wildlife sections of the Division of Fish & Wildlife.

COASTAL RESOURCES MANAGEMENT COUNCIL

Ocean Engineer (6 months) ***(\$70,754)***

The Budget eliminates the \$70,754 increase in general revenue, relative to the FY2017 Budget as Enacted, provided in the Governor's recommendation, including \$55,754 for an Ocean Engineer and \$15,000 for shoreline monitoring and data collection. The funding would have provided the salary and benefits of the Ocean Engineer position for six months in FY2018. The position has been vacant and does not require an increase in the FTE cap. The engineer would have provided in-house expertise on issues related to increased storm surge, such as reducing or limiting erosion and making infrastructure more resilient, as well as reviewing architectural and engineering plans to ensure compliance with the building code and other permitting activities. The \$15,000 would have ensured continued monitoring at locations within the long-term beach profile network and added new sites on Block Island.

Rhode Island Capital Plan (RICAP) Fund Changes **(\$325,000)**

The Budget includes a net decrease of \$325,000 in RICAP changes, including the following:

- **RI Coastal Storm Risk Study:** The Budget shifts \$375,000 in RICAP funding into out years, leaving a balance of \$150,000 in RICAP funds and \$1.1 million in federal funds in FY2018. In response to Hurricane Sandy and other coastal storms, the United States Army Corps of Engineers (USACE) is investigating solutions to reduce future flood risk by developing the long-term resilience and sustainability of coastal ecosystems. The RICAP funds in this project will be used as the state share for the cost of the study being conducted by the USACE.
- **Green Pond Dredging Study:** The Budget provides \$50,000 in RICAP funds for the study of dredging of Green Hill Pond. The study is aimed at lifting the shell fishing ban in Green Hill Pond and Eastern Ninigret. The State funds will be matched by the towns of Charlestown and South Kingstown each contributing \$25,000.

DEPARTMENT OF TRANSPORTATION**Federal Fund Changes** **\$10.0 million**

The Budget includes a net increase of \$10.0 million in federal funds including the following:

- **Federal Highway Improvement Program:** The Budget adds \$12.0 million in federal funds in FY2018 to finance projects under the Federal Highway Improvement Program (HIP). HIP projects include bridge, pavement, transit, and transportation alternatives. They current projects are outlined in the State Transportation Improvement Plan (TIP).
- **Turnover:** The Budget decreases \$2.0 million in federal funds based on anticipated turnover savings for the Department.

Rhode Island Capital Plan (RICAP) Fund Changes **\$5.6 million**

The Budget includes a net increase \$5.6 million in RICAP funds for FY2018 including the following:

- **Federal Highway Improvement Program:** The Budget adds \$3.4 million in RICAP funding in FY2018 to finance the required state match under the Federal Highway Improvement Program (HIP). HIP projects include bridge, pavement, transit, and transportation alternatives. They current projects are outlined in the State Transportation Improvement Plan (TIP).
- **T.F. Green Airport:** The Budget increases FY2018 funds by \$2.0 million to provide funding for an expansion to the Federal Inspection Services facility. The expansion is required to support the new international flights scheduled to begin in FY2018.
- **Salt Storage:** The Budget increases FY2018 RICAP funding for construction and repairs at the East Providence salt storage facility by \$750,000.
- **Portsmouth Facility:** The Budget reduces FY2018 RICAP funding by \$575,256 in FY2018 for the RIDOT's Maintenance Facility in Portsmouth. The project has progressed more quickly than originally anticipated and is expected to be completed in FY2017.

RHODE ISLAND PUBLIC TRANSIT AUTHORITY**Restoration of Free Fare Program** **Informational**

Under Article 4, the Budget provides the Rhode Island Public Transit Authority (RIPTA) with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income senior and disabled persons. The free fare program is estimated by RIPTA to cost \$3.4 million. Additionally, the Budget shifts \$1.6 million in RIPTA debt service payments back to the Authority.

RIPTA also must establish a coordinating council to develop recommendations for the sustainable funding of the program while maximizing the use of federal funds available to support the transportation needs of this population. The recommendations are to be provided to the Governor and General Assembly by November 1, 2018.



FY2017 SUPPLEMENTAL BUDGET

FY2017 Revenue Changes

The Governor proposed \$3,700.4 million in general revenues for FY2017, an increase of \$16.7 million (0.5 percent) over the enacted level. The Budget decreases available general revenue collections for FY2017 by \$43.5 million for the following adjustments:

May Revenue Estimating Conference **(\$59.6 million)**

The May 2017 Revenue Estimating Conference (REC) decreased net available general revenues for the State in FY2017 by \$59.6 million. The Conference significantly revised down its November consensus estimates for several of the major tax categories. FY2017 personal income tax collections were down \$900,000 from November. FY2017 business taxes were revised down \$56.4 million and sales and use taxes were reduced by \$13.2 million. These reductions were offset by other reductions and minor increases in other revenue sources (i.e. excise taxes, departmental receipts, etc.) that net to the \$59.6 million overall reduction.

Motor Vehicle Fund **\$13.0 million**

The Budget changes the phase-in schedule for transferring all vehicle license and registration fees from the general fund to the State Highway Maintenance Account (HMA). The transfer of these fees to the HMA is part of the sustainable transportation funding reforms adopted by the General Assembly in the FY2015 Budget as Enacted. The original schedule called for 25.0 percent of the fees to be transferred during FY2016, 75.0 percent during FY2017, and all fees in FY2018 and beyond. Article 4 of the Budget retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of the fees is delayed until FY2019. These adjustments result in \$13.0 million more in general revenue in FY2017.

Attorney General Settlement **\$3.2 million**

The Budget includes \$3.2 million more in general revenues as a result of a May 2017 legal settlement between Volkswagen and the State of Rhode Island. Volkswagen violated state environmental laws by selling diesel vehicles that were equipped with illegal and undisclosed emissions control override devices. The settlement was part of a coordinated effort of ten states' attorney generals.

Historic Homeowner Tax Credit **(\$95,511)**

The Budget reduces general revenue by \$95,511 to accommodate outstanding tax credits that were issued under the Historic Homeowner Assistance Tax Credit Program prior to the personal income tax reform that began January 1, 2011. The Historic Homeowner Tax Credit program was designed to encourage homeowners to invest in preserving the historic elements of their property. At the time the program was terminated in 2010, 115 taxpayers had \$797,911 in unused carryforward tax credit amounts. The outstanding credit amounts range from \$20 to \$70,397. Credits of \$10,000 or less represent 80.0 percent of the total remaining. Revenue losses are estimated to diminish by an average of 23.0 percent each year.

FY2017 Expenditure Changes by Agency

DEPARTMENT OF ADMINISTRATION

Debt Service ***(\$2.6 million)***

The Budget decreases general revenue-funded debt service payments by \$2.6 million. The reduction reflects adjustments to several debt service accounts including; a decrease of \$2.5 million in the 38 Studios Debt Service account due to the availability of settlement proceeds to pay the debt in the current fiscal year, a decrease of \$85,300 in Fidelity Job Rent Credits reflecting fewer jobs claimed by Fidelity Investments, and a decrease of \$21,300 reflecting the closeout of the Technology Certificate of Participation (COPs) project accounts. These items are offset by an increase of \$4,035 for higher than projected interest rates for the I-195 variable rate bond debt.

Turnover ***(\$1.5 million)***

The Budget decreases general revenue by \$1.5 million based on anticipated turnover savings for the Department of Administration. This equates to 9.0 FTE positions using the Department's average FTE cost of \$167,253 per FTE. As of June 10, 2017, payroll report, the Department has averaged 56.0 vacant positions in FY2017.

Office of Management and Budget – Fraud Detection System ***(\$1.4 million)***

The Budget shifts \$1.4 million in unspent general revenue from FY2017 to FY2018 reflecting a delay in implementing the program. The system will combine data across State agencies including the Department of Revenue, Department of Labor and Training, and the various human services agencies. The system will consolidate data to allow the cross referencing needed to detect fraud, such as quarterly wage information from the Department of Labor and Training's Unemployment Insurance program, with individual income and sales tax data to detect income tax fraud. Based on the experience of a similar program in New York, it is projected that the tool will generate \$5.0 million in additional general revenue.

Pay for Success Pilot – Delay ***(\$500,000)***

The Budget reduces \$500,000 in general revenue reflecting a delay in implementing the pilot Pay-for-Success project in the Department of Corrections (DOC). As of June 13, 2017, no expenditures have been made for the program. The State's goal was to launch the pilot services in January 2017.

The Department and DOC worked with the Harvard Kennedy School's Government Performance Lab to develop a proposal to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals. The Pay-for-Success Project is a data-driven approach to improving service delivery. In a Pay-for-Success initiative, investors provide up-front funding for a project; and the state only repays investors if a third party evaluator determines the initiative achieved specific, predetermined outcomes that benefit society and save taxpayer dollars. This approach ensures government funding is allocated based on proven results, not inputs or promised success.

Cost Allocation for Governor's Office Position ***(\$114,779)***

The Budget eliminates \$114,779 in general revenue to fund 50.0 percent of the personnel costs associated with a Deputy Chief of Staff position within the Office of the Governor. The Governor proposed this "interdepartmental cost allocation" as a means to reflect the Governor's Office staff support to assist state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, Justice Reinvestment Initiative, etc., effectively reducing the need to appropriate funds within the Governor's Office to cover these salary expenses.

Water Management Program **(\$100,000)**

The Budget eliminates \$100,000 in general revenue for purchased contract services. The appropriation was included to assist the Planning Program in filling vacant FTE positions associated with the Water Resources Management Program.

Building Code Study **(\$100,000)**

The Budget decreases general revenue by \$100,000 eliminating funding for a regulatory review of the revised state building codes.

UHIP Legal **(\$50,000)**

The Budget decreases general revenues by \$50,000 reflecting a 50.0 percent reduction to the \$100,000 in funding included in the FY2017 Revised Budget for anticipated legal expenses related grievances involving the start-up of the Unified Health Infrastructure Project (UHIP).

Building Code Rent **(\$43,555)**

The Budget reduces \$43,555 in general revenue for leased space expenses for the Building Code Commission to relocate its offices from space within the Department of Administration (William Powers Building) to the Foundry Building in Providence. The FY2017 Budget as Enacted included \$54,805, reflecting three quarters of a year's lease during FY2017. The full year rental expense is \$73,073. The State began making actual monthly rental payments of \$3,714 in February 2017, which reduces the amount required for rental payments in the current fiscal year.

Federal Fund Changes **\$107,735**

- **Office of Energy Resources:** The Budget shifts the funding source for the Clean Energy State Alliance grants from restricted receipts to federal funds per the request of the State Controller to meet federal reporting requirements. There is a corresponding decrease of \$107,735 in restricted receipts.

Rhode Island Capital (RICAP) Fund Changes **(\$5.9 million)**

The Budget includes a decrease of \$5.9 million in RICAP changes, including the following:

- **Big River Management Area:** Decreases the Big River Management Area project by \$100,000 to reflect actual estimated project expenses.
- **Chapin Health Laboratory:** Decreases funding by \$650,000 for the Chapin Health Laboratory RICAP project to reflect the Department of Administration's revised project timeline. This action shifts \$650,000 into FY2020.
- **Dunkin Donuts Center:** Decrease funding by \$1.0 million for the Dunkin Donuts Center RICAP project to reflect the Department of Administration's revised project timeline and action shifts funding for the project to the out-years with \$500,000 to FY2018 and \$500,000 to FY2019.
- **Environmental Compliance:** Removes \$100,000 to reflect actual estimated project expenses.
- **IT Enterprise Operations Center:** Removes \$370,000 to reflect actual estimated project expenses.
- **McCoy Stadium:** The Budget increases funding \$115,000 to complete the McCoy Stadium condition assessment and master plan for capital repairs. This includes a shift of \$101,761 from FY2018 to FY2017, due to the completion of the plan and the need to pay the final invoices.
- **Old State House:** Removes \$200,000 to reflect actual estimated project expenses.
- **Pastore Center Cottages:** Removes \$100,782 to reflect actual estimated project expenses.
- **Pastore Center Parking:** Decreases funding by \$185,000 to reflect actual estimated project expenses.

- **Pastore Power Plant:** Removes funding \$800,000 and shifts \$150,000 from FY2017 to FY2018 for the Pastore Power Plant Project.
- **Pastore Center Strategic Plan:** Adds \$200,000 for the Pastore Center Strategic Plan project to reflect actual estimated project expenses.
- **Pastore Center Electrical Utility Upgrades:** Shifts \$500,000 from FY2017 to FY2019 to reflect the Department of Administration's revised project timeline.
- **Replacement of Fuel Tanks:** Adds \$100,000 for the Replacement of Fuel Tanks project to reflect actual estimated project expenses.
- **Rhode Island Convention Center:** Decreases funding \$750,000 for the Rhode Island Convention Center and shifts funding to FY2018, FY2019, and FY2020.
- **Shepard Building:** Withdraws \$95,000 for the Shepard Building project to reflect actual estimated project expenses.
- **State House Energy Improvement:** Removes \$108,333 for the State House Energy Improvement project to reflect actual estimated project expenses.
- **Veterans Auditorium Land Purchase:** Adds \$45,000 for additional expenses needed to complete the project.
- **William Powers Administration Building:** Removes \$200,000 for the project to reflect actual estimated project expenses.
- **Zambarano Utilities and Infrastructure:** Shifts \$1.0 million for the Zambarano Utilities and Infrastructure project to FY2020 to reflect the Department of Administration's revised project timeline.

DEPARTMENT OF BUSINESS REGULATION

Personnel Savings

(\$600,000)

The Budget includes \$600,000 in general revenue personnel savings within the Department. The net personnel savings is due to certain positions remaining unfilled longer than anticipated. At an average cost of \$108,965, the reduction equates to 5.5 FTE positions. As of May 27, 2017, the Department has averaged 91.2 filled FTEs as compared to its 97.0 FTE authorized level.

Restricted Receipt Fund Changes

(\$445,000)

The Budget includes a net decrease of \$445,000 in restricted receipt funds including the following:

- **Medical Marijuana Tracking Database:** The Budget reduces restricted receipts by \$470,000 to account for savings related to the implementation of the Department's new medical marijuana tracking system. The FY2017 Budget as Enacted established the Department of Business Regulation (DBR) as the licensing agency of compassion centers, compassion center staff and cultivators. DBR was also charged with developing and administering a tagging system for medical marijuana plants, including the selling of plant tags and maintaining a tag database. The implementation of this new tracking system was completed in FY2017 and final expenditures for services from the vendor contracted to create the database were \$470,000 less than originally budgeted.
- **Dues and Subscriptions – Banking Program:** The Budget adds \$25,000 in restricted receipts to pay FY2017 membership costs for associations which the bank examiner staff are required to belong to, including the Conference of State Bank Supervisors, the National Association of State Credit Union Supervisors, and the National Association of Consumer Credit Administrators.

DEPARTMENT OF LABOR AND TRAINING***General Revenue Shift to Restricted Receipts*** ***(\$746,843)***

The Budget shifts \$746,843 in new general revenue expenditures to discretionary restricted receipt funds in the Workforce Regulation and Safety (WRS) program. This funding was added to support personnel costs within the program. Historically, the Department has used Tardy and Interest funds, appropriated to the Income Support Program, to offset costs within the Workforce Regulation and Safety Program. The Tardy and Interest restricted receipt account is funded via penalties and interest on employers' taxes (i.e. Unemployment Insurance, Temporary Disability Insurance, and Job Development Fund) when paid late.

Eliminate New Workforce Regulation and Safety Positions ***(\$240,431)***

The Budget is reduced by \$240,431 in general revenue and \$152,431 in restricted receipt funds by eliminating 4.0 proposed positions within Workforce Regulation and Safety. The positions were proposed to assist with workplace fraud caseloads.

Police and Firefighters' Relief Fund ***(\$91,255)***

The Budget decreases general revenue by \$91,255 for Police and Firefighters' annuity and tuition benefits, reflecting spending trends in the Department's third quarter report.

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

Eliminate Public Relations Position ***(\$7,354)***

The Budget is reduced by \$7,354 in general revenue (\$44,125 in federal funds, \$14,708 in other funds, and \$3,741 in restricted receipt funds) by eliminating 1.0 proposed Chief Information and Public Relations position. The position was proposed to work on Department-wide marketing and communication.

Federal Fund Changes ***(\$449,537)***

The Budget includes a net decrease of \$449,537 in federal funds, including the following:

- **Eliminate New Unemployment Insurance Positions:** The Budget is reduced by \$1.4 million in federal funds by removing 14.2 FTE positions within the Unemployment Insurance Program. The proposed positions were within the Income Support Program associated with claims processing services.
- **America's Promise Grant:** The Department received an America's Promise grant, increasing the FY2017 Budget by \$1.3 million in federal funds within the Workforce Development Services Program. The purpose of this grant is to accelerate the development and expansion of regional workforce partnerships. These partnerships provide a pipeline of skilled workers to specific in-demand industries.
- **Eliminate New Positions in Integrity and Compliance Unit:** In FY2018, 2.0 FTE positions are eliminated, leading to a savings of \$237,335 in federal funds. These positions, 1.0 Investigative Auditor and 1.0 Senior Monitoring and Evaluation Specialist, had been proposed to work in the Compliance and Integrity Unit.
- **Eliminate Linking to Employment Activities Pre-release Program Position:** The Budget removes 1.0 Assistant Coordinator of Employment and Training Programs position within the Linking to Employment Activities Pre-release (LEAP) program. This leads to a savings of \$92,719 in federal funds.

- **Eliminate New SWEAP Position:** The Budget removes 1.0 Principal Research Technician proposed to meet the demands of the State Workforce and Education Alignment Project (SWEAP). This leads to a \$76,212 federal funds savings and \$32,662 in other funds savings (\$108,874 all funds).

Restricted Receipt Fund Changes**(\$261,124)**

The Budget includes a net decrease of \$261,124 in restricted receipt funds, including the following:

- **Eliminate Governor’s Workforce Board Position:** A Chief of Planning Position at the Governor’s Workforce Board is eliminated in the FY2018 Budget, reducing the budget by \$93,110 in restricted receipt funding.
- **Eliminate New Hearing Unit Positions:** The Budget is reduced by \$86,907 in restricted receipts in FY2018 due to the elimination of 1.5 proposed FTE positions within the Central Management Program. The positions, 0.5 Legal Counsel and 1.0 Administrative Officer, were proposed to staff a new hearing unit. The proposed new unit would have provided due process to all parties through Administrative Procedures Act hearings pertaining to workplace fraud violations including wage and hour cases, employee misclassification cases, and prevailing wage matters.
- **Eliminate New Real Jobs Rhode Island Position:** The Budget is reduced by \$81,107 in restricted receipts by eliminating 1.0 FTE position related to the Real Jobs Rhode Island Initiative.

Other Funds Changes**\$26,787**

- **Ticket to Work Program:** The Budget adds \$26,787 in other funds within the Workforce Development Services Program to reflect the actual funding amount the Department received from the Social Security Administration for achieving “Ticket to Work” milestones. The Ticket to Work program is a voluntary, free program available to individuals who are blind or disabled, between the ages of 18 to 64, who receive Social Security Disability Insurance or Supplemental Security Income benefits. The program is designed to give qualifying individuals greater choice in getting the services they need to earn enough money from employment so they will no longer be dependent on Social Security cash benefits.

