



SENATE FISCAL OFFICE
ISSUE BRIEF

**FY2020 Budget as Passed by the House of Representatives
(2019-H-5151 Substitute A as amended)**

JUNE 24, 2019

The following report provides a summary of the floor amendments to 2019-H-5151 Substitute A as amended, as passed by the House of Representatives. The table below summarizes the FY2020 appropriations as included in the amended legislation.

Expenditures by Source	FY2019 Enacted	FY2019 Governor	FY2019 Supp.	Change to Governor	FY2020 Governor	FY2020 Budget	Change to Governor
General Revenue	\$3,908.2	\$3,947.1	\$3,933.8	(\$13.2)	\$4,075.1	\$4,077.6	\$2.5
Federal Funds	3,208.2	3,339.6	3,334.5	(5.1)	3,318.7	3,325.4	6.7
Restricted Receipts	281.8	294.3	287.1	(7.2)	301.5	311.4	9.9
Other Funds	2,174.5	2,227.8	2,191.0	(36.8)	2,234.8	2,256.3	21.5
Total	\$9,572.7	\$9,808.8	\$9,746.4	(\$62.4)	\$9,930.0	\$9,970.6	\$40.6
FTE Authorization	15,209.7	15,230.7	15,221.7	(9.0)	15,413.7	15,074.7	(339.0)

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

GENERAL REVENUE BUDGET SURPLUS STATEMENT

	FY2017	FY2018	FY 2019	FY 2020
Opening Surplus				
Free Surplus	\$167,818,206	\$61,660,230	\$52,525,379	\$25,464,117
Reappropriated Surplus	7,848,853	10,338,899	10,057,409	-
Subtotal	\$175,667,059	\$71,999,129	\$62,582,788	\$25,464,117
Revenues				
Enacted/Actual/Estimated	3,675,827,389	3,908,384,435	3,998,485,298	3,950,250,000
Governor			10,786,873	248,637,451
Assembly			9,585,014	(20,158,780)
Total Revenues	\$3,684,357,619	\$3,908,384,435	\$4,018,857,185	\$4,178,728,671
To Cash Stabilization Fund	(115,565,275)	(119,101,340)	(122,141,477)	(126,125,784)
From Cash Stabilization Fund				
Expenditures				
Actual/Enacted/Current Svcs.	3,686,469,015	3,798,699,436	3,908,207,061	4,107,591,973
Reappropriations			10,057,409	
Governor			28,787,783	(32,498,834)
Assembly			(13,217,874)	2,501,852
Total Expenditures	\$3,672,460,275	3,798,699,436	\$3,933,834,379	\$4,077,594,991
Total Surplus	71,999,128	62,582,788	25,464,117	472,013
Reappropriations		(10,057,409)		
Free Surplus	\$71,999,128	52,525,379	\$25,464,117	\$472,013
Operating Surplus/(Deficit)	(95,819,078)	922,558	(27,061,262)	(24,992,104)
Rainy Day Fund	\$192,608,791	\$198,502,233	\$203,619,128	\$210,083,139

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ARTICLE 1: RELATING TO MAKING APPROPRIATIONS IN SUPPORT OF FY2020 (LC000858/12)

The Budget includes the following change to FY2020 revenues:

Quasi-Public Transfers

The Budget requires that the RI Commerce Corporation (CommerceRI) transfer \$5.0 million from the First Wave Closing Fund, \$3.5 million more than recommended by the House Finance Committee. This Fund is intended to support economic development by providing “gap financing” for certain types of projects. The incentive program has been appropriated \$15.3 million since it was established in FY2016 and has awarded only \$2.4 million. The fund will have a balance of \$7.9 million, inclusive of this transfer.

Agency	Transfers from Quasi-Public Agencies			
	Governor FY2020	HFC FY2020	House Floor FY2020	Change to HFC
RI Infrastructure Bank	\$4.0	\$4.0	\$4.0	-
RI Housing	1.5	1.5	1.5	-
RI Student Loan Authority	1.5	1.5	1.5	-
CommerceRI - First Wave	-	1.5	5.0	3.5
Quonset Development Corp.	-	1.2	1.2	-
Total	\$7.0	\$9.7	\$13.2	\$3.5

\$ in millions

The Budget changes FY2020 appropriation for the following departments:

Department of Administration

The Budget includes a net decrease of \$262,000 in general revenue, reflecting:

- The addition of \$100,000 for library aid to support additional funding for libraries, along with a shift of \$100,000 previously listed to fund a community service objective grant for the Rhode Island Library Association to state library aid.
- General revenue savings of \$362,000 reflecting a reduction of general obligation bond debt service costs based on an issuance that occurred in April 2019.

