FY 2018 Budget Plan Overview
Governor Gina M. Raimondo

EMBARGOED UNTIL
4 PM on Thursday,
Jan. 19, 2017
Governor’s FY 2018 Budget: Access to Opportunity

- Invests at record levels in our educational system & workforce
- Closes an estimated deficit of $66.2M, down from the projected FY 2018 deficit of $184.5M
- Introduces no broad-based tax increases for 3rd consecutive year under the Raimondo Administration
- Makes strategic investments in economic growth & innovation
- Supports the working RIer with a minimum wage increase
- Promotes the health of our cities & towns
Investing in Growth, Controlling Costs

Investment Areas as Percentage of General Revenue

<table>
<thead>
<tr>
<th></th>
<th>FY 2016 Actual</th>
<th>FY 2017 Gov</th>
<th>FY 2018 Gov</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commerce (Including DBR) + Higher Education + Elementary and Secondary education</td>
<td>37.05%</td>
<td>37.24%</td>
<td>38.16%</td>
</tr>
<tr>
<td>All Other</td>
<td>62.95%</td>
<td>62.76%</td>
<td>61.84%</td>
</tr>
</tbody>
</table>
FY 2018 Budget Plan

Middle Class Relief
Access To Affordable Higher Education

**RI Promise** – Two years of free college tuition for all ($10 M)
- Students may receive the scholarship at CCRI immediately after graduation or at RIC or URI beginning their junior year (the college graduating Class of 2021). Phase-in is as follows:

<table>
<thead>
<tr>
<th>FY</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>$10M</td>
<td>$13M</td>
<td>$18M</td>
<td>$30M</td>
</tr>
</tbody>
</table>

- Once fully implemented in 2021, the full cost will be less than 1% of the State general revenue budget

**Key Facts**
- By 2020, seven out of 10 jobs created in RI will require an associate’s degree or higher
- Fewer than 50% of URI students, 15% of RIC students and only 5% of CCRI students earn their degrees on time
- Students graduating from Rhode Island colleges with debt, on average, have more than $35,000 in loans to repay – the second highest debt of any state
Motor Vehicle Property Tax Fairness

- **Fiscally responsible car tax plan** — reduce assessed motor vehicle values by 30%
  - Change reduces total car tax bills by about $58M in calendar year 2018
  - In FY16, car taxes made up approx. 9% of total local tax revenues
    - State will reimburse cities & towns for revenue loss while ensuring fairness for vehicle owners
  - Moves from “clean retail” values to approximation of “average trade-in value”
    - Valuation process does not always reflect true values on each vehicle
    - RI has some of the highest average car tax rates in the country
    - Aligns us closer with methodologies used by MA & CT
FY 2018 Budget Plan

Helping Working Families
Enhanced Quality Of Life

- Increase minimum wage from $9.60 per hour to $10.50 per hour, effective Oct. 1, 2017

- Abolish Apprenticeship Fees – eliminate fees associated with registered apprenticeships in RI to incentivize employers to establish apprenticeship programs

- Increase Penalties for Labor Law Violations – would generate approx. $775,000 in general revenues & restricted receipt funds while enhancing labor law enforcement efforts
Promoting 3rd Grade Reading

• **Increase Pre-K Learning** – increases funding to leverage federal grants for total of $6M to support cognitive growth in children & laying groundwork for future academic success

• **Performance-based Quality Incentive for Child Care Assistance** – $1M to offer quality incentive payments for child care providers

• **Make ELL Funding Permanent** – makes permanent the $2.5M added to local English Language Learners (ELL) K-12 funding last year
  ○ RI is one of four states in the country that does not have permanent ELL funding

• **Kindergarten Entry Profile** – $200,000 in technology & training to start program analyzing children’s abilities & academic potential at kindergarten level
FY 2018 Budget Plan