Rhode Island Capital Plan (RICAP) Fund Changes**(\$1.2 million)**

- **RICAP—Center General Asset Protection:** There is a decrease of \$1.2 million in Rhode Island Capital Plan (RICAP) spending due to funds being shifted to out years. The Center General Asset Protection appropriation is not specific to any single asset protection project, thereby providing the Department with its own discretion as to which projects are worked on in a particular fiscal year. Examples of asset protection projects the Department plans to work on include carpet replacement, partial roof replacement, walkway repairs, HVAC replacement, painting, fire alarms, drainage repairs, and building “envelope” repairs

DEPARTMENT OF REVENUE**Municipal Transparency Portal Delay****(\$55,035)**

The Budget is reduced by \$55,035 in general revenue due to a delay in the launch of the Municipal Transparency Portal, which led to a delay in hiring a position related to this project. The Transparency Portal is a software program which will be maintained and monitored by the Division of Municipal Finance. Municipalities will be required to submit “budget-to-actual financial information” three times per year (on or before the twenty-fifth day succeeding the last day of the sixth, ninth, and twelfth month of each fiscal year), replacing the currently required quarterly reports. Information must include a data report for the municipality’s general fund. Additionally, each municipal budget survey and five-year forecast will be posted on the Transparency Portal.

OFFICE OF THE GENERAL TREASURER***Federal Fund Changes******\$200,000***

- **Crime Victims Compensation Program:** The Budget increases the federal expenditure ceiling for claims from the federal Department of Justice grant reflecting year-to-date expenditure activity to reimburse victims of crime.

Restricted Receipt Fund Changes***\$2.1 million***

- **Revenue Estimating Conference Adjustments:** Based on Treasury's testimony received during Revenue Estimating Conferences conducted in May 2017, the Conference adjusted the projected revenue collections and expenditures to the Unclaimed Property Program impacting claim payments, change in liability and the surplus transfer to the General Fund. Based on Conference projections, the transfer to the General Fund increases \$2.1 million, claim payouts increase \$500,000, and the change in liability (the amount required by general accounting rules that the fund must carry forward to the next fiscal year for claim payouts) increases \$530,116, resulting with an increase of \$2.1 million. [$\$500,000 + \$530,116 + \$1,052,566 = \$2,082,682$].

Other Fund Changes***(\$8.0 million)***

- **CollegeBoundSaver Investment Earnings Transfer:** This item corrects the double counting of the transfer of annual investment earnings from Acensus, the plan administrator of the State's 529 Plan known as the CollegeBoundSaver program, to the Division of Higher Education Assistance (DHEA).

In 2016, State administration of the CollegeBoundSaver program was transferred to Treasury upon the abolishment of the Higher Education Assistance Authority (HEAA). In the first year, Treasury transferred the investment earnings to DHEA as a "contra-revenue", i.e. a subtraction from the revenue receipt account from Ascensus. The State Auditor General issued a finding that standards under the Governmental Accounting Standards Board (GASB) requires the transfer to be matched by an equal expenditure. For the FY2018 Budget, a new operating transfer account is established under Treasury, where, for the first time, the transfer shows on the State budget.

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

The Budget eliminates \$300,000 in general revenue from the Governor's Contingency Fund. The Governor's Office is annually appropriated general revenue for a contingency fund for unforeseen expenses. This is a discretionary spending account.

The FY2016 enacted budget amount totaled \$410,800, which included a reappropriation of \$160,800 from unspent funds in FY2015. At the close of FY2016, the Governor's Office had expended only \$65,966, leaving a balance of \$344,834. From the FY2016 closing balance, \$292,000 was reappropriated into FY2017, providing a total of \$542,000 in the revised FY2017 Budget. The Governor's Budget includes \$250,000 in the contingency fund in FY2018. As of May 12, 2017, a total of \$161,244 has been expended or encumbered from the contingency fund leaving a balance of \$380,756.

PUBLIC UTILITIES COMMISSION***Restricted Receipt Fund Changes******(\$127,410)***

- **Personnel – Eliminate New Positions:** The Budget removes \$127,410 in restricted receipts and 3.0 new FTE positions proposed by the Governor. This reflects a reduction of \$91,426 for 2.0 new Administrative Assistant positions, of which one was for the Division and one for the Commission to assist Commission and Division staff with energy policies. In addition, the Budget removes \$35,584 for 1.0 new Chief of Program Development position within the Public Utilities Commission. The Chief

of Program Development position was requested to meet the increased demand in Energy Facilities Siting Board filings, rate modernization, and the changes to evolving energy policy.

EXECUTIVE OFFICE OF COMMERCE

Anchor Institution Tax Credit **(\$700,000)**

The Budget does not include the \$700,000 in general revenue recommended by the Governor for the Anchor Institution Tax Credit in the FY2017. The program is designed to entice businesses that supply component goods or services for Rhode Island companies to relocate to the State. The program has received \$1.5 million in general revenue appropriations since it began in FY2016, all of which remain unobligated to date.

Turnover and Operations **(\$245,000)**

The Budget reduces general revenue by \$245,000, reflecting a \$50,663 projected surplus in operating funds and \$194,337 surplus in personnel costs within the Executive Office of Commerce in FY2017.

Cost Allocation for Governor's Office Position **(\$54,950)**

The Budget eliminates \$54,950 in general revenue to fund 50.0 percent of the personnel costs associated with the Special Council position within the Office of the Governor. The Governor proposed this "interdepartmental cost allocation" as a means to reflect the Governor's Office staff support to assist state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, Justice Reinvestment Initiative, etc., effectively reducing the need to appropriate funds within the Governor's Office to cover these salary expenses.

Rhode Island Capital Plan (RICAP) Fund Changes **\$33,317**

- **I-195 Commission:** The Budget includes an additional \$33,317 for I-195 Commission projects based on current projected expenditure levels.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES

May Caseload Estimating Conference **\$9.1 million**

The May 2017 Caseload Estimating Conference (CEC) increased general revenue expenditures by \$9.1 million and increased federal fund expenditures by \$22.7 million compared to the Governor's Budget. Increased expenditures are primarily related to the increased costs associated with increased expenditures for nursing facilities and delayed functionality of the United Health Infrastructure Project (UHIP). Delayed functionality resulted in significant unachieved savings in Managed Care.

Unified Health Infrastructure Project (UHIP) System Cost Delay **(\$3.3 million)**

The State of Rhode Island negotiated a credit from Deloitte Consulting, LLP to offset expenditures related to delayed functionality of the UHIP system. Due to poor design and development of the system, Deloitte has credited the state a total \$3.3 million in general revenues (\$27.9 million all funds) related to the project thereby reducing general revenue expenditures in FY2017.

Turnover Savings **(\$601,530)**

The Budget increases turnover savings by \$601,530 related to turnover at the Executive Office of Health and Human Services in FY2018. Based on the June 10, 2017, payroll report, the Office has averaged 15.0 vacant positions in FY2017.

Recovery Housing Pilot Program **(\$250,000)**

The Budget shifts \$250,000 from general revenues in FY2017 for the Recovery Housing Pilot program funding to the Substance Abuse Primary Prevention Block grant. The block grant awarded through the Substance Abuse and Mental Health Services Administration (SAMHSA) is the primary funding for

prevention and treatment of persons with substance use disorders in Rhode Island. Shifting this cost from general revenue to the block grant will supplant other services that were provided by the block grant.

The Recovery Housing pilot program will create a stable, drug free living environment for individuals recovering from substance abuse disorders. The recovery homes will focus on providing peer supports and connect individuals to employment and education services.

Cost Allocation of Governor's Office Staff ***(\$182,928)***

The Governor allocates \$794,564 in general revenue personnel costs to be charged against nine state agencies, of which \$182,928 was charged to the Executive Office of Health and Human Services. The Budget does not include the transfer general revenue personnel costs.

These cost allocations reflect Governor's Office staff support to assist the state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, Justice Reinvestment Initiative, etc., effectively reducing the need to appropriate funds within the Governor's Office to cover these salary expenses.

Excess Contracted Services ***(\$100,000)***

The Budget reduces general revenues for contracted services by \$100,000 in FY2017. EOHHS contracts project management services to support with strategic planning, design, development and implementation of financial management of projects. An example of is support in the development and contracting with Accountable Entities (AEs). Costs shift to federal funding sources.

Federal Fund Changes ***\$10.3 million***

The Budget includes a net increase of \$10.3 million in federal fund changes, including the following:

- **Health System Transformation Project (HSTP):** The Budget includes \$8.3 million in federal funds for HSTP which is intended to advance the ongoing Medicaid healthcare delivery reforms underway in Rhode Island. Specific to year one of the agreement, the expenditures for this program are targeted exclusively to incentive payments to hospitals and nursing homes with administrative expenditures for higher education institutions. In FY2017 Nursing Facilities will receive \$7.0 million related to performance-based incentive payments, \$1.0 million in administrative expenditures, and \$300,000 for workforce training higher educational institutions.
- **Ryan White HIV Care Grant:** The Budget includes \$2.0 million in a federal grant funding from the Ryan White Program in FY2018. The program provides medical care and essential services for people living with HIV who are uninsured or underinsured.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES

Federal Fund Changes ***(\$1.1 million)***

- **Juvenile Correctional Services:** The Department's third quarter report projects a \$1.1 million increase of federal fund expenditures for Juvenile Correction Services related to increased spending on education vouchers and savings on personnel.

Restricted Receipt Fund Changes ***\$74,471***

The Budget includes a net increase of \$74,471 in restricted receipt changes, including the following:

- **Juvenile Correctional Services:** The Department of Children, Youth, and Families (DCYF) received a \$38,700 grant from the Rhode Island Foundation to increase personalized learning for students in the Rhode Island Training School.
- **Annie E. Casey Foundation:** The Department seeks to create a restricted receipt account for the appropriation of the \$35,771 Annie E. Casey Foundation grant award in FY2018. This grant will

support the purchasing of analytic software for caseload trending. Previous practice at the Department did not record or appropriate the grant funds for the intended purpose. The Governor requested a budget amendment on May 4, 2017 to authorize the establishment of a restricted receipt account for donations and grants the Department receives from non-for profit organizations.

Rhode Island Capital Plan (RICAP) Fund Changes ***(\$826,000)***

The Budget includes a net decrease of \$826,000 in RICAP changes, including the following:

- **Training School Repairs & Improvements:** The Budget reduces capital funds by \$441,000 in FY2017 to repair defects at the RITS, which initially appeared to be the results of poor design of this facility. However, the Department, in conjunction with the Department of Administration (DOA) and the Office of the Attorney General, unsuccessfully attempted to recuperate costs associated with the defects through legal remedy. According to documentation provided by DOA, it was determined that the State's claim could not be substantiated. Improvements to the training school continue to be delayed.
- **Training School Maintenance Building:** The Budget reduces \$385,000 in capital funds in FY2017 related to the improvements proposed for the training school maintenance building. This project was intended to renovate two existing, vacant buildings at the Pastore Complex to house maintenance operations for the RITS. Upon construction of the new RITS and closure of the old training school facility, maintenance operations were moved to a separate building at the Pastore Complex as the new RITS did not have space for these operations.

DEPARTMENT OF HEALTH

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

There is a savings of \$250,000 in general revenue due to turnover savings across the Department in FY2017. The savings included the delay in hiring a Fiscal Management Officer in Finance and an Operations and a Senior Systems Analyst in the Division of Customer Services.

Shift to Indirect Cost Recoveries ***(\$250,000)***

The Budget shifts \$250,000 in general revenue costs to restricted receipts under the assumption that the Department will be able to reallocate some administrative costs associated with federal grant administration to restricted receipts. According to federal law, the State is permitted to assess the federal government for direct and indirect costs of administering federal grant programs. Costs of grant administration are regularly recovered by DOH.

Federal Fund Changes ***\$81,000***

- **Behavioral Risk Factor Surveillance System:** The Budget provides an increase of \$81,000 in federal funds within the Policy, Information, and Communication Program. The increase in funding is due to an award from the Center for Disease Control (CDC) to support staffing and surveys related to the Behavioral Risk Factor Surveillance System (BRFSS). The BRFSS is a system of health-related telephone surveys that collect state data about U.S. residents regarding their health-related risk behaviors, chronic health conditions, and use of preventive services. BRFSS collects data in all 50 states and completes more than 400,000 interviews each year.

Restricted Receipt Fund Changes ***\$160,000***

- **Software Maintenance Funding:** In FY2017, there is an increase of \$160,000 in restricted receipt funding for software maintenance.

DEPARTMENT OF HUMAN SERVICES***Turnover and Operating Savings*** ***(\$1.2 million)***

In FY2017, there is a savings of \$1.2 million in general revenue primarily due to a Department-wide projected surplus in turnover and operating costs in the third quarter.

Child Support Settlement Set Aside ***(\$300,000)***

There is \$300,000 in general revenue savings in FY2017 within the Office of Child Support Services. This savings is due to unspent reserve money for child support settlement tax intercepts.

UHIP Vendor Credit ***(\$283,185)***

The Budget includes \$283,185 in general revenue savings in FY2017 due to a credit from Deloitte, the primary developer of the UHIP system. In April 2017, the Administration announced that Deloitte will provide a \$27.0 million credit to the State to cover unanticipated UHIP costs associated with the problematic launch of the system in September 2016.

May Caseload Estimating Conference ***\$375,506***

In FY2017 Cash Assistance is projected to cost \$375,506 more in general revenue (\$3.7 million more in federal funds) than the November 2016 estimate. This general revenue increase is primarily due to the Supplemental Security Income (SSI) monthly cost per person increasing from \$45.65 to \$46.77.

Federal Fund Changes ***\$40.1 million***

The Budget includes a net increase of \$40.1 million in federal funds, including the following:

- **Veterans Home Funding Shift:** In FY2017, there is an increase of \$40.0 million in federal funds related to the Veterans Home Project. This increase is due to spending occurring in FY2017 instead of FY2018 as originally anticipated. The Veterans Home is expected to be completed in August 2017.
- **Increase in CNOM Federal Match:** There is an increase of \$112,175 in federal funds due to a 50/50 match in two cost not otherwise matchable (CNOM) programs: the Home Modification and the Personal Care Attendant programs.

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES AND HOSPITALS***Medication Assistance DOC Shift*** ***(\$2.0 million)***

The Governor included a transfer of \$2.0 million in general revenue for the Medication Assistance Program from the Department of Corrections (DOC) to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) in FY2017. This transfer was intended to meet the maintenance-of-effort (MOE) requirements of the federal grant awarded by the Substance Abuse and Mental Health Service Administration (SAMHSA) that funds substance abuse programming. Article 9 includes authority to remedy MOE requirements by SAMHSA therefore the transfer of funds to BHDDH is no longer necessary.

This Medication Assistance program, which is an initiative of the Governor's Overdose Prevention and Intervention Task Force, will utilize contracted staff and services to screen for opioid disorders and conduct assessments of new inmates to determine treatment options. According to the Administration, opioid use disorder affects up to 20.0 percent of the 16,000 individuals committed to the Adult Correctional Institution (ACI) annually.

Third-party Billing to Enacted Level (Eleanor Slater) ***(\$1.6 million)***

The Budget reduces general revenue expenditure by \$1.6 million and increases restricted receipts by \$1.6 million in FY2017. The reduction in expenditures are assumed through the anticipated collection of third party billing payers. Eleanor Slater Hospital (ES) can bill for non-Medicaid insurance coverage such as social security disability insurance, Medicare, and commercial insurance. Some patients at ES have multiple types of coverage; this is considered "third party" payers.

The historical collection of the third party billing has reduced over the last two fiscal years due to declining census at the hospital. It is expected that the Department would intensify billing efforts in order to ensure full collection of third party billing sources and therefore increase restricted receipts by \$1.6 million; however, it is unclear if this opportunity exists.

Administrative Match Correction **(\$204,000)**

The Budget reduces general revenue by \$204,000 and increases federal funds by \$204,000 in FY2017 related to increased collections of federal matching funds for administrative functions at the Department. This adjustment proposes to save general revenue administrative costs by current administrative functions at the Department are not being properly documented.

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

The Budget includes a net decrease of \$3.9 million in RICAP changes, including the following:

- **Hospital Reorganization:** Reduces RICAP funding by \$2.5 million in FY2017 for the Eleanor Slater Hospital reorganization project, including \$1.0 million FY2018 and \$1.5 million in FY2019.
- **Regional Center Repairs:** Reduces RICAP expenditures by \$500,000 for upgrades to Regional Centers in FY2017, shifting funding to FY2018 through FY2022.
- **Fire Code Upgrades for Community Facilities:** Reduces RICAP expenditures by \$400,000 for upgrades to Mental Health facilities in FY2017, shifting funding to FY2018 through FY2022.
- **Zambrano Building Repairs:** Reduces RICAP funding by \$380,000 in FY2017 for improvements to Zambrano hospital facilities, shifting funding to FY2019 through FY2022.
- **Hospital Equipment:** Eliminates \$120,771 in funding to purchase new hospital equipment at Eleanor Slater Hospital.
- **Developmental Disability (DD) Community Facility Upgrades:** Reappropriates funding for facility improvements for DD group homes saving \$100,000 in RICAP funding in FY2017 shifting \$100,000 to FY2018 and \$100,000 to FY2019.
- **Substance Abuse Asset Protection:** Reappropriates \$62,223 in RICAP funding for Substance Abuse facilities from FY2016 to FY2017.

COMMISSION ON THE DEAF AND HARD OF HEARING

Turnover Savings **(\$25,000)**

There is a \$25,000 general revenue savings in FY2017 due to a delay in hiring 1.0 Interpreter for the Deaf, which is partially offset by increased spending in contracted interpreter services.

OFFICE OF THE CHILD ADVOCATE

Third Quarter Report Surplus **(\$90,000)**

The Budget reduces general revenue expenditures by \$90,000 in FY2017 related to surpluses projected in the third quarter report.

ELEMENTARY AND SECONDARY EDUCATION

Teacher Retirement **\$1.1 million**

The State pays 40.0 percent of the employer's share of the teacher retirement contribution each year. The Budget adds \$1.1 million in general revenue for a projected deficit in FY2017 due to updated wage growth projections based on actual wage data in FY2017 (\$500,922) and an unpaid expense from FY2016 (\$644,737).

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

The Budget includes \$300,000 in turnover savings, including a reduction of \$230,000 in the Department of Elementary and Secondary Education and \$70,000 at the School for the Deaf, to reflect updated projections based on actual payroll experience through April 2017.

Education Aid Data Adjustments **(\$244,507)**

The Budget reduces education aid by \$244,507 to reflect an adjustment to the projected enrollment in the English Learner categorical (\$122,714) and charter school aid (\$121,793) to reflect actual enrollment.

Cost Allocation for Governor's Office Positions **(\$109,450)**

The Governor's Budget includes a \$109,450 interdepartmental transfer representing 50.0 percent of the salary and benefits of a Deputy Chief of Staff in the Governor's Office who works on education policy issues. This cost allocation has been removed from the Budget.

PSAT/SAT Testing **(\$100,000)**

The Budget as Enacted included \$500,000 in general revenue to make the Scholastic Aptitude Test (SAT) and the Preliminary Scholastic Aptitude Test (PSAT) free for all students in Rhode Island. The Budget reduces funding by \$100,000 to reflect actual costs for the program.

Textbook Reimbursement Adjustment **(\$80,459)**

The State reimburses school committees for the cost of providing free English/language arts and history/social studies textbooks to students in grades kindergarten through 12th grade who reside in the community. The FY2017 Budget as Enacted provided \$240,000 in state funding for the reimbursement of costs for textbooks. The Budget reduces funding for this program by \$80,459 to reflect actual costs in FY2017.