Language was also added to Article 1 specifying that \$343,000 in Information Technology Investment Funds are to be used for initial information technology license plate reissuance costs at the Division of Motor Vehicles.

Legislature

The Budget reduces general revenue by \$200,000 for the Legislature, for a total reduction of \$950,000 from the Governor’s recommendation.

Executive Office of Commerce

The Budget restores \$1.0 million for the proposed Site Readiness program at the Executive Office of Commerce. The funding will support 2.0 existing FTE positions dedicated to a new program proposed by the Governor to address municipal-related obstacles to economic and site development.

Executive Office of Health and Human Services

The Budget removes \$1.0 million in State-only Medicaid funding for the Cortical Integrative Therapy (CIT) program. CIT is a specialized rehabilitative treatment for certain brain disorders and injuries. The federal government has denied the State’s request for Medicaid matching funds for CIT due to a lack of evidence surrounding its efficacy as a medical treatment.

Department of Children, Youth, and Families

The Budget adds \$500,000 to support the accreditation of the Department of Children, Youth, and Families (DCYF) by the Council on Accreditation (COA), a national human service accrediting organization.

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Funding supports the application fee, accreditation process, and incidental personnel costs within DCYF. Any balance remaining as of June 30, 2020, will be appropriated to FY2021.

Department of Human Services

- The Budget allocates \$200,000 to restore funding for a Violence Reduction Strategy Program within the Institute for the Study and Practice of Nonviolence. No additional funds were added to the DHS budget, only language designating funds for the Institute.
- The Budget adds \$140,000 in general revenues for elderly respite care services, bringing total funding for respite services to \$325,000 in FY2020. Respite services allow family caregivers to arrange for a break from their daily caretaking routines. Respite care services include in-home respite care, adult day centers, and residential respite care.
- The Budget adds language specifying that \$200 in the Office of Veterans Services is to pay a Vietnam bonus to James A. Falcon of 50 Jay Street, East Providence, Rhode Island, who served in the U.S. Navy during the Vietnam Conflict. In 1978 the State established a fund to pay \$200 bonuses to Vietnam veterans; however, this fund has since been dissolved. This specific language allows for a one-time payment, consistent with the original program criteria.

Behavioral Healthcare, Developmental Disabilities, and Hospitals

The Budget includes an additional \$1.5 million in general revenue (\$3.2 million all funds), to provide an increase in wages for Direct Support Professionals (DSPs) who support individuals with intellectual and/or developmental disabilities (I/DD). With the amendment, \$4.5 million in additional general revenue (\$9.5 million all funds) is provided in FY2020. The funds will enable wage increases on October 1, 2019.

Elementary and Secondary Education

The Budget adds language to clarify that early childhood funds shall prioritize four-year olds whose family income is at or below 185.0 percent of the federal poverty guidelines and who reside in communities with higher concentrations of low performing schools.

Public Higher Education

The Budget adds \$600,000 in general revenue support for Rhode Island College (RIC) for a total increase of \$1.5 million relative to the Governor's recommendation.

Department of Environmental Management

An additional \$300,000 in Rhode Island Capital Plan (RICAP) funds are added for the Blackstone Valley Park Improvements project.

FY2020 FTE CHANGES TO THE GOVERNOR

The Budget includes total of 15,074.7 FTE positions, 339.0 FTE positions less than proposed by the Governor.

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FTE POSITION CAP AND APPROVAL

Government Function	FY2019 Enacted	FY2019 Revised	Change to Enacted	FY2020 Governor	FY2020 Enacted	% of Total	Change to Governor	Change to Enacted
General Government	2,438.9	2,438.9	-	2,513.9	2,406.9	16.0%	(107.0)	(32.0)
Human Services	3,682.6	3,695.6	13.0	3,711.6	3,556.6	23.6%	(155.0)	(126.0)
Education	3,959.4	3,959.4	-	3,706.2	3,953.4	26.2%	247.2	(6.0)
Public Safety	3,160.0	3,159.0	(1.0)	3,210.0	3,190.0	21.2%	(20.0)	30.0
Natural Resources	425.0	425.0	-	436.0	424.0	2.8%	(12.0)	(1.0)
Transportation	755.0	755.0	-	785.0	755.0	5.0%	(30.0)	-
Subtotal	14,420.9	14,432.9	12.0	14,362.7	14,285.9	94.8%	(76.8)	(135.0)
Sponsored Research	788.8	788.8	-	606.0	788.8	5.2%	182.8	-
Total FTE Positions	15,209.7	15,221.7	12.0	14,968.7	15,074.7	100.0%	106.0	(135.0)