Strengthening The Economy
Promoting Advanced Manufacturing

- **Manufacturing Investment Tax Credit** – $3.25M to enhance existing investment tax credit w/focus on manufacturers buying equipment & adding jobs

- **Job-Ready Workplace Learning Stimulus Package** - $2M to create a job incentive program w/focus on advanced manufacturing, creating a competitive award for those expanding employment in RI

- **Innovation Voucher** – expands successful R&D incentive program from $1.5M to $2.5M w/added focus on manufacturing R&D

- **Polaris Technical Assistance** – additional $300,000 (for total of $550,000) to allow Polaris to provide LEAN training, facility layout and other programming to help manufacturers succeed
Business Attraction & Economic Development

- **First Wave Closing Fund** – provides $1.5M to offer state economic development officials with flexibility when working with businesses interested in locating to or expanding in RI.

- **Air Services Development Fund** – adds $500,000 to provide incentives to airlines interested in launching new routes or increasing service to T.F. Green Airport.

- **I-195 Development Fund** – $10.1M from one-time debt service savings to resupply the Fund, designed to catalyze development & attract anchor employers to I-195 land.
Business Attraction & Economic Development

- **Rebuild RI** – maintains funding at $20M per year to continue to leverage private funds to spur real estate development

- **Local Agriculture & Seafood Act** – increases funding by $100,000 to allow more small businesses in food sector to receive development grants

- **Real Jobs RI** – maintains commitment to demand-driven workforce and economic development initiative, ensuring RI employers have the talent they need to compete & grow while providing targeted education and skills training to RI workers
Customer-Oriented Services & Regulations

- **Implementation Of New APA Requirements** – policy fellows will assist the Office of Regulatory Reform & Secretary of State’s Office to review every existing regulation & create an online, indexed & searchable code of state regulations

- **Technical Assistance Grants** – adds $250,000 in grants for technical expertise to help 4 to 6 cities and towns improve zoning processes & streamline local permitting processes

- **Reduce Permit Time** – adds 2 environmental scientists to Office of Water Resources to reduce permit & compliance time for storm water & pollution compliance

- **DMV Staff** – adds 8 staff to DMV to address wait times
FY 2017 Revised Budget Plan

Protecting Health & Safety
Criminal Justice Reform

Established by Executive Orders 15-11 & 15-14, the Justice Reinvestment Working Group & Overdose Prevention and Intervention Task Force developed recommendations supported by the following investments:

- **Public Defender Mental Health Program** – $185,000 to ensure better access to mental health public services while reducing strain on health care systems, first responders, the Judiciary and Department of Corrections

- **Corrections Mental Health Professionals** – adds $410,000 to improve mental health services at the ACI by funding new clinical social workers & improving discharge planning for prisoners with behavioral health issues

- **Recovery Housing** – $200,000 to provide 60 beds for individuals with behavioral health care issues & criminal justice histories in 10 recovery houses

- **Domestic Violence Intervention** – adds $100,000 to address 2 goals:
  - Train program facilitators & staff on evidence-based treatments to reduce instances of intimate partner domestic violence
  - Subsidize participation costs for indigent participants
Seniors & Environment

**Supporting Seniors**
- Home Health & Developmental Disability (DD) Worker Raises – $11M in combined state & federal funds to raise wages for home-care and DD workers by about 7% and 5%, respectively.
- Low-Income Elderly & Disabled – $300,000 on pilot program offering free 10-trip RIPTA tickets for some individuals who were previously able to ride without paying a fare

**Recreation, Health & Environment**
- Conservation Districts ($50,000)
- Volvo Ocean Race ($775,000)
- Electric Vehicle Grant ($250,000)
- Streamline Lead Authority – consolidate authority for Lead Poisoning Prevention Program under DOH
Recreation & Health Funding