Restricted Receipt Fund Changes **\$165,727**

The Budget includes a net increase of \$165,727 in new restricted receipt grant funding, including the following:

- **Council of Chief State School Officers:** The Budget provides \$2.0 million in restricted receipts over three years for a grant from the Council of Chief State School Officers to improve career readiness and postsecondary attainment for all Rhode Island youth, including \$100,000 in FY2017 and \$800,000 in FY2018. Rhode Island is one of only ten states nationally to receive a Phase Two New Skills for Youth (NSFY) grant. The grant, part of the \$75.0 million New Skills for Youth initiative, is aimed at strengthening career-focused education starting in high school and ending with postsecondary degrees or credentials aligned with high-skill jobs. Receipt of the grant is a commitment by the State of Rhode Island to improve the career readiness and postsecondary attainment of all Rhode Island youth to prepare them with the skills they need to get jobs.
- **Nellie Mae Grant:** The Budget includes \$65,727 in restricted receipt grant funds from Nellie Mae to support high quality, proficiency-based learning and ensure the successful implementation of the new Secondary School Regulations. The \$131,455 grant runs from January 1, 2017, to December 31, 2017, and will be used primarily to support the development of 100 key educators into Rhode Island Learning (RIL) Champions. The RIL Champions will develop exemplar graduation proficiencies and performance indicators, sample scoring criteria, and assessment task models. Each RIL Champion will receive \$500 for their efforts and RIDE will cover substitute costs, up to \$500, for the school districts impacted. The grant will also cover mileage reimbursement for RIDE staff and other expenses such as meeting supplies and printing costs.

Other Fund Changes **(\$100,000)**

- **Advanced Coursework Network:** The FY2017 Budget as Enacted, the pilot year of the program, was funded with \$600,000 in Permanent School Fund receipts and \$300,000 in Career and Technical Education (CTE) Funds. The Budget reduces the funding by \$100,000 based on actual expenditures.

Rhode Island Capital Plan (RICAP) Fund Changes **(\$2.6 million)**

The Budget includes a net decrease of \$2.6 million in RICAP changes, including the following:

- **Davies Career and Technical School - HVAC:** The Budget shifts \$475,000 in Rhode Island Capital Plan (RICAP) funds from FY2017 into FY2018 to reflect the current project schedule. This project replaces and repairs the HVAC system at the Davies Career and Technical Center. The existing equipment is over 30 years old, is inefficient, and is contributing to air quality issues in a number of areas in the building.
- **Metropolitan Regional Career and Technical Center - HVAC:** The Budget shifts \$2.2 million in RICAP funds from FY2017 into FY2018 to reflect the current project schedule. This project replaces and repairs the HVAC systems for five buildings at the MET School's Peace Street and Public Street campuses.

PUBLIC HIGHER EDUCATION**Turnover** **(\$130,525)**

Based on the Third Quarter Report from the Office of Management and Budget, the Office of the Postsecondary Commissioner is projected to have a payroll surplus of \$130,525 relative to the Governor's FY2017 Supplemental Budget.

Cost Allocation for Governor's Office Positions **(\$53,472)**

The Budget as recommended by the Governor included a \$53,472 interdepartmental cost allocation representing 50.0 percent of the salary and benefits of an Education Policy analyst in the Governor's Office who works on postsecondary education policy issues. This cost allocation has been removed from the Budget.

Federal Fund Changes **(\$1.9 million)**

The Budget includes a net decrease of \$1.9 million in federal fund changes, including the following:

- **Title II Higher Education:** The Budget includes a decrease of \$2.5 million to correct an error in the database related to the Title II Higher Education Partnership Grant. The purpose of the grant program is to increase academic achievement by improving teacher and principal quality. This program is carried out by increasing the number of highly qualified teachers in classrooms; increasing the number of highly qualified principals and assistant principals in schools; and, increasing the effectiveness of teachers and principals by holding districts accountable for improvements in student academic achievement.
- **College Access Challenge:** The Budget provides an increase of \$683,000 for the College Access Challenge Grant to recognize available but unbudgeted proceeds. The purpose of the College Access Challenge Grant Program (CACGP) is to foster partnerships among federal, state, and local governments and philanthropic organizations through matching challenge grants that are aimed at

increasing the number of low-income students who are prepared to enter and succeed in postsecondary education.

RHODE ISLAND COUNCIL ON THE ARTS

***Turnover* (\$33,000)**

Based on the Third Quarter Report from Office of Management and Budget, the Council on the Arts is projected to have a surplus of \$33,000, relative to the Governor's FY2017 Supplemental Budget, due to the filling of a position at a lower salary and benefits cost.

ATTORNEY GENERAL

***Third Quarter Report Surplus* (\$264,633)**

The Budget reduces general revenue expenditures by \$264,633 in FY2017 related to surpluses projected in the third quarter report.

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

The Budget includes a net decrease of \$250,000 in RICAP expenditures related to building maintenance and repairs.

DEPARTMENT OF CORRECTIONS

***Medication Assistance DOC Shift* \$2.0 million**

The Budget reverses the Governor's transfer of \$2.0 million in general revenue, related to the Medication/Mediation Assisted treatment (MMAT) program, from the DOC to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The expenditures in the DOC budget will meet the maintenance of effort (MOE) requirements of the federal grant that funds the program. Previously, there had been a concern that the funds had to be in the BHDDH budget to meet the MOE.

This program, which is an initiative of the Governor's Overdose Prevention and Intervention Task Force, will utilize contracted staff and services to screen for opioid disorders and conduct assessments of new inmates to determine treatment options. According to the Administration, opioid use disorder affects up to 20.0 percent of the 16,000 individuals committed to the Adult Correctional Institution (ACI) annually.

***Population Per Diem Adjustment* (\$1.1 million)**

There is a savings of \$1.1 million in general revenue per diem expenses in FY2017 due to a smaller than projected population within the DOC. The Department reported 2,966 individuals in their May 2017 population report. The FY2017 revised budget projected a population of 3,058.

***General Revenue Shift to Asset Protection* (\$338,000)**

The Budget includes a savings of \$338,000 in general revenue due to spending in building maintenance and repairs shifting to Rhode Island Capital Plan (RICAP) funds. Additionally, \$102,000 in RICAP funds are added.

***Delay in Cognitive Behavioral Therapy Contract* (\$258,000)**

There is a savings of \$258,000 in general revenue due to a delay in the Cognitive Behavioral Therapy (CBT) contract related to the Justice Reinvestment Initiative. As of April 2017, the Department's third quarter report states that cost proposals for the CBT contracts are being reviewed. The goal of the CBT services is to decrease recidivism. Community providers will be contracted to train staff on evidence based treatments.

***Lab Contract* (\$60,000)**

There is \$60,000 in general revenue savings due to a \$120,000 per-year contract with East Side Laboratory beginning in January, leading to half a year of savings. As of January 2017, East Side Clinical Laboratory

was awarded the contract. Previously, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) provided free lab services; however, according to the Department of Corrections, BHDDH indicated that moving forward they would start charging approximately \$200,000 for lab services. Originally, BHDDH estimated lab services would cost \$500,000, which caused the Department to look into alternative options.

Federal Fund Changes

\$35,000

- **Conversion of Asset Forfeiture Account:** Existing asset forfeiture restricted receipt funding of \$35,000 is converted to a federal account.

Rhode Island Capital Plan (RICAP) Fund Changes

(\$3.0 million)

The Budget includes a net decrease of \$3.0 million in other fund changes, including the following:

- **RICAP—Medium Infrastructure:** The FY2017 Budget is decreased by \$1.6 million in RICAP funds, shifting funds to FY2020, due to a revised expenditure schedule. Dining, kitchen, laundry and bathroom facility upgrades and capacity are needed to comply with correctional standards. The original project expanded the kitchen and installed new kitchen equipment. The project also includes, mechanical upgrades to housing and ancillary areas, roof replacement, and reconstructs the current perimeter roads to accommodate fire and rescue vehicles responding to the facility.
- **RICAP—Gloria McDonald:** The FY2017 Budget is reduced by \$538,000 in RICAP funds.
- **RICAP—Maximum General Renovations:** The FY2017 Budget is reduced by \$500,000 in RICAP due to a revised expenditure schedule, shifting FY2017 funds to FY2019. This renovations consist of general asset protection projects and mechanical system upgrades at the Maximum Security building. Projects include yard renovations; roof replacement, as required by the State’s Risk Management Officer; shower exhaust upgrades; laundry facility upgrades to adhere to American Correctional Association (ACA) standards; replacement of an underground steam line; and kitchen floor replacement.
- **RICAP—Intake Service Center Renovations:** The FY2017 Budget is reduced by \$425,000 in RICAP funds shifting \$400,000 to FY2020. This project restores and repairs the exterior of the Intake Service Center, renovates the existing HVAC system, upgrades to the door-locking system, and expands parking for staff and visitors, as well as a number of other general repairs and upgrades.

JUDICIARY

Federal Fund Changes

\$18,000

- **Case Management System:** Pursuant to the Governor’s budget amendment, dated March 3, 2017, the Budget includes a federal fund increase of \$18,000 annually in FY2017 and FY2018 to reflect a new federal grant from the State Justice Institute. The grant will be used to identify best practices and effective strategies for the transition and implementation of the new case management system. The new system will integrate information throughout the justice system and diminish the requirement for paper storage of case materials as all the information will be stored electronically.

Rhode Island Capital Plan (RICAP) Fund Changes

(\$1.7 million)

- **Noel Shelled Courtroom Buildout:** Pursuant to the Governor’s budget amendment, dated June 9, 2017, the Budget shifts \$1.7 million in RICAP funding from FY2017 into FY2019 to reflect the current project schedule. The Noel Shelled Courtroom Build-Out (NCBO) will expand the capacity of the Noel Judicial Complex by completing unfinished courtroom space within the interior shell. The build out

will also include an additional lot for parking, which is at near capacity for the courtrooms currently in use.

MILITARY STAFF

Cybersecurity Commission Initiative **(\$50,000)**

The Budget decreases \$50,000 in general revenue under the State Activation account. This appropriation was included to fund Military Staff participation in the Rhode Island Cybersecurity Commission Initiative. The Governor's Executive Order 2015-10 dated May 7, 2015, established this Commission to develop strategies and protections to minimize the impact of a cyber disruption on government and on private sector operations, as well as to encourage the development of the State's cybersecurity industry sector. As of June 13, 2017, no expenditures have been made against the account.

Federal Fund Changes **\$420,000**

- **Google Forfeiture Funds:** The Budget reflects the conversion of the existing Counter Drug Asset Forfeiture (Google Forfeiture Funds) restricted receipt account to a federal account per the request of the U. S. Department of Justice. This item also includes \$10,000 for previously unanticipated equipment purchases. There is a decrease of \$32,000 in restricted receipts in conjunction with the conversion of these funds.

Analyst Note: The Governor's Budget originally included a restricted receipt appropriation of \$32,000 for the Counter Drug Asset Forfeiture, but the Governor's Budget Amendment of May 31, 2017, increased the amount by \$378,000 for a total appropriation of \$420,000.

DEPARTMENT OF PUBLIC SAFETY

Turnover and Operating **(\$800,000)**

The Budget reduces general revenue by \$800,000 reflecting a \$550,000 projected surplus in personnel funds and a \$250,000 surplus in operating costs within the Department of Public Safety in FY2017.

Cybersecurity **(\$305,000)**

The Budget does not include the \$305,000 in general revenue for FY2017 associated with the transfer of the State's cybersecurity capacity for the Division of Information Technology at the Department of Administration to the Department of Public Safety. This includes \$167,000 for a portion of a Cybersecurity Director personnel costs that have not occurred due to the position not being filled. The balance of the reduction reflects the reduced FY2017 expenditures associated with the operations of the cybersecurity function at DPS. The transfer is budgeted to occur in FY2018.

Cost Allocation for Governor's Office Position **(\$69,271)**

The Budget eliminates \$69,271 in general revenue to fund 50.0 percent of the personnel costs associated with a Policy Analyst and a Special Counsel position within the Office of the Governor. The Governor proposed this "interdepartmental cost allocation" as a means to reflect the Governor's Office staff support to assist state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, Justice Reinvestment Initiative, etc., effectively reducing the need to appropriate funds within the Governor's Office to cover these salary expenses.

Commissioner of Public Safety **(\$55,054)**

The Budget reduces general revenue expenditures by \$55,054 in FY2017 by eliminating the proposed Commissioner of Public Safety. This reduction reflects the FY2017 estimated expenditure costs associated with the Commissioner should the position have been approved, hired, and in place by February 2017.

Federal Funds Changes **\$20.0 million**

The Budget includes a net increase of \$20.0 million in federal funds including the following:

- **Google Forfeiture Funds:** The Budget increases federal funds by \$19.4 million to reflect the conversion of the existing Counter Drug Asset Forfeiture (Google funds) restricted receipt account to a federal account per the request of the U. S. Department of Justice. This item also includes \$10,000 for previously unanticipated equipment purchases. Restricted receipts within DPS are reduced by \$19.4 million accordingly.
- **Federal Grant Adjustments:** The Budget provides an increase of \$483,845 in federal funds reflecting a combination of new and renewed federal grants, including the Edward Byrne Memorial Justice Assistance Grant, the Minimum Penalties for Repeat Offenders for Driving While Intoxicated Grant, and the State and Community Highway Safety Grant.
- **Municipal Training Grant:** The Budget includes an additional \$115,945 in federal funds reflecting the receipt of federal highway safety grant. The Department of Public Safety received the funds from the National Highway Traffic Safety Administration (NHTSA) to assist state and local communities in improving driver behavior and reducing deaths and injuries from motor vehicle-related crashes.

Restricted Receipts Changes**(\$19.3 million)**

The Budget includes a net decrease of \$19.3 million in restricted receipt funds including the following:

- **Google Forfeiture Funds:** The Budget decreases restricted receipts funds by \$19.4 million to reflect the conversion of the existing Counter Drug Asset Forfeiture (Google funds) restricted receipt account to a federal account per the request of the U. S. Department of Justice. This item also includes \$10,000 for previously unanticipated equipment purchases. Federal funds within DPS are reduced by \$19.4 million accordingly.
- **Safety Training- State Fire Marshal:** The Budget adds \$114,157 in restricted receipts for previously unbudgeted expenditures associated with instructors and materials for mandated staff training.
- **State Police Vehicle Purchases:** The Budget increases restricted receipts by \$62,000 to pay for the purchase two vehicles. DPS received approval to use Google Forfeiture funds to cover the costs of the vehicles.

OFFICE OF THE PUBLIC DEFENDER**Turnover and Operating****(\$66,000)**

There is a savings of \$66,000 in general revenue due to projected spending on personnel and operations in the third quarter. The Office of the Public Defender has kept positions open to help achieve savings.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT**Restricted Receipt Fund Changes****\$250,000**

- **Natural Resources. Environmental Trust (restricted receipts):** The Budget adds \$250,000 in restricted receipts for the renovation of the showers and bathrooms at Scarborough State Beach. Total construction costs are estimated at \$265,532 with completion scheduled for June 2017.

Rhode Island Capital Plan (RICAP) Fund Changes**(\$1.1 million)**

- **Natural Resources Offices/Visitors Center:** The Budget eliminates \$1.1 million in RICAP funding to reflect the current estimated project cost. This project involves the construction of a new Natural Resources Offices/Visitor's Center to coordinate staff programming by providing office space, laboratories, storage, and workshop areas for mosquito abatement testing, the state veterinarian, and

the administrative office, including the Freshwater Fisheries and Wildlife sections of the Division of Fish & Wildlife.

COASTAL RESOURCES MANAGEMENT COUNCIL

Turnover **(\$30,651)**

Based on the Third Quarter Report from Office of Management and Budget, the Council is projected to have a surplus of \$30,651 relative to the Governor's FY2017 Supplemental Budget due to an unanticipated vacancy. The Budget reduces funding by \$30,651 to reflect the turnover savings.

Rhode Island Capital Plan (RICAP) Fund Changes **(\$150,000)**

- **RICAP RI Coastal Storm Risk Study:** Pursuant to the Governor's budget amendment, dated June 9, 2017, the Budget shifts \$150,000 in RICAP funds from FY2017 into FY2020 to reflect the current project schedule. In response to Hurricane Sandy and other coastal storms, the United States Army Corps of Engineers (USACE) is investigating solutions to reduce future flood risk by developing the long-term resilience and sustainability of coastal ecosystems. The RICAP funds in this project will be used as the state share for the cost of the study being conducted by the USACE.

DEPARTMENT OF TRANSPORTATION

Federal Funds Changes **\$1.4 million**

The Budget includes a net increase of \$1.4 million in federal funds, including the following:

- **Commuter Rail:** The Budget adds \$11.4 million in federal funds for several commuter rail projects. Planned improvements and expansion of Kingston Station track capacity were expedited in FY2017, requiring an additional \$10.3 million federal stimulus funds from the Federal Railroad Administration. Similarly, construction on the Providence Station accelerated in FY2017, requiring an additional \$1.1 million.
- **Turnover:** The Budget shifts the Governor's requested 40.0 additional maintenance FTE positions for FY2017 to FY2018. The Budget reduces federal funds by \$10.0 million based on savings related to the shift of these additional FTE positions along with other projected personnel turnover savings.

Other Fund Changes **\$14.1 million**

The Budget includes a net increase \$14.1 million in other funds for FY2017, including the following:

- **Equipment Purchase Delays:** The Budget includes \$8.0 million in savings within the State Highway Maintenance Fund by delaying the proposed FY2017 purchase of maintenance vehicles and equipment. The new equipment was to be used by the additional new maintenance staff proposed by the Governor for FY2017. The Budget does not include the new staffing in FY2017 and therefore the accompanying equipment expenditures are not required in FY2017.
- **Winter Maintenance:** The Budget includes \$6.0 million in winter maintenance savings within the State Highway Maintenance Fund. These savings are based on the projected expenditure through the end of FY2017.
- **Cost Allocation for Governor's Office Position:** The Budget eliminates \$82,572 in State Highway Maintenance Fund associated with the funding of 100.0 percent of the personnel costs associated with a Policy Analyst within the Office of the Governor. The Governor proposed this "interdepartmental cost allocation" as a means to reflect the Governor's Office staff support to assist state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, Justice Reinvestment Initiative, etc., effectively reducing the need to appropriate funds within the Governor's Office to cover these salary expenses.

Rhode Island Capital Plan (RICAP) Fund Changes**\$2.3 million**

The Budget includes a net increase \$2.3 million in RICAP funds for FY2017, including the following:

- **T.F. Green Airport:** The Budget increases FY2017 funds by \$3.0 million to provide funding for an expansion to the Federal Inspection Services facility. The expansion is required to support the new international flights scheduled to begin in FY2018.
- **Salt Storage:** The Budget shifts \$1.5 million in FY2017 budgeted RICAP funds to FY2018 and FY2019 reflected schedule changes in construction and repairs at the East Providence salt storage facility.
- **Portsmouth Facility:** The Budget shifts \$1.1 million in Rhode Island Capital Plan (RICAP) funds from FY2018 and FY2019 to FY2017 to finance costs associated with the construction of RIDOT's Maintenance Facility in Portsmouth. The project has progressed more quickly than originally anticipated and the funds are needed in the current year.
- **Train Station Maintenance and Repairs:** The Budget decreases FY2017 RICAP funding by \$325,555 reflecting current projected expenditures at the three train stations (Woonsocket, South Kingstown, and Westerly) that the State is responsible for maintaining.