Higher Education Auxiliary Enterprise								
Auxiliary Enterprise	0.0	0.0	-	445.0	0.0	0.0%	(445.0)	-
Grand Total	15,209.7	15,221.7	12.0	15,413.7	15,074.7	1.0	(339.0)	(135.0)

Public Utilities Commission

1.0 FTE

The Budget increases the number of authorized FTE positions within the Public Utilities Commission as compared to the number recommended by the House Finance Committee by 1.0 FTE position. The increase is the result of restoring turnover.

Elementary and Secondary Education

4.0 FTE

The Budget adds 4.0 FTE positions including one each for literacy, leadership, school improvement and STEM curriculum. Funding for these positions was included in the version that passed the House Finance Committee.

ARTICLE 2: RELATING TO STATE FUNDS (LC000859/9)

The Budget includes language to tighten financial controls around potential departmental overspending. The floor amendment clarifies that the Governor may make supplemental appropriations requests at any time of the fiscal year, provided that within the request the budget must remain balanced. The amendment makes two technical changes as well.

ARTICLE 3: RELATING TO GOVERNMENT REFORM (LC000860/10)

The amendment makes minor technical and drafting corrections.

ARTICLE 5: RELATING TO TAXES, REVENUES, AND FEES (LC000862/5)

The Budget makes various statutory construction, grammatical, and technical corrections to the language in the article.

ARTICLE 12: RELATING TO ECONOMIC DEVELOPMENT (LC000869/27)

The Budget includes a number of changes to economic development initiatives, including:

Rebuild RI Tax Credit

The Budget includes several additional changes to the Rebuild RI Tax Credit program, including:

- **Aggregate Tax Credit and Sales Tax Exemption Limit:** The Budget increases the aggregate cap on the amount of tax credits and sales tax exemptions that may be issued to \$210.0 million. Current law sets the cap at \$150.0 million for tax credits only. The Budget as passed by the House Finance Committee raised this cap to \$200.0 million, including sales tax exemptions.

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- **Per-Project Tax Credit and Sales Tax Exemption Limit:** The Budget provides a special exemption to the \$15.0 million per-project cap on the combined amount of tax credits and sales tax exemptions that may be issued. This special exemption is applicable only to the project on parcels 42 and P4 that the I-195 Redevelopment District has been authorized to enter into a purchase and sale agreement for. The exemption allows combined credits and exemptions up to \$25.0 million. This project also does not count towards the overall program cap of \$210.0 million.

Reauthorization of Economic Development Incentives

The Budget authorizes the following incentives for an additional 6 months:

- Rebuild RI
- Rhode Island Tax Increment Financing
- Tax Stabilization Incentive
- First Wave Closing Fund
- I-195 Redevelopment Project Fund
- Small Business Assistance Fund
- Wavemaker Fellowship program
- Main Street Rhode Island Streetscape Improvement Fund
- Innovation Initiative
- Industry Cluster Grants
- High School, College, and Employer Partnerships
- Air Service Development Fund
- Qualified Jobs Incentive

Each of these programs were set to expire on June 30, 2020. Article 12 extends their authorization through December 31, 2020.

Special Economic Development Districts

The Budget repeals the requirement that the I-195 Redevelopment District oversee, plan, implement, and administer the development of areas within the district consistent with and subject to the City of Providence's comprehensive plan and the City's ordinances. Similarly, the Budget repeals the requirement that the District exercise its powers in a manner consistent with the comprehensive plan and ordinances. The removal of this language clarifies and removes contradictory language to the intent of establishing the I-195 Redevelopment District as a special economic district as authorized under RIGL 45-24.6-4.