• Increase Cigarette Tax to $4.25 per pack
  o Will generate approx. $8.7M in general revenue
  o Works to curb youth smoking rates
  o $2.5M placed in Outdoor Recreation Council-recommended fund for:
    ▪ Local recreation matching grants
    ▪ State & local recreation programming
    ▪ Recreation capital funding & maintenance
    ▪ Park staffing & administration
  o $500,000 would be used to fund anti-smoking media campaigns, targeted cessation efforts & policy work related to reducing tobacco use
FY 2018 Budget Plan

Prioritizing Fiscal Responsibility
Medicaid Reforms

- **Healthy Aging Initiative** – generates savings on administrative fees for the State Integrated Care Initiative (ICI) and invests in home- and community-based care

- **Medicaid Providers & Managed Care Rate Changes** – freezes rates for hospitals, nursing homes & admin portion of Medicaid managed care org. payments
  - 1% rate cut for hospitals, beginning Jan. 1, 2018
  - Reduces Upper Payment Limit (UPL) payments to hospitals by 50%
  - Improves cost incentives for all federally qualified health centers

- **Improve Program Integrity**
Government Efficiency Initiatives

- **Public Safety Consolidation** – EMA merged into DPS to provide single, consolidated agency focused on protecting RI. Civilian head of the Department is added to oversee policy & management across all divisions.

- **Eleanor Slater Hospital Reorganization** – consolidates certain DCYF youth detention populations at Training School, freeing up space for hospital patients & increasing efficiencies at BHDDH.

- **DCYF System of Care Reprocurement** – as part of continued comprehensive reforms at DCYF, reprocurement of services for children is allowing the Department to reduce spending in certain areas and reinvest savings into new services designed to help find a permanent home for children more quickly.
Fiscal Improvements

- **Remote Seller Sales Tax Collection** – Collects $34.7M in additional sales tax revenue by adding tools to enforce existing law & collect sales tax revenue from companies without a physical presence in RI

- **Worker’s Comp Outsourcing** – $1.25M in savings by engaging private manager to better manage claims, provide robust worker safety programs & focus on enabling more injured employees to return to work

- **E-Procurement** – $350,000 in savings from implementing modern online purchasing system, allowing vendors to bid electronically 24/7/365

- **Fully fund PILOT** – adds $3.2M to Payment In Lieu Of Taxes (PILOT) program to fully fund program & offset municipal property tax losses of nonprofit & gov’t property owners

- **Fraud Detection & Prevention** – continues this initiative w/additional $3.5M in savings via use of enhanced technology
Overview
Overview – FY 2018 Budget Plan

FY 2018 Budget Statement

- Projected Opening Surplus of $78M is $89.8M less than what is built into the FY 2017 Revised Budget
- FY 2018 General Revenue expenditures are projected to increase by $92.3 million over FY 2017 revised spending
- Resolves a projected $66.2M deficit

General Revenues

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 Revised</th>
<th>FY 2018 Governor</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening</td>
<td>$167.8</td>
<td>$78.0</td>
<td>($89.8)</td>
</tr>
<tr>
<td>Reappropriations</td>
<td>$7.8</td>
<td>$0.0</td>
<td>($7.8)</td>
</tr>
<tr>
<td>Revenues</td>
<td>$3,719.4</td>
<td>$3,832.6</td>
<td>$113.3</td>
</tr>
<tr>
<td>Rainy Day</td>
<td>($116.6)</td>
<td>($117.3)</td>
<td>($0.7)</td>
</tr>
<tr>
<td>Expenditures</td>
<td>($3,700.4)</td>
<td>($3,792.7)</td>
<td>($92.3)</td>
</tr>
<tr>
<td>Closing</td>
<td>$78.0</td>
<td>$0.6</td>
<td>($77.4)</td>
</tr>
</tbody>
</table>