SPECIAL REPORTS

Proposed FTE Position Authorization

The FY2018 Budget authorizes 14,999.2 FTE positions, 46.6 FTE positions more than the amount authorized in the FY2017 Budget as Enacted. At the start of the fiscal year, 13,679.6 FTE positions (91.5 percent of the original enacted authorized amount) were filled, leaving 1,273.0 FTE positions vacant, a rate of 8.5 percent. Since the start of the fiscal year, the State has a net increase of 270.6 filled FTE positions. As of June 10, 2017, 13,950.2 FTE positions (93.3 percent of the authorized amount) were filled, leaving 1,002.4 FTE positions vacant.

Function	FY2017 Enacted	FY2017 Governor	FY2017 Budget	Change to Governor	FY2018 Governor	FY2018 Budget	Change to Governor
General Government	2,342.7	2,380.4	2,344.7	(35.7)	2,402.9	2,363.9	(39.0)
Human Services	3,619.6	3,618.6	3,618.6	0.0	3,561.6	3,556.6	(5.0)
Education	3,909.9	3,908.9	3,908.9	0.0	3,918.9	3,924.9	6.0
Public Safety	3,205.6	3,212.2	3,211.0	(1.2)	3,231.2	3,209.0	(22.2)
Natural Resources	428.0	429.0	429.0	0.0	432.0	430.0	(2.0)
Transportation	701.0	741.0	701.0	(40.0)	775.0	775.0	0.0
Subtotal	14,206.8	14,290.1	14,213.2	(76.9)	14,321.6	14,259.4	(62.2)
Higher Ed. Sponsored Research	745.8	745.8	745.8	0.0	745.8	739.8	(6.0)
Total FTE Positions	14,952.6	15,035.9	14,959.0	(76.9)	15,067.4	14,999.2	(68.2)

FY2017 FTE CHANGES TO THE GOVERNOR

The Budget includes a total of 14,959 FTE positions, 76.9 FTE positions less than the level proposed in the Governor's Supplemental Budget. Changes include:

- **A decrease of 40.0 FTE positions in the Department of Transportation:** The Budget removes 40.0 new positions recommended by the Governor within DOT. As part of an ongoing reorganization of the Department. The positions recommended by the Governor were: 1.0 Accountant, 1.0 Administrator Civil Rights Program, 2.0 Assistant Chiefs of Planning, 1.0 Assistant Director of Financial and Contract Management, 3.0 Bridge Inspectors, 1.0 Building Superintendent, 1.0 Business Management Officer, 1.0 Chief Implementation Aide, 1.0 Contracts Specialist I, 1.0 Contracts Specialist II, 1.0 Deputy Chief Engineer, 1.0 Executive Assistant; 1.0 Highway Maintenance Operator I, 4.0 Highway Maintenance Operator II, 1.0 Internet Communications Specialist, 1.0 Manager (Construction Management), 1.0 Managing Engineer, 1.0 Mechanical Parts Storekeeper, 4.0 Principal Civil Engineer, 1.0 Principal Environmental Scientist, 3.0 Project Manager I, 1.0 Project Manager II, 1.0 Senior Civil Engineer, 1.0 Senior Environmental Scientist, 2.0 Senior External Equal Opportunity Compliance Officer, 2.0 Supervising Bridge Safety Inspector, and 1.0 Supervising Civil Engineer.
- **A decrease of 26.7 FTE positions in the Department of Labor and Training:** The Budget removes 26.7 FTE positions recommended by the Governor. This decrease includes: 14.2 FTE positions within the Income Support Program associated with claims processing services; 1.0 FTE position associated with the Real Jobs Rhode Island workload within Workforce Development Services; 4.0 FTE positions within the Workforce Regulation and Safety program associated with workplace fraud caseloads; 1.5 FTE positions within Central Management, including 1.0 Administrative Officer and 0.5 Legal Counsel; 1.0 Investigative Auditor and 1.0 Senior Monitoring and Evaluation Specialist proposed to augment existing staff to create the Compliance and Integrity Unit; 1.0 Chief of Information and Public Relations; 1.0 Principal Research Technician; 1.0 Assistant Coordinator of Employment and Training Programs for the LEAP (Linking to Employment Activities Pre-release) program; and, 1.0 Assistant Chief of Planning, a new position created to meet the demands within the Governor's Workforce Board.

- **A decrease of 6.0 FTE positions in the Department of Business Regulation:** The Budget reduces 6.0 vacant but unspecified FTE positions in the Department of Business Regulation.
- **A decrease of 3.0 FTE positions in the Public Utilities Commission:** The Budget removes 2.0 Administrative Assistants, one for the Division and one for the Commission, and a 1.0 Chief of Program Development position that were recommended by the Governor. The Administrative Assistants were to assist Commission and Division staff with energy policies. The Chief of Program Development position was proposed to meet the increased demand in Energy Facilities Siting Board filings, rate modernization, and the changes to evolving energy policy.
- **A decrease of 1.0 FTE positions in the Department of Public Safety:** The Budget removes the 1.0 Commissioner of Public Safety position, recommended to be added by the Governor in the FY2017 supplemental budget.
- **A decrease of 0.2 FTE position in Judiciary:** The Budget removes a 0.2 FTE position as a technical adjustment.

FY2018 FTE CHANGES TO THE GOVERNOR

The Budget includes a total of 14,999.2 FTE positions, a net decrease of 68.2 FTE positions from the Governor's proposed FTE authorization for FY2018, and 36.7 FTE positions less than the Governor's FY2017 Revised Budget recommendation. Changes include:

- **A decrease of 50.0 FTE positions in the Department of Public Safety:** The Budget eliminates the integration of the Rhode Island Emergency Management Agency (RIEMA) into the Department leaving RIEMA as a stand-alone state entity with 32.0 FTE positions, thereby eliminating the transfer of these positions to the Department of Public Safety. The Budget removes the 1.0 Commissioner of Public Safety position, and removes the 1.0 Cyber Analyst and 1.0 Computer/Cyber Forensic Analyst position that the Governor recommended be converted from federal grant funding that is ending in FY2018. The budget also removes 2.0 civilian Senior Planning and Program Specialists to relieve uniform personnel from duties in the Planning, Research, and Accreditation Bureau; 1.0 Assistant Explosives and Flammable Liquids Technician to assist the Fire Marshal; 5.0 Screener positions to assist Capitol Police with the security at state buildings; and 2.0 Capitol Police Officers to provide security at the Department of Health and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals. The Budget also removes several new civilian positions including a 1.0 Chief of Motor Pool and Maintenance, 1.0 Project Manager I, 1.0 Director of Public Information, 1.0 Executive Assistant to the new Commissioner of Public Safety, 1.0 Director of Policy, and 1.0 Commissioner of Public Safety position.
- **An increase of 32.0 FTE positions in the Rhode Island Emergency Management Agency:** The Budget restores the Rhode Island Emergency Management Agency as a stand-alone state agency, thereby eliminating the transfer of these positions to the Department of Public Safety.
- **A decrease of 18.0 FTE positions in the Department of Administration:** The Budget removes 18.0 FTE positions, including 4.0 FTE position in the Division of Capital Asset Management and Maintenance, 4.0 FTE positions proposed for Human Resources, 3.0 FTE positions in the Contractors' Registration Board, 2.0 FTE position with the State Building Code Commission, 2.0 FTE positions within the Office of Management and Budget, 1.0 position in the Office of Regulatory Reform, 1.0 FTE position in the Office of Energy Resources, and the 1.0 Administrator position.
- **A decrease of 6.0 FTE positions in the Department of Business Regulation:** The Budget reduces 6.0 vacant but unspecified FTE positions in the Department of Business Regulation.

- **A decrease of 6.0 FTE positions in the Department of Revenue:** The Budget removes 6.0 FTE positions, including 4.0 FTE positions associated with the State Tax Administration and Revenue System (STAARS) staff and 2.0 FTE positions associated DMV Rhode Island Motor Vehicle System (RIMS).
- **A decrease of 6.0 FTE positions in the Department of Health:** The Budget removes 6.0 FTE positions, including 3.0 FTE positions to reflect the eliminated lead consolidation effort; 1.0 FTE Health Program Administrator to address the backlog of Department regulation; 1.0 FTE Nursing Care Evaluator to inspect health care facilities; and 1.0 FTE Public Health Promotion Specialist to investigate complaints against medical professionals.
- **A decrease of 6.0 FTE positions in the Public Utilities Commission:** The Budget removes 1.0 Deputy Chief of Legal position, 1.0 Fiscal Management Officer, 1.0 Regulatory Research Specialist, 2.0 Administrative Assistants, one for the Division and one for the Commission, and a 1.0 Chief of Program Development position, that were recommended by the Governor.
- **An increase of 6.0 positions in Higher Education:** The Budget shifts 6.0 FTE positions from Sponsored Research to Rhode Island College. The College Access Grant for the Learning for Life program has expired; however, RIC is continuing the program with college funds. Since the FTEs will no longer be supported with third-party funds, the positions should be reflected in the college cap.
- **A decrease of 5.0 FTE positions in the Department of Labor and Training:** The Budget removes 5.0 FTE positions recommended by the Governor, including 4.0 FTE positions within the Workforce Regulation and Safety program associated with workplace fraud caseloads and 1.0 Chief of Information and Public Relations to assist in meeting the demands of the Marketing and Communications Unit.
- **A decrease of 3.0 FTE positions in the Department of Corrections:** The Budget removes 3.0 FTE positions associated with mental health services. These positions were recommended by the Governor and include 2.0 Clinical Social Workers and 1.0 Administrative Assistant.
- **An increase of 2.0 FTE positions in General Treasury:** The Budget adds 2.0 Retirement Counselors.
- **A decrease of 2.0 FTE positions at the Department of Environmental Management:** The Budget removes 2.0 new FTE positions for Environmental Scientists to work on reducing storm water and other pollution into waterways.
- **A decrease of 1.0 FTE position in the Office of the Child Advocate:** The Budget removes a 1.0 case management coordinator position to support the Victims of Crime Act (VOCA) program which provides assistance to victims and their families seeking support through the VOCA.
- **A decrease of 1.0 FTE position in the Office of the Public Defender:** The Budget removes a 1.0 FTE attorney position in the Office of the Public Defender.
- **A decrease of 0.2 FTE position in Judiciary:** The Budget removes a 0.2 FTE position as a technical adjustment.

Municipal Aid

For FY2018, Distressed Community Relief Aid is funded at the FY2017 Enacted level. Library construction aid is reduced by \$59,822 as compared as to FY2017 Enacted level. Under Article 11, the Motor Vehicle Excise Tax decreases each year from FY2018 through FY2023, fully eliminating the tax in FY2024. Article 11 increases State reimbursements to municipalities by \$26.0 million in FY2018 (explained further below). The Budget includes an additional \$3.2 million for the Payment in Lieu of Taxes (PILOT) program allowing for a full 27.0 percent reimbursement rate. The increase is due primarily to a higher assessed value for property in Providence due in large part to the City's full revaluation as of the December 31, 2015, assessment date. Meal and Beverage Tax and Hotel Tax collections are projected to increase by a total of \$1.9 million for FY2018 based on historic collection rates.

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

Municipal Aid FY2016 - FY2018

Program	FY2016	FY2017 Enacted	FY2017 Revised	Change from Enacted		FY2018 Budget	Change from Enacted	
Payment in Lieu of Taxes	\$40.1	\$42.0	\$42.0	\$0.0	0.0%	\$45.2	\$3.2	7.7%
Distressed Communities	10.4	12.4	12.4	0.0	0.1%	12.4	-	0.0%
Motor Vehicle Excise Tax	10.0	10.0	10.0	-	0.0%	36.0	26.0	260.0%
Municipal Incentive Aid	5.0	-	0.1	0.1		-	-	0.0%
State Aid to Libraries								
Grant-in-Aid	8.8	9.4	9.4	-	0.0%	9.4	-	0.0%
Library Construction	2.7	2.2	2.2	-	0.0%	2.2	(0.1)	-2.7%
Total Direct Aid	\$76.9	\$75.9	\$76.1	\$0.2	0.2%	\$105.1	\$29.2	38.4%
Public Service Corporations Tax	\$14.3	\$13.6	\$13.6	\$0.0	0.0%	\$13.6	\$0.0	0.0%
Meals & Beverage Tax	25.2	27.2	27.2	(0.0)	-0.2%	28.9	1.7	6.1%
Hotel Tax	9.0	9.8	10.5	0.8	7.7%	10.7	0.9	9.3%
Airport Impact Fees	1.0	1.0	1.0	-	0.0%	1.0	-	0.0%
Total Indirect Aid	\$49.5	\$51.6	\$52.3	\$0.7	1.4%	\$54.1	\$2.6	5.0%
Total Aid	\$126.4	\$127.5	\$128.4	\$0.9	0.7%	\$159.3	\$31.7	24.9%

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

DIRECT AID TO LOCAL GOVERNMENT

Payment in Lieu of Taxes (PILOT)

The Payment in Lieu of Taxes (PILOT) program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if it were subject to taxation. The objective is to offset the costs to the community for providing public safety or other municipal services to the properties and facilities covered by the statute.

For FY2018, PILOT increases by \$3.2 million from the FY2017 level, to \$45.2 million. The increase in FY2018 is primarily due to an increased assessed value for property in Providence due in large part to the City's full revaluation as of the December 31, 2015, assessment date. Current law requires

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

\$ in millions.

*In FY2008 the reimbursement rate was 26.95%

reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The FY2017 Budget represented a reimbursement rate of 27.0 percent for the first time since FY2007.

Distressed Community Relief

The Distressed Community Relief program was established in 1990 to provide state assistance to communities with the highest property tax burdens relative to the wealth of taxpayers. For FY2016, \$10.4 million was appropriated and distributed to seven eligible municipalities. Funds are distributed to each eligible community on the basis of the community's tax levy relative to the total tax levy of all eligible communities.

For FY2018, the Distressed Community Relief Fund is maintained at the FY2017 level of \$12.4 million. The City of Johnston is newly qualified as a distressed community and will receive a 50.0 percent appropriation of \$601,333. In the year that a newly qualified community enters the program, it receives 50.0 percent of the current law requirement for the first year it qualifies. The remaining 50.0 percent of Johnston's appropriation will be divided among the remaining 7 distressed communities. East Providence exited the program in FY2017. Cranston entered the program in FY2017 and will exit in FY2018; therefore, the City will receive a 50.0 percent payment in each fiscal year.

Municipality	FY2017	FY2018	Change
	Enacted	Budget	
Central Falls	\$223,894	\$225,398	\$1,504
Cranston	1,341,001	1,341,001	-
East Providence	817,097	-	(817,097)
Johnston	-	601,333	601,333
North Providence	1,032,992	1,030,137	(2,855)
Pawtucket	1,523,936	1,539,903	15,967
Providence	5,604,286	5,797,634	193,348
West Warwick	891,916	924,370	32,454
Woonsocket	949,336	924,681	(24,655)
Total	\$12,384,458	\$12,384,458	\$0

The Budget requires that any community classified as “distressed” be mandated to participate in the Division of Taxation’s income tax refund offset program, allowing the Division to recover unpaid state taxes and/or fines through an intercept of an individual’s income tax refund.

Motor Vehicle Excise Tax

The Motor Vehicle and Trailer Excise Tax Elimination Act of 1998 was enacted to offer broad-based property tax relief to the residents of Rhode Island. The FY2010 Budget as Enacted included \$135.4 million for Motor Vehicle Excise Tax Reimbursement. The FY2010 Revised Budget reduced that amount to \$117.2 million. In FY2011, funding was reduced to \$10.0 million, funding for fire districts was eliminated from the budget, and the state-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500. These provisions remain in effect through FY2017.

Article 11 decreases the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024. The tax is reduced over a seven-year

period by decreasing tax rate caps and assessment ratios, while raising exemption floors and exempting vehicles that are more than 15 years old. Additionally, to ensure taxpayer relief, the bill removes the motor vehicle excise tax from the levy calculation related to the 4.0 percent cap on municipal property tax levy increases.

Fiscal Year	Total Funding	% Change
2009	\$135.4	0.0%
2010	117.2	-13.4%
2011	10.0	-91.5%
2012	10.0	0.0%
2013	10.0	0.0%
2014	10.0	0.0%
2015	10.0	0.0%
2016	10.0	0.0%
2017	10.0	0.0%
2018	36.0	260.0%

\$ in millions.

In FY2018, municipalities will lose an estimated \$25.2 million in forgone motor vehicle excise tax levy; therefore, the Budget is increased by \$26.0 million in general revenue to reimburse municipalities for the lost tax revenue. By FY2024, the estimated cost of eliminating the motor vehicle tax is \$220.6 million in general revenue.

FY2018 Motor Vehicle Excise Tax State Reimbursement

Municipality	FY2018	FY2018	\$ Change	Municipality	FY2018	FY2018	\$ Change
	Governor's Budget	House Finance			Governor's Budget	House Finance	
Barrington	\$221,581	\$637,198	\$415,617	Narragansett	61,720	\$199,464	\$137,744
Bristol	109,436	401,639	292,203	Newport	80,642	258,929	178,287
Burrillville	207,065	694,828	487,763	New Shoreham	6,910	28,561	21,651
Central Falls	102,184	408,231	306,047	North Kingstown	192,589	613,200	420,611
Charlestown	44,815	153,869	109,054	North Providence	393,779	1,820,112	1,426,333
Coventry	251,244	946,836	695,592	North Smithfield	183,264	610,666	427,402
Cranston	1,042,441	3,431,469	2,389,028	Pawtucket	821,285	3,231,534	2,410,249
Cumberland	253,650	836,977	583,327	Portsmouth	94,646	301,276	206,630
East Greenwich	84,112	274,902	190,790	Providence	1,620,464	5,797,450	4,176,986
East Providence	516,914	1,670,002	1,153,088	Richmond	66,710	256,116	189,406
Exeter	93,419	339,178	245,759	Scituate	71,269	233,537	162,268
Foster	74,174	312,994	238,820	Smithfield	267,692	829,903	562,211
Glocester	104,711	429,132	324,421	South Kingstown	142,445	465,978	323,533
Hopkinton	72,384	288,401	216,017	Tiverton	62,598	208,862	146,264
Jamestown	22,334	72,145	49,811	Warren	94,349	362,400	268,051
Johnston	437,352	1,723,782	1,286,430	Warwick	1,013,712	3,067,281	2,053,569
Lincoln	206,198	620,593	414,395	Westerly	220,009	820,003	599,994
Little Compton	13,465	44,361	30,896	West Greenwich	55,996	223,181	167,185
Middletown	76,147	218,789	142,642	West Warwick	238,429	711,086	472,657
				Woonsocket	377,867	1,624,947	1,247,080

Source: RI Dept. of Revenue, Division of Municipal Finance.

Municipal Incentive Aid

The FY2014 Budget as Enacted created a 3-year Municipal Incentive Aid Program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities; however, there is no requirement that the additional state aid be spent for this purpose. The sunset of the program was technically in FY2016; however, \$137,340 has been reappropriated to FY2017 for Johnston as the municipality did not meet eligibility criteria for FY2016. Current law allows for deferred payments in the following fiscal year if eligibility criteria are met.

State Aid to Libraries Grant-in Aid

State aid to libraries is distributed based on the city or town's expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year's funding from the local tax base. The Budget includes funding for FY2018 at the FY2017 level of \$9.4 million; however, distribution is based on qualifying data from the statutory reference year. Current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$835,533.

Fiscal Year	Grant in Aid	Library Aid		% Change
		Construction	Total Aid	
2008	\$8.7	\$2.7	\$11.4	-0.4%
2009	8.7	2.6	11.3	-1.0%
2010	8.8	2.7	11.5	1.9%
2011	8.7	2.5	11.2	-2.4%
2012	8.7	2.8	11.5	2.6%
2013	8.7	2.5	11.2	-3.0%
2014	8.7	2.5	11.2	0.3%
2015	8.7	2.3	11.0	-1.8%
2016	8.8	2.7	11.5	4.5%
2017	9.4	2.2	11.6	0.7%
2018	9.4	2.2	11.6	-0.2%

\$ in millions.

State Aid to Libraries Construction Reimbursement

Rhode Island law grants authority to the Office of Library and Information Services (OLIS) to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community's debt service requirement, for a period of up to 20 years.

For FY2017, the Budget includes \$2.2 million for Library Construction Aid, and for FY2018, the Budget includes \$158,661 less than the FY2017 Budget due to a delay in the Barrington project. The Barrington project costs will shift to FY2019.

The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014. In 2017, public library construction reimbursement was approved for Barrington Public Library (\$1.4 million); reimbursement will begin in FY2018. The Providence Public Library has submitted a preliminary application for the reimbursement of a \$20.0 million renovation project; the state share of the project has not yet been determined but is estimated at approximately \$7.0 million. If approved, reimbursement would begin in FY2020. Letters of intent to apply for public library construction reimbursement have been received from Providence Community Library (Olneyville) and libraries in Jamestown and Narragansett, which approved a bond referendum for library construction in 2016. Timelines and costs for these projects have not been determined.

Property Revaluation Reimbursement

In 1997, the General Assembly enacted legislation requiring municipalities to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for appropriating funds to cover the costs of full property revaluations; however, the State reimbursed municipalities for 100.0 percent of the first statistical update. Reimbursements for subsequent updates were set at 80.0 percent (up to \$16 per parcel) for the second statistical update and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations.

The Budget includes \$937,228 for the Property Revaluation program in FY2018, an increase of \$377,327 from the FY2017 Budget as Enacted, and is based on anticipated reimbursements. The following communities

will be reimbursed for statistical updates in FY2018: Barrington, Cranston, East Greenwich, Exeter, Narragansett, Newport, and Tiverton. The following communities will be conducting full property revaluations in FY2018: Foster, Middletown, Pawtucket, and Woonsocket.

Property Revaluation Reimbursement		
Fiscal Year	State Reimbursement	% Change
2008	\$0.7	-66.5%
2009	1.1	61.9%
2010	1.5	35.2%
2011	0.7	-53.1%
2012	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%
2015	0.6	26.6%
2016	1.4	118.6%
2017	0.6	-59.6%
2018	0.9	67.4%

\$ in millions.

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. The State Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The "average assessment ratio" is the total assessed valuation divided by the full market value of the valuation. The "average property rate" is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State: it is not appropriated. The State is allowed to keep 0.75 percent of this tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality's population relative to the total population of the State.

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. The average property tax rate decline as the total assessed valuation increased dramatically due to the more frequent revaluations together with a dramatic increase in real estate values, resulting in a reduced tax rate being applied to Public Service Corporation Tax assets, which now carry a lower value. In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

The FY2018 Budget provides \$13.2 million be distributed to municipalities on July 31, 2017. This is \$396,083 less than FY2017, and is based on final valuation numbers.

Meals and Beverage Tax

During the 2003 session, the General Assembly enacted a 1.0 percent gross receipt tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The revenue from this tax flows through the State: it is not appropriated. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered.

For FY2017, the Office of Revenue Analysis anticipates \$27.2 million in collections, increasing to \$28.9 million in FY2018.

Hotel Tax

The State levies a 5.0 percent gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised, or held out to the public to be a space where living quarters are supplied for pay to transient use (30 days or less). This tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis.

This tax is in addition to all other taxes and fees currently imposed. The Division of Taxation collects the tax and is responsible for distribution, except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the City. Twenty-five percent of the original 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located.

The FY2016 Budget as Enacted expanded the hotel tax to include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals (such as those listed on the Airbnb.com website).

Public Service Corporation		
Fiscal Year	Total Funding	% Change
2008	\$10.3	0.0%
2009	9.2	-11.1%
2010	10.2	10.9%
2011	11.4	11.8%
2012	11.8	3.5%
2013	12.7	7.6%
2014	13.2	3.9%
2015	14.3	8.3%
2016	13.0	-9.0%
2017	13.6	4.2%
2018	13.2	-2.9%

\$ in millions.

Meals & Beverage Tax		
Fiscal Year	Total Funding	% Change
2009	\$18.8	0.3%
2010	19.0	0.9%
2011	19.5	2.6%
2012	21.0	7.8%
2013	21.4	1.7%
2014	22.3	4.4%
2015	23.6	6.0%
2016	25.2	6.5%
2017	27.2	8.2%
2018	28.9	6.1%

\$ in millions.

Hotel Tax		
Fiscal Year	Total Funding	% Change
2009	\$5.6	-3.4%
2010	5.7	1.8%
2011	5.9	2.7%
2012	6.3	8.0%
2013	6.7	5.3%
2014	6.5	-2.2%
2015	7.4	13.5%
2016	9.7	30.6%
2017	10.5	8.7%
2018	10.7	1.5%

\$ in millions.

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred. Total distribution to municipalities is estimated at \$10.5 million for FY2017 and \$10.7 million for FY2018.

OTHER AID TO LOCAL GOVERNMENT

Warwick Rental Car Tax Revenue

The RI Airport Corporation levies a \$5.00 per rental vehicle, per day, customer facility charge (CFC) for all vehicle rentals from companies operating at T.F. Green Airport. Revenues from the CFC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CFC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CFC are deposited into a restricted receipt account for the City of Warwick. These payments totaled \$631,132 in FY2010 and reached \$940,513 in FY2016. The FY2017 and FY2018 budgets include \$922,013 in CFCs for the benefit of the City of Warwick.

Airport Impact Fees

Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2017 and FY2018. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000.

FY2016 Actual	1.0 Million Passengers	Distribution on Landings	All Airports and Communities to \$25,000	Total
Warwick T.F. Green	\$600,000	\$162,513	\$0	\$762,513
Block Island	-	38,261	-	38,261
Middletown-Newport Airport ¹	-	59,063	-	59,063
North Central	-	45,825	-	45,825
Smithfield			2,087	2,087
Lincoln			2,087	2,087
North Kingstown-Quonset	-	49,120	-	49,120
Westerly	-	45,217	-	45,217
	\$600,000	\$400,000	\$4,174	\$1,004,173

¹ Located in Middletown

Municipal Road and Bridge Fund

The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. The FY2014 Revised Budget increased this amount by \$3.3 million, for a total of \$10.3 million. The FY2015 Budget included an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds, and the Clean Water Finance Agency (now the Rhode Island Infrastructure Bank) will contribute \$3.5 million from its board designated administrative fund to capitalize this program in FY2015. The Budget did not include any additional funding for the Municipal Road and Bridge Fund in FY2017; however, the RI Infrastructure Bank indicated that it has \$8.0 million in funding available for projects in FY2017.

These funds are available for municipalities to borrow for road and bridge projects. Loans began in FY2014, and future capitalizations combined with the revolved funds allow state-sponsored financing on an ongoing basis. This fund is administered by the Rhode Island Infrastructure Bank (RIIB). Applications are submitted to the Rhode Island Department of Transportation (RIDOT), based on regulations developed by RIDOT. RIDOT developed a project priority list based on 6 criteria:

- The extent to which the project generates economic benefits.
- The extent to which the project would be able to proceed at an earlier date.
- The likelihood the project will provide mobility benefits.
- The cost effectiveness of the project.
- The likelihood that the project will increase safety.
- The readiness of the project to proceed during the next calendar year.

To date, the RIIB has approved applications from municipalities for road and bridge projects as follows:

Municipal Road and Bridge Fund					
Borrower	Program Year	Amount Requested	Amount Borrowed	Loan Outstanding	Credit Limit Remaining
East Providence	2014	\$1,215,000	\$1,215,000	\$991,000	\$0
Newport	2014	4,000,000	1,500,000	1,215,000	-
Warwick	2014	1,600,000	1,600,000	1,008,700	459,300
Burrillville	2014	680,000	680,000	127,055	484,945
New Shoreham	2014	255,000	255,000	158,469	65,531
Westerly	2014	625,000	225,000	-	210,094
Pawtucket	2014	7,000,000	3,500,000	3,222,000	-
Cumberland	2014	500,000	500,000	324,899	133,101
Coventry	2014	340,000	340,000	276,000	-
West Warwick	2015	150,515	150,515	134,515	-
Bristol	2015	500,000	500,000	472,000	-
Hopkinton	2015	253,000	253,000	157,104	67,896
Pawtucket	2015	5,000,000	5,000,000	4,789,000	-
East Greenwich	2015	2,000,000	2,000,000	1,789,000	-
Coventry	2015	900,000	900,000	775,009	66,991
Bristol	2016	1,175,000	1,175,000	580,682	594,318
Cranston	2016	1,755,000	1,755,000	51,850	1,703,150
New Shoreham	2016	296,000	296,000	2,960	293,040
Pawtucket	2016	3,000,000	3,000,000	1,636,754	1,363,246
TOTAL		\$31,244,515	\$24,844,515	\$17,711,997	\$5,441,612

Central Falls Retiree Payments

The FY2012 Revised Budget included a \$2.6 million Stabilization Payment to the City of Central Falls that was deposited into a restricted account to provide transition payments over five years to municipal retirees who sustained significant pension reductions as a result of a “Settlement and Release Agreement.” Parties to the agreement include the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees. The Agreement was reached to avoid protracted litigation in federal court.

The payments ensure that retirees receive a reduction of no greater than 25.0 percent of their pre-bankruptcy annual pension benefits, as opposed to the reduction of up to 55.0 percent implemented by the City Receiver earlier in the year. The transition payments also include annual cost of living adjustments of up to 2.0 percent annually, not compounded.

Legislation passed by the 2014 General Assembly requires the State to appropriate sufficient funds to the City of Central Falls for payment to Central Falls’ city retirees so that those retirees continue to receive 75.0 percent of their base pension benefit as of July 31, 2011, for their lifetime, and to the extent applicable, up to 67.5 percent for the lives of their beneficiaries. An actuarial study estimates that the State will need to contribute an additional \$4.8 million to the Central Falls pension fund, beginning with \$333,674 on July 1, 2016, and ending with a payment of \$3,393 on July 1, 2044.

Fire Districts in Fiscal Stability Act

Legislation passed by the General Assembly during the 2014 session includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the state appointment of a Fiscal Overseer, Budget Commission, or Receiver. The Central Coventry Fire District, after several failed attempts to pass a budget, was ordered by the Rhode Island Superior Court to liquidate by May 16, 2014. Due to a lack of financial information available to the State, it is not known how many other fire districts are in fiscal distress. The FY2016 Revised Budget included \$352,242 in general revenue to provide funds for the Division of Municipal Finance within the Department of Revenue to pay for legal costs associated with oversight of the Central Coventry Fire District. The Budget includes an additional \$50,000 in FY2017. No funding is provided in FY2018.

Under RIGL 45-9, the State, acting primarily through the Department of Revenue, in consultation with the Auditor General, has the power to exercise varying levels of support and control, depending on the circumstances. The Director of Revenue, in consultation with the Auditor General, is authorized to appoint a receiver in the event of a fiscal emergency.

The law does the following:

- Creates three levels of State oversight and control
 - 1) Fiscal Overseer
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 2) Budget Review Commission
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 5 members:
 - 3 designees of the Director of Revenue
 - Chairperson of the district’s governing body
 - Fire chief of the district
 - 3) Receivership
 - Appointed by the Director of Revenue
- Includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the state appointment of a Fiscal Overseer, Budget Commission, or Receiver.

- Provides a mechanism for the State to work with fire districts undergoing financial distress that threatens the fiscal well-being, public safety, and welfare of these communities, others, or the State.
- Provides varying levels of support and control depending on the particular circumstances of the district.
- Sets out financial reporting requirements for fire districts that are similar to those required of cities and towns.
- Requires quarterly budget reports be submitted to the Division of Municipal Finance and the Auditor General, and requires a corrective action plan should a fire district anticipate a year-end deficit.
- Requires an annual audit of financial statements by an independent auditing firm; however, the auditor General may waive or modify the requirement based on the size of the district.
- Requires the tax roll be certified by the Division of Municipal Finance.
- Allows fire districts to contract with the tax administrator to allow the tax administrator to collect taxes for the fire districts.
- Extends the provision for 5-year contracts for fire districts that are under the jurisdiction of a budget commission or a reviewer. This is current law for cities and towns.
- Provides that this legislation applies to all pending state judicial receiverships.
- This bill does NOT make fire districts subject to the “3050” tax cap.
- Any changes to collective bargaining agreements must be negotiated.
- Tax levy changes can be made at the budget commission or receivership level.

OTHER MUNICIPAL ISSUES

Main Street RI Streetscape Improvement Program

Article 19 of the FY2016 Budget as Enacted created a statewide Main Street Rhode Island (Main Street RI) Streetscape Improvement Fund. The purpose of the program is to provide loans, matching grants, or other forms of financing, with recipients providing 30.0 percent match, to upgrade streetscapes in local business districts (lighting, street furniture, medians). The law does not delineate who or what entity may receive funding, or set individual award or community award limits, but it does include language requiring the Commerce Corporation to promulgate the rules and regulations of the program. The Budget includes \$800,000 for the Main Street RI in FY2018, a \$250,000 decrease below the FY2017 Budget as Enacted. Seven awards totaling \$999,400 have been made to date and are listed in the following table:

Main Street RI Streetscape		
Recipient	Project	Award
Central Falls	Building façade improvements Dexter St.	\$300,000
Pawtucket	Municipal garage improvements	245,000
One Neighborhood Builders (Providence)	Bus stop and pedestrian safety issues in Olneyville	196,000
Bristol	Wayfinder signage	80,000
The Providence Foundation (Providence)	Wayfinder signage downtown	76,000
Woonsocket	Lanscaping, handicap accessibility upgrades	70,000
East Greenwich	Main Street sidewalk repairs	32,400
Total		\$999,400

Tax Stabilization Incentive

Article 19 of the FY2016 Budget created the Tax Stabilization Incentive Program whereby municipalities can apply to the Rhode Island Commerce Corporation for partial reimbursement of personal and/or real estate tax revenue forgone due to the granting of a tax stabilization agreement by that community for a

qualified construction or rehabilitation project. The Corporation will provide a partial reimbursement of no more than 10.0 percent of the property tax revenue that would have otherwise been collected.

Under this program a community can grant a stabilization agreement for the rehabilitation of an existing structure where the total cost of the development budget exceeds 50.0 percent of the adjusted basis in the property, or for a new construction project that begins within twelve months of the approval of the tax stabilization agreement and is completed within 36 months. The qualifying property must be used or intended to be used for offices or commercial enterprises or residential purposes. The terms of the stabilization agreements must be for a minimum of twelve years; and, reimbursements will cease upon any termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

Article 17 of the FY2017 budget modifies the Tax Stabilization Agreement incentive program to allow the Commerce Corporation to reimburse municipalities up to 50.0 percent of foregone revenue for up to five projects statewide in any given year. The current reimbursement rate is 10.0 percent. The city or town council of any qualifying community must pass a resolution designating a qualifying project as the most important project to the municipality's economic development for that fiscal year. Designated "Hope Communities" may select two projects for potential qualification annually. The total amount of funding to be awarded is subject to appropriation.

In January 2016, the City of Providence was awarded \$246,597 for reimbursement over 12 years, corresponding to 10.0 percent of the forgone revenue from the tax stabilization agreement approved by the City Council. The project is with PRI, a division of the Procaccianti Group, and is for an internationally-branded, upscale, 154-room extended-stay hotel in downtown Providence. The new 112,160 square foot, 9-story building will occupy the site of the currently vacant John E. Fogarty Memorial Building, and is estimated to cost \$40.0 million in total. The new hotel will employ up to 80 full and part-time positions.

FY2017 Direct Municipal Aid to Cities and Towns

Municipality	FY2017 Enacted	Payment In Lieu of Taxes	Distressed Communities Relief Fund	Municipal Incentive Aid	Motor Vehicle Excise Tax	Library Grant-in- Aid ¹	Library Construction Aid	Total FY2017 Municipal Aid	Change from FY2017 Enacted
Barrington	\$607,756	\$15,995	\$0	\$0	\$217,477	\$374,284	\$0	\$607,756	\$0
Bristol	1,511,676	954,792	-	-	94,294	185,859	276,731	1,511,676	-
Burrillville	780,612	145,198	-	-	200,798	165,414	269,202	780,612	-
Central Falls	375,132	24,507	223,894	-	96,208	30,523	-	375,132	-
Charlestown	95,319	-	-	-	44,097	51,221	-	95,319	-
Coventry	489,165	-	-	-	244,791	244,374	-	489,165	-
Cranston	8,263,498	5,322,139	1,341,001	-	1,005,084	595,274	-	8,263,498	-
Cumberland	746,351	135	-	-	247,485	287,647	211,083	746,351	-
East Greenwich	709,944	434,980	-	-	81,417	134,295	59,252	709,944	-
East Providence	2,052,991	248,601	817,097	-	501,297	422,447	63,549	2,052,991	-
Exeter	220,165	-	-	-	92,110	52,087	75,968	220,165	-
Foster	107,416	-	-	-	72,955	34,462	-	107,416	-
Glocester	181,183	-	-	-	102,420	78,763	-	181,183	-
Hopkinton	105,592	-	-	-	69,295	36,298	-	105,592	-
Jamestown	137,097	-	-	-	22,042	115,055	-	137,097	-
Johnston	682,187	-	-	137,340	422,637	122,211	-	682,187	-
Lincoln	409,124	-	-	-	198,583	210,541	-	409,124	-
Little Compton	49,293	-	-	-	12,896	36,397	-	49,293	-
Middletown	263,857	-	-	-	63,006	147,598	53,254	263,857	-
Narragansett	213,889	-	-	-	60,810	153,079	-	213,889	-
Newport	2,063,682	1,357,719	-	-	77,989	417,539	210,435	2,063,682	-
New Shoreham	158,478	-	-	-	6,714	88,318	63,446	158,478	-
North Kingstown	511,567	1,737	-	-	185,691	293,678	30,461	511,567	-
North Providence	1,614,996	-	1,032,992	-	389,770	192,234	-	1,614,996	-
North Smithfield	256,780	-	-	-	177,990	78,789	-	256,780	-
Pawtucket	3,257,863	554,958	1,523,936	-	794,500	384,468	-	3,257,863	-
Portsmouth	201,600	-	-	-	84,669	116,931	-	201,600	-
Providence ³	38,908,536	30,137,743	5,604,286	-	1,882,415	1,284,092	-	38,908,536	-
Richmond	92,955	-	-	-	65,687	27,268	-	92,955	-
Scituate	173,151	-	-	-	68,633	104,517	-	173,151	-
Smithfield	1,264,851	710,097	-	-	255,759	298,995	-	1,264,851	-
South Kingstown	563,601	198,218	-	-	139,730	225,653	-	563,601	-
Tiverton	502,954	-	-	-	59,170	116,085	327,699	502,954	-
Warren	149,967	-	-	-	92,183	57,784	-	149,967	-
Warwick	3,580,976	1,712,951	-	-	964,536	739,844	163,644	3,580,976	-
Westerly	947,752	159,333	-	-	216,507	318,145	253,767	947,752	-
West Greenwich	86,702	-	-	-	54,390	32,312	-	86,702	-
West Warwick	1,286,324	-	891,916	-	231,779	162,630	-	1,286,324	-
Woonsocket	1,697,549	-	949,336	-	402,183	181,300	164,730	1,697,549	-
Total	\$75,322,533	\$41,979,103	\$12,384,458	\$137,340	\$10,000,000	\$8,598,411	\$2,223,221	\$75,322,533	\$0

¹ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2018 Direct Municipal Aid to Cities and Towns

Municipality	FY2017 Enacted	Payment In Lieu of Taxes	Distressed		Library Grant- in-Aid	Library		Total FY2018 Municipal Aid	Change from FY2017
			Communities Relief Fund	Motor Vehicle Excise Tax		Construction Aid			
Barrington	\$607,756	\$16,157		\$637,198	\$380,070			\$1,033,425	\$425,669
Bristol	1,511,676	1,035,981		401,639	187,103	282,400		1,907,123	395,446
Burrillville	780,612	97,322		694,828	170,118	261,561		1,223,829	443,217
Central Falls	375,132	25,295	225,398	408,231	27,075			685,999	310,868
Charlestown	95,318			153,869	50,815			204,684	109,366
Coventry	489,165			946,836	238,140			1,184,976	695,811
Cranston	8,263,498	5,287,952	1,341,001	3,431,469	582,746			10,643,168	2,379,670
Cumberland	746,350	135		836,977	285,364	207,771		1,330,247	583,897
East Greenwich	709,944	459,869		274,902	132,321	57,240		924,332	214,388
East Providence	2,052,991	243,053		1,670,002	415,613	61,766		2,390,434	337,443
Exeter	220,165			339,178	52,931	75,968		468,077	247,912
Foster	107,417			312,994	34,371			347,365	239,948
Glocester	181,183			429,132	77,938			507,070	325,887
Hopkinton	105,593			288,401	35,323			323,724	218,131
Jamestown	137,097			72,145	126,828			198,973	61,876
Johnston	681,286		601,333	1,723,782	124,168			2,449,283	1,767,997
Lincoln	409,124			620,593	203,414			824,007	414,883
Little Compton	49,293			44,361	35,067			79,428	30,135
Middletown	263,858			218,789	145,593	51,353		415,735	151,878
Narragansett	213,889			199,464	191,652			391,116	177,227
Newport	2,063,682	1,405,248		258,929	411,403	203,310		2,278,890	215,207
New Shoreham	158,478			28,561	74,303	64,335		167,199	8,722
North Kingstown	511,567	1,712		613,200	282,085	29,206		926,203	414,636
North Providence	1,614,996		1,030,137	1,820,112	202,114			3,052,363	1,437,367
North Smithfield	256,779			610,666	78,305			688,971	432,191
Pawtucket	3,257,862	554,958	1,539,903	3,231,534	409,155			5,735,550	2,477,687
Portsmouth	201,600			301,276	113,853			415,129	213,529
Providence	39,672,196	33,303,459	5,797,634	5,797,450	1,265,199			46,163,742	6,491,546
Richmond	92,955			256,116	26,001			282,117	189,162
Scituate	173,150			233,537	104,815			338,352	165,202
Smithfield	1,264,851	718,669		829,903	294,639			1,843,211	578,360
South Kingstown	563,601	204,036		465,978	218,810			888,824	325,222
Tiverton	502,954			208,862	123,043	321,483		653,388	150,434
Warren	149,967			362,400	56,598			418,998	269,031
Warwick	3,580,975	1,690,561		3,067,281	739,962	126,341		5,624,145	2,043,170
Westerly	947,752	161,199		820,003	318,791	253,767		1,553,760	606,008
West Greenwich	86,702			223,181	33,299			256,480	169,779
West Warwick	1,286,325		924,370	711,086	162,506			1,797,962	511,638
Woonsocket	1,697,549		924,681	1,624,947	186,880	166,898		2,903,406	1,205,856
Total	\$76,085,291	\$45,205,606	\$12,384,457	\$35,169,814	\$8,598,411	\$2,163,399		\$103,521,688	\$27,436,397

FY2017 Revised Indirect Local Aid to Cities and Towns

Municipality	FY2017 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2017 Total Indirect Aid	Change from FY2017 Enacted
Barrington	\$398,042	\$209,719	\$182,745	\$1,131	\$393,595	(\$4,447)
Bristol	797,373	289,577	472,049	49,785	811,411	14,038
Burrillville	434,507	207,376	201,219	-	408,595	(25,912)
Central Falls	385,751	249,834	129,109	125	379,068	(6,683)
Charlestown	358,714	100,263	167,344	59,564	327,171	(31,543)
Coventry	1,007,788	450,490	412,792	113,054	976,336	(31,452)
Cranston	3,007,373	1,038,680	1,898,481	19,411	2,956,572	(50,801)
Cumberland	949,027	436,817	501,532	-	938,349	(10,678)
East Greenwich	861,602	168,882	717,530	1,750	888,162	26,560
East Providence	1,691,296	607,219	1,016,671	59,733	1,683,623	(7,673)
Exeter	190,516	85,909	106,243	62	192,214	1,698
Foster	78,080	59,761	18,993	174	78,928	848
Glocester	212,484	126,732	79,817	2,689	209,238	(3,246)
Hopkinton	160,711	104,846	55,281	1,189	161,316	605
Jamestown	234,613	70,086	97,881	24,558	192,525	(42,088)
Johnston	1,004,463	373,181	619,224	9,784	1,002,189	(2,274)
Lincoln	1,318,677	274,218	830,688	120,139	1,225,045	(93,632)
Little Compton	136,094	44,943	60,643	7,586	113,172	(22,922)
Middletown	1,857,988	207,028	768,356	975,936	1,951,320	93,332
Narragansett	1,235,200	203,230	704,121	203,610	1,110,961	(124,239)
Newport	5,122,274	316,689	2,399,673	2,872,545	5,588,907	466,633
New Shoreham	756,296	11,497	382,472	702,190	1,096,159	339,863
North Kingstown	1,036,627	339,927	588,906	94,827	1,023,660	(12,967)
North Providence	787,403	414,648	368,893	28	783,569	(3,834)
North Smithfield	436,483	155,854	332,869	3,742	492,465	55,982
Pawtucket	1,844,060	918,089	860,137	50,975	1,829,201	(14,859)
Portsmouth	467,287	223,391	243,377	23,632	490,400	23,113
Providence	10,081,211	2,298,821	5,570,941	2,270,366	10,140,128	58,917
Richmond	260,577	98,461	149,928	4,579	252,968	(7,609)
Scituate	219,430	134,071	67,860	7,829	209,760	(9,670)
Smithfield	1,232,126	276,509	833,263	196,653	1,306,425	74,299
South Kingstown	1,496,271	393,252	883,165	210,758	1,487,175	(9,096)
Tiverton	454,161	203,475	239,276	1,290	444,041	(10,120)
Warren	450,382	135,886	377,395	2,109	515,390	65,008
Warwick	5,341,634	1,056,511	2,872,428	1,369,291	5,298,230	(43,404)
Westerly	1,862,488	292,589	924,908	706,203	1,923,700	61,212
West Greenwich	343,951	78,764	145,540	120,834	345,138	1,187
West Warwick	890,273	372,833	368,425	151,535	892,793	2,520
Woonsocket	1,156,381	529,588	547,126	67,917	1,144,631	(11,750)
Total	\$50,559,616	\$13,559,647	\$27,197,299	\$10,507,585	\$51,264,530	\$704,916

FY2018 Indirect Local Aid to Cities and Towns

Municipality	FY2017 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2018 Total Indirect Aid	Change from FY2017 Enacted
Barrington	\$398,042	203,389	\$194,161	\$1,131	\$398,681	\$639
Bristol	797,373	279,397	501,539	53,444	834,380	37,007
Burrillville	434,507	202,015	213,789	-	415,804	(18,703)
Central Falls	385,751	242,093	137,175	125	379,393	(6,358)
Charlestown	358,714	97,097	177,798	59,523	334,418	(24,296)
Coventry	1,007,788	437,024	438,580	116,310	991,914	(15,874)
Cranston	3,007,373	1,008,961	2,017,085	19,577	3,045,623	38,250
Cumberland	949,027	426,317	532,865	-	959,182	10,155
East Greenwich	861,602	163,835	762,356	1,160	927,351	65,749
East Providence	1,691,296	590,502	1,080,186	59,170	1,729,858	38,562
Exeter	190,516	83,592	112,880	28	196,500	5,984
Foster	78,080	58,356	20,180	182	78,718	638
Glocester	212,484	123,645	84,803	2,805	211,253	(1,231)
Hopkinton	160,711	101,482	58,735	1,209	161,426	715
Jamestown	234,613	68,263	103,996	24,426	196,685	(37,928)
Johnston	1,004,463	363,489	657,909	10,256	1,031,654	27,191
Lincoln	1,318,677	267,304	882,583	125,321	1,275,208	(43,469)
Little Compton	136,094	43,776	64,431	7,593	115,800	(20,294)
Middletown	1,857,988	200,603	816,358	987,413	2,004,374	146,386
Narragansett	1,235,200	196,380	748,109	206,281	1,150,770	(84,430)
Newport	5,122,274	305,570	2,549,588	2,876,320	5,731,478	609,204
New Shoreham	756,296	11,319	406,366	716,245	1,133,930	377,634
North Kingstown	1,036,627	328,695	625,697	98,053	1,052,445	15,818
North Providence	787,403	403,417	391,939	12	795,368	7,965
North Smithfield	436,483	151,904	353,664	3,925	509,493	73,010
Pawtucket	1,844,060	891,950	913,872	49,731	1,855,553	11,493
Portsmouth	467,287	216,894	258,582	24,415	499,891	32,604
Providence	10,081,211	2,232,279	5,918,974	2,314,376	10,465,629	384,418
Richmond	260,577	95,248	159,294	4,803	259,345	(1,232)
Scituate	219,430	130,554	72,100	7,866	210,520	(8,910)
Smithfield	1,232,126	268,766	885,319	202,292	1,356,377	124,251
South Kingstown	1,496,271	382,004	938,339	215,664	1,536,007	39,736
Tiverton	454,161	197,617	254,224	1,290	453,131	(1,030)
Warren	450,382	131,578	400,972	937	533,487	83,105
Warwick	5,341,634	1,022,628	3,051,877	1,386,595	5,461,100	119,466
Westerly	1,862,488	283,383	982,690	731,517	1,997,590	135,102
West Greenwich	343,951	76,421	154,633	124,254	355,308	11,357
West Warwick	890,273	360,940	391,441	156,602	908,983	18,710
Woonsocket	1,156,381	514,881	581,307	69,712	1,165,900	9,519
Total	\$50,559,616	\$13,163,568	\$28,896,396	\$10,660,564	\$52,720,528	\$2,160,913

Education Aid

The FY2018 Budget adds \$41.5 million to fully fund the seventh year of the education funding formula, and an additional \$4.0 million to fund categorical aid (\$45.5 million total), relative to the FY2017 budget as Enacted. The increase relative to the Governor's recommended budget is \$1.6 million, due to the March 2017 data update.

EDUCATION AID

Education Aid Funding Formula: Pursuant to statute, the enrollment data used to calculate the funding formula must be from the year prior to the year in which the aid is paid. The Budget increases FY2018 general revenue funding by \$1.5 million to adjust the seventh-year formula calculation based March 2017 student enrollment and free and reduced price lunch data. This adjustment brings the total increase for the seventh year of the funding formula to \$41.5 million.

Categorical Funds: When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but according to other methodology. They include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, Central Falls Stabilization, and the Regionalization Bonus. The FY2017 Budget added new categories including English Learners, Density Aid, Davies Stabilization, and Met School Stabilization.

FY2018 Education Aid UPDATED

Categorical	Change from	
	Enacted	Total Funding
Seventh Year of Formula	\$41.5	\$911.2
Central Falls Stabilization	2.0	6.8
Transportation	-	6.4
Early Childhood	1.1	6.2
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
Davies Stabilization	1.6	3.2
English Learners	-	2.5
Public School Choice Density	(0.6)	0.9
Met School Stabilization	0.6	0.8
Regionalization Bonus	-	-
Group Home Aid	(0.7)	4.1
Total	\$45.5	\$951.0

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

- **Central Falls Stabilization:** Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This categorical was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula. Although Central Falls has been working with the Department to reduce expenditures over the last several years, the district has not been able to reduce costs enough to keep pace with the phase in of the funding formula. Also, charter school tuitions have been increasing. The Budget funds this category at \$6.8 million in FY2018, an increase of \$2.0 million from the FY2017 enacted level.
- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$6.4 million in FY2018, level with the previous year.

- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Budget funds this category at \$6.2 million in FY2018, an increase of \$1.1 million over the FY2017 Budget as Enacted. The additional funds are needed to match the third year of the federal Pre-Kindergarten Expansion grant (\$6.0 million).
- **High-Cost Special Education:** This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The State reimburses costs that exceed five times the combined core instruction and student success factor funding (currently \$64,141 for FY2018). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$4.5 million in FY2018, level with the previous year.
- **Career and Technical Schools:** This fund contributes toward the initial investment needs to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies of higher cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2018, level with the previous.
- **Davies Stabilization Fund:** Article 11 of the FY2017 Budget as Enacted established a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$3.2 million provided in FY2018 will offset decreases in aid through the phase-in of the formula, increases in state retirement expenses, since the teachers at Davies are part of the state system, and the loss in revenues associated with the reduction in local tuition rates.
- **English Learners:** Article 11 of the Budget as Enacted established a new categorical fund for English Learners (EL). The fund provides additional aid of 10.0 percent of the per-pupil core instruction amount for each qualified EL student. This additional aid is then multiplied by the state share. When the article was originally enacted, the additional the per-pupil weight was \$898 for each identified English learner. In FY2018, the per-pupil weight increases to \$916, to reflect 10.0 percent of the \$9,163 core instruction amount. This amount is then multiplied by the state share ratio. The formula is provided below.

(Per-pupil core instruction amount x number of EL students) x 10.0 percent x state share ratio = additional state support per EL student

This support is then ratably reduced based on the total amount appropriated.

The Article restricted the funds to provide new services to EL students and required that the funds be managed in accordance with requirements enumerated by the Commissioner. The Article also required the Department to collect performance reports and approve the use of funds prior to expenditure to ensure the funded activities align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$2.5 million in FY2018, level with the previous fiscal year and approximately one-half of the estimated full funding amount.

- **Public School of Choice Density Aid:** Article 11 of the FY2017 Budget as Enacted established as new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced

when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. The article requires that the Department recalculate these costs every three years, in a manner to be determined by the Commissioner. The Budget includes \$910,500 in density aid to be divided among seven qualifying communities: Central Falls, Charlestown, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. This represents a decrease of \$581,725 from the FY2017 Budget as Enacted.

- **Met School Stabilization Fund:** Article 11 of the FY2017 Budget as Enacted established a stabilization fund to provide additional support to the Met School for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$627,280 increase over the enacted budget (\$759,796 total) provided in FY2018 is to offset the loss in revenues caused by the per-pupil reduction in local tuition rates and provide a zero net impact on formula funding relative to FY2017.
- **Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget provides no funding in FY2018, the seventh year of funding for the regionalized districts, as no new regional districts have been formed. This represents level funding from the FY2014 Budget as Enacted.

Group Homes: The Budget provides a decrease of \$688,863 in Group Home Aid due primarily to adjustment required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. The FY2017 budget as Enacted increased the per-bed aid by \$2,000 for a total of \$17,000 per bed, except for beds associated with the Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which increased by \$4,000 for a total of \$26,000 per bed. The Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes.

5/31/2017

FY2018 Education Aid UPDATED¹

Districts	FY2017 Enacted (excludes group home and categoricals)	FY2018 (Year 7) formula Change	Transportation	High-cost Special Education (>\$64,140)	Group Home Aid ²	English Learners	Public School Choice Density	Stabilization Funding	FY2018 Aid
Barrington	\$5,215,104	58,383	30,522	34,017	80,233	667	-	\$0	\$5,347,807
Burrillville	12,982,040	(27,279)	-	-	-	75	7,100	-	13,185,861
Charlestown	1,687,921	356,463	12,890	42,598	85,982	598	-	-	1,667,817
Coventry	22,704,444	2,476,820	770,393	826,679	40,942	63,609	-	-	23,202,975
Cranston	54,827,149	1,308,145	112,141	46,167	-	11,956	50,900	-	59,005,592
Cumberland	17,659,354	(90,952)	72,124	132,020	-	436	-	-	19,188,664
East Greenwich	2,626,313	2,609,809	3,182	151,856	475,998	33,166	-	-	2,739,941
East Providence	32,245,114	(21,115)	16,803	47,363	-	-	-	-	35,519,125
Foster	1,163,998	(113,300)	-	-	-	-	-	-	1,207,050
Glocester	2,502,877	(112,930)	-	-	-	-	-	-	2,407,383
Hopkinton	5,386,069	13,530	-	-	-	181	-	-	5,273,320
Jamestown	438,902	2,455,648	300,054	91,538	-	124	-	-	473,751
Johnston	15,770,318	1,425,094	-	44,486	105,292	2,704	26,000	-	18,638,808
Lincoln	10,906,917	(16,194)	-	-	-	40	-	-	12,510,492
Little Compton	413,267	(272,188)	-	-	-	-	-	-	397,113
Middletown	8,134,323	(12,085)	-	69,700	322,549	8,443	-	-	8,262,828
Narragansett	2,114,201	657,584	-	37,224	-	131	-	-	2,139,472
Newport	10,720,594	11,274	-	34,945	154,312	22,484	-	-	11,589,919
New Shoreham	110,826	(140,905)	-	19,706	-	262	-	-	142,067
North Kingstown	10,846,006	1,965,003	161,785	174,064	153,801	17,190	-	-	10,749,543
North Providence	19,547,302	(117,567)	20,757	54,325	106,653	808	-	-	22,019,145
North Smithfield	5,960,086	5,500,732	117,792	164,505	294,434	212,850	175,800	-	6,025,062
Pawtucket	82,687,909	(198,046)	-	62,991	590,830	405	-	-	89,154,022
Portsmouth	4,019,920	14,244,550	294,916	794,219	601,950	1,526,070	459,500	-	4,476,100
Providence	230,869,652	(164,832)	-	-	-	-	-	-	248,790,856
Richmond	4,840,982	(163,777)	36,823	27,480	-	-	-	-	4,676,150
Situate	3,711,978	472,917	80,494	32,071	218,712	743	-	-	3,612,504
Smithfield	5,536,267	(515,482)	120,504	104,934	249,723	1,505	-	-	6,341,204
South Kingstown	6,994,271	225,385	-	74,075	-	980	-	-	6,955,454
Tiverton	6,230,844	848,549	4,833	558,269	354,602	11,888	-	-	6,531,285
Warwick	37,368,197	(34,854)	-	160,026	-	1,892	-	-	39,146,338
Westerly	8,724,889	1,278,739	48,417	18,030	-	1,837	-	-	8,851,953
West Warwick	23,016,375	3,333,815	16,245	48,463	47,695	128,073	38,600	-	24,376,899
Woonsocket	56,033,685	(536,753)	1,165,683	117,966	108,583	5,898	-	-	59,646,576
Bristol-Warren ³	14,731,387	(281,810)	915,494	102,904	115,918	825	-	-	15,592,765
Exeter-West Greenwich ³	5,231,063	(38,321)	1,607,479	102,084	-	-	-	-	6,084,394
Charlho	153,282	(120,007)	295,498	77,754	-	323	-	-	1,824,524
Foster-Glocester	4,743,256	(1,193,381)	48,284	57,534	-	183,861	152,600	6,755,095	4,996,824
Central Falls	34,316,653	7,570,815	-	18,662	-	190,810	-	-	40,320,646
District Total	\$773,173,795	\$35,013,337	\$6,351,360	\$4,481,338	\$4,108,209	\$2,278,655	\$910,500	\$6,755,095	\$833,072,229
Charter School Total	75,177,727	(850,458)	-	-	-	9,767	-	-	82,958,014
Davies	11,043,048	(627,280)	-	-	-	10,505	-	3,154,166	13,356,523
Met School	9,209,491	379,452	-	-	-	5,204	-	759,796	9,352,512
Urban Collaborative	1,115,290	-	-	-	-	-	-	-	1,499,946
Total	869,719,291	\$41,485,866	\$6,351,360	\$4,500,000	\$4,108,209	\$2,494,939	\$910,500	\$10,669,057	\$940,239,223

¹ Based on March 2017 enrollment updated for projected charter school growth.

² Based on final 12/31/2016 report from Rhode Island Department of Education.

³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.

Source: Rhode Island Department of Education

5/31/2017

FY2018 UPDATED Education Aid - Change to FY2017 Budget as Enacted¹

Districts	FY2017 Enacted (includes group home and categorical)	FY2018 (Year 7) Formula Change	High-cost					Public School Choice Density	Stabilization Funding	Total Change	FY2018 Education Aid
			Transportation (change from FY2017)	Education (change from FY2017)	Group Home ² (change from FY2017)	English Learners	Choice Density				
Barrington	\$5,412,982	(\$57,325)	\$24,824	(\$32,375)	\$0	\$0	(\$299)	\$0	(\$65,175)	\$5,347,807	
Burrillville	13,111,213	58,383	(3,988)	22,215	(1,907)	(54)	(54)	-	74,648	13,185,861	
Charlestown	1,687,921	(27,279)	-	-	-	75	7,100	-	(20,104)	1,667,817	
Coventry	22,874,403	356,463	(16,491)	2,248	(13,147)	(501)	(501)	-	328,572	23,202,975	
Cranston	56,028,986	2,476,820	172,984	329,149	(6,760)	4,414	(35,900)	-	2,976,607	59,005,593	
Cumberland	17,980,588	1,308,145	(42,813)	(31,190)	-	9,833	(35,900)	-	1,208,076	19,188,664	
East Greenwich	2,810,468	(90,952)	32,003	(11,739)	-	162	-	-	(70,526)	2,739,942	
East Providence	33,101,437	2,609,809	(13,897)	(111,846)	(74,152)	7,775	-	-	2,417,689	35,519,125	
Foster	1,199,425	(21,115)	7,896	20,844	-	-	-	-	7,626	1,207,050	
Glocester	2,546,748	(113,300)	(20,210)	(5,854)	-	-	-	-	(139,365)	2,407,383	
Hopkinton	5,386,681	(112,930)	-	-	-	(432)	-	-	(113,361)	5,273,320	
Jamestown	473,875	13,530	-	(13,745)	-	91	-	-	(124)	473,752	
Johnston	16,142,240	2,455,648	(34,049)	68,131	-	6,838	-	-	2,496,568	18,638,808	
Lincoln	11,192,951	1,425,094	-	(72,415)	(14,104)	1,266	(22,300)	-	1,317,540	12,510,491	
Little Compton	413,267	(16,194)	-	-	-	40	-	-	(16,154)	397,113	
Middletown	8,621,817	(272,188)	-	(73,618)	(11,841)	(1,344)	-	-	(358,990)	8,262,828	
Narragansett	2,150,151	(12,085)	-	1,492	-	(87)	-	-	(10,679)	2,139,472	
Newport	10,938,355	657,584	-	18,407	(30,505)	6,078	-	-	651,564	11,589,919	
New Shoreham	131,168	11,274	-	(181)	-	(193)	-	-	10,899	142,067	
North Kingstown	10,897,113	(140,905)	-	(7,235)	-	571	-	-	(147,569)	10,749,544	
North Providence	20,168,708	1,965,003	(13,287)	(72,159)	(31,941)	2,822	-	-	1,850,438	22,019,146	
North Smithfield	6,177,520	(117,567)	(16,428)	(16,781)	(1,484)	(199)	-	-	(152,459)	6,025,061	
Pawtucket	83,927,607	5,500,732	(50,787)	29,577	(164,530)	24,023	(112,600)	-	5,226,415	89,154,022	
Portsmouth	4,787,380	(198,046)	-	(103,563)	(9,688)	16	-	-	(311,281)	4,476,100	
Providence	235,212,370	14,244,550	(93,821)	(39,287)	(217,735)	(14,523)	(300,700)	-	13,578,484	248,790,854	
Richmond	4,841,145	(164,832)	-	-	-	(163)	-	-	(164,996)	4,676,150	
Scituate	3,794,602	(163,777)	(10,181)	(8,139)	-	-	-	-	(182,097)	3,612,504	
Smithfield	5,961,895	472,917	6,167	(83,422)	(16,628)	276	-	-	379,310	6,341,205	
South Kingstown	7,485,517	(515,482)	(35,117)	22,551	(3,519)	1,505	-	-	(530,063)	6,955,455	
Tiverton	6,284,270	225,385	-	20,953	-	676	-	-	247,015	6,531,284	
Warwick	38,252,321	848,549	(32,917)	125,727	(52,682)	5,340	-	-	894,017	39,146,338	
Westerly	8,904,660	(34,854)	-	(17,847)	-	(6)	-	-	(52,707)	8,851,953	
West Warwick	23,082,050	1,278,739	(8,825)	18,030	-	6,904	-	-	1,294,849	24,376,898	
Woonsocket	56,340,792	3,333,815	3,242	7,355	(27,705)	5,426	(16,350)	-	3,305,782	59,646,575	
Bristol-Warren ³	16,003,657	(536,753)	225,875	(88,320)	(8,779)	(2,916)	-	-	(410,892)	15,592,765	
Exeter-West Greenwich ³	6,384,057	(281,810)	12,434	(28,629)	(1,756)	98	-	-	(299,663)	6,084,394	
Charlho	1,809,332	(38,321)	749	52,764	-	-	-	-	15,192	1,824,524	
Foster-Glocester	5,130,308	(120,007)	(34,130)	20,330	-	323	-	-	(133,484)	4,996,824	
Central Falls	39,687,299	(1,193,381)	(59,232)	43,369	-	(27,604)	(100,975)	1,971,170	633,347	40,320,646	
District Total	\$797,337,279	\$35,013,337	\$0	(\$15,203)	(\$688,863)	\$36,234	(\$581,725)	\$1,971,170	\$35,734,950	\$833,072,229	
Charter School Total	75,310,452	7,570,815	-	15,203	-	61,546	-	-	7,647,563	82,958,015	
Davies	12,591,659	(850,458)	-	-	-	8,201	-	1,607,121	764,864	13,356,523	
Met School	9,342,007	(627,280)	-	-	-	10,505	-	627,280	10,505	9,352,512	
Urban Collaborative	1,115,290	379,452	-	-	-	5,204	-	-	384,656	1,499,946	
Total	\$895,696,687	\$41,485,867	\$0	(\$0)	(\$688,863)	\$121,689	(\$581,725)	\$4,205,571	\$44,542,537	\$940,239,222	

¹ Based on March 2017 data updates.

² Based on final 12/31/2016 report from the Department of Children, Youth and Families.

³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.

Source: Rhode Island Department of Education

FY2018 Education Aid (March Data Update)

LEA	Change to the Formula Aid in the FY2017 Budget as Enacted			Change from Governor's Proposal		Total Change
	Governor's Submission	March 2017 Data Update	Difference	Public School Choice Density Aid	Stabilization funds	
Barrington	(\$74,442)	(\$57,325)	\$17,117	\$0	\$0	\$17,117
Burrillville	398,957	58,383	(340,575)	-	-	(340,575)
Charlestown	(34,102)	(27,279)	6,823	\$7,100	-	13,923
Coventry	888,796	356,463	(532,333)	-	-	(532,333)
Cranston	3,337,843	2,476,820	(861,024)	-	-	(861,024)
Cumberland	856,963	1,308,145	451,182	(8,900)	-	442,282
East Greenwich	(100,153)	(90,952)	9,201	-	-	9,201
East Providence	3,112,300	2,609,809	(502,491)	-	-	(502,491)
Foster	(9,340)	(21,115)	(11,775)	-	-	(11,775)
Glocester	(121,826)	(113,300)	8,526	-	-	8,526
Hopkinton	(95,104)	(112,930)	(17,825)	-	-	(17,825)
Jamestown	17,967	13,530	(4,437)	-	-	(4,437)
Johnston	2,613,415	2,455,648	(157,767)	-	-	(157,767)
Lincoln	1,132,791	1,425,094	292,303	(6,600)	-	285,703
Little Compton	(15,306)	(16,194)	(888)	-	-	(888)
Middletown	(217,263)	(272,188)	(54,924)	-	-	(54,924)
Narragansett	(14,070)	(12,085)	1,986	-	-	1,986
Newport	771,161	657,584	(113,577)	-	-	(113,577)
New Shoreham	6,382	11,274	4,892	-	-	4,892
North Kingstown	(150,204)	(140,905)	9,299	-	-	9,299
North Providence	2,141,247	1,965,003	(176,244)	-	-	(176,244)
North Smithfield	(97,348)	(117,567)	(20,219)	-	-	(20,219)
Pawtucket	5,330,499	5,500,732	170,234	(8,300)	-	161,934
Portsmouth	(191,556)	(198,046)	(6,490)	-	-	(6,490)
Providence	10,257,873	14,244,550	3,986,678	(5,900)	-	3,980,778
Richmond	(203,619)	(164,832)	38,787	-	-	38,787
Scituate	(138,357)	(163,777)	(25,421)	-	-	(25,421)
Smithfield	452,934	472,917	19,983	-	-	19,983
South Kingstown	(474,511)	(515,482)	(40,971)	-	-	(40,971)
Tiverton	246,726	225,385	(21,341)	-	-	(21,341)
Warwick	856,689	848,549	(8,140)	-	-	(8,140)
Westerly	245,894	(34,854)	(280,748)	-	-	(280,748)
West Warwick	1,212,333	1,278,739	66,406	-	-	66,406
Woonsocket	2,669,954	3,333,815	663,861	500	-	664,361
Bristol-Warren	(413,626)	(536,753)	(123,127)	-	-	(123,127)
Exeter-West Greenwich	(290,994)	(281,810)	9,184	-	-	9,184
Chariho	(38,321)	(38,321)	-	-	-	-
Foster-Glocester	(99,173)	(120,007)	(20,834)	-	-	(20,834)
Central Falls	(1,720,444)	(1,193,381)	527,063	(6,300)	-	520,763
Subtotal District Aid	\$32,050,963	\$35,013,337	\$2,962,374	(\$28,400)	\$0	\$2,933,974
Charter School Total	9,003,457	7,570,815	(1,432,642)	-	-	(1,432,642)
Davies	(715,093)	(850,458)	(135,365)	-	135,365	-
Met School	(625,068)	(627,280)	(2,212)	-	2,212	-
Urban Collaborative	275,504	379,452	103,948	-	-	103,948
Total	\$39,989,762	\$41,485,866	\$1,496,104	(\$28,400)	\$137,577	\$1,605,280

Source: Rhode Island Department of Education

LOCAL CHARTER SCHOOL TUITION REDUCTION

Article 11 of the FY2017 Budget provided for reduction to local tuition payments to state and charter schools. The amount of the reduction is calculated based on differences in expenses between each district and charter schools. The expenditure data is based on the prior previous fiscal year; consequently, the calculation of unique costs for FY2018 will be based on FY2016 data from the Uniform Chart of Accounts (UCOA). The reduction is the greater of 7.0 percent of the district's per-pupil funding or the per-pupil value of each district's costs in certain expenditure categories. The categories include each district's costs for non-public transportation, transportation for non-public students, retiree health benefits, out-of-district special education tuition and transportation, services for students age eighteen to twenty-one, pre-school

screening and intervention, career and technical education tuition and transportation costs, debt service, and rental costs minus the average charter school expenses for the same categories.

HOUSING AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2016, the minimum state share is 35.0 percent and the maximum is 96.1 percent for Central Falls: the state share for charter schools is 30.0 percent.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, and any project approval granted prior to the adoption of the school construction regulations in 2007, which did not receive voter approval or which has not been previously financed, is no longer eligible for reimbursement. Article 22 of the FY2015 Budget extended the moratorium from June 30, 2014, to May 1, 2015, limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety conditions.

As part of the legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to refinance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would

only apply to refinancing done between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

For FY2018, the Budget provides \$80.0 million, level funded with the FY2017 Budget as Enacted. For FY2018, the Department projects expenditures of \$70.9 million in school housing aid, level funded with the FY2017 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

School Building Authority Capital Fund:

Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State's School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the foundation program, as enumerated in RIGL 16-7-35 through 16-7-47, and the school building authority capital fund (Capital Fund), as created through the article. The FY2016 budget added 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC). For FY2018, the Budget provides \$9.1 million in general revenue to capitalize the Capital Fund, consistent with the FY2017 Budget as Enacted

School Bond Refinancing Incentive Estimated Savings Summary

Municipality	Local Savings	State Savings	Total Savings
Burrillville	\$391,582	\$97,896	\$489,478
Central Falls	485,690	121,423	607,113
Cumberland	392,456	98,136	490,592
Johnston	41,684	10,421	52,105
Lincoln	1,590,165	397,541	1,987,706
New Shoreham	329,114	82,278	411,392
North Kingstown	419,141	104,785	523,926
North Providence	492,390	123,098	615,488
Pawtucket	44,094	11,023	55,117
Portsmouth	208,533	52,135	260,668
Providence	5,854,680	1,463,670	7,318,350
South Kingstown	232,603	58,151	290,754
Tiverton	753,270	188,317	941,587
West Warwick	525,572	131,393	656,965
Woonsocket	728,129	182,083	910,212
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453



ARTICLES

Articles

Article 1: Relating to Making Appropriations in Support of FY2018

This article makes appropriations for general revenues, federal funds, restricted receipts, and other funds, and authorizes FTE levels for each agency and department.

Expenditures by Source	FY2016 Final	FY2017 Enacted	FY2018 Governor	FY2018 HFC	HFC Change to Governor
General Revenue	\$3,547.9	\$3,683.7	\$3,792.7	\$3,755.2	(\$37.5)
Federal Funds	2,877.4	2,957.1	3,081.8	3,101.1	19.2
Restricted Receipts	245.7	257.0	273.8	261.8	(11.9)
Other Funds	1,834.2	2,040.9	2,099.7	2,079.2	(20.5)
Total	\$8,505.2	\$8,938.7	\$9,248.1	\$9,197.4	(\$50.7)
FTE Authorization	15,116.3	14,952.6	15,067.4	14,999.2	(68.2)

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

Article 1 also makes the following changes:

- Authorizes debt payments for the I-195 Redevelopment District Commission loan.
- Sets the airport impact aid formula.
- Caps the amount the Judiciary may charge to five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.2 million.
- Requires that Rhode Island Housing continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The Article requires a report be provided to the Director of Administration, chair of the Housing Resources Commission, State Budget Officer, and the chairs of the House and Senate Finance Committees on the number of housing units produced and funding.
- Delineates line-item grant awards in department and agency budgets.
- Requires the following transfers (\$29.3 million) be made to the State Controller by June 30, 2018:
 - \$12.5 million from Electric and Gas Distribution Company (*System Reliability and Energy Efficiency and Conservation Procurement Programmatic Budget Plan*)
 - \$6.0 million from Rhode Island Health and Educational Building Corporation
 - \$5.0 million from Narragansett Bay Commission
 - \$3.5 million from the Rhode Island Infrastructure Bank
 - \$1.0 million from the Quonset Development Corporation
 - \$1.0 million from the Rhode Island Housing
 - \$333,420 from the Public Utilities Commission for rent for state-owned at 89 Jefferson Boulevard in Warwick, Rhode Island.

Article 2: Relating to Economic Development and Tax Credits

This article refines and expands components of the Commerce Corporation's Innovation Initiative Voucher Program. The program was established in FY2016 to provide financial assistance to small businesses (under 500 employees) for research and development technical assistance. This article specifically:

- Expands the Innovation Initiative Voucher program beyond small businesses to include a distinct category of small business manufacturers.
- Directs the Commerce Corporation to reserve up to 50.0 percent of the program’s annual appropriation for this category.
- Provides clarification that firms within the distribution and logistics industries are not eligible for the program and expands the scope of activities covered by the voucher program to specifically include research and development.
- Prohibits firms from simultaneously receiving an award or funds under the program and claiming a tax credit for qualified research expenses under the research and development facilities elective deduction (RIGL 44-32-3)
- Extends the Historic Preservation Tax Credit program for two years by pushing the sunset date to June 30, 2019.

Article 3: Relating to Rhode Island Promise Scholarship

This article establishes the Rhode Island Promise Scholarship program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island (CCRI), less federal and all other financial aid available to the recipient. The program is modified relative to the Governor’s recommendation by the following conditions:

- The program is limited to CCRI and does not apply to students at the University of Rhode Island or Rhode Island College.
- The program begins with students who enroll in CCRI in the Fall of 2017 and ends with students who enroll in the Fall of 2020.
- Recipients must maintain an average cumulative grade point average (GPA) of 2.5 or greater, as determined by CCRI.
- Must “commit to live, work, or continue their education in Rhode Island after graduation.” CCRI is required to develop a policy to secure this commitment from recipients.

Analyst’s Note: While mention was made during the House finance Committee hearing of a two-year commitment, the language of the article is silent as to the length of time. The article is also silent relative to any community service requirements.

- CCRI must submit a report to the Director of OMB, the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor, the Commissioner of Postsecondary Education, and the chair of the Council on Postsecondary Education detailing the number of students eligible to participate in the scholarship program, the amount of other aid the students are receiving.

The Budget eliminates the \$4.5 million in general revenue for this program, leaving a balance of \$5.5 million, providing \$2.8 million for scholarships and \$2.8 million for increased operating costs at the institutions, including \$1.5 million for the University of Rhode Island, \$750,000 for Rhode Island College, and \$500,000 for CCRI.

Article 4: Relating to Division of Motor Vehicles

Article 4 makes a number of changes impacting the Division of Motor Vehicles. The article:

- Establishes in law the technology surcharge fee of \$1.50, which funds the technology investment fund (RIGL 42-11-2.5) earmarked for the Division’s computer system, Rhode Island Modernization System (RIMS). This leads to an estimated \$2.1 million increase to the technology investment fund annually. The fee will sunset on June 30, 2022.

- Shifts license plate reissuance from April 1, 2017 to January 1, 2019. The license plate reissuance delay saves \$3.0 million in expenditures in the FY2017 and FY2018 Budget. Under current law, individuals are charged \$6.00 above the regular registration fee per license plate. Delaying the reissuance results in a loss of \$935,975 in revenue in FY2017 and \$1.8 million in FY2018.
- Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed four times previously: in the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted changed the reissuance until September 2015; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; and the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017.
- Eliminates the ability for an individuals to obtain a refund on a multi-year motor vehicle registration in the event they move out of the state after the within the first year of the registration. The Budget includes \$539,000 in additional general revenue as a result of this change.
- Reverses the reductions to annual registration fees for commercial trucks, truck tractors, and truck trailers that were to take effect on July 1, 2017. The FY2017 Budget as Enacted provided a new sliding scale fee schedule for commercial truck vehicles beginning in FY2018. Owners of vehicles at the lowest weights were to receive a 30.6 percent reduction of registration fees. Registration savings increased with the weight of the vehicle, topping out between 50.6 to 52.4 percent for those trucks above 26,000 pounds. The Budget maintains the fee schedule currently in effect for FY2017. The Budget includes an additional 840,000 of general revenue associated with the collection of the higher fees.

Analyst Note: Article 4 repeals the language establishing the new registration fee rates set in the FY2017 Budget as Enacted. However, as written, the article does not reestablish the previous rates in statute and therefore will have to be amended, otherwise all truck registration fees will be eliminated.

- Adjusts the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the State Highway Maintenance Account (HMA). The transfer of these fees to the HMA is part of the sustainable transportation funding reforms adopted by the General Assembly in the FY2015 Budget as Enacted. The original schedule called for 25.0 percent of the fees to be transferred during FY2016, 75.0 percent during FY2017, and all fees in FY2018 and beyond. Article 4 retains 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of funds is delayed until FY2019. These adjustments result in \$13.0 million more in general revenue in FY2017 and \$9.4 million in FY2018.
- Under Article 4, the Budget provides the Rhode Island Public Transit Authority (RIPTA) with \$5.0 million in the Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income senior and disabled persons. The free fare program is estimated by RIPTA to cost \$3.4 million. Additionally, the Budget shifts \$1.6 million in RIPTA debt service payments back to the Authority. RIPTA also must establish a coordinating council to develop recommendations for the sustainable funding of the program while maximizing the use of federal funds available to support the transportation needs of this population. The recommendations are to be provided to the Governor and General Assembly by November 1, 2018.

**Rhode Island Highway Maintenance
Account Fee Deposit Schedule**

Fiscal Year	Current law % of fees deposited	Article 4 % of fees deposited
FY2016	25%	25%
FY2017	75%	50%
FY2018	100%	80%
FY2019 and thereafter	N/A	100%

Article 5: Relating to Government Reorganization

This article makes the following changes to the organization of state government:

- Transfers the regulatory and oversight responsibilities for several of the State’s key health care insurance related programs from the Department of Health (DOH) to Office of the Health Insurance Commissioner (OHIC). It does so by first repealing the Health Care Services – Utilization Review Act, the Health Care Accessibility and Quality Assurance Act, and the Health Plan Modification Act. These statutes are replaced with new legislation that charges OHIC with the oversight responsibilities for health plan reviews, utilization reviews, and other regulatory functions mandated by the federal Affordable Care Act. These changes take effect on January 1, 2018, providing for period of transition to stand-up the capacity at OHIC. The Health Insurance Commissioner is provided with the authority to waive filing and other requirements during this time so that entities are not put out of compliance due to the transition.
- Eliminates the position of Cybersecurity Officer in the Department of Administration from the State’s unclassified service.
- Adds language to RIGL 36-4-34.1 regarding the transfer of state employees requiring the Director of the Department of Administration or the State Personnel Administrator to file a written report to the President of the Senate, Speaker of the House, and to the chairpersons of the Senate and House Fiscal Committees detailing the inter-agency transfer of any state employee. The report shall contain the employee’s name, work position and location, purpose and duration of the transfer, and the specific tasks to be assigned to the transferred employee.
- Allows the Office of Internal Audit to use any tax information deemed proper and contained on tax filings or reports for the purposes of fraud detection and prevention for any federal or state program.
- Permits the Governor, for 2017 only, to set the salaries of director of Department of Transportation, Department of Administration, and the Secretary of Health and Human Services.

Article 6: Relating to Debt Management Act Joint Resolution

This article serves as a joint resolution for the issuance of up to \$110.9 million in debt required pursuant to RIGL 35-18-1, commonly known as the Kushner Act, to finance an array of projects across state government. The projects, total costs, financing instruments, annual amounts, and total debt are summarized below.

Proposed Debt Authorizations				
Certificates of Participation (COPs)	Department	Principal	Interest	Total Debt
Confined Aquatic Disposal Cells (CAD Cell)	CRMC	10.5	3.1	13.6
Energy Conservation - URI	URI	11.6	5.2	16.8
Total COPs		\$22.1	\$8.3	\$30.4
Revenue Bonds				
White Horn Brook Apartments	URI (RIHEBC)	\$88.8	\$84.5	\$173.3
Total (COPs and Revenue Bonds)		\$110.9	\$92.8	\$203.7

\$ in millions

Article 7: Relating to State Funds

This article adjusts or establishes new restricted receipt accounts as follows:

- Authorizes an annual transfer of any surplus from the medical marijuana restricted receipt accounts in the Departments of Health (DOH) and Department of Business Regulation (DBR) to the general fund.

- Adds two new restricted receipt accounts exempt from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27. The proposed exemptions would apply to the Office of Energy Resources (OER) Reconciliation Funding account within the Department of Administration (DOA); and the Other Post-Employment Benefits System (OPEB) account within DOA.
- Establishes a new restricted receipt account for the Eisenhower House within DEM and transfers authority to collect fees at the site from the Historical Preservation and Heritage Commission to DEM.
- Creates a State Police non-state agency reimbursement account to receive funds from non-state agencies for costs incurred by the State Police for non-state agency activities. This account will be exempt from the indirect cost recovery provisions.
- Establishes a restricted receipt account to accept charitable donations and grants from nonprofit organizations awarded to the Department of Children, Youth, and Families. Currently such donations and grants have been deposited as general revenue and have at times not been expended for the intended purpose and within the awarded periods. The creation of a restricted receipt account will allow for appropriate record and expenditure of charitable donations and charitable non-profit grant awards.
- Strikes the sunset language limiting the deposit of donations from the Rhode Island Foundation to the Rhode Island Council on the Arts into a restricted receipt account, thereby allowing future donations to be deposited into a restricted receipt account for the support and improvement of the arts in the State.
- Adds language requiring future state budgets that may include monetary transfers from public corporations, to also include alternative funding proposals in lieu of the public corporation transfers.
- Establishes centralized accounts to each agency to allow the Department of Administration to draw upon those agency accounts for the billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. This will further the transparency of these expenses so that the expenditures will be clearly stated under each agency using the centralized services. This will also provide clarity in reporting the use of federal funds.
- Authorizes the state Chief Purchasing Officer to establish and collect from contractors listed on the master price agreement (MPA), an administrative fee not to exceed 1.0 percent of the total value of the annual expense against a contract awarded to a state contractor. Proceeds of the fee shall be deposited into a restricted receipt account and shall be used to implement and support a new online e-procurement system.
- Amends RIGL 37-7-15, which currently requires proceeds from the sale of state-owned land, buildings, and real property to be deposited into the Information Technology Investment Fund (ITIF). The amended section will allow the State Controller to use proceeds from the sale of a state-owned, privately-operated, group home to pay any related liability associated with that group home. Any remaining proceeds will then be deposited into the ITIF. This in effect will forgive the debt owed by private developmental disability providers operating state-owned group homes.
- Requires the Contractors' Registration and Licensing Board to file an annual report, beginning January 15, 2018, listing the number of fines issued, levied, and collected each fiscal year, as well as the annual account balance.

Article 8: Relating to Tax and Revenues

This article makes changes and adjustments to several of the State's tax laws and their enforcement. These amendments include:

- **Casino Promotions:** The article authorizes the establishment of several promotional and marketing initiatives at Twin River, Newport Grand, and Tiverton gaming facilities, including a "promotional points program" that allows customers to accrue value points that may be used within the facilities to pay for gaming and other amenities.

- **Hospital License Fee:** The calculation of the fee hospitals must pay to operate in Rhode Island is amended by this article. This fee is determined by applying a statutorily-prescribed percentage to hospital revenues derived from patient services. The FY2017 rate of 5.625 percent is reduced to 5.570 percent, resulting in an increase of \$ 177.3 million in general revenue.
- **Tax Collection Improvements and Fraud Prevention:** The article establishes an expiration date on certificates of exemption from the sales and use tax (four years from issuance). Definitions of sales suppression (including remote data manipulation) are expanded to aid in sales tax enforcement. Requires businesses to notify the Division of Taxation of the sale of assets. The inclusion of “debtors in possession” is added to the bankruptcy notification requirements.
- **Corporate Income Tax:** The article reduces the income tax withholding rate used by pass-through entities businesses (sole proprietorships, partnerships, LLCs, and S corporations) from 9.0 percent to 7.0 percent. Pass-through entities don't pay income taxes at the corporate level. Instead, corporate income is allocated among the owners, and income taxes are only levied at the individual owners' level. This is a technical correction to align the withholding rate for pass-through entities with that of other classes of business taxpayers.
- **Cigarette Tax Increase and Enforcement:** The article increases the excise tax on cigarettes by \$0.50, which raises the tax from \$3.75 to \$4.25 per pack of twenty, or to the equivalent of \$0.21 per cigarette. According to the Department of Revenue, the total retail price increases by \$0.58, from \$9.49 to \$10.07 per individual pack. Floor stock tax is assessed at the same rate of \$0.50 per pack of cigarettes. Additionally the article clarifies, tightens, and modernizes the State's tobacco laws and provides additional enforcement tools to the Department of Revenue. The Budget includes \$8.7 million in revenue from the cigarette tax increase.
- **Tax Amnesty:** The article includes a tax amnesty program for a 75-day period ending February 15, 2018. Under the program, civil and criminal penalties for non-compliance with state tax laws would be forgiven, and interest owed would be reduced by 25.0 percent. It is estimated that there will be an additional \$12.5 million in one-time revenue collections during the amnesty period.
- **Sales and Use Tax - Non-Collecting Retailers/Referrers/Retail Sales Facilitators:** This article creates a framework designed to facilitate the ability of noncollecting retailers that sell goods and services to Rhode Islanders over the internet to collect and remit sales and use taxes. It also notifies Rhode Island purchasers of their use tax liabilities on purchases from these retailers. The article specifically requires non-collecting retailers to do one of the following: register, collect and remit sales/use tax for each transaction; post a notice on its website informing Rhode Island purchasers that sales or use tax is due on certain purchases; notify RI purchasers at the time of sale that sales or use tax is due on the product or service purchased; email RI purchasers that sales or use tax is due; or send RI purchasers an annual notice detailing their cumulative annual taxable purchases from the seller. Retail sales facilitators must notify Taxation of the retailers they collect taxes for and those they don't. Referrers must notify their retailers about the notification's requirements. Entities are subjected to this new framework only if they have \$100,000 in annual gross sales in the state or have had 200 or more separate sales transactions in Rhode Island in a year. It is estimated that this new approach will yield \$37.3 million in new revenue in FY2018.

Article 9: Relating to Health and Human Services

This article revises and adds to the statutes governing the Medical Assistance (Medicaid) program and implements certain initiatives set forth in the FY2018 Budget. The Article gives the Executive Office of Health and Human Services (EOHHS) authority to oversee aligning General Law with the stated goals of promoting service quality, access and efficiency.

Specifically, this article:

- Removes the sunset for the Transitional Child Care Program making the program permanent. This program will expand access by increasing the exit income threshold for current child care program participants from 180.0 percent of the federal poverty level (FPL) up to 225.0 percent FPL.
- Freezes inflation-based rate increases to nursing facilities saving general revenues by \$5.6 million (\$10.9 million all funds) in FY2018.
- Amends the alternative payment methodology by requiring reimbursement rates to Federally Qualified Health Centers (FQHCs) to be included in Managed Care Organizations (MCOs) capitated rates, saving \$1.2 million in general revenue (\$3.0 million all funds) in FY2018.
- Reduces rates to Managed Care Organization plan administration, saving \$3.5 million (\$7.1 million all funds) in FY2018.
- Eliminates the Upper Payment Limit payments to hospitals, saving \$11.7 million (\$23.4 million all funds) in FY2018
- Eliminates the wage-pass through program established during the FY2016 legislative session. The Article includes language to provide a one-time rate increase to providers for the purposes of increasing wages to direct care workers.
- Co-designates EOHHS for administering federal aid for the purposes of administering the substance abuse block grant in order to meet maintenance-of-efforts requirements required by Substance Abuse Mental Health Services Administration (SAMHSA).
- Requires developmental disability providers to submit annual cost reports to the Departments of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH).
- Forgives developmental disability provider cash advance debt by allowing the sale of state-owned property to forgive this liability. Additionally, BHDDH will report to the Legislature any awards of advancements related to this practice.
- Increases the assessment on private and self-funded insurers to fund the Children’s Health Account (CHA). The assessment will increase from \$7,500 per child, per service, per year to \$12,500. The increased assessment will generate an additional \$3.0 million in restricted receipts in FY2018.
- Increases Graduate Medical Program payments from \$2.0 million to \$4.0 million in FY2018.

Analyst Note: The Article strikes the statutory language for the Graduate Medical Program. This is a technical error and was not intended to be eliminated.

Article 10: Relating to Making Revised Appropriations in Support of FY2017

This article makes revised appropriations for general revenues, and includes revisions to authorized expenditures from federal funds, restricted receipts and other funds as well as authorized FTE levels for each agency and department for FY2017.

Expenditures by Source	FY2016 Final	FY2017 Enacted	FY2017 Governor	FY2017 HFC	HFC Change to Governor
General Revenue	\$3,547.9	\$3,683.7	\$3,700.4	\$3,688.4	(\$12.0)
Federal Funds	2,877.4	2,957.1	3,098.1	3,184.6	86.5
Restricted Receipts	245.7	257.0	306.8	276.3	(30.5)
Other Funds	1,834.2	2,040.9	2,095.3	2,054.1	(41.2)
Total	\$8,505.2	\$8,938.7	\$9,200.5	\$9,203.4	\$2.8
FTE Authorization	15,116.3	14,952.6	15,035.9	14,959.0	(76.9)

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

Article 11: Relating to Taxation – Excise on Motor Vehicles and Trailers

This Article uses four “levers” to decrease the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024. Additionally, to ensure taxpayer relief, the Article removes the motor vehicle excise tax from the levy calculation related to the 4.0 percent cap on municipal property tax levy increases.

Within Article 11, major changes to current law include:

- Tax rate caps are reduced each year through FY2023
- Assessment ratios are reduced 5.0 percentage points each year through FY2023
- Exemption floors are raised each year through FY2023
- Exemptions are expanded to all cars more than 15 years old from FY2018 forward

Fiscal Year	Assessment		Exemption		Drop After	Total Levy	Forgone Levy	Taxed Car	Cars
	Ratio	Rate Cap	Floor	Age	Count			"Dropped" From Tax Roll	
FY2017	100%	N/A	\$500	25	\$220,611,139	\$0	746,965	-	
FY2018	95%	\$60	1,000	15	195,441,325	(25,169,814)	594,445	152,520	
FY2019	90%	50	2,000	15	170,426,882	(50,184,257)	581,512	165,454	
FY2020	85%	35	3,000	15	136,701,951	(83,909,188)	543,391	203,574	
FY2021	80%	35	4,000	15	104,600,455	(116,010,684)	483,393	263,573	
FY2022	75%	30	5,000	15	75,327,058	(145,284,081)	409,317	337,649	
FY2023	70%	20	6,000	15	43,407,790	(177,203,349)	339,844	407,121	
FY2024	N/A	N/A	N/A	N/A	-	(220,611,139)	N/A	N/A	

Source: Department of Revenue

In FY2017, state funding for the motor vehicle excise tax payments to cities and towns is funded at \$10.0 million in general revenue, where it has been since FY2011. This funding reimburses municipalities for the minimum \$500 exemption required under current state law, ratably reduced.

According to the Department of Revenue, the motor vehicle excise tax totaled \$220.6 million (based on 12/31/15 certifications), or about 9.0 percent of total local tax revenues, in FY2017. The Article will lead to an estimated reduction of motor vehicle excise tax of \$25.2 million in FY2018, increasing to a total of \$220.6 million in FY2024, when the tax will be fully eliminated.

While the motor vehicle excise tax phase out plan adopted in 1998 (RIGL 44-34.1-1) was never fully executed, current law provides that municipalities and fire districts shall receive a permanent distribution of growth in sales tax that is equal to lost revenue due to the tax elimination. This provision is unchanged by the Article. Under Article 11, in FY2018 and thereafter, the state is required to reimburse municipalities in the amount they received in FY2017, which is based on the \$10.0 million provided under current law, plus the difference between the FY2018 baseline and the tax levy that is submitted by each city and town.

Tables with impacts by community are available upon request from the Senate Fiscal Office.

Article 12: Relating to Education Aid

This article makes the categorical fund that provides additional support for English learners (EL) and the appropriation of \$500,000 for the administration and programmatic costs of each recovery high school permanent. The article also limits payments to the public institutions of higher education for dual and concurrent enrollment to the amount appropriated and requires the Council on Postsecondary Education to promulgate rules and regulations enforcing the limit on program costs.

Article 13: Relating to Department of Labor and Training Fees and Fines

The articles eliminates the annual fees associated with the following apprenticeships: \$20 for electricians, oil burnerpersons, fire alarm installers, electrical sign installers, lighting protection installers, plumbers, irrigators, and water-filtration/treatment system installers; and \$24 for pipefitters, refrigeration/air conditioning technicians, sprinkler technicians, and sheet metal masters. These changes will decrease general revenue by an estimated \$45,000.

The article makes changes to the following penalties, which increases general revenue by an estimated \$350,000 and restricted receipts by an estimated \$125,000:

- Unlicensed electrician first violation penalties are increased
- Administrative penalties on employers who violate wage payment labor laws are added
- The minimum civil penalty relating to the misclassification of a worker as an independent contractor are increased
- Penalties for employers who fail to file employer tax and withholding record reports are increased

Article 14: Relating to Minimum Wage

The Article increases minimum wage from \$9.60 to \$10.10 per hour effective January 1, 2018, and from \$10.10 to \$10.50 per hour effective January 1, 2019. Rhode Island increased the minimum wage for four consecutive years, 2013 through 2016. January 1, 2016, marked the most recent increase from \$9.00 per hour to \$9.60 per hour. The Governor's FY2017 Budget proposed to increase the minimum wage from \$9.60 per hour to \$10.10 per hour on January 1, 2017; however, this was not included in the FY2017 Budget as Enacted.

Recent RI Minimum Wage Increases

Calendar Year	Amount	Change
2007	\$7.40	
2013	7.75	4.7%
2014	8.00	3.2%
2015	9.00	12.5%
2016	9.60	6.7%

Connecticut has had three consecutive minimum wage increases since 2014, increasing from \$8.70 per hour to \$10.10 per hour on January 1, 2017. Massachusetts' minimum wage was increased to \$10.00 per hour effective January 1, 2016, and again to \$11.00 per hour on January 1, 2017. Vermont and Maine also increased minimum wage in January 2017.

New England Minimum Wage Rates

	2016	2017
Massachusetts	\$10.00	\$11.00
Rhode Island	9.60	9.60
Connecticut	9.60	10.10
Vermont	9.60	10.00
Maine	7.50	9.00
New Hampshire	7.25	7.25

Article 15: Relating to an Effective Date

This article provides that the Act would take effect on July 1, 2017, except as provided therein.

Senate Fiscal Office

Stephen H. Whitney

Senate Fiscal Advisor

David M. Tremblay

Deputy Senate Fiscal Advisor

Sandra L. Berube

Legislative Grant Coordinator

Robert C. Bromley

Senior Legislative Fiscal Analyst

Kelly M. Carpenter

Legislative Fiscal Analyst II

Molly McCloskey

Legislative Fiscal Analyst I

Tina Spears

Legislative Fiscal Analyst II

Emily Tumber

Senate Intern

Shanna Vecchio-Schubert

Legislative Fiscal Analyst I