Small Business Development Fund

The Budget includes the following changes to the new Small Business Development program:

- **Carried Forward Limit:** The Budget limits the number of years that tax credits issued under the program may be carried forward to seven years.
- **Strengthens Reporting Requirements:** The Budget strengthens reporting requirements on the program, including:
 - Requiring small business funds to provide a report to the CommerceRI on the first, second, and third anniversary of the fund's establishment. The report must contain information on the fund's financial information and job creation data related to the fund's investments.

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- Requiring CommerceRI to provide a report to the Speaker of the House, President of the Senate, House and Senate Finance Chairs, and the General Treasurer no later than September 30th. The annual reports must contain information on program implementation, investments made, fund performance, and economic impact of the investment.
 - **Technical Corrections:** The Budget also makes various statutory construction corrections and other technical changes to the Small Business Development Fund language in the article.

ARTICLE 13: RELATING TO HUMAN SERVICES (LC000870/39)

The Budget makes a number of substantive changes to the administration of human service programs. The amendment:

- Restores language which was removed by the House Finance Committee to clarify the definition of the lifetime limit under the RI Works program. Under current law, beneficiaries are not allowed to receive cash assistance for more than 24 months (consecutive or not) within 60 continuous months. The amendment eliminates this constraint, but retains the 48 month lifetime limit beneficiaries are eligible for cash assistance.
- Includes personal care attendants (PCAs) in the list of long-term care providers entitled to an annual rate inflator. The May 2019 Caseload Estimating Conference assumed that PCAs would receive an inflation-based rate increase in FY2020; therefore, this change does not have a budget impact. The language includes PCAs explicitly, at the request of the provider community, in order to prevent the language from being interpreted in such a way that they are excluded when the rates are finalized.
- Requires that the Department of Children, Youth, and Families (DCYF) be accredited by the Council on Accreditation (COA), a national human service accrediting organization. The article requires DCYF to initiate the application process with COA by September 1, 2019, and create an accreditation plan detailing the necessary staffing and operational changes to be made in order to achieve full accreditation. The plan shall be submitted to the Governor, Speaker of the House, President of the Senate, and several house and senate committees by October 1, 2020. Article 1 includes \$500,000 to begin this process.
- Requires registration payments for opioid manufacturers/distributors to be made on an annual basis, rather than quarterly as originally proposed. Annual reports are to be submitted by April 15th, and payments made by the last day of each year. The amendment provides an exception for in-State opioids transferred within a company, to ensure that internal transfers are not double-counted.

ARTICLE 15: RELATING TO MARIJUANA (LC000872/12)

The Budget includes a number of changes to regulations on cannabidiol (CBD) products and the medical marijuana program. These include:

Cannabidiol (CBD) Products

- Eliminates the Hemp Licensing Account and the requirement that hemp license fees be directed to the Department of Business Regulation to defray costs of enforcement.
- Clarifies that CBD growers and handler license holders are eligible to be issued one CBD retailer license at no additional fee.

Medical Marijuana

- Requires all CBD and medical marijuana rules and regulations proposed by the Department of Business Regulation (DBR) and the Department of Health (DOH) gain approval by the General Assembly prior to enactment rather than through public comment.

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- Eliminates the caregiver license requirement for patients to grow medical marijuana, but continues to require plant tags for the growth of medical marijuana.
 - Eliminates protections for certified school nurse teachers for administering non-smokable and non-vaporized forms of medical marijuana in school settings to registered patients.

Analyst Note: Floor Amendment LC000872/13 restores protections for certified school nurse teachers for administering non-smokable and non-vaporized forms of medical marijuana in school settings to registered patients.

- Prohibits certain relationships with marijuana establishment licensees including shared management companies or agreements, and familial or business relationships.
- Makes minor technical and drafting corrections.

ARTICLE 16: RELATING TO CENTRAL FALLS RETIREES' BENEFICIARIES (LC000763/2)

The Budget includes a new article amending RIGL 45-21-67 to add language that upon the death of a Central Falls retiree covered under the Central Falls Police and Fire Pension System, their beneficiary shall receive 67.0 percent of the retirees' base pension benefit. The State currently makes supplementary payments for certain Central Falls retirees. The change would allow additional pay-as-you-go payments which the actuary projects would last for 60 years. Total annual payments by the State would average about \$14,000 per year, with \$3,456 required in the first year. No funding was added for FY2020 as the current Central Falls pension support payment (\$305,018) is sufficient to cover the additional expenses.