(in millions)
How is the deficit resolved? – FY 2018

<table>
<thead>
<tr>
<th>FY 2018 Governor’s Recommended Budget</th>
<th>(in millions $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Services Projected Deficit</td>
<td>($184.8)</td>
</tr>
<tr>
<td>November Revenue Estimating Conference</td>
<td>$43.4</td>
</tr>
<tr>
<td>November Caseload Estimating Conference</td>
<td>($2.8)</td>
</tr>
<tr>
<td>FY 2017 Carry Forward</td>
<td>$78.0</td>
</tr>
<tr>
<td>Less Transfer to Rainy Day Fund</td>
<td>($3.6)</td>
</tr>
<tr>
<td>Revised Projected Deficit</td>
<td>($69.9)</td>
</tr>
</tbody>
</table>

### Net Tax and Fee Changes

<table>
<thead>
<tr>
<th>Tax and Fee Changes</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Sales Tax Initiative</td>
<td>$34.7</td>
</tr>
<tr>
<td>Increase Cigarette Tax by $0.50 per pack</td>
<td>$8.7</td>
</tr>
<tr>
<td>Manufacturing Investment Tax Credit</td>
<td>($3.3)</td>
</tr>
<tr>
<td>Job Training Tax Credit</td>
<td>($2.0)</td>
</tr>
<tr>
<td>Other Net Revenue Changes</td>
<td>($2.3)</td>
</tr>
</tbody>
</table>
How is the deficit resolved? – FY 2018

<table>
<thead>
<tr>
<th>FY 2018 Governor’s Recommended Budget</th>
<th>(in millions $)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditure Changes</strong></td>
<td></td>
</tr>
<tr>
<td>Debt Service Savings (refinancing/38 Studios Settlement)</td>
<td>($15.7)</td>
</tr>
<tr>
<td>Rhode Island Promise</td>
<td>$10.0</td>
</tr>
<tr>
<td>General Government</td>
<td>($9.6)</td>
</tr>
<tr>
<td>Commerce</td>
<td>$14.7</td>
</tr>
<tr>
<td>Health &amp; Human Services</td>
<td>($46.3)</td>
</tr>
<tr>
<td>Education</td>
<td>$15.3</td>
</tr>
<tr>
<td>Public Safety &amp; Environment</td>
<td>$11.7</td>
</tr>
<tr>
<td><strong>Transfers &amp; Other Operational Changes</strong></td>
<td></td>
</tr>
<tr>
<td>Net Transfers with Quasi-Publics &amp; Other Accounts</td>
<td>$14.1</td>
</tr>
<tr>
<td>Taxation Data Analytics and Enhanced Enforcement</td>
<td>$2.0</td>
</tr>
<tr>
<td>Less Transfer to Rainy Day Fund</td>
<td>($1.6)</td>
</tr>
<tr>
<td><strong>Projected Ending Balance</strong></td>
<td>$0.6</td>
</tr>
</tbody>
</table>
Investing in Growth, Controlling Costs

Governor's FY 2018 Budget Reduces Out-Year Deficits

- FY 2016 Deficit Forecast (Mar 2015)
- FY 2017 Deficit Forecast (Feb 2016)
- FY 2018 Deficit Forecast (Jan 2017)
### Where Does it Come From?

**FY 2018 Recommended All Funds Expenditures by Source**

*(Dollars in millions)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Transfers from Other Funds</td>
<td>$252.2</td>
</tr>
<tr>
<td>Restricted Receipts</td>
<td>$273.8</td>
</tr>
<tr>
<td>Other Funds</td>
<td>$2,268.6</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$3,081.8</td>
</tr>
<tr>
<td>General Revenue</td>
<td>$3,792.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,000.0</strong></td>
</tr>
</tbody>
</table>
Overview – FY 2018 Budget Plan

Where Does it Go?

FY 2018 Recommended All Funds Expenditures by Function
(Dollars in millions)

- Natural Resources: $118.5
- Transportation: $510.5
- Public Safety: $608.0
- General Government: $1,941.6
- Education: $2,593.4
- Health and Human Services: $3,897